NICO HOLDINGS PLC

Consolidated and Separate Financial Statements
for the year ended
31 December 2021

NICO HOLDINGS PLC
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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NICO HOLDINGS PLC
DIRECTORS' REPORT
For the year ended 31 December 2021

The directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of NICO Holdings plc (the Group) for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES OF THE GROUP

The activities of the Group are general insurance, life assurance, pension administration, banking, asset management, corporate finance advisory,and information technology. NICO Holdings plc shareholding structure in subsidiary, associate and joint venture companies is as follows: -

Name of subsidiary	% Holding	Type of business
NICO Insurance (Zambia) Limited	51.00	Short term insurance
NICO General Insurance Company Limited	51.00	Short term insurance
NICO Life Insurance Company Limited	51.00	Life insurance
NICO Pension Services Limited	51.00	Pension administration
NICO Capital Limited	100.00	Corporate finance Advisory
NBS Bank plc	50.10	Banking
NICO Technologies Limited	100.00	Information technology
NICO Asset Managers Limited	100.00	Asset management
Group Fabricators & Manufacturers Limited	100.00	Property holding

Name of Associate	% Holding	Type of business
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

Name of Joint Venture	% Holding	Type of business
Eris Properties (Malawi) Limited	50.00	Property management and development

REGISTERED OFFICE

The Physical address of NICO Holdings plc's registered office is:
Chibisa House
19 Glyn Jones Road
P O Box 501
Blantyre
MALAWI

FINANCIAL PERFORMANCE

The results and state of affairs of the Group are set out in the accompanying consolidated and separate financial statements which comprise the consolidated and separate statements of financial position, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended and associated accounting policies and notes.

CORPORATE GOVERNANCE

The Group embraces best practices in corporate governance as enshrined in the Malawi Code II: Code of Best Practice in Corporate Governance in Malawi ("the Malawi Code/the Code"). The Board adopted the Malawi Code and periodically assesses compliance with the Code. The Board is also committed to comply with all applicable laws and regulations. The Group has a clearly defined governance framework which is reviewed from time to time to ensure effective oversight by the Board.

CORPORATE GOVERNANCE (Continued)

The Board and subcommittees have a written charter and terms of references respectively which include the material points as required under the corporate governance instruments. All the subcommittees are chaired by a Non-Executive Director and the Company Secretary has a key role in Corporate Governance. The Board as a whole, the subcommittees and the directors individually have access to the advice and services of the Company Secretary on how their responsibilities can be properly discharged in the best interest of the Group and in compliance with laws, regulations, and corporate governance standards.

PROFIT

The profit for the year attributable to the owners of the Group of K9.8 billion (2020: K10 billion) has been added to retained earnings.

DIVIDEND

During the year, the Group paid an interim dividend of K782 million at K0.75 per share (2020: K699 million at K0.67 per share). The Group paid a special dividend of MK521 million in commemoration of the 50th Anniversary of NICO Group existence. The Board will make a recommendation to pay a second interim dividend of K1 460 million at K1.40 per share (2020: K1 179 million at K1.13 per share). The directors will be recommending a final dividend of K626 million at K0.60 per share (2020: K521 million at K0.50 per share) at the forthcoming Annual General Meeting. The total dividend payable for the year will be K3 389 million at K3.25 per share (2020: K2 399 million at K2.30 per share).

STAFFING

Staff complement for the Group stood at 1 140 as at 31 December 2021 (2020: 1 081). Human resource remains a major and key factor to the success of the Group. The Group, therefore, remains committed to professionalism by developing staff to their full potential. The Group has maintained staff development programs through training both locally and internationally.

BOARD OF DIRECTORS AND SECRETARY

Mr. Gaffar Hassam	-	Chairman
Mr. Harold Bijoux	-	Non-executive Director
Mr. Sangwani Hara	-	Non-executive Director
Ms. Catherine Lesetedi	-	Non-executive Director
Mr. Robert Mdeza	-	Independent and Non-executive Director
Ms. Candida Nakhumwa	-	Independent and Non-executive Director
Mrs. Natasha Nsamala	-	Independent and Non-executive Director
Mr. Robert Scharar	-	Non-executive Director
Dr. Elias Ngalande	-	Independent and Non-executive Director (from 23 December 2021)
Mr. Vizenge Kumwenda	-	Group Managing Director
Ms. Emily Makuta	-	Group Company Secretary (up to 28 July 2021)
Ms. Angela Kandani	-	Company Secretary (from 28 July 2021)

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

At the annual general meeting of the company, one third of the directors (excluding executive directors and directors appointed by a shareholder in exercise of its rights by virtue of holding 10% or more in nominal value of the issued share capital of the company) or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office and can be re-elected if they are available.

SHAREHOLDING STRUCTURE

	2021 %	2020 %
Africap LLC (American)	27.91	27.91
Botswana Insurance Holdings Limited (Botswana)	25.10	25.10
NICO Company Employees Share Ownership Scheme (Malawian and Foreign)	1.10	1.10
General Public (Malawian and Foreign)	45.89	45.89
	100.00	100.00

BOARD MEETINGS

The Board meets quarterly. Ad-hoc meetings are held when necessary. The directors are provided with comprehensive board documentation at least seven days prior to each of the scheduled meetings.

Main Board meetings - Meeting Attendance

Members	26 Mar 21	03 Jun 21	27 Aug 21	02 Dec 21
Mr. Gaffar Hassam (Chairman)	√	√	√	√
Mr. Harold Bijoux	√	√	√	√
Mr. Sangwani Hara	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√
Ms. Catherine Lesetedi	√	√	√	√
Mr. Robert Scharar	√	√	√	√
Mr. Robert Mdeza	√	√	√	√
Ms. Natasha Nsamala	√	√	√	√
Ms. Candida Nakhumwa	√	√	√	√

Key:
√ = Attendance
A = Apology
N = Not a member

BOARD COMMITTEES
Board committees were established to ensure that the Board discharges its duties effectively in accordance with principles of good corporate governance.

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

AUDIT COMMITTEE

The Audit committee is responsible for reviewing annual reports and Group financial statements. This committee also monitors the adequacy of accounting and internal control systems. The committee oversees the work of both the external and internal auditors. The committee consists of five non-executive directors. The Group Managing Director, internal and external auditors attend by invitation. The committee meets four times in a year. The members of the Finance and Audit Committee were as follows:

Mr. Gaffar Hassam	(Chairperson) (up to 1st June 2021)
Ms. Natasha Nsamala	(Chairperson) (from 1st June 2021)
Mr. Harold Bijoux	(Member)

AUDIT COMMITTEE (Continued)

Mr. Sangwani Hara	(Member)
Mr. Robert Mdeza	(Member)

The committee met four times during the year.

Audit Committee- Meeting Attendance

Member	**24 Mar 21**	**01 Jun 21**	**25 Aug 21**	**30 Nov 21**
Mr. Gaffar Hassam	√	N	N	N
Mr. Harold Bijoux	√	√	√	√
Mr. Sangwani Hara	√	√	√	√
Ms. Natasha Nsamala	√	√	√	√
Mr. Robert Mdeza	√	√	√	√

Key:
√ = Attendance
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GROUP APPOINTMENTS AND REMUNERATION COMMITTEE

The Group Appointments and Remuneration Committee is an independent Board Committee for oversight on matters relating to appointments and remuneration of management and staff. The committee also reviews candidates for Board Appointments at individual Company and Group level. The committee consists of seven non-executive Directors and the Group Managing Director. The Group Operations Executive sits as director representing NICO Asset Managers Limited. The committee meets at least four times in a year.

The members of the Group Appointments and Remuneration Committee are:

Ms. Doreen Chanje*	(Chairperson)
Mr. Chifundo Chiundira**	(Member)
Mr. Gaffar Hassam	(Member)
Mr. Robert Mdeza	(Member)
Dr. Candida Nakhumwa	(Member)
Mr. Robert Scharar	(Member)
Ms. Daisy Kambalame*	(Member) (up to 5 March 2021)
Mr. Isaac Songea	(Member) (from 11 March 2021)
Dr. Mathews Mtumbuka*	(Member)
Mr. Tayemu Masikini*	(Member) (from 6th August 2021)
Mr. Vizenge Kumwenda	(Member)

*Doreen Chanje is a NICO General Company Director representing the company's interest, Mr. Isaac Songea replaced Ms. Daisy Kambalame as a director representing the interest of NICO Life Insurance Company Limited. Mr. Tayemu Masikini is a NICO Technologies Limited Director representing the company's interest and Dr. Mathews Mtumbuka is a NICO Pensions Services Limited Director representing the company's interest on the Group Appointments and Remuneration Committee.

**Mr. Chifundo Chiundira is a member of this committee representing the interest of NICO Asset Managers Limited, he sits on the Board of NICO Asset Managers Limited.

The committee met five times during the year.

Group Appointments and Remuneration Committee - Meeting Attendance

Members	**05-Mar-21**	**11-Mar-21**	**20-May-21**	**19-Aug-21**	**15-Nov-21**
Mr. Robert Scharar	√	√	√	√	√
Ms. Doreen Chanje	√	√	√	√	√
Mr. Chifundo Chiundira	√	√	√	√	√
Mr. Gaffar Hassam	√	√	√	√	√
Mr. Robert Mdeza	√	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√	√
Ms. Daisy Kambalame	√	N	N	N	N
Mr. Isaac Songea	N	√	√	√	√
Dr. Mathews Mtumbuka	√	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√	√
Mr. Tayemu Masikini	N	N	N	√	√

Key:
√ = Attendance
A= Apology
N= Not a Member

GROUP INVESTMENTS COMMITTEE

The Group Investments Committee is responsible for the review and approval of investment proposals, like equity, property, money market and other long-term investments. It consists of five non-executive directors. The Group Managing Director attends by invitation. The members of the Group Investments Committee are: -

Mr. Sangwani Hara	(Chairperson)
Mr. Harold Bijoux*	(Member)
Mr. Gaffar Hassam	(Member)
Ms. Catherine Lesetedi	(Member)
Ms. Natasha Nsamala	(Member)
Mr. Ryan Scharar*	(Member)

The committee met two times during the year:

Members	**16 Mar 21**	**24 May 21**
Mr. Sangwani Hara	√	√
Mr. Harold Bijoux *	√	√
Mr. Gaffar Hassam	√	√
Mr. Ryan Scharar	√	√
Ms. Catherine Lesetedi	√	√

Key:
√ = Attendance
A= Apology
N= Not a Member

* Mr. Harold Bijoux is a NICO General Company Limited Director representing the company's interest and Mr. Ryan Scharar is a NICO Life Insurance Company Limited Director representing the company's interest on the Group Investments Committee.

The Group Investments Committee was dissolved, and it was resolved by the main board that investments matters be handled by individual companies' boards or investment committees in those companies. At Group level relevant matters will be handled by the main board.

GROUP RISK COMMITTEE

The Group Risk Committee is responsible for overseeing risk management in the Group and providing direction on matters of risk for the Group. It consists of four Non-Executive Directors. The Group Managing Director attends by invitation. The composition of the committee is as follows:

Ms. Catherine Lesetedi*	(Chairperson)
Dr. Candida Nakhumwa	(Member)
Mr. Jonathan Kara*	(Member)
Mr. Robert Scharar	(Member)
Mr. Anurag Saxena*	(Member)
Mr. Chifundo Chiundira	(Member)
Mr. Tayemu Masikini*	(Member) (from 6 August 2021)

The committee met five times during the year.

Group Risk Committee- Meeting Attendance

Members	**17 Mar 21**	**31 May 21**	**06 Aug 21**	**13 Aug 21**	**11 Nov 21**
Mr. Robert Scharar	√	√	√	√	√
Dr. Candida Nakhumwa	√	√	√	√	√
Mr. Jonathan Kara	√	√	√	√	√
Ms. Catherine Lesetedi	√	√	√	√	√
Mr. Chifundo Chiundira	√	√	√	√	√
Mr. Anurag Saxena	√	√	√	√	√
Mr. Tayemu Masikini	N	N	√	√	√

Key:
√ = Attendance
A = Apology
N = Not a member

* Mr. Jonathan Kara is a NICO General Company Limited Director representing the company's interest and Ms. Catherine Lesetedi is a NICO Life Company Limited Director representing the company's interest and Mr. Tayemu Masikini is a NICO Technologies Director representing the Company's interest and Mr. Anurag Saxena is an NBS Bank plc Director representing the Bank's interest on the Group Risk Committee.

BOARD EVALUATION

Board evaluation is a proactive, best practice by Boards that intend to excel to higher levels of performance. The review seeks to identify specific areas in need of improvement or strengthening. Further, under the corporate governance instruments it is a requirement that the evaluation be conducted annually, and the Group discloses it in its Annual Report that it has been done.

NICO Group conducts Board evaluations by means of self-evaluation of the Boards as a whole. In 2020 an electronic mode of Board Evaluation was introduced.

DIRECTORS' INTERESTS

Mr. Sangwani Hara directly held 39 707 shares (2020: 19 345 shares) in the Company.
Mr. Sangwani Hara indirectly holds 5 000 000 shares through Continental Asset Managers Nominees. (2020: 5 000 000).
Mr. Sangwani Hara indirectly holds 1 200 000 shares through NICO Asset Managers Nominees (2020: 1 200 000).

DIRECTORS' INTERESTS (Continued)

J & J Nsamala Trust held nil shares in the company (2020: 2 916 500). Mrs. Natasha Nsamala is a Trustee in the Trust.

Ubuntu Limited held 219 500 shares in the company (2020: 219 500). Mrs. Natasha Nsamala is a shareholder and Director in Ubuntu Limited.

WOP VJ Trust indirectly held 50 305 142 shares (2020: 50 305 142) in the company. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 18 500 000 of these shares are on account of Continental Asset Managers Nominees.

There were no other contracts between the Company and its Directors nor were there any arrangements to enable the Directors of the Company acquire shares in the Company. Further, no contract of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REGISTER OF INTEREST

1. Mr. Robert Scharar declared his interest in the discussions relating to Wananchi Group Holdings Limited. This was as a result of his involvement in the parent company of Wananchi Group Holdings Limited.
2. Mr. Harold Bijoux declared his interest in discussions relating to Eris Properties Limited (Eris) because he was a non-controlling shareholder in the holding company of Eris.
3. Standing notices of Disclosure for Ms. Catherine Lesetedi for Botswana Insurance Holdings Limited executive position (in which Sanlam has a shareholding) and for the Directorship of NICO Life and NICO Pensions.
4. Standing Notices of Disclosure for Mr. Gaffar Hassam for executive position in Sanlam.

DIRECTORS' REMUNERATION

During the year the total remuneration for executive and non-executive Directors was as analysed below:

		2021 **K'000**	**2020** **K'000**
Directors' remuneration	- Executive (note 14)	377 937	376 377
	- Non- executive (note 14)	257 930	197 111

CONTRACT WITH THE GROUP MANAGING DIRECTOR

The Group engages its Executives on a contract basis. Performance is continually reviewed, and renewal of contracts is based on satisfactory performance. The Board has approved renewal of the contract for the Group Managing Director for another period of five years commencing December 2021. Six months' notice is required for termination and there is no predetermined compensation on termination.

EXTERNAL AUDITORS

A resolution is to be proposed at the forthcoming Annual General Meeting to re-appoint Deloitte as auditors in respect of the audit of the consolidated and separate financial statements for the year ending 31 December 2022.

ADDITIONAL INFORMATION ON INDIVIDUAL COMPANIES

The additional information relating to individual Group Companies is as presented below.

BOARD OF DIRECTORS

The Board of Directors of the various Group Companies are as presented below:

NBS Bank plc

Mr. Vizenge Kumwenda	Chairman
Mr. Anurag Saxena	Independent and Non-executive Director
Mr. Chifundo Chiundira	Non-executive Director
Mr. Harrison Kalua	Independent and Non-executive Director
Dr. Matthews Mtumbuka	Independent and Non-executive Director
Ms. Roselyn Kandiero	Independent and Non-executive Director
Ms. Meg Kajiyanike	Independent and Non-executive Director
Mr. Kudakwashe Mukushi	Non-executive Director
Mr. Emmanuel Banda	Independent and Non-executive Director
Mr. James Masumbu	Independent and Non-executive Director
Mr. Marsha Machika	Company Secretary

NICO Life Insurance Company Limited

Mr. Vizenge Kumwenda	Chairman
Ms. Catherine Lesetedi	Non-executive Director
Mr. Isaac Songea	Independent and Non-executive Director
Mr. John Melrose	Independent non-executive Director
Mr. Ryan Scharar	Non-executive Director
Ms. Daisy Kambalame	Independent and Non-executive Director
Mr. Mayamiko Tembo	Company Secretary

NICO General Insurance Limited

Mr. Chifundo Chiundira	Chairman (from 24th August 2021)
Mr. Harold Bijoux	Chairman up to (24th August 2021)
Ms. Doreen Chanje.	Independent and Non-executive Director
Mr. Leonard Chikadya	Independent and Non-executive Director
Mr. Jonathan Kara	Independent and Non-executive Director
Dr Tobias Doyer	Independent and Non-executive Director
Mr. Maxwel Chilikhuma	Independent and Non-executive Director
Mr. Mayamiko Tembo	Company Secretary

NICO Insurance (Zambia) Limited

Mr. Vizenge Kumwenda	Chairman
Mr. Eric Chapola	Non-executive Director
Ms. Mirriam Chiyaba	Non-executive Director
Mr. Basil Le Grange	Non-executive Director
Dr Tukiya Mabula	Non-executive Director (From 1 August 2021)
Mr. Michael Mundashi	Non-executive Director
Wilson & Cornhill Advocates	Company Secretary

NICO Asset Managers Limited

Mr. Louis Sibande	Director/Chairman (From 18 May 2021/ from 23 August 2021)
Mr. Vizenge Kumwenda	Chairman (up to June 2021)
Mr. Chifundo Chiundira	Non-Executive Director
Mr. Wilson. Chirwa	Independent and Non-executive Director
Mr. John. Suzi Banda	Independent and Non-executive Director
Mr. Ryan Scharar	Non-executive Director
Mr. Kudakwashe Mukushi	Non-executive Director (From 18 May 2021)
Ms. Rute Petautchere	Non-executive Director (From 2 Dec 2021)
Mrs. M Chipembere	Company Secretary

NICO Technologies Limited

Dr. Matthews Mtumbuka	Chairman
Mr. Louis Sibande	Non- executive Director
Mr Tayemu Masikini	Independent non-executive Director
Mr. Eric Chapola	Non- executive Director
Mr. Kwanele Ngwenya	Non- executive Director
Mr. Donbell Mandala	Non- executive Director
Ms. Emily Kwatani	Independent and Non-executive Director
Ms. Angella Kandani	Company Secretary

NICO Pensions Limited

Mr. Vizenge Kumwenda	Chairman
Dr. Mathews Mtumbuka	Non- executive Director
Ms. Phyles Kachingwe	Non- executive Director
Ms. Catherine Lesetedi	Non- executive Director
Mr Alexius Nampota	Non- executive Director
Mr. Mayamiko Tembo	Company Secretary

NICO Capital Limited

Mr. Vizenge Kumwenda	Chairman (From 1 July 2021)
Mr. Gaffar Hassam	Director (From 1 July 2021)
Mr. Robert Scharar	Director (From 1 July 2021)
Ms. Natasha Nsamala	Director (From 1 July 2021)
Dr. Candida Nankhumwa	Director (From 1 July 2021)
Dr. Nyovani Madise	Director (From 1 November 2021)
Ms. Angella Kandani	Company Secretary (From 1 July 2021)

NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration for Non-Executive Directors for the individual Group Companies is as presented below. None of the companies in the Group except NICO Holdings plc has an Executive Director. Remuneration for the Executive Director of NICO Holdings plc is presented in note 14 to the financial statements.

	Name of Company	2021 K '000	2020 K '000
1	NICO Holdings plc	63 924	62 132
2	NBS Bank plc	22 943	23 876
3	NICO Life Insurance Limited	37 236	37 028
4	NICO General Insurance Limited	46 567	38 378
5	NICO General Insurance (Zambia) Limited	32 757	20 887
6	NICO Asset Managers Limited	26 835	12 268
7	NICO Technologies Limited	7 560	2 542
8	NICO Pension Services Limited	12 946	-
9	NICO Capital Limited	7 162	-
	Total	257 930	197 111

EXTERNAL AUDITOR'S REMUNERATION

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

	Name of Company	2021 K 000	2020 K 000
1	NICO Holdings plc	84 975	79 238
2	NBS Bank plc	128 674	196 716
3	NICO Life Insurance Limited	64 396	87 439
4	NICO General Insurance Limited	62 250	59 069
5	NICO General Insurance (Zambia) Limited	48 058	28 144
6	NICO Asset Managers Limited	30 526	24 283
7	NICO Technologies Limited	9 971	9 185
8	NICO Pension Services Limited	11 853	-
9	NICO Capital Limited	8 000	-
	Total	448 703	484 074

DONATIONS

The donations by the individual Group Companies are as presented below.

	Name of Company	2021 K 000	2020 K 000
1	NICO Holdings plc	1 050	-
2	NBS Bank plc	84 917	36 800
3	NICO Life Insurance Limited	2 000	7 447
4	NICO Insurance (Zambia) Limited	2 184	1 360
5	NICO Asset Managers Limited	25 540	4 925
6	NICO Technologies Limited	4 800	-
7	NICO General Insurance Limited	-	8 206
	Total	120 491	58 738

DIRECTORS' INTERESTS (Excluding NICO Holdings plc)

Mr. Sangwani Hara directly held 105 876 shares (2020: 113 874 shares) in NBS Bank plc and indirectly held nil shares in NBS Bank plc through Continental Asset Management Nominees (2020: 6 088 072 shares).

Mr. Sangwani Hara indirectly held nil shares in Icon plc through NICO Asset Managers Nominees (2020: 7 000 000).

Mr. Robert Mdeza directly held 18 895 shares in NBS Bank plc (2020: 18 895) and directly held 200 000 shares in Icon Properties plc (2020: 200 000).

Dr. Candida Nakhumwa directly held 230 000 shares in Icon Properties plc (2020: 230 000).

Mrs. Natasha Nsamala directly held 39 100 shares in NBS Bank plc (2020: Nil).

J & J Nsamala Trust held 21 000 000 shares in NBS Bank plc (2020: 10 000 000). Mrs. Natasha Nsamala is a Trustee in the Trust.

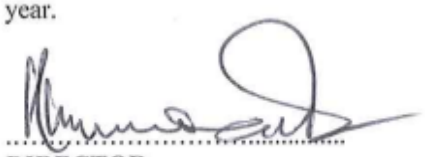
DIRECTORS' INTERESTS (Excluding NICO Holdings plc) (Continued)

Ubuntu Limited held 1 238 000 shares in NBS Bank plc (2020: 1 238 000) and 581 000 shares in ICON Properties plc (2020: 581 000). Mrs. Natasha Nsamala is a shareholder and Director in Ubuntu Limited.

WOP V J Trust held 5 000 023 (2020: 5 000 023 shares) shares in NBS Bank Plc. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 3 000 000 of these shares are on account of Continental Asset Management Nominees.

WOP VJ Trust indirectly held 23 858 000 (2020: 23 858 000) shares in Icon Properties plc. The Trust belongs to Mr. V Kumwenda and his family who are also the beneficiaries. 22 858 000 of these shares are on account of Continental Asset Management Nominees.

Further, no contract of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



DIRECTOR

DIRECTOR

NICO HOLDINGS PLC

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2021

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Nico Holdings plc, comprising the consolidated and separate statements of financial position as at 31 December 2021 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013. In addition, the directors are responsible for preparing the directors' report.

The Companies Act, 2013 also requires the directors to ensure that the Group and the Company maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and ensure the consolidated and separate financial statements comply with the Companies Act, 2013.

In preparing the consolidated and separate financial statements, the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing consolidated and separate financial statements; and
- Preparation of consolidated and separate financial statements on a going concern basis unless it is inappropriate to presume the Group and the Company will continue in business.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group and its subsidiaries abilities to continue as going concerns and have no reason to believe that the Group and the Company will not be going concerns in the year ahead.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2013.

Approval of Consolidated and Separate financial statements

The consolidated and separate financial statements of NICO Holdings plc as identified in the first paragraph, were approved by the Board of Directors on 23 May 2022 and are signed on its behalf by:

DIRECTOR

DIRECTOR

NICO HOLDINGS PLC
CERTIFICATE OF THE ACTUARY
For the year ended 31 December 2021

Certificate of the Actuary

I hereby certify that to the best of my knowledge and belief and based on the unaudited financials for the year ending 31 December 2021, that the liabilities under unmatured life, funeral, industrial, Deposit Administration and Group Life sinking fund policies issued by NICO Life Insurance Company Limited do not exceed the amount of the life insurance fund as at 31 December 2021.

Edwin Splinter

Statutory Actuary

Fellow of the Actuarial Society of South Africa

11 March 2022

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NICO HOLDINGS PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion
We have audited the consolidated and separate financial statements of NICO Holdings plc (the Group) set out on pages 20 to 155 which comprise the consolidated and separate statements of financial position as at 31 December 2021, 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 a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of NICO Holdings plc as at 31 December 2021, 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 and in the manner required by the Companies Act, 2013.

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

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

MAKING AN IMPACT THAT MATTERS since 1845

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

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted equity investments (Consolidated and Separate financial statements)	
The valuation of unlisted equity investments is done by an external expert and it involves application of significant degree of judgement in determining the most appropriate valuation basis and assumptions. There is a risk that unlisted shares might not be properly valued due to use of inappropriate valuation methods, use of information that is not complete and accurate and use of inappropriate assumptions. The Group's and Company's total values of these unlisted investments were K5.2 billion (2020: K3.4 billion), and K2.8 billion (2020: K1.7 billion), respectively as disclosed in note 18 to the consolidated and separate financial statements. Based on the factors above, we have considered the valuation of investments in unlisted shares to be a key audit matter.	To address the key audit matter, we carried out the following audit procedures: • We tested the design and implementation of the relevant controls around valuation of unlisted shares; • We reviewed the terms of reference provided to the valuation expert; • We assessed the qualifications, professional competence and independence of the valuation expert; • We tested the completeness and accuracy of the information provided to the valuation expert; and • We utilised our internal valuation specialists to assess the reasonableness of the valuation methods and assumptions used. We concluded that the investments in unlisted shares are properly valued.
Valuation of long-term policyholder liabilities and insurance technical reserves (Consolidated financial statements)	
Life Insurance Business The policyholder funds and insurance technical reserves comprising Unearned Premium Reserves, Incurred But Not Reported Claims, Data Reserves, Investment Reserves, Resilience Reserves, Annuity Mismatch Reserves and Unallocated Reserves are valued by an approved actuary from Sanlam Emerging Markets (Pty) Limited on behalf of the Directors. As at 31 December 2021, the policy holder liabilities were K343.3 billion (2020: K294.1 billion) and technical reserves were K43.1 billion (2020: K34.0 billion). These have been disclosed in note 43.9.8 to the consolidated and separate financial statements. The determination of the values is complex and requires significant levels of judgement and there is high estimation uncertainty in determining mortality rates, morbidity rates, lapse rates, expenses and interest rates. These liabilities are also material to the financial statements. Based on the factors above, we have considered the valuation of long-term policyholder liabilities and insurance technical reserves to be a key audit matter. ***General Insurance Business*** Insurance liabilities and insurance technical reserves balances involves significant estimation and judgements. The estimation of insurance liabilities and insurance technical reserves which include Unearned Premium Reserve (UPR), Deferred Acquisition Costs (DAC) and Incurred But Not Reported (IBNR) claims, is an area of subjectivity resulting from uncertainty as to the ultimate cost of settling claims in the future. The uncertainty arises because the insurer has committed itself to meeting liabilities arising on claims, within the policy limits, which may expose it to a wide range of possible outcomes, and which is often without limit as to time. As at 31 December 2021, insurance liabilities, DAC, IBNR and UPR were K1.9 billion (2020: K 1.4 billion) K18.6 billion (2020: K17.2 billion) and K14.5 billion (2020: K11.1 billion) respectively. These have been disclosed in notes 12, 26 and 27 to the consolidated and separate financial statements. The determination of insurance technical reserves involves significant judgements and assumptions. Based on these factors we consider the valuation of insurance liabilities and insurance technical reserves in the General Insurance business to be a key audit matter.	To address the key audit matter we carried out the following audit procedures: ***Life Insurance procedures*** • Testing the design and implementation of the relevant controls around valuation of technical reserves and long-term policyholder funds; • We relied on the valuation done by the entity's expert and utilised our internal actuarial specialist to assess the reasonableness of the assumptions used and adequacy of the long-term policyholder's liabilities and technical reserves; and • We tested the data sent to the actuaries for completeness and accuracy and our internal actuarial specialist counterchecked the data used for calculations and the output from the calculations of the liabilities and reserves. We concluded that long-term policyholder funds and insurance technical reserves in the life business are properly valued. ***General Insurance procedures*** • We assessed the qualifications, professional competence and independence of the Actuary; • We utilised internal actuarial specialist to assess the reasonableness of the assumptions used and sufficiency of the technical reserves (IBNR claims, UPR, URR, DAC and LAT) computed by management actuary; • We tested the data used by management actuary for completeness and accuracy and our actuarial experts counterchecked the data used for calculation and the output from the calculation of the liabilities and any emerging reserves; and • We performed a retrospective review of the estimates done in prior year. We found that the insurance liabilities and insurance technical liabilities in the General Insurance business are properly valued.

Key audit matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Determination of Expected Credit Losses for Loans and Advances (Consolidated Financial Statements)	
The Group exercises significant judgement using subjective assumptions over the method and timing of recording (ECL), and estimation of the amount of the impairment provision for loans and advances. Staging of loans and advances is a significant component in determining the ECL as such inaccurate staging would have a significant impact on ECL output. The Group was exposed to loans and advances book of K85.2 billion as at 31 December 2021 (2020: K6.2 billion) as disclosed under note 7 to the consolidated and separate financial statements, which is subjected to Expected Credit Loss model to determine estimated provisions. The following categories of loans and advances were determined to be significant in the Group's staging of loans and advances: The following categories of loans and advances were determined to be significant in the Group's staging of loans and advances: **a) The Group's large exposure loans and advances** The Group's large exposures contribute 38% of the Group's loans and advances included in note 7 to the consolidated and separate financial statements. **b) Stage 1 loans** The Group's loans are concentrated under stage 1. Stage 1 loans contribute 95% of the gross loan amount. The migration of loans and advances from stage 1 to stage 2 depends on both qualitative and quantitative factors. **c) Affordable Inputs Programme(AIP) Customers** Due to the seasonality and logistical problems that were involved during the Affordable Inputs Programme in 2020 some customers totalling K2 billion have restructured their loans and advances in 2021. We focused on staging of loans and advances due to the fact that ECL is a significant management estimate based on subjective assumptions and inputs into the Expected Credit Loss model used to determine the estimated provisions. The Group has recorded a total expected credit loss of K3.0 billion as at 31 December 2021(2020:2.1 billion) We therefore consider this as a key audit matter.	• We tested the design and implementation of controls around ECLs; • We obtained an understanding of the Group's criteria for Significant Increase in Credit Risk (SICR) from the Bank's accounting policy and IFRS 9 Model Methodology documentation; • We assessed management's staging of loans and advances criteria for appropriateness and completeness against the requirements of IFRS 9 and other relevant regulatory guidance; and • We checked accuracy and completeness of data used in staging through the use of Data analytics. **Large exposures** • We selected all large exposure loans and advances as per Financial Services (Large Exposures and Credit Concentration Limits for Banks) Directive 2015 and checked if they had been correctly staged based on the Groups's accounting policy and IFRS 9 requirements. **Stage 1 loans** • We sampled through the stage 1 loans and advances; and • Tested whether an exposure currently classified in Stage 1 was appropriately in Stage 1 and did not meet any SICR criteria to transfer to Stage 2. **Affordable Inputs Programme (AIP) Customers** • We obtained all customers under AIP; • For the loans that have been restructured, we obtained supporting documentation to this effect; • We checked the payment moratorium that was granted and its effects on the Exposure at Default (EAD); • We checked if the staging was in line with the requirements of IFRS 9. Our work on staging for large exposure loans, stage 1 loans and loans under AIP did not identify any significant issues. We found that the staging done by the Group which was used in determining Expected Credit Losses against loans and advances was appropriate and that the impairment loss recognised in the consolidated financial statements was reasonable and complied with IFRS 9 *Financial Instruments* requirements

Key audit matters (Continued)

Key Audit Matter	How the matter was addressed during the audit
Valuation of treasury notes	
As included in note 17 the value of investments in treasury notes (Government securities) amounting to K163 billion has been considered to be an area where significant judgements were applied. In determining the value of investments in treasury notes, management applies judgement and assumptions to calculate the investment's fair value. The determination of the value of investments in treasury notes was considered a matter of utmost significance to our current year audit due to significant judgements and estimates made in determining the risk factors and yield curve.	We performed the following procedures: • Obtained an understanding of management's process to calculate the value of investment in treasury notes; • Tested the design and implementation of controls over the valuation of investment in treasury notes; • Tested the accuracy and completeness of underlying data inputs used in the valuation calculation; and • Involved our internal valuation specialists to review: - discount rates applicable to Malawian treasury notes; - the risk factors a reasonable market participant would consider including changes in credit, liquidity and other risk factors; and - re-perform the computation of the fair value of treasury notes based on the projected future cashflow and the discount rate valuation method against the requirements of IFRS 13. Based on the work done, we concur with management that the judgements and assertions used in the valuation of investments in treasury notes were appropriate and the disclosures pertaining to the investments in treasury notes were found to be appropriate in terms of the relevant accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the directors' responsibility statement, as required by the Companies Act 2013, and the certificate of the actuary which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the consolidated and separate financial statements
The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirement of the Companies Act, 2013 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

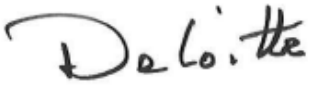
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

The policyholders' funds and insurance technical reserves have been valued as at 31 December 2021 by an appointed statutory actuary, Edwin Splinter (FASSA) on behalf of the directors. The actuary is an employee of Sanlam Emerging Markets who are a significant shareholder of the Group's subsidiaries in the insurance sector. This is in contravention of Section 132 of the Companies Act, 2013 which prohibits valuation to be carried out by persons who have direct or indirect interest in the assets being valued.



Chartered Accountants
Nkondola Uka

Partner

7 June 2022

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

		Group			Company		
	Notes	2021	Restated 2020	Restated 2019	2021	Restated 2020	Restated 2019
		K'000	K'000	K'000	K'000	K'000	K'000
ASSETS							
Cash and cash equivalents	5	88 616 964	76 655 978	50 331 795	5 976 873	4 737 872	2 551 121
Short-term investments	6(a)	3 271 849	105 081 435	84 134 689	-	-	-
Placements	6(b)	28 454 738	11 818 330	8 035 031	-	-	-
Loans and advances to customers	7	82 182 625	59 034 722	38 561 505	-	-	-
Assets classified as held for sale	8	-	231 707	-	-	231 707	-
Income tax recoverable	9(c)	4 070 368	1 503 211	290 682	1 126 206	671 318	352 080
Other receivables	10a	22 751 702	10 443 441	9 020 028	389 747	157 173	96 005
Client fund under management	10b	95 041 405	66 198 391	39 147 605	-	-	-
Insurance receivables	11	7 114 954	6 124 512	5 352 845	-	-	-
Reinsurance assets	11	14 091 830	14 570 428	11 340 882			-
Deferred Acquisition Costs (DAC)	12	1 876 650	1 391 870	1 218 119	-	-	-
Inventories	13	137 415	109 060	177 957	-	-	-
Amounts due from related parties	14(c)	-	-	-	106 574	51 089	118 092
Deferred tax assets	15	2 229 693	1 649 985	1 967 895	-	-	-
Investment in subsidiary companies	14(b)	-	-	-	9 063 446	7 486 165	7 486 165
Investment in associate companies	16(a)	1 165 632	968 110	756 923	1 165 632	968 110	756 923
Investment in joint venture	16(b)	99 921	98 102	78 724	99 921	98 102	78 724
Investment in government securities	17	361 032 011	143 145 742	105 795 981	-	-	-
Investment in equity shares	18	194 920 529	163 956 274	141 080 945	2 789 673	1 709 768	1 520 487
Loans and debentures	19	7 328 852	14 071 221	23 547 114	1 753	1 753	1 753
Investment properties	20	4 060 610	3 460 143	3 348 337	158 000	145 000	134 000
Right-of-use assets	21.1	3 939 922	3 464 960	2 135 660	82 245	107 783	152 083
Intangible assets	22	6 615 295	5 648 696	5 273 332	16 501	9 812	10 807
Property and equipment	23	10 986 877	11 718 332	8 049 816	53 051	85 713	90 302
TOTAL ASSETS		939 989 842	701 344 650	539 645 865	21 029 622	16 461 365	13 348 542
EQUITY AND LIABILITIES							
Equity							
Issued share capital	29(a)	52 152	52 152	52 152	52 152	52 152	52 152
Share premium	29(b)	428 859	428 859	428 859	428 859	428 859	428 859
Revaluation reserve	29(c)	244 825	569 073	569 073	-	-	-
Other reserves	29(e)	2 112 818	450 075	794 818	1 733 102	882 550	461 564
Retained earnings		45 409 806	38 477 938	29 999 985	14 834 248	11 295 988	9 059 227
Total equity attributable to equity holders of the company		48 248 460	39 978 097	31 844 887	17 048 361	12 659 549	10 001 802
Non-controlling interest	30	37 420 029	31 940 826	26 643 194	-	-	-
Total equity		85 668 489	71 918 923	58 488 081	17 048 361	12 659 549	10 001 802
Liabilities							
Deposits and customer accounts	25	210 665 104	153 146 418	106 886 140	-	-	-
Trade and other payables	24(a)	109 973 233	39 178 994	18 799 485	1 105 473	913 436	420 581
Client fund payables	24(b)	94 805 819	64 340 889	39 273 668	-	-	5 391
Amounts due to related parties	14(c)	-	-	-	2 697	-	-
Insurance contract payables	26	18 618 854	17 151 245	14 806 858	-	-	-
Unearned Premium Reserve (UPR)	27	14 483 046	11 134 497	9 424 492	-	-	-
Interest-bearing loans and borrowings	28	11 018 904	10 223 352	10 613 245	2 750 000	2 750 000	2 750 000
Long-term policyholders' liabilities	43.9.8	386 379 904	327 956 376	275 770 561	-	-	-
Lease liabilities	21.2	5 619 323	4 558 865	2 743 486	123 091	138 380	170 768
Deferred tax liabilities	15	2 757 166	1 735 091	2 839 849	-	-	-
Total liabilities		854 321 353	629 425 727	481 157 784	3 981 261	3 801 816	3 346 740
TOTAL EQUITY AND LIABILITIES		939 989 842	701 344 650	539 645 865	21 029 622	16 461 365	13 348 542

These consolidated and separate financial statements were approved and authorized for issue by the Board of Directors on 23 May 2022 and were signed on its behalf by:

DIRECTOR

DIRECTOR

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Group		Company	
			Restated		Restated
	Notes	2021	2020	2021	2020
		K'000	K'000	K'000	K'000
REVENUE					
Gross written insurance premiums	31	92 961 820	85 731 970	-	-
Unearned premium adjustment	31	601 472	(1 017 971)	-	-
Gross earned insurance premiums		93 563 292	84 713 999	-	-
Fees and commission income	32	7 910 743	6 395 786	2 214 617	1 913 449
Income from banking operations	33	58 819 598	47 040 912	-	-
Interest income	34(a)	35 638 995	23 274 377	620 613	291 173
Other Investment income	34(b)	44 597 391	27 355 577	7 129 748	5 100 464
Total operating revenue		240 530 019	188 780 651	9 964 978	7 305 086
Other income	35	174 399	81 008	85 529	27 534
Share of profit from associated companies	16(a)	197 522	211 188	197 522	211 188
Share of profit from joint venture	16(b)	1 819	19 378	1 819	19 378
Total income		240 903 759	189 092 225	10 249 848	7 563 186
EXPENSES					
Reinsurance premium	31	(23 325 607)	(16 892 494)	-	-
Investment expenses	34	(4 559 368)	(3 016 414)		
Net policyholders claims and benefits	36	(50 232 229)	(34 109 559)	-	-
Insurance contracts acquisition costs	37	(4 290 346)	(3 227 190)	-	-
Interest expense	38	(26 612 130)	(13 629 016)	-	-
Administrative expenses	39	(41 644 868)	(36 381 880)	(2 868 660)	(2 529 389)
Impairment losses on financial assets		(3 219 120)	(2 032 149)		
Long-term policyholders' benefits	43.9.8b (i)	(58 423 528)	(52 185 816)	-	-
Profit before net finance costs		28 596 563	27 617 707	7 381 188	5 033 797
Net finance costs	40	(1 717 855)	(1 149 622)	(366 942)	(369 400)
Profit before income tax expense		26 878 708	26 468 085	7 014 246	4 664 397
Income tax expense	9(a)	(8 580 050)	(7 872 364)	(472 028)	(372 845)
PROFIT FOR THE YEAR		18 298 658	18 595 721	6 542 218	4 291 552
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of land and buildings		(391 151)	-	-	-
Deferred tax on revaluation of land buildings		148 350	-	-	-
		(242 801)	-	-	-
Items that are or may be reclassified to profit or loss					
Gains on financial assets designated at FVTOCI		1 651 868	472 603	850 552	420 986
Translation difference on foreign subsidiary		779 214	(541 810)	-	-
Total other comprehensive income/(loss) for the year net of tax		2 188 282	(69 207)	850 552	420 986
Total comprehensive income for the year		20 486 939	18 526 514	7 392 770	4 712 538
Profit for the year attributable to:					
Non-controlling interest		8 563 092	8 591 739	-	-
Owners of the parent company		9 735 566	10 003 982	6 542 218	4 291 552
		18 298 658	18 595 721	6 542 218	4 291 552
Total comprehensive income for the year attributable to:					
Non-controlling interest		9 212 459	8 338 513	-	-
Owners of the parent company		11 274 480	10 188 001	7 392 770	4 712 538
		20 486 939	18 526 514	7 392 770	4 712 538
Basic and diluted earnings per share (MK)	41	9.33	9.59		

NICO HOLDINGS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share Capital K'000	Share premium K'000	Revaluation reserves K'000	Translation reserve K'000	Fair value reserve K'000	General reserve K'000	Retained earnings K'000	Total K'000	Controlling interest K'000	Total K'000
Group										
Balance at 1 January 2021	52 152	428 859	569 073	(1 079 395)	983 951	545 519	38 477 938	39 978 097	31 940 826	71 918 923
Profit for the year	-	-	-	-	-	-	9 735 566	9 735 566	8 563 092	18 298 658
Other comprehensive income for the year										
Loss on property revaluation	-	-	(123 829)	-	-	-	-	(123 289)	(118 972)	(242 801)
Financial assets designated at FVTOCI	-	-	-	-	1 265 344	-	-	1 265 344	386 524	1 651 868
Translation difference on foreign Subsidiaries	-	-	-	397 399	-	-	-	397 399	381 815	779 214
Total other comprehensive income	-	-	(123 289)	397 399	1 265 344	-	-	1 538 914	649 367	2 188 281
Total comprehensive income for the year	-	-	(123 289)	397 399	1 265 344	-	9 791 217	11 274 480	9 212 459	20 486 939
Transfers within reserves										
Transfer from retained earnings/general reserves										
Transfer to/from revaluation reserve	-	-	(200 419)	-	-	-	200 419	-	-	-
Transactions with the owners of the Company	-	-	(200 419)	-	-	-	200 419	-	-	-
Issue of shares in subsidiaries	-	-	-	-	-	-	-	-	1 217 332	1 217 332
Dividends to equity holders (note 42)	-	-	-	-	-	-	(3 004 117)	(3 004 117)	(4 950 588)	(7 954 705)
Total transactions with owners of the parent	-	-	-	-	-	-	(3 004 117)	(3 004 117)	(3 733 256)	(6 737 373)
Balance at 31 December 2021	52 152	428 859	244 825	(681 996)	2 249 295	545 519	45 409 806	48 248 460	37 420 029	85 668 489

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2021

	Share capital K'000	Share premium K'000	Revaluation reserves K'000	Translation reserve K'000	Fair value reserve K'000	General reserve K'000	Retained earnings K'000	Total K'000	Non-Controlling interest K'000	Total K'000
Group										
Balance at 1 January 2020	52 152	428 859	569 073	(803 072)	1 052 371	545 519	29 999 985	31 844 887	26 643 194	58 488 081
Profit for the year	-	-	-	-	-	-	10 003 982	10 003 982	8 591 739	18 595 721
Other comprehensive income for the year										
Financial assets designated at FVTOCI	-	-	-	-	(68 420)	-	528 762	460 342	12 261	472 603
Translation difference on foreign Subsidiaries	-	-	-	(276 323)	-	-	-	(276 323)	(265 487)	(541 810)
Total other comprehensive income	-	-	-	(276 323)	(68 420)	-	528 762	184 019	(253 226)	(69 207)
Total comprehensive income for the year	-	-	-	(276 323)	(68 420)	-	10 532 744	10 188 001	8 338 513	18 526 514
Transfers within reserves										
Transfer from retained earnings/general reserves	-	-	-	-	-	-	-	-	-	-
Total transfer within reserves	-	-	-	-	-	-	-	-	-	-
Transactions with the owners of the Company										
Dividends to equity holders (note 42)	-	-	-	-	-	-	(2 054 791)	(2 054 791)	(3 040 881)	(5 095 672)
Total transactions with owners of the parent	-	-	-	-	-	-	(2 054 791)	(2 054 791)	(3 040 881)	(5 095 672)
Balance at 31 December 2020	52 152	428 859	569 073	(1 079 395)	983 951	545 519	38 477 938	39 978 097	31 940 826	71 918 923

	Share Capital K'000	Share Premium K'000	Fair value reserve K'000	Retained earnings K'000	Total K'000
Company					
Balance at 1 January 2021	52 152	428 859	882 550	11 295 988	12 659 549
Profit for the year	-	-	-	6 542 218	6 542 218
Other comprehensive income for the year					
Financial assets designated at FVTOCI	-	-	850 552	-	850 552
Total comprehensive income for the year	-	-	850 552	6 542 218	7 392 770
Transactions with the owners of the Company					
Dividends to equity holders (Note 42)	-	-	-	(3 003 958)	(3 003 958)
Total transactions with owners of the parent	-	-	-	(3 003 958)	(3 003 958)
Balance at 31 December 2021	52 152	428 859	1 733 102	14 834 248	17 048 361

	Share capital K'000	Share premium K'000	Fair value reserve K'000	Retained earnings K'000	Total K'000
Company					
Balance at 1 January 2020	52 152	428 859	461 564	9 059 227	10 001 802
Profit for the year	-	-	-	4 291 552	4 291 552
Other comprehensive income for the year					
Financial assets designated at FVTOCI	-	-	420 986	-	420 986
Total comprehensive income for the year	-	-	420 986	4 291 552	4 712 538
Transactions with the owners of the Company					
Dividends to equity holders (Note 42)	-	-	-	(2 054 791)	(2 054 791)
Total transactions with owners of the parent	-	-	-	(2 054 791)	(2 054 791)
Balance at 31 December 2020	52 152	428 859	882 550	11 295 988	12 659 549

NICO HOLDINGS PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2021

	Note	Group		Company	
		2021	Restated 2020	2021	Restated 2020
		K'000	K'000	K'000	K'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		186 805 226	168 696 968	2 154 714	1 917 967
Cash payments to the employees and suppliers		(92 531 206)	(90 625 340)	(2 923 556)	(2 338 639)
Interest paid	28	(1 510 121)	(1 528 527)	(363 151)	(362 213)
Cash generated from/(used in) operations		92 763 899	76 543 101	(1 131 993)	(782 885)
Income tax paid	9(c)	(10 499 318)	(9 899 074)	(926 916)	(319 238)
Net generated from/(used in) operating activities		82 264 581	66 644 027	(2 058 909)	(1 102 123)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds disposal of property and equipment		108 226	290 443	366	-
Interest received		39 953 799	32 749 417	455 454	308 616
Dividend received	34	5 908 478	3 771 435	6 575 039	5 072 021
Additions to property and equipment and intangible assets	22, 23	(5 152 019)	(7 451 141)	(19 630)	(36 158)
Additions to investment properties	20	(86 167)	(42 100)	-	-
Disposal of government securities	17	58 239 493	53 339 073	-	-
Disposal of loan and debentures	19	7 736 842	22 091 192	-	-
Additions to government securities	17	(173 554 215)	(124 877 317)	-	-
Additions to equity shares	18	(1 746 486)	(3 773 498)	(1 041 781)	-
Disposal of equity shares	18	4 468 288	1 920 631	-	-
Additions to loans and debentures	19	-	(12 336 809)	-	-
Net cash (used in)/generated from investing activities		(64 123 761)	(34 318 674)	5 969 448	5 344 479
CASH FLOWS UTILISED IN FINANCING ACTIVITIES					
Issue of additional shares in subsidiary		1 217 332	-	-	-
Additions to long term borrowings	28	2 000 000	765 510	-	-
Repayment of long-term borrowings	28	(1 259 104)	(1 155 815)	-	-
Repayment of lease liabilities	21.2	(994 416)	(899 349)	(15 289)	(13 262)
Dividend paid	42	(7 109 008)	(4 605 672)	(2 672 761)	(2 054 791)
Net cash used in financing activities		(6 1 45 196)	(5 895 326)	(2 688 050)	(2 068 053)
Net increase in cash and cash equivalents		11 995 624	26 430 027	1 222 489	2 174 303
Cash and cash equivalents at 1 January		76 655 978	50 331 795	4 737 872	2 551 121
Effects of changes in exchange rates		(34 638)	(105 844)	16 512	12 448
Cash and cash equivalents at 31 December	5	88 616 964	76 655 978	5 976 873	4 737 872

Refer to note 1.2: Restatement of the statement of cash flows.

1.1 Reporting entity

NICO Holdings plc (the company) is a public company incorporated in Malawi. The address of the company's registered office is: Chibisa House, 19 Glyn Jones Road, and P.O. Box 501, Blantyre, Malawi. The consolidated and separate financial statements for the year ended 31 December 2021 comprises the company and its subsidiaries, (together referred to as the "Group"). The Company is listed on the Malawi Stock Exchange.

The major activities of the Group are general insurance, life assurance and pension administration, banking, asset management and property management and development and information technology. NICO Holdings plc shareholding structure in subsidiaries and associated companies is as follows:-

Name of subsidiary	% Holding	Type of business
NICO Insurance (Zambia) Limited	51.00	Short term insurance
NICO General Insurance Company Limited	51.00	Short term insurance
NICO Life Insurance Limited	51.00	Life insurance
NICO Pension Services Limited	51.00	Pension administration
NICO Capital Limited	100.00	Corporate Finance advisory
NBS Bank plc	50.10	Banking
NICO Technologies Limited	100.00	Information technology
NICO Asset Managers Limited	100.00	Asset management
Group Fabricators and Manufacturers Limited	100.00	Property holding

Name of Associate	% Holding	Type of business
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

Name of Joint Venture	% Holding	Type of business
Eris Properties Malawi Limited	50.00	Property Management and Development

1.2 Restatement of reclassification and presentation of the Consolidated and Separate Financial Statements

During the year, the group reviewed its statement of comprehensive income presentation. As a result of the review, disaggregated investment income and disclosed separately interest revenue determined using effective interest rate method and also disaggregated administrative expenses from impairment losses determined in accordance with IFRS 9 "*Financial Instruments*" to align with the requirements of IAS 1 "*Presentation of Financial Statements"*. It is the group's view that these changes provide more relevant disclosures to the users of the financial statements. These constitute material prior period errors and therefore the prior-year balances have been restated accordingly. The errors have had no overall impact on the Group's and Company's statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

The impact of the restatements on the Group's statement of comprehensive income is detailed below:

Group

	As previously reported 2020	Restatement	As restated 2020
	K'000	K'000	K'000
Interest income	-	23 274 377	23 274 377
Other investment income	47 613 540	(20 257 963)	27 355 577
Investment expenses	-	(3 016 414)	(3 016 414)
Administrative expenses	(38 414 029)	2 032 149	(36 381 880)
Impairment losses on financial assets	-	(2 032 149)	(2 032 149)

1.2 Restatement of reclassification and presentation of the Consolidated and Separate Financial Statements (Continued)

Company

	As previously reported 2020 K'000	Restatement K'000	As restated 2020 K'000
Interest income	-	291 173	291 173
Other investment income	5 391 637	(291 173)	5 100 464

The group also reviewed presentation of its consolidated and separate statement of financial position and as a result disaggregated and present separately the reinsurance contract assets which were previously included in insurance receivables. The impact of the restatement on the group's statement of financial position is detailed below:

Group

	As previously reported 2020 K'000	Restatement K'000	As restated 2020 K'000
Insurance receivables	20 694 940	(14 570 428)	6 124 512
Reinsurance assets	-	14 570 428	14 570 428

During 2021, the group reviewed its presentation of the statement of cash flows. As a result of the review, interest paid has been presented separately to comply with the requirement of IAS 7 Statement of Cash Flows. The group is of the view that presentation of interest paid separately in in accordance with IAS 7 and provides more relevant and reliable information for users of the financial statements. As a result of this change in presentation, the comparative information relating to cash flows has been restated. This has been detailed below.

Cash flow from operating activities Group	As previously reported 2020	Restatement	As restated 2020
Cash payments to the employees and suppliers	(92 153 867)	1 528 527	(90 625 340)
Interest paid	-	(1 528 527)	(1 528 527)
Company			
Cash payments to the employees and suppliers	(2 700 852)	362 213	(2 338 639)
Interest paid	0	-362 213	-362 213

Correction of classification of liabilities in order of liquidity on statement of financial position
During 2021, the group reviewed its classification format of line-item balances in the order of liquidity on its consolidated and separate statement of financial position. As a result of the review, the order in which certain liabilities are classified changed from the previous year to comply with the requirement of paragraph 60 of IAS 1 Presentation of financial statements. Comparative information has been restated to effect this change. The impact of the restatement on the group's statement of financial position is detailed below:

1.2 Restatement of reclassification and presentation of the Consolidated and Separate Financial Statements (Continued)

Correction of classification of liabilities in order of liquidity on statement of financial position (Continued)

Extract of Statement of financial position, as previously reported 2020			*Extract of Statement of financial position, as restated 2020*		
	Group	**Company**		**Group**	**Company**
Liabilities	**K'000**	**K'000**	**Liabilities**	**K'000**	**K'000**
Deferred tax liabilities	1 735 091	-	Deposits and customer accounts	153 146 418	-
Trade and other payables	39 178 994	913 436	Trade and other payables	39 178 994	913 436
Client fund payables	64 340 889	-	Client fund payables	64 340 889	-
Deposits and customer accounts	153 146 418	-	Insurance contract payables	17 151 245	-
Insurance contract payables	17 151 245		Unearned Premium Reserve (UPR)	11 134 497	-
Lease liability	4 558 865	138 380	Interest-bearing loans and borrowings	10 223 352	2 750 000
Unearned Premium Reserve (UPR)	11 134 497	2 750 000	Long-term policyholders' liabilities	327 956 376	-
Interest-bearing loans and borrowings	10 223 352	-	Lease liabilities	4 558 865	138 380
Long-term policy holders' liabilities	327 956 376	-	Deferred tax liabilities	1 735 091	-
Total	629 425 727	3 801 816		629 425 727	3 801 816

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 2021.

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

2.2 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these consolidated and separate financial statements, the following relevant standards and interpretations were in issue but not yet effective:

Effective date	**Standard, Amendment or Interpretation**
Annual reporting periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	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 2023	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 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Annual reporting periods beginning on or after 1 January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual reporting periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018–2020 Makes amendments to the following standards: • **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. • **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Amendments to IFRS 17 Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: • Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. • Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. • Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. • Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. • Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. • Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. • Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
Annual reporting periods beginning on or after 1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The directors anticipate that other than IFRS 17, these standards and interpretations in future periods will have no significant impact on the financial statements of the Group. IFRS 17 will change how the Group measures and present insurance contracts. The directors are unable to quantify the impact that adoption of these Standards and Interpretations in future periods will have on the financial statements.

3. Basis of preparation

3.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in a manner required by the Companies Act, 2013 of Malawi.

3.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value;
- investment properties are measured at fair value;
- available-for- sale financial assets are measured at fair value through other comprehensive income; and
- items of property are measured at their revalued amounts.

3.2.1 Use of estimates and judgements

The preparation of consolidated and separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. Basis of preparation (Continued)

3.2 Basis of measurement (Continued)

3.2.1 Use of estimates and judgements (Continued)

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognized in the financial statements can be found in the following notes:

- Note 43.9.8 - Valuation of long-term policy holders' liabilities and technical reserves.
- Note 20 - Valuation of investment properties
- Note 18 and 19 - Valuation of investments in shares and loans receivables
- Note 16 (c) - Non consolidation of investments in which shareholding exceeds 50%

3.2.2 Fair value measurement

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

3. Basis of preparation (Continued)

3.2 Basis of measurement (Continued)

3.2.2 Fair value measurement (Continued)

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

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

3.3 Functional and presentation currency

These consolidated financial statements are presented in Malawi Kwacha, which is also the Group's functional currency. Except as otherwise indicated, financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

3.4 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able realise its assets and settle its liabilities in the normal course of business.

3.5 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated and separate annual financial statements comprise the Group and its entities controlled by the Group. Under the Malawi Companies Act, 2013, control is presumed to exist where a company holds more than one half of the nominal share capital directly or indirectly; or the company can appoint or prevent the appointment of not less than half of the directors of the subsidiary. In general control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

The Group manages and administers assets held in investment vehicles on behalf of investors. These are the defined as structure entities. Structured entities are entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such entities in which it has an interest, the Group considers factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity. The financial statements of these entities are not included in the consolidated financial statements except when the Group controls the entity.

(b) Business combinations

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

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(b) Business combinations (Continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income taxes* and IAS 19 *Employee benefits*
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS 9; *Financial Instruments,* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arisings from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(c) Investments in associates and Joint Ventures

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

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

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

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(c) Investments in associates and Joint Ventures (Continued)

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

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

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(d) Interests in joint operations

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

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(e) Accounting for results of the Life and Pensions Fund

The Life and Pensions Fund is actuarially valued each year. Based on the advice of actuaries, the Group allocates surpluses between "with profits" policyholders and the shareholders.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(f) Revenue

The Group's revenue arises mainly from provision of insurance, banking and asset management services. The Company's main revenue is dividend income.

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

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

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

(i) Short-term insurance contracts

Gross premiums written reflect business written during the year, and exclude any taxes or duties based on premiums. Premium written include estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years.

(ii) Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contract are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within trade receivables); as well as longer term receivables (classified as reinsurance assets and held within trade receivables) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Premiums on re-insurance inwards are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or re-insurance business assumed. Outward re-insurance premiums are recognized as an expense in accordance with the pattern of indemnity received.

(iii) Long-term assurance contracts

Premiums in respect of annuity and non-linked life assurance contracts, and insurance with Discretionary Participation Features (DPF) contracts are recognised as revenue when due. Premiums in respect of unit-linked life assurance contracts are recognised when the corresponding units are allocated to policyholders. Premiums exclude any taxes or duties based on premiums.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(f) Revenue (Continued)

(iv) Interest income

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and financial liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal or a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- Interest on financial assets and financial liabilities at amortised cost on an effective interest basis.
- Interest on held-to-maturity money market investments at amortised cost on an effective interest basis.

(v) Investment income

Investment income comprises interest income on money market financial instruments, dividends from listed and unlisted companies, investments in listed shares and rental income. The financial instruments include local registered stocks, treasury bills and fixed deposits.

Management considers the returns earned (i.e. interest received and dividend received) on investments to be part of investing activities.

(vi) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of investment income.

(vii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

(viii) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised in a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(ix) Other income

Other income includes gains and losses on disposal of an item of equipment which are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within “other income” in profit or loss upon disposal. It also includes commissions and other sundry income are recognised as the related services are performed.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(g) Unearned premium reserve (UPR)

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(h) Claims

Claims include maturities, annuities, surrenders and death claims. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when paid. Death claims are recognised when notified.

Acquisition costs in respect of insurance contracts with a DPF are not deferred and are recognised in the profit or loss in the period in which they are incurred.

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at reporting date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not reported (IBNR), the effects of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(i) Deferred Acquisition Costs (DAC)

Costs incurred in acquiring general insurance, annuity and life assurance contracts are deferred to the extent that they are recoverable out of future margins.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts. The rate of amortisation is consistent with the pattern of emergence of such margins.

(j) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due from and payable to, policyholder's agents, brokers and reinsurance contracts.

(k) Insurance contracts with Discretionary Participation Features (DPF)

A contract with a Discretionary Participation Feature is a contractual right held by a policyholder to receive as a supplement to guaranteed minimum payments, additional benefits that are likely to be a significant portion of the total contractual benefits. The amount or timing is contractually at the discretion of the insurer of and are contractually based on the performance of the specified pool of contracts or a specified type of contract, realised and or unrealised investment returns on a specified pool of assets held by the insurer or the profit or loss of the Group, fund or other entity that issues the contract. The Group recognises the discretionary element of a contract with a Discretionary Participation Feature as a liability.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(l) Liability adequacy test

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests. If a shortfall is identified an additional provision is established. The deficiency is recognised in profit or loss for the year.

(m) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions. Insurance assets/liabilities are fair valued using actuarially determined approach.

The methodology employed in the valuation can be described by splitting the reserving methodology into prospective valuation and retrospective valuation.

For some classes of business, a prospective reserving calculation was performed and for others, a retrospective reserving calculation was performed. The reserves held for the Group are equal to the sum of the prospective reserve and the retrospective reserve calculation.

Prospective basis is applied on Individual Life, Annuities (Pensioners) and Credit Life businesses.

The prospective reserve is calculated by projecting all the expected future cash flows on each policy and discounting them at the appropriate valuation interest rate (commonly referred to as a discounted cash flow basis – Gross Premium Valuation method).

The retrospective basis is applied on Group Life, Group Funeral, Group Mortgage and Deposit Administration.

For this type of reserve calculation, the reserves are made up of Account balance (e.g. for Deposit Administration), Unearned Premium Reserve (UPR), Incurred But Not Reported (IBNR) Reserve and Additional Unexpired Risk Reserve (AURR).

The UPR includes unearned premiums which are calculated, based on the renewal date of the policy and the frequency of the premium payments.

An AURR is required if the current unearned premiums are considered to be insufficient to cover the unexpired risk in respect of the Company. The additional reserve is then set at such a level as to enable the Group to pay all future expected claims in respect of the unexpired risks of the existing Groups. A prospective reserve calculation check is also carried out so that any apparent shortfalls in future premiums will be covered by the prospective reserve calculation. No AURR is required for the Group's business.

The IBNR reserves are determined by examining run-off triangles and claim patterns for the business and then setting up a reserve for Claims Incurred But Not Reported.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(n) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to Malawi Kwacha at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Malawi Kwacha at the exchange rate (middle rate) at the date on which the fair value is determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate (middle rate) at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated into Malawi Kwacha using the exchange rate at that date. Foreign currency differences arising on translation are generally recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at exchange rates (mid-rate) ruling at the reporting date. The income and expenses of foreign operations are translated to Malawi Kwacha at average exchange rates during the year.

Exchange difference arising on the translation of the assets and liabilities of foreign operations are recognised directly in other comprehensive income and accumulated in equity in the translation reserve. When a foreign operation is disposed of in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign exchange gains or losses arising from monetary items receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form a part of the net investment in foreign operation, are recognised directly in the foreign currency translation reserve.

(o) Property and equipment

(i) Recognition and measurement
All property and equipment are initially recognised at cost. Buildings and freehold land are subsequently carried at revalued amount, being their fair value, based on valuations by external independent valuers, less subsequent accumulated depreciation, and subsequent accumulated impairment losses. All other property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs
The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow. Ongoing repairs and maintenance expenses are expensed in profit or loss.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(o) Property and equipment (Continued)

(iii) Revaluation

Revaluations of buildings and freehold land is carried out with sufficient regularity such that the carrying amount does not differ materially from that, which would be determined using fair values at the reporting date as economic conditions dictate, by independent valuers. Surpluses on revaluations are recognised in other comprehensive income in the revaluation reserve. On disposal of the asset, the appropriate portion of the reserve is transferred to retained earnings. Revaluation decreases are charged to the profit or loss except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings. The revaluation reserve is a non-distributable reserve and is not available for distribution as a dividend.

(iv) Depreciation recognised

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment and major components that are accounted for separately. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

- Freehold buildings 40 years
- Leasehold buildings 40 years or over the lease period if less than 40 years
- Motor vehicles 5 years
- Furniture and equipment 3-10 years

The residual value, useful life and method of depreciation are reviewed at each reporting date and adjusted if appropriate.

(v) Capital work in progress

Capital work in progress is the gross amount spent in carrying out work of capital nature. It is measured at cost recognised to date. Capital work in progress is presented as part of property and equipment in the statement of financial position. When the relevant project is completed, the expenditure is capitalised to the various items of property and equipment.

(p) Leases

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.

(i) <u>The Group as lessee</u>

The Group assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (those whose value is below the capitalisation threshold). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(p) Leases (Continued)

(i) The Group as lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- Fixed lease payments (including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (in accordance with IAS 36), if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Administrative expenses” in profit or loss.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(p) Leases (Continued)

(ii) The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

(q) Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only if it is probable that the expected future economic benefits that are attributable to the asset flow to the Group and the cost of the asset can be measured reliably. All other expenditure is expensed as it is incurred.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software, from the date it is available for use.

The estimated useful life of software is 4-8 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(r) Financial instruments

Financial assets

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

Financial assets and financial liabilities are recognised in the Group's and company's statement of financial position when the Group / Company becomes a party to the contractual provisions of the instrument.

(i) Classification and initial measurement of financial assets

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(i) Classification and initial measurement of financial assets (Continued)
Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

(ii) Subsequent measurement of financial assets
Subsequently, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments not held for trading); and
- Financial assets at fair value through profit or loss.

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

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

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

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

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

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

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

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

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

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

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss no disposal of the equity investments, instead, it is transferred to retained earnings.

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

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

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

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

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

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(ii) Subsequent measurement of financial assets (Continued)

Foreign currency 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;
- 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; and
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

(iii) Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, loans and advances and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for its financial instruments unless there has been no significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Both Lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

(iv) Significant increase in credit risk
The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(iv) Significant increase in credit risk (Continued)

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

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

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk where the borrower has a strong capacity to meet their contractual obligations in the near term and adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It also considers assets in the investment grade category to be low credit risk assets.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(v) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(vi) Credit‑impaired financial assets

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

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event;
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(vii) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(viii) Measurement and recognition of expected credit losses

The measurement of expected credit losses for the group is based on Markov model approach for non-mortgage loan portfolio and rules based model for the mortgage loan portfolio, overdraft and credit cards. The following are major components of measuring the expected credit losses;

- PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The 12–month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(viii) Measurement and recognition of expected credit losses (Continued)

- **EAD** – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. As for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

  The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off–balance sheet commitments.

- **LGD** – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. LGD estimates are based on historical loss data.

When estimating the ECL, the Group considers the stages in which an asset is and also whether there has been a SICR. Each of the stages and the specific conditions of the assets is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure. The stages considered are as described below;

- **Stage 1**: Stage 1 financial instruments are those whose credit risk is low or has improved hence reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months. The Group calculates 12-months ECL for this stage based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR;

- **Stage 2**: When financial instruments have shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The calculation is done as explained under stage 1 above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. Stage 2 financial instruments also include those whose credit risk has improved hence has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months;

- **Stage 3:** financial instruments under this stage are considered credit-impaired. The Group records an allowance for the Lifetime ECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(viii) Measurement and recognition of expected credit losses (Continued)
For overdrafts, revolving facilities that include both a loan and an undrawn commitment and loans commitments, ECLs are calculated and presented together with the loans and advances.

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

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

(ix) Forward-looking information
The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Low risk assets
In applying the IFRS 9 model, the Group identified the following as assets having a low credit risk:

1. Malawi Government Securities;
2. Interbank Placements; and
3. Other trading and non-trading receivables.

The Group evaluated both internal and external factors related to the assets and concluded that as at the reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations.

The above factors coupled with extensive evaluation of credit histories resulted in classifying these assets in the investment grade.

Based on the assessment per each classification of assets, Probabilities of Default were assigned to these assets and an Expected Credit Loss was computed.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(x) Reclassification of financial statements

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

(xi) Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of Principal and Interest (SPPI), change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then; and
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(xi) Modification of financial assets (Continued)

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

(xii) De-recognition 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.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

(xii) De-recognition of financial assets (Continued)
On de-recognition due to modifications explained under (xi) above, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

Financial liabilities and equity

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iii) Financial liabilities

Initial recognition and measurement

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

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

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(r) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not:

(i) contingent consideration of an acquirer in a business combination;
(ii) held-for-trading; or
(iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

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

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

(s) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(t) Non-financial assets

The carrying amount of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset entity that generates cash flows that largely is independent from other assets and entity's. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (entity of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(v) Investment property

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administration purposes. Investment property is measured at cost on initial recognition.

Subsequently, investment property is measured at fair value as determined by an independent registered valuer.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral as an integral part of the total rental income over the term of the lease.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(v) Investment property (Continued)

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property and equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

When the use of property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognised in other comprehensive income and reduces the revaluation surplus within equity.

(w) Inventories

Consumable stock is measured at the lower of cost and net realisable value. Costs are based on the first-in-first out principle and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(x) Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting or taxable profit or loss;
- differences relating to investments in subsidiaries and associates to the extent that it is probable that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(x) Taxation (Continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date. The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset if there is a legal enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax jurisdiction on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(y) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

The Group contributes to a number of defined contributions pension schemes on behalf of its employees. The pension cost is recognised in the period it is incurred. Contributions to the funds are based on a percentage of the payroll and are charged against profits as incurred. Obligations for contributions to these plans are recognised as employee benefit expenses in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(z) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the effects of all dilutive potential ordinary shares.

(aa) Finance costs

Finance costs comprising of interest expense on interest bearing loans, and borrowing is recognised in profit or loss using the effective interest method.

(ab) Loans and advances

Loans and advances to customers from the banking business are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs. Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method.

(ac) Other receivables

Other receivables comprise prepayments, cheques in course of collection, accrued income, staff loans and advances. Other receivables that are financial assets are measured at amortised cost using the effective interest method less impairment losses.

(ad) Long term insurance contracts

(i) Recognition and measurement of Insurance Contracts

The Group assesses the adequacy of the recognised insurance liabilities through its actuaries, using current estimates of future cash flows. If the assessment shows that the carrying amount of the insurance liabilities (less related differed acquisition costs and related intangible assets) is inadequate in the light of related future cash flows, the entire deficiency is recognised in profit or loss.

Insurance contract provisions are measured using the Financial Soundness Valuation (FSV) method as set out in the guidelines issued by the Actuarial Society of South Africa (ASSA) in Professional Guidance Note (SAP) 104 (version 6). Under this guideline, provisions are valued using realistic expectations of future experience, with compulsory margins for prudence and deferral of profit emergence. These insurance contract provisions comprise of long-term policyholders' liabilities and technical reserves.

The provision, estimation techniques and assumptions are periodically reviewed, with any changes in estimates reflected in the profit or loss as they occur. Whilst the Directors consider that the insurance contract provisions and the related reinsurance recovery are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(ad) Long term insurance contracts (Continued)

(ii) Premiums

In respect of long-term business and contracts with discretionary participation features, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. The amounts are classified as liabilities and included in the long-term policyholders' liabilities.

(iii) Pension Contributions

In respect of long-term business and contracts with discretionary participation features, pension contributions are accounted for on cash basis and exclude any taxes or duties on the contributed amount.

(iv) Unearned Premium Reserve

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years. The provision amount is included in the long-term policyholders' funds under liabilities.

(v) Claims

Claims outstanding comprise provisions for the estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported. Claims reflect the cost of all claims arising during the year. Provision for claims incurred but not reported (IBNR) is included in the long-term policyholders' funds.

Individual Business maturity values are recognized as claims when they fall due.

Surrender values are recognized as claims when paid or when policy holder expresses formally of an intention to surrender the policy.

Refund of Pension contributions have an impact on Policy Holders liabilities hence they are recognized upon processing payment.

(vi) Commission Payable and Stamp Duty

Commission consists of commission payable to Sales Consultants and Brokers on Life Insurance and Pensions Business. Stamp Duty is payable to Malawi Government on increases in sums assured. The amounts are accounted for in the financial year incurred.

(vii) Reinsurance

Reinsurance assets comprises contracts with reinsurers under which the Group is compensated for losses on one or more contracts which are classified as insurance contracts. Reinsurance contracts that do not meet this classification are classified as financial assets.

Reinsurance assets principally include the reinsurers' share of liabilities in respect of contracts with policyholders. Amounts recoverable under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in insurance and other receivables in the statement of financial position on a gross basis.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(ad) Long term insurance contracts (Continued)

(viii) Deferred acquisition costs

The costs of acquiring new and renewal insurance business that is primarily related to the production of that business are deferred. These include commissions and stamp duties paid.

(ae) Non-financial assets

Carrying amounts of non-financial assets, other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indications arise, then the asset recoverable amount is estimated. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing the 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 assets.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that is largely independent of the cash inflows of other assets or cash generating units.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

(af) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Business model assessment

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

4.1.2 Significant increase in credit risk

As explained in note 3, Expected Credit Losses (ECL) are measured as an allowance equal to 12 month ECL for stage 1 assets, or life time ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information as disclosed in Note 43.

4.1.3 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

4.1.4 Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.1 Critical judgements in applying accounting policies (Continued)

4.1.5 Forward looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

4.1.6 Determination of life of revolving credit facilities

The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

4.1.7 Deferred taxation on investment properties

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

4.1.8 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.2 Key sources of estimation uncertainty

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

4.2.1 Residual values and useful lives of tangible assets

The estimated residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at each reporting date to reflect current thinking on their remaining lives in the light of technological change, prospective economic utilisation and physical conditions of the assets concerned as described in note 3.5 (o).

4.2.2 Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data (level 1 inputs) to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs into the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the notes specific to those assets or liabilities.

Determination of fair values

(i) Investment property

An external, independent valuation Group, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment properties every year.

The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

(ii) Financial instruments designated at fair value through profit or loss and/or other comprehensive income

The financial instruments designated at fair value through profit or loss and/or other comprehensive income are determined with reference to their quoted closing bid prices at the measurement date, or if unquoted, determined using a valuation technique that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Valuation techniques employed include market principles and discounted cash flow analysis using expected future cash flows and a market related discount rate, comparison to similar instruments for which market observable prices exist and other valuation models.

4.2.3 Impairment testing

The Group reviews its loan portfolios to assess impairment, at least, on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.2 Key sources of estimation uncertainty **(**Continued)

4.2.3 Impairment testing (Continued)
The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Key assumptions used:

(a) Cash flows arising from repayment agreement are aggregated over yearly intervals and assumed to arise at the end of the period;
(b) Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful, total future estimated cash flows are assumed to be nil;
(c) Unsupported guarantees are assumed to result in nil cash flows; and
(d) No cash flows are assumed to arise where there is no repayment agreement and no security and repayments are erratic or unpredictable.

4.2.4 Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario.
When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

4.2.6 Loss Given Default (LGD)
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
5. Cash and cash equivalents				
Cash and bank balances	7 571 492	11 020 466	3 610 435	2 912 587
Restricted balances with Reserve Bank of Malawi	22 808 613	8 889 210	-	-
Balances with other banks	6 303 415	10 018 668	-	-
Short term deposits	51 933 444	46 727 634	2 366 438	1 825 285
Cash and cash equivalents	88 616 964	76 655 978	5 976 873	4 737 872

Included in cash and cash equivalents is the liquidity reserve deposit with the Reserve Bank of Malawi (RBM) amounting to K22.8 billion (2020: K8.9 billion) which is not available for use by the Group. Balances with RBM are held at zero-interest rate (2020: nil). Balances with other banks relate to bank balances with correspondent banks on which interest at a rate of 0.5% per annum (2020: 0.5% per annum) was earned. Interest rate on bank balances was 3% (2020: 4%) and for short term deposits was 12.1% (2020: 8%).

6. Short term investments

Short term investments have been recognized at a net of expected credit loss. Expected credit loss for the investments has been disclosed in note 43.4.1.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
(a) Financial assets carried at amortised cost				
Term deposits	-	278 162		
Government securities (note 17)	3 271 849	104 803 273	-	-
Balance as at 31 December	3 271 849	105 081 435	-	-

Interest rates for Government securities ranged from 16.58% to 23.25% per annum (2020: 8.52% to 22.5).

	Group	
	2021	**2020**
	K'000	**K'000**
(b) Placements		
NICO Asset Managers Limited	10 277 397	10 258 904
Reserve Bank of Malawi	17 577 144	-
Continental Discount House Limited	600 197	-
Roads Fund Administration	-	1 559 426
Total placements	28 454 738	11 818 330

Placements earned average interest rate of 13.5% (2020: 12.6%). During the year, interest rates increased by at least 90 basis points as the market invested heavily into government debt which caused a scarcity of liquidity. This led the cost of liquidity to increase and as such yields on financial instruments such as placements rose up accordingly.

7. Loans and advances to customers

Loans and overdrafts	79 900 225	56 257 587
Lease receivables	1 558 683	1 697 270
Mortgage advances	3 712 974	3 223 317
Total gross loans and advances	85 171 882	61 178 174
Expected credit losses (note 43.4.1)	(2 989 257)	(2 143 452)
Net loans and advances	82 182 625	59 034 722

Gross loans and advances are due to mature as follows:

Gross loans and advances are due to mature as follows:		
● Within one year	20 191 113	34 590 081
● After one year	64 980 769	26 588 093
	85 171 882	61 178 174
Movement on allowance for impairment:		
At beginning of the year	2 143 452	3 477 861
Amounts written off	(1 719 900)	(3 316 987)
Increase/(Decrease) in impairment loss net of recoveries	2 565 705	1 982 578
	2 989 257	2 143 452

7. Loans and advances to customers (Continued)

The loans and advances to customers are mainly from the Group's banking business. The Bank applies risk based pricing on its products. The price is linked to the reference rate (previously base lending rate) with an interest spread of 0 to plus 11.5%. The applicable base lending rate /reference rate averaged 13.30%% and 12.13% for 2020 and 2021, respectively.

Finance lease receivables
The Group is the lessor for leases of property and equipment.

Gross investment in finance lease receivables:

	Group	
	2021	**2020**
	K'000	**K'000**
Less than one year	90 639	289 773
Between one and five years	2 308 499	2 289 317
	2 399 138	2 579 090
Unearned finance income	(840 455)	(881 820)
Net investment in finance leases	1 558 683	1 697 270
Net investment in finance leases receivable:		
Less than one year	75 976	242 895
Between one and five years	1 482 707	1 454 375
	1 558 683	1 697 270

General terms
The Group's banking business offers asset finance for both new and used assets, the finance period being a minimum of 6 months and maximum of 60 months. The interest rate charges are risk based and the facilities are secured through the financed assets and in some occasions additional security is required.

8. Assets classified as held for sale

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
Investment in associate (Note 16(a))	-	231 707	-	231 707

During the year the Group disposed of its investment in Sanlam General Insurance Tanzania Limited.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
9. Income tax expense				
Recognised in profit or loss				
(a) Current tax expense				
Current year tax at 30% (2020: 33%)	7 990 933	8 627 634	-	-
Deferred tax				
Temporary differences (note 15)	589 117	(755 270)	-	-
Dividend tax at 10% (2020: 10%)	-	-	472 028	372 845
	8 580 050	7 872 364	472 028	372 845

		Group		Company	
		2021	**2020**	**2021**	**2020**
		K'000	**K'000**	**K'000**	**K'000**
9.	**Income tax expense** (Continued)				
(b)	***Reconciliation of tax charge***				
	Profit before income tax expense	26 878 708	26 468 085	7 014 246	4 664 397
	Income tax	8 063 612	7 940 425	2 104 274	1 399 319
	Effect of high Zambia tax rate	(10 940)	(36 086)		
	Effect of non-taxable income/non-taxable expenses	37 304	(2 445 829)	(2 213 721)	(1 569 699)
	Effect of permanent differences	(190 693)	1 656 699	109 447	170 380
	Dividend tax	680 767	740 233	472 028	372 845
	Under provision in prior year	-	16 922	-	-
		8 580 050	7 872 364	472 028	372 845
	The effective tax rate	32%	30%		
(c)	***Tax recoverable***				
	Balance at 1 January	(1 503 211)	(290 682)	(671 318)	(352 080)
	Charge for the year	7 990 933	8 627 634	472 028	-
	Tax paid	(10 499 318)	(9 899 074)	(926 916)	(319 238)
	Exchange rate differences	(58 772)	58 911	-	-
	Balance as at 31 December	(4 070 368)	(1 503 211)	(1 126 206)	(671 318)

Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another.

		Group		Company	
		2021	**2020**	**2021**	**2020**
		K'000	**K'000**	**K'000**	**K'000**
10a.	**Other receivables**				
	Accrued investment income	1 870 824	448 784	223 817	44 149
	Staff loans and advances	471 186	257 800	37 750	26 650
	Prepayments	2 866 167	2 879 637	56 352	71 282
	Sundry receivables	10 262 136	6 186 048	71 828	15 092
	Commercial paper	6 500 000			
	Investment fund management fees	-	249 424	-	-
	Rent receivable	781 389	421 748	-	-
	Total	22 751 702	10 443 441	389 747	157 173

Sundry and commercial paper receivables include proceeds receivable from sale of security papers K6.5 billion (2020: Nil), unclaimed withholding taxes of K1.7 billion (2020: K207 million), receivable proceeds from sale of land K297 million (2020: K297 million) and legal fees receivable K350 million (2020: K Nil)

10b.	Client funds under management	95 041 405	66 198 391	-	-

Clients funds under management are third party funds invested by NICO Nominees. The related payable balances are included in note 24 to these consolidated and separate financial statements. Client funds under management earned an average interest of 14.5% (2020: 14.45%)

10b. Client funds under management (Continued)

All of other receivables are recoverable within one year. No interest is charged on outstanding other receivables.

The directors believe that the carrying amounts of the other receivables approximates their fair values.

	Group	
	2021	**2020**
	K'000	**K'000**
11. Insurance receivables		
Insurance premium receivables *(i)*	7 476 874	6 480 779
Re - insurance contract assets (ii)	14 282 263	14 570 428
Gross insurance receivables	21 759 137	21 051 207
Less: Expected Credit Losses		
Insurance premium receivables	(361 920)	(356 267)
Reinsurance receivables	(190 433)	-
Balance as at 31 December	21 206 784	20 694 940

(i) Insurance premium receivables (outstanding premium)

Insurance premium receivables arise from the Group's insurance business. Insurance premium receivables mainly relate to outstanding premiums, fee income from policyholders, net of commissions payable on any insurance contracts and/or coinsurance arrangements. These receivables do not contain a significant financing component and have a short duration limited to 365 days, which is the underlying policy period. Insurance premiums do not have a contractual interest rate, and this implies that the effective interest rate for these receivables is zero. The average credit period for insurance premiums is 30 days and payment plans are accepted. No interest is charged on outstanding insurance receivables. The maximum exposure to credit risk for insurance receivables at the reporting date by type of customer was as follows:

	2021	**2020**
	K'000	**K'000**
Insurance brokers and agents	5 071 898	4 036 706
Direct clients	787 714	1 262 644
Outstanding life premiums	1 617 262	1 181 429
	7 476 874	6 480 779
Expected credit losses	(361 920)	(356 267)
Total	7 114 954	6 124 512

The Group measures the expected credit losses for insurance premium receivables at an amount equal to lifetime expected credit Loss. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

11. Insurance receivables (Continued)

The ageing of insurance premium receivable and related expected credit loss as at the reporting date was as follows:

	Gross K'000	ECL K'000	2021 Net amount K'000	2020 Net amount K'000
Not past due	5 287 450	(241 849)	5 045 601	4 935 264
7 – 9 months	730 120	(25 568)	704 552	1 131 537
10 – 12 months	1 459 304	(94 503)	1 364 801	57 711
Total	7 476 874	(361 920)	7 114 954	6 124 512

(ii) Re-insurance contract assets

The directors consider that the carrying amount of re-insurance receivables approximate to their fair value. The balances for re-insurance receivables are interest free and in the opinion of directors, these balances approximate their fair value at the reporting date. The directors believe that the amounts are collectible in full and credit losses are expected, based on historical payment behavior and extensive analysis of the re-insurers credit risk.

	Group	
	2021 K'000	2020 K'000
Reinsurance companies - Commission, UPR, IBNR	10 778 149	7 125 185
Reinsurance companies - Outstanding losses	3 504 114	7 445 243
	14 282 263	14 570 428
Less expected credit loss	(190 433)	-
Total	14 091 830	14 570 428

The directors believe the carrying amounts of the insurance receivables approximates its fair values.

12. Deferred Acquisition Costs (DAC)

Balance as at 1 January	1 391 870	1 218 119
Effects of changes in exchange rates	102 860	-
Reclassification from other payables	298 234	-
Movement for the year	83 686	173 751
Balance as at 31 December	1 876 650	1 391 870

Deferred acquisition costs comprise expenses for the acquisition of insurance contracts recognised during the year and are recoverable out of future margins in the revenue from the related insurance policies.

	Group	
	2021 K'000	2020 K'000

13. Inventories

Consumables	146 147	117 792
Less: provision for obsolete inventories	(8 732)	(8 732)
Balance at 31 December	137 415	109 060

14. Amounts due from/(to) related parties

The Group's related parties include directors, executive officers, subsidiaries, associates and immediate and ultimate parent companies.

Banking business

Transactions with key management personnel
Directors, management and employees and their immediate relatives have transacted with the Bank during the year as follows:

	Directors and their related parties 2021 K'000	Employees 2021 K'000	Directors and their related parties 2020 K'000	Employees 2020 K'000
Advances	49 500	4 663 870	58 241	2 627 357
Deposits	(9 081)	(503 048)	(7 176)	(329 077)
Net balances	40 419	4 160 822	51 065	2 298 280

Advances to directors and parties related thereto are conducted at arm's length and deemed to be adequately secured. However, advances to management and staff are priced different depending on product as follows;

Product	Senior Managers	General Staff
General purpose loan	9%	9%
Other term loans	Reference rate	Reference rate
Car loans	Reference rate	9%
Mortgage	Reference rate	Reference rate

Advances to staff comprise K214 million (2020: K143 million) interest free loans and K4,450 million (2020: K2,731 million) loans at an interest rate 9% and reference rate (which averaged 12.13%) for management personnel.

Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged by the Bank on similar loans to non-related parties. The discounted future cost to the bank amounted to K399 million (2020: K597 million)

Executive Directors own shares in the Company through Millennium Holdings Limited. The shareholders comprise executive Directors, past and present senior managers of the Company. Millennium Holdings Limited holds 1.4 million shares (2020: 1.4 million shares) out of 1.04 billion shares in NICO Holdings plc, representing 0.4% shareholding in the Company.

Executive Directors also participate in the Company's share option programme (refer to note 45). As at 31 December 2021, the total number of shares of the Company owned by the Executive Directors through the Company's share option program was Nil (2020: Nil).

14. Amounts due from/(to) related parties (Continued)

Insurance business

Directors and their related parties transacted with the General insurance business unit during the year as follows:

	Directors and their related parties 2021 K'000	Directors and their related parties 2020 K'000
Insurance premium	13 178	19 403

All outstanding balances with these related parties are priced on an arms' length basis and are to be settled in cash within one month of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

As at 31 December 2021 there were no balances owing from directors and employees (2020: Nil).

Key management personnel compensation:

Key management personnel compensation comprised the following: -

	Group			
	Executive Directors 2021 K'000	Executive Directors 2020 K'000	Non-executive Directors 2021 K'000	Non-executive Directors 2020 K'000
Directors' remuneration	377 937	376 377	-	-
Directors' fees	-	-	257 930	197 111
	377 937	376 377	257 930	197 111

Value of transactions and year end balances with associated companies are as follows: -

Related Party	Relationship	Type of transaction	Value of transactions 2021	Balance at year end 2021	Value of transactions 2020	Balance at year end 2020
Sanlam Pan Africa(SPA)	Common investee	Actuarial fees	(125 667)	81 000	(121 209)	(49 626)
		Director fees	(4 654)			
		Shared expenses	-	-	(25 518)	(25 518)
			-	-	-	(9 200)
		Premia Support				
Sanlam General Insurance Tanzania	Associate	Directors fees	1 522	409	10 295	6 804
Sanlam Mocambique Vida Companhia de Seguros, SA	Associate	Directors fees	-	-	2 972	535

14. Amounts due from /(to) related parties (Continued)

The amounts in brackets indicate that the goods/services were acquired by the Group from related parties whilst the others indicate services provided to the related parties.

All outstanding balances with related parties are priced on an arm's length basis. These balances are unsecured and approximate their fair value at the reporting date due to their short term nature.

(a) List of significant subsidiaries

The Composition of the Group at the end of the reporting period is as follows:

Name of entity	Principal Activity	Place of Incorporation	Number of Wholly owned subsidiaries	
			2021	2020
NICO Asset Managers Limited	Asset Management	Malawi	1	1
NICO Technologies Limited	Information Technology	Malawi	1	1
Group Fabricators and Manufactures Limited	Property Holding	Malawi	1	1
NICO Capital Limited	Corporate Finance Advisory	Malawi	1	-
			4	3

Name of entity	Principal Activity	Place of Incorporation	Number of Non-Wholly owned subsidiaries	
			2021	2020
NICO General Insurance Company Limited	Short Term Insurance	Malawi	1	1
NICO Insurance Zambia Limited	Short Term Insurance	Zambia	1	1
NICO Life Insurance Company Limited	Long Term insurance	Malawi	1	1
NBS Bank plc	Banking	Malawi	1	1
NICO Pension Services Limited	Pension Administration	Malawi	1	-
			5	4

14. Amount due from/(to) related parties (Continued)

The table below provides details of the subsidiaries of the Group.

b) Investment in subsidiary companies (at cost)

	Country of Incorporation	2021 Shareholding %	2021 Amount K'000	2021 Dividends received K'000	2020 Shareholding %	2020 Amount K'000	2020 Dividends received K'000
Company							
NICO General Insurance Company Limited	Malawi	51	61 200	459 000	51	61 200	612 000
NICO Life Insurance Company Limited	Malawi	51	74 588	2 728 500	51	74 588	1 343 562
NICO Insurance Zambia Limited	Zambia	51	1 336 880	-	51	595 099	-
NICO Technologies Limited	Malawi	100	75 365	-	100	75 365	-
NICO Asset Managers Limited	Malawi	100	31 081	1 800 000	100	31 081	1 950 000
Group Fabricators and Manufacturers	Malawi	100	58 500	-	100	58 500	-
NBS Bank plc	Malawi	50.1	6 590 332	1 895 496	50.1	6 590 332	1 166 459
NICO Capital Limited	Malawi	100	300 000	-			
NICO Pension Services Company Limited	Malawi	51	535 500	-		-	-
			9 063 446	6 882 996		7 486 165	5 072 021

	As at 1 January K'000	Additions K'000	Disposals K'000	As at 31 December K'000
2021				
Subsidiaries movement during the year				
NICO General Insurance Company Limited	61 200	-	-	61 200
NICO Life Insurance Company Limited	74 588	-	-	74 588
NICO Insurance Zambia Limited	595 099	741 781	-	1 336 880
NICO Technologies Limited	75 365	-	-	75 365
NICO Asset Managers Limited	31 081	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	58 500
NBS Bank plc	6 590 332	-	-	6 590 332
NICO Capital Limited	-	300 000	-	300 000
NICO Pension Services Company Limited	-	535 500	-	535 500
	7 486 165	1 577 281	-	9 063 446

14. Amounts due from/(to) related parties (Continued)

	As at 1 January K'000	Additions K'000	Disposals K'000	As at 31 December K'000
2020				
Subsidiaries movement during the year				
NICO General Insurance Company Limited	61 200	-	-	61 200
NICO Life Insurance Company Limited	74 588	-	-	74 588
NICO Insurance Zambia Limited	595 099	-	-	595 099
NICO Technologies Limited	75 365	-	-	75 365
NICO Asset Managers Limited	31 081	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	58 500
NBS Bank plc	6 590 332	-	-	6 590 332
	7 486 165	-	-	7 486 165

The Directors have performed an impairment assessment of the investments in subsidiaries as at 31 December 2021. No impairment has been recognised.

	Company	
	2021 K'000	2020 K'000
(c) Amounts due from subsidiaries, associate companies and joint venture companies		
(i) Amounts due from subsidiary companies		
NICO Insurance (Zambia) Limited	1 622	-
Group Fabricators and Manufacturers Limited	7 410	-
NBS Bank plc	56 616	14 458
NICO Pension Services Company Limited	1 533	-
NICO Asset Managers Limited	1 523	-
(ii) Amounts due from equity accounted companies		
Eris Properties Malawi Limited	37 460	29 295
Sanlam General Insurance Tanzania Limited	-	6 804
Sanlam Mozambique Vida Companhia de Seguros SA	410	532
Total	106 574	51 089
Amounts to subsidiaries, associate companies and joint venture companies		
(iii) Amounts due from associate companies		
Sanlam Mozambique Vida Companhia de Seguros SA	2 697	-

14. Amounts due to/(from) related parties (Continued)

All outstanding balances with these related parties are short-term and are priced on an arms' length basis. None of the balances are secured. No loss allowance has been recognized for amounts due from related parties. An assessment of amounts due from related parties indicated no risk of default as amounts are settled normally within 3 months.

In the opinion of Directors, these balances approximate their fair value at the reporting date due to their short term nature.

15. Deferred tax assets and liabilities

Group

Recognised deferred tax
Deferred tax (assets) and liabilities are attributed to the following:

	Assets		Liabilities	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'00**
Property and equipment	114 019	331 526	1 041 907	1 174 185
Investment properties and equity shares	(695 799)	-	-	-
Accrued interest	259 058	(184 395)	1 589 378	460 844
Other assets	(1 906 971)	(1 797 116)	152 881	100 062
Deferred tax (assets)/liabilities	(2 229 693)	(1 649 985)	2 757 166	1 735 091

15. Deferred tax assets and liabilities (Continued)

Deferred tax movement analysis:

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Recognised in equity K'000	Recognised in other comprehensive Income K'000	Effects exchange rates K'000	Balance as at 31 December K'000
2021						
Movement of deferred tax asset	331 526	(26 268)	191 239	-	-	114 019
Property and equipment	-	(695 799)	-	-	-	(695 799)
Investment properties and equity shares	(184 395)	443 453	-	-	-	259 058
Accrued interest	(216 752)	-	-	-	(54 804)	(174 175)
Other assets	(1 580 366)	26 106	-	32 964	(61 907)	(1 732 796)
Deferred tax (assets)/liabilities	(1 649 987)	(304 720)	(191 239)	32 964	(116 711)	(2 229 693)
Movement of deferred tax liability						
Property and equipment	1 174 185	(241 140)	-	51 679	30 183	1 014 907
Investment properties and equity shares	-	-	-	-	-	-
Accrued interest	460 844	1 128 534	-	-	-	1 589 378
Other assets	100 061	6 443	-	-	46 377	152 881
Deferred tax (assets)/liabilities	1 735 090	893 837	-	51 679	76 560	2 757 166

15. Deferred tax assets and liabilities (Continued)

Deferred tax movement analysis:

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Recognised in equity K'000	Recognised in other comprehensive Income K'000	Effects exchange rates K'000	Balance as at 31 December K'000
2020						
Movement of deferred tax asset						
Property and equipment	210 206	118 425	2 895	-	-	331 526
Accrued interest	-	(184 395)	-	-	-	(184 395)
Other assets	(2 178 101)	327 906	-	(58 528)	111 607	(1 797 116)
Deferred tax (assets)/liabilities	(1 967 895)	261 936	2 895	(58 528)	111 607	(1 649 985)
Movement of deferred tax liability						
Property and equipment	1 376 571	(158 979)	-	-	(43 407)	1 174 185
Investment properties and equity shares	(444 575)	444 575	-	-	-	-
Accrued interest	2 008 956	(1 548 112)	-	-	-	460 844
Other assets	(101 103)	245 310	-	-	(44 145)	100 062
Deferred tax (assets)/liabilities	2 839 849	(1 017 206)	-	-	(87 552)	1 735 091

The Group's operations are principally in Malawi and Zambia tax jurisdictions, with Zambia having only one subsidiary. For the rest of subsidiaries in Malawi, the tax law does not allow set-off of amounts of income tax recoverable or payable amongst companies, be it related companies. Deferred tax assets have mainly arisen from deductible temporary differences, except for the Zambia subsidiary where a small portion of its deferred tax asset was attributable to tax losses. The deferred tax asset attributable to tax losses was only K24.2 million (2020: MK97.6 million). The tax loss arose in 2020 and most of it was utilized in the taxable profit generated in 2021. The group has assessed that the Zambia subsidiary will continue to generate taxable profits for the foreseeable future. At the reporting date the Group assessed that each of its subsidiaries with a net deferred tax asset position would be able to generate sufficient future taxable profits against which the deferred tax assets would be utilized.

16. Investment in associates, joint ventures and unconsolidated structured entities

(a) Investment in associates

The composition of the Group's associates is the following:

Principal Activity	Place of Incorporation	Number of Associates 2021	2020
Short term insurance	Tanzania	-	1
Long term Insurance	Mozambique	1	1
	Total	1	2

	Principle place of business/ country of incorporation	2021 Shareholding	2021 Amount	2020 Shareholding	2020 Amount
Sanlam Vida Companhia de Seguros, SA	Mozambique	34.30%	1 165 632	34.30%	968 110
Sanlam General Insurance Tanzania Limited	Tanzania	0%	-	20%	-
			1 165 632		968 110

The table below shows the summarised financial statements of the associates:

	Sanlam Vida		Sanlam Tanzania	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Non-current assets	7 343 832	5 093 326	-	302 810
Current assets	1 165 419	1 649 253	-	8 449 917
Non-current liabilities	(133 804)	(158 343)	-	(179 121)
Current liabilities	(2 943 686)	(1 989 130)	-	(7 207 034)
Net assets	5 431 761	4 595 106	-	1 366 572
Revenue	10 031 366	7 846 146	-	9 008 372
Profit/(loss)	575 865	615 707	-	(783 918)
Total comprehensive income	575 865	615 707	-	(783 918)
Percentage shareholding	34.3%	34.3%	0%	20%
Share of associates profit/(loss)	197 522	211 188	-	(156 784)

16. Investment in associates, joint ventures and unconsolidated structured entities (Continued)

(a) Investment in associates (Continued)

The investment in Sanlam Vida Companhia de Seguros, SA is operating within the life insurance business. The investment in Sanlam General Insurance Tanzania was disposed during the year and was operating within the general insurance business. These are strategic to the Group's activities and core lines of business.

The investments in associates are not material to the result of the Group and as such the following is disclosed in aggregate.

	Group/Company				
	2021		2020		
	Sanlam Mozambique Vida Companhia de Serugos Limited K'000	Sanlam General Insurance Tanzania Limited K'000	Sanlam Mozambique Vida Companhia de Serugos Limited K'000	Sanlam General Insurance Uganda Limited K'000	Sanlam General Insurance Tanzania Limited K'000
As at 1 January	968 110	-	756 922	-	1
Additions	197 522	-	-	-	-
Share of profit/(loss)	-	-	211 188	-	-
Impairment	-	-	-	-	231 706
Transfer to classified as held for sale (note 8)	-	-	-	-	(231 707)
Balance at 31 December	1 165 632	-	968 110	-	-

16. Investment in associates, joint ventures and unconsolidated structured entities (Continued)

(b) Investment in joint venture

Principal activity	**Place of incorporation**	**Number of joint ventures**	
		2021	**2020**
		K'000	**K'000**
Property management and development	Malawi	1	1
	Total	1	1

The table below show the summarised financial statements of the joint venture

Summarised financial information	**ERIS Properties Malawi**	
	2021	**2020**
	K'000	**K'000**
Non current assets	50 570	62 279
Current assets	487 330	435 927
Non current liabilities	(25 529)	(31 313)
Current liabilities	(319 723)	(275 058)
Net assets	192 648	191 835
Revenue	602 876	538 998
Profit	3 637	38 757
Total comprehensive income	3 637	38 757
Percentage shareholding	50%	50%
Share of profit	1 819	19 378

Group/Company	**As at 1 January K'000**	**Share of profit K'000**	**As at 31 December K'000**
2021			
ERIS Properties Malawi Limited	98 102	1 819	99 921
2020			
ERIS Properties Malawi Limited	78 724	19 378	98 102

Eris Properties Malawi Limited is a Joint Venture between NICO Holdings plc and ERIS SA Limited. Its primary activities are property management and development.

16. Investment in associates, joint ventures and unconsolidated structured entities (Continued)

(c) Unconsolidated Structured entity

These investments are mainly through the Life and Pensions business. They are mutual investments and the shareholders portion in these investments is very minimal at less than 10%.

The unconsolidated and structured entity in the Group is ICON Properties plc.

	2021 %Holding	2020 % Holding
ICON Properties plc (through NICO Life Insurance Company Limited)	59,35	63.15

ICON's business operations consist of 3 principal segments: property letting services, property management and property development.

Summarised Financial Information

	ICON Properties plc	
	2021 K'000	2020 K'000
Non-current assets	81 810 499	75 735 910
Current assets	10 204 542	6 108 684
Non-current liabilities	(2 538 279)	(1 213 518)
Current liabilities	(1 660 518)	(201 426)
Net assets	87 816 244	80 429 650
Revenue	12 253 552	14 170 348
Profit	8 793 069	9 319 937
Total comprehensive income	8 793 069	9 319 937

Details of amounts relating to unconsolidated entity are as follows:

Income	2021 K'000	2020 K'000
Interest income	4 883 381	2 846 523
Dividend income	2 535	2 311
Fair value gains or losses	4 117 315	6 027 430
Total income	9 003 231	8 876 264

These amounts have been included under investment income, note 34 (Investment income) to the financial statements.

16. Investment in associates, joint ventures and unconsolidated structured entities (Continued)

(c) Unconsolidated Structured entity (Continued)

Assets
Investments – maximum exposure

	2021 K'000	2020 K'000
Investment in equity shares	2 008 394	2 019 902

The Group's exposure in the unconsolidated structured entity is to the extent of the shareholders' fund proportion, which is 2.37% (2020: 3.93%) of the market value of its shares in ICON Properties plc

The related market values of the shares have been included under note 18 to the financial statements.

Nature of risks associated with unconsolidated structured entity
The Group has risks associated with these unconsolidated structured entities through the investments as analyzed below:

Risk exposure associated with these investments include financial risks: liquidity, market, interest default risks and impairment of the properties under the investments.

Liquidity-having granted income notes there is a risk that the companies may not have adequate cashflows to fund interest repayment as it falls due and therefore subsequent default of the income notes.

Market- having a significant portfolio of the investments in the property, development, management and letting, there is a risk that due to competition rental rates may decline or stagnate thereby reducing income.

Impairment loss may arise due to declining values in the invested properties under management due to dynamic changes in market forces.

Overall the positive net asset position as shown in table above indicates that overall exposure is remote and only limited to the assets.

	Group	
	2021 K'000	2020 K'000

17. Investment in government securities

The investments are due to mature as follows:		
• Within one year (note 6)	3 271 849	104 803 273
• After one year	361 032 011	143 145 742
	364 303 860	247 949 015

	Group	
	2021	**2020**
	K'000	**K'000**

17. Investment in government securities (Continued)

Investment in government securities comprised the following: -

Financial assets designated FVTPL*		
Local registered stocks	164 743 783	137 121 284
	164 743 783	137 121 284
Financial assets at amortized cost**		
Local registered stocks	163 069 368	104 795 028
Treasury bills	30 340 872	5 745 953
Promissory notes	6 149 837	286 750
	199 560 077	110 827 731
Total	364 303 860	247 949 015

**Movement of financial assets designated FVTPL*

Balance as at 1 January	137 121 284	103 967 952
Additions during the year	76 686 610	98 220 486
Fair value adjustment	632 872	(12 101 944)
Disposals during the year	(49 696 983)	(52 965 210)
Balance at 31 December	164 743 783	137 121 284

The fair valuation of these treasury notes is done by management in consultation with the consulting actuaries from Sanlam Emerging Markets (Pty) Limited, who utilise best practise methods based on expertise within the wider Sanlam Group. It involves application of judgement in determining the most appropriate valuation basis and assumptions.

The bootstrapping method was used for the purpose of constructing the discounting curve used to discount expected future cashflows at each respective cashflow date. This method is a statistical technique for estimating quantities about a population by averaging estimates from multiple small data samples. These samples are constructed by drawing observations from a large data sample one at a time and returning to the data sample after they have been chosen.

***Movement of financial assets at amortized costs*

Balance as at 1 January	110 827 731	84 278 928
Effects of exchange rates	133 348	-
Additions during the year	96 867 605	26 656 831
Short term portion of investments	386 616	-
Movement in accrued interest	(106 103)	274 080
Expected credit loss	(6 610)	(8 245)
Disposals during the year	(8 542 510)	(373 863)
Balance at 31 December	199 560 077	110 827 731

Interest rates for government securities ranged from 5% to 22.5% (2020: 8.52% to 22.5%).

Treasury bills earned interest at an average rate of 14% (2020: 10.63%). Treasury bills interest rates represent average yield rates on a 91-day, 182-day and 364-day bills as determined from time to time by Reserve Bank of Malawi, in line with monetary policy rate.

		Group		Company	
		2021	**2020**	**2021**	**2020**
		K'000	**K'000**	**K'000**	**K'000**
18.	**Investment in equity shares**				
	Investment in equity shares				
	Valuation				
	Balance at 1 January	163 956 274	141 080 945	1 709 768	1 520 487
	Purchases during the year	1 746 486	3 773 498	-	-
	Effects of changes in exchange rates	5 483	(6 356)	-	-
	Increase/(decrease) in fair value -shareholders	3 857 104	1 191 052	1 079 905	189 281
	-policyholders	29 823 470	19 837 766	-	-
	Disposals during the year	(4 468 288)	(1 920 631)	-	-
	Balance as at 31 December	194 920 529	163 956 274	2 789 673	1 709 768

	2021		**2020**			
	Shareholding (%)		**Shareholding (%)**			
Analysis of investment in shares						
Listed shares						
Blantyre Hotels plc	34.52	3 191 383	34.52	3 750 814	-	-
Standard Bank plc	19.17	62 975 772	19.89	48 844 439	-	-
Airtel Malawi plc	1.27	5 608 400	1.27	3 923 076	-	-
Illovo Sugar plc	0.11	239 438	0.11	64 258	-	-
Press Corporation plc	5.33	12 277 354	5.29	8 328 229	-	-
Old Mutual plc	5.96	1 946 369	5.96	2 039 381	-	-
National Bank of Malawi plc	6.71	25 380 057	6.71	20 363 850	-	-
National Investment Trust plc	6.24	799 809	6.24	799 574	-	-
FMB Capital Holding plc	0.25	490 550	0.25	135 147	-	-
Telekom Networks Malawi plc	9.05	20 824 262	8.61	17 353 511	-	-
MPICO plc	1.96	933 325	1.96	946 848	-	-
NICO Holdings plc*	4.04	2 316 150	4.04	2 189 824	-	-
ICON Properties plc	59.35	51 104 182	62.71	51 397 005	-	-
NBS Bank plc	0.64	424 492	0.64	400 399	-	-
FDH Bank plc	1.09	1 185 750	-	-	-	-
Airtel Networks Zambia plc	0.00	10 863	0.00	13 452	-	-
Total listed shares		189 708 156		160 549 807	-	-

*Investment in NICO Holdings plc is through Deposit Administration Fund (NICO Pensions).

Unlisted shares				
Chibuku Products Limited	2 347 000	1 600 000	-	-
Telecom Holdings Limited (MTL/OCL)	1 086 652	595 000	1 060 652	548 000
Natswitch Limited	30 000	30 000	-	-
Swift	19 700	19 700	-	-
Mwaiwathu Private Hospital Limited	322 000	294 000	322 000	294 000
Sanlam Uganda	1 400 000	856 890	1 400 000	856 891
Fortesa	7 021	10 877	7 021	10 877
Total unlisted shares	5 212 373	3 406 467	2 789 673	1 709 768
Total investment in equity shares	194 920 529	163 956 274	2 789 673	1 709 768

18. Investment in equity shares (Continued)

The fair value gains in unlisted shares are recognised in investment income in profit/loss under note 34 as part of the fair value adjustment of investment properties and shares.

In the current year shares in unlisted companies have been valued as at 31 December 2021 on behalf of the Directors by Enerst and Young using net asset model, discounted free cash flow and maintainable earning model. Listed shares have been valued using Malawi Stock Exchange prices as at 31 December 2021.

Level 1 Fair Value

Listed shares amount to K189.6 billion (2020: K161 billion). In measuring fair value the Group has used observable market related data. The fair value is based on quoted prices on the Malawi Stock Exchange except for shares in Airtel Networks Zambia plc valued at K11.0 million (2020: K13.4 million) whose prices are quoted on the Lusaka Stock Exchange.

Level 3 Fair Value

Unlisted equities for the Group amounted to K4.6 billion (2020: K3.4 billion) while for the Company amounted to K2.8 billion (2020: 1.7 billion). The unlisted shares were valued by Ernest and Young as at 31 December 2021 based on discounted cashflows and adjusted net asset value valuation approach.

Valuation techniques and significant unobservable

The following table shows the valuation technique used in measuring the fair value of the investment in shares, as well as the significant unobservable inputs used. The valuation expert adopted a Discounted Cash Flow for some of the unlisted investments.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Discounted Cash Flow valuation method uses future free cash flow projections and discounts them to arrive at a Present value estimate, which is used to derive the intrinsic value of the company. It also factors in the debt position as well as capital expenditure plans.	Discount rates (2021: 22.5%; 2020: 23.5%).23.7% High) Specific risk premia (SRP) of between 2% and 3%.	The higher(lower) the discount rate, the higher(lower) the fair value. If the discount rate growth was 5 per cent higher/lower while all other variables were held constant, the carrying amount would increase/decrease by K70 million (2020: increase/decrease by K43 million).

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
19. Loans and debentures				
Group				
Designated at FVTPL				
Balance at 1 January	14 071 221	23 222 506	-	-
Fair value gain	1 349 859	330 870	-	-
Additions during the year	-	12 000 000	-	-
Short term portion of loans and debentures	(355 386)	-	-	-
Disposals during the year	(7 736 842)	(21 482 155)	-	-
Balance at 31 December	7 328 852	14 071 221	-	-
Designated at amortised cost				
Balance at 1 January	-	324 608	1 753	1 753
Additions during the year	-	336 809	-	-
Expected credit loss	-	-	-	-
Disposals during the year	-	(609 037)	-	-
Accrued interest redeemed	-	(52 380)	-	-
Balance at 31 December	-	-	1 753	1 753
Total	7 328 852	14 071 221	1 753	1 753

The above disclosed loans and debentures are receivable from Malawi registered companies hence no exposure to exchange rate movement. Expected credit loss has been determined for all loans, refer to note 43.4.2.

During the year Illovo Sugar (Malawi) plc fully repaid its K7 billion loan balance from prior year.

In the opinion of the directors, the loans receivable, are expected to be realised in full at maturity date. At the reporting date, the most significant loans (excluding interest) are:

(a) A 5 year floating rate equivalent to 182 days Treasury bill plus 1.8% interest rate per annum was advanced to Telekom Networks Malawi plc in 2017. The balance as at 31 December 2021 is K4.1 billion (2020: K4.1 billion). The loan is secured by a debenture. The loan will mature on 22 July 2022.

(b) A five-year K3.5 billion floating rate loan guaranteed by the Malawi Government was advanced to Electricity Supply Commission of Malawi at 91 days Treasury bill plus 6% or at a floating rate of NBS Bank Plc base lending rate per annum whichever is higher and to be reset quarterly using the rate at the beginning of the quarter. The coupon rate shall be subject to a floor equivalent to the latest available inflation rate plus 2% or 91 days Treasury bill rate plus 1% whichever is higher. The balance as at 31 December 2021 was K1.9 billion (2020: K2.6 billion).

	GROUP			COMPANY	
	Freehold investment properties K'000	Leasehold investment properties K'000	Total K'000	Freehold investment properties K'000	Total K'000
20. Investment properties					
Group					
2021					
At valuation					
Balance at 1 January	688 240	2 771 903	3 460 143	145 000	145 000
Effects of exchange rates	63	-	63	-	-
Transfer from property, plant and equipment	-	280 000	280 000	-	-
Additions	-	86 167	86 167	-	-
Fair value adjustment	13 000	221 237	234 237	13 000	13 000
Balance as at 31 December	701 303	3 359 307	4 060 610	158 000	158 000
2020					
At valuation					
Balance at 1 January	677 321	2 671 016	3 348 337	134 000	134 000
Effects of exchange rates	(81)	-	(81)	-	-
Additions	-	42 100	42 100	-	-
Fair value adjustment	11 000	58 787	69 787	11 000	11 000
Balance as at 31 December	688 240	2 771 903	3 460 143	145 000	145 000

The amounts recognised in profit or loss in respect of investment properties are:

	Group		Company	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Rental income (note 34)	625 882	293 119	4 700	4 518
Direct operating expense (maintenance costs)	9 638	11 356	-	-

There are no amounts of restrictions on title and investment properties pledged as security for liabilities.

There are no contractual commitments for the acquisition of investment properties.

Valuation basis

Properties were revalued on open market basis on 31 December 2021 by Don Whayo BSC Dip (Urb Man) BA MSIM MRICS, a Chartered Valuation Surveyor with Knight Frank on behalf of the directors. Values were determined by reference to observable prices in the property market. The resultant surplus is taken to profit or loss. The fair value measurements have been categorized as Level 3 for value based on income capitalization technique.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value Measurement
Income Capitalisation Approach	**Capitalisation rates 9%-12% % (2020: 10% - 15%)** **Market Rent Growth ranged from 9% to 13% (2020:5% to 10%)** **Vacancy rate 1%-8% (1% to 8%).**	The estimated impact of a change in the following significant unobservable inputs would result in a change in the independent valuers' valuation as follows: K365 million (2020:K 346 million MK519 million) for the Group and K14 million- K19 million(2020: K15 million- K22 million) for the company if the capitalisation rate were lower (higher); K365 million – K528 million(2020: K346 million-K519 million) for the Group and MK8 million-K16 million (2020: K7 million:K2 million) for the Company if the expected market rental growth were higher (lower); A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. For instance, a 10% increase or decrease of the monthly rent will affect the value of the subject property by the above percentage (10%). K41million- K325 million (2020:K 35 million-MK277 million) for the Group and K2 million- K13 million(2020: K1 million:K12 million) for the company if the vacancy rates were higher (lower).

21. Leases (Group as a lessee)

The Group and the company has lease contracts for various items of plant, machinery, vehicles, land and buildings used in its operations. Leases of plant and machinery generally have lease terms between 3 and 5 years, land and buildings between 2 and 13 years (largely with options for renewal) while motor vehicles have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has options to purchase certain leased assets at the end of the lease term.

	GROUP		COMPANY	
	2021	2020	2021	2020
	K'000	K'000	K'000	K'000
21.1 Right-of-use assets				
Cost				
At 1 January	6 184 843	3 807 662	163 373	182 499
Effects of exchange rate	202 401	-	-	-
Additions	1 700 282	2 577 058	-	-
Disposals	-	(199 877)	-	(19 126)
At 31 December	8 087 526	6 184 843	163 373	163 373
Accumulated depreciation				
At 1 January	2 719 883	1 672 002	55 590	30 416
Effects of exchange rate	80 902	-	-	-
Charge for the year	1 357 579	1 145 086	25 538	25 174
Disposals	(10 760)	(97 205)	-	-
At 31 December	4 147 604	2 719 883	81 128	55 590
Carrying amount	3 939 922	3 464 960	82 245	107 783
Amounts recognized in profit and loss are as follows:				
Finance charges on lease liabilities	922 475	700 435	20 303	19 636
Depreciation expense on right-of-use assets	1 357 579	1 145 086	25 538	25 174

The Group leases buildings and the average lease term is 3 years (2020: 3 years).

21.2 Lease liabilities				
Cost				
At 1 January	4 558 865	2 743 486	138 380	170 768
Effects of exchange rate	127 174	220 538	-	-
Additions	1 765 593	2 415 742	-	(19 126)
Finance charges	922 475	700 435	20 303	19 636
Repayments of finance charges	(760 368)	(621 987)	(20 303)	(19 636)
Repayments of lease liabilities	(994 416)	(899 349	(15 289)	(13 262)
At 31 December	5 619 323	4 558 865	123 091	138 380
Maturity analysis				
Due within 1 year or less	2 181 703	1 401 347	16 813	23 908
Due between 2 and 5 years	3 427 803	3 125 182	106 278	114 472
Due after 5 years	9 817	32 336	-	-
At 31 December	5 619 323	4 558 865	123 091	138 380

22. Intangible assets

Group	Capital work in progress K'000	Software K'000	Total K'000
2021			
Cost			
Balance as at 1 January	513 936	9 912 502	10 426 438
Effects of changes in exchanges rates	-	268 370	268 370
Additions during the year	1 220 922	1 111 488	2 332 410
Capitalisation	(878 207)	878 207	-
Disposal during the year	(14 238)	-	(14 238)
Balance at 31 December	842 413	12 170 567	13 012 980
2020			
Cost			
Balance as at 1 January	495 849	8 435 452	8 931 301
Effects of changes in exchanges rates	-	(340 295)	(340 295)
Additions during the year	909 626	954 401	1 864 027
Capitalisation	(891 539)	891 539	-
Disposal during the year	-	(28 595)	(28 595)
Balance at 31 December	513 936	9 912 502	10 426 438
2021			
Amortisation			
Balance as at 1 January	-	4 777 742	4 777 742
Effects of changes in exchanges rate	-	92 699	92 699
Charge for the year	-	1 532 677	1 532 677
Eliminated on disposal	-	(5 433)	(5 433)
Balance at 31 December	-	6 397 685	6 397 685
2020			
Amortisation			
Balance as at 1 January	-	3 657 969	3 657 969
Effects of changes in exchanges rate	-	(80 324)	(80 324)
Charge for the year	-	1 210 279	1 210 279
Eliminated on disposal	-	(10 182)	(10 182)
Balance at 31 December	-	4 777 742	4 777 742
Carrying amount at 31 December 2021	842 413	5 772 882	6 615 295
Carrying amount at 31 December 2020	513 936	5 134 760	5 648 696

22. Intangible assets (Continued)

	Software K'000	Total K'000
Company		
2021		
Cost		
Balance as at 1 January	126 233	126 233
Additions during the year	10 987	10 987
Balance at 31 December	137 220	137 220
2020		
Cost		
Balance as at 1 January	123 733	123 733
Additions during the year	2 500	2 500
Balance at 31 December	126 233	126 233
2021		
Amortisation		
Balance as at 1 January	116 421	116 421
Charge for the year	4 298	4 298
Balance at 31 December	120 719	120 719
2020		
Amortisation		
Balance as at 1 January	112 926	112 926
Charge for the year	3 495	3 495
Balance at 31 December	116 421	116 421
Carrying amount at 31 December 2021	16 501	16 501
Carrying amount at 31 December 2020	9 812	9 812

23. Property and equipment

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress buildings K'000	Capital work in progress equipment K'000	Total K'000
Group						
Cost or valuation						
2021						
Balance as at 1 January	3 711 226	1 285 540	15 792 052	9 139	214 277	21 012 234
Effects of changes in exchange rates	29 704	37 231	201 767	-	-	268 702
Transfer to investment properties	(280 000)	-	-	-	-	(280 000)
Additions during the year	-	189 457	2 322 758	-	307 334	2 819 549
Revaluation (loss)/surplus	(608 863)	96 900	120 812	-	-	(391 151)
Capitalisation	-	-	363 778	-	(363 778)	-
Disposals during the year	(428 269)	(55 666)	(482 597)	(9 139)	-	(975 671)
Balance as at 31 December	2 423 798	1 553 462	18 318 570	-	157 833	22 453 663
Analysed as follows:						
Valuation	1 112 010	-	-	-	-	1 112 010
Cost	1 311 788	1 553 462	18 318 570	-	157 833	21 341 653
	2 423 798	1 553 462	18 318 570	-	157 833	22 453 663
2020						
Balance as at 1 January	1 976 752	1 018 837	12 445 456	9 534	670 972	16 121 551
Effects of changes in exchange rates	(38 012)	(49 737)	(243 684)	-	-	(331 433)
Additions during the year	1 753 969	404 295	2 042 724	7 614	1 378 512	5 587 114
Revaluation surplus	19 000	-	-	-	-	19 000
Capitalisation	-	-	1 842 823	(7 616)	(1 835 207)	-
Disposals during the year	(483)	(87 855)	(295 267)	(393)	-	(383 998)
Balance as at 31 December	3 711 226	1 285 540	15 792 052	9 139	214 277	21 012 234
Analysed as follows:						
Valuation	1 720 873	-	-	-	-	1 720 873
Cost	1 990 353	1 285 540	15 792 052	9 139	214 277	19 291 361
	3 711 226	1 285 540	15 792 052	9 139	214 277	21 012 234
Group						
Accumulated depreciation and impairment losses						
2021						
Balance as at 1 January	85 733	679 729	8 528 440	-	-	9 293 902
Effects of changes in exchange rates	-	30 455	98 501	-	-	128 956
Charge for the year	51 213	199 063	2 256 346	-	-	2 506 622
Released on revaluation	(87 897)	-	-	-	-	(87 897)
Disposals	(13 328)	(53 209)	(308 260)	-	-	(374 797)
Balance as at 31 December	35 721	856 038	10 575 027	-	-	11 466 786

23. Property and equipment (Continued)

	Land and buildings K'000	Motor vehicles K'000	Furniture and equipment K'000	Capital work in progress buildings K'000	Capital work in progress equipment K'000	Total K'000
Group						
Accumulated depreciation and impairment losses						
2020						
Balance as at 1 January	30 044	610 615	7 431 076	-	-	8 071 735
Effects of changes in exchange rates	-	(35 994)	(172 505)	-	-	(208 499)
Charge for the year	55 761	182 118	1 377 554	-	-	1 615 433
Disposals	(72)	(77 010)	(107 685)	-	-	(184 767)
Balance as at 31 December	85 733	679 729	8 528 440	-	-	9 293 902
Carrying amounts						
At 31 December 2021	2 388 077	697 424	7 743 543	-	157 833	10 986 877
At 31 December 2020	3 625 493	605 811	7 263 612	9 139	214 277	11 718 332

Company	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
Cost			
2021			
Balance as at 1 January	45 730	215 172	260 902
Additions during the year	-	8 643	8 643
Balance as at 31 December	45 730	223 815	269 545
2020			
Balance as at 1 January	44 378	182 866	227 244
Additions during the year	1 352	32 306	33 658
Balance as at 31 December	45 730	215 172	260 902
Accumulated depreciation and impairment losses			
2021			
Balance as at 1 January	34 898	140 291	175 189
Charge for the year	9 146	32 159	41 305
Balance as at 31 December	44 044	172 450	216 494
2020			
Balance as at 1 January	25 888	111 054	136 942
Charge for the year	9 010	29 237	38 247
Balance as at 31 December	34 898	140 291	175 189
Carrying amounts			
At 31 December 2021	1 686	51 365	53 051
At 31 December 2020	10 832	74 881	85 713

23. Property and equipment (Continued)

If land and buildings were stated on the historical cost basis the carrying amounts would be as follows:

	Group	
	2021	**2020**
	K'000	**K'000**
Cost	1 311 788	1 990 353
Accumulated depreciation	(35 721)	(85 733)
Carrying amount	1 276 067	1 904 620

Total losses for the period recognised in other comprehensive income amount to K611 (2020: nil).

Land and buildings comprise freehold buildings and leasehold buildings whilst furniture and equipment include fixtures and fittings computer hardware and other equipment.

Land was revalued on open market basis on 31 December 2021 by an independent external valuer Mr. Don Whayo BSC Dip (Urb Man) BA MSIM MRCIS a Chartered Valuation Surveyor with Knight Frank on behalf of the Directors. The valuer acted as an independent valuer in accordance with the RICS (Royal Institute of Chartered Surveyors) valuation professional standards published in 2021 and the International Valuation Standards (ISV).

Values were determined by reference to unobservable prices in the property market.

Valuation techniques and significant unobservable inputs
The following table shows the valuation technique used in measuring the fair values of land and buildings, as well as the significant unobservable inputs used. The valuation expert adopted a Market Value approach.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
The valuation approach of Open Market Value was adopted as a result of a consideration of the Comparable approach and the residual value. The 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 residual value is defined as the estimated amount an entity would currently obtain from disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful life. In providing the residual values it has been assumed that the entity is not contemplating disposal of any of the properties in the foreseeable future.	Capitalization rates of between 5 to 10%	If the capitalization rate was higher or lower by 1 % the estimated fair value would increase (decrease) by K11.12 million On the basis of the general economic trends observed so far it appears unlikely that the sales market will improve in the near term unless a sustained reduction in interest rates take place.

The fair value measurements of land and buildings have been categorised as level 3 fair values based on the inputs to the valuation techniques used.

		Group		Company	
		2021	2020	2021	2020
		K'000	K'000	K'000	K'000
24a.	**Trade and other payables**				
	Interbank borrowings	8 443 691	4 741 645	-	-
	Open market operations	88 208 322	25 000 000	-	-
	Trade payables	2 323 441	1 092 756	-	-
	Accruals	1 163 671	1 481 575	125 305	103 114
	Dividend payable (note 42)	331 197	490 000	331 197	-
	Other payables	9 502 911	6 373 018	648 971	810 322
	Balance 31 December	109 973 233	39 178 994	1 105 473	913 436

Interbank borrowings are short term funding available from the local banks who have excess liquidity to place onto the market. This is used to cover any short term liquidity needs of the banks, the average rate was 11.75% per annum (2020 : 13.15%.

Open market operations relate to reverse repos with Reserve Bank of Malawi (RBM) which are instruments used by RBM to inject liquidity back into the market. The Group took advantage of this and accessed the facility to invest part of the amount in high yielding Treasury notes. The facility was also used for Liquidity Reserve Requirement purposes.

Included in other payables for the group is staff bonus provision of K2.27 billion (2020: K2.28 billion), deferred bank loan arrangement fees of K1.2 billion (2020: K0.6 billion) and PAYE and other taxes of K0.9 billion (2020: K0.5 billion)

24b.	Client funds payable	94 805 819	64 340 889	-	-

Client funds payable are third party funds invested by NICO Nominees. The funds attracted an interest at an average rate of 12.06% (2020: 11.8%) per annum

		Group	
		2021	2020
		K'000	K'000
25.	**Deposits and customer accounts**		
	Repayable on demand	209 415 383	150 474 220
	Repayable within three months or less	1 249 721	2 672 198
	Balance at 31 December	210 665 104	153 146 418

Deposits from customers on savings, investment and term deposit accounts carried an interest rate ranging from 1% to 14.7% (2020: 1% to 13.9%) per annum. Current accounts earned interest of 0.5% per annum on balances above K5,000,000, for the year ended 31 December 2021 which is unchanged from prior year. The foreign currency denominated accounts attract an interest rate of 0.30% (2020: 0.30%) per annum.

		Group	
		2021	2020
		K'000	K'000
26.	**Insurance contract payables**		
	Gross outstanding claims	11 137 632	10 877 212
	Allowances for claims incurred but not reported (IBNR)	3 157 347	2 576 941
	Total insurance contract outstanding claims	14 294 979	13 454 153
	Due to re-insurance companies	4 323 875	3 697 092
	Balance 31 December	18 618 854	17 151 245

26. Insurance contract payables (Continued)

	Group	
	2021	**2020**
	K'000	**K'000**
Movement of total insurance contract outstanding claims:		
Balance at beginning of the year	13 454 153	11 073 137
Effects of changes in exchange rates	1 349 663	(992 385)
Claims incurred	52 593 127	38 533 037
Cash paid for claims settled in the year	(53 101 964)	(35 159 636)
Balance 31 December	14 294 979	13 454 153
Movement of allowances for claims incurred: but not reported (IBNR):		
Balance at beginning of the year	2 576 941	2 073 105
Effects of changes in exchange rates	192 096	(48 498)
Additional allowance made during the year	388 310	552 334
Balance 31 December	3 157 347	2 576 941

Process used to determine significant assumptions
Insurance risks are unpredictable and the Group recognizes that it is impossible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over the period, the Group developed a methodology that is aimed at establishing insurance provisions that have an above average likelihood of being adequate to settle all its insurance obligations.

Reported claims
Claims provisions are based upon previous claims' experience, knowledge of events, the terms and conditions of the relevant policies and on interpretation of circumstances.

Each reported claim is assessed on a separate case by case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The Group employs staff experienced in claims handling and rigorously applies standardised policies and procedures for claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Case estimates are therefore reviewed regularly and updated if new information becomes available.

26. Insurance contract payables (Continued)

Claims Incurred But Not Reported (IBNR)
The IBNR provision consists of a best estimate reserve and an explicit risk margin. The best estimate represents the expected value of the insurance liabilities i.e. the mean in a range of possible outcomes in the development of unreported claims and the future development of case reserves.

The levels of the IBNR provisions and the risk margins are assessed annually by management against the Group's past claims experience and adjusted if the experience indicates that the methodology is no longer appropriate. The aggregate of the best estimate reserve and risk margins expressed as a percentage of premiums written, represents the IBNR assumption for each financial year.

As these methods use historical claims development information, they assume that the historical claims development pattern will occur again in future. There are reasons why this may not be the case. Such reasons include:
– change in processes that affect the development/recording of claims paid and incurred;
– economic, legal, political and social trends;
– changes in mix of business; and
– random fluctuations, including the impact of large losses.

The provision for the reported claims and IBNR are initially estimated at a gross level. A separate calculation is then carried out to determine the estimated reinsurance recoveries. The calculation of the reinsurance recoveries considers the type of risk underwritten, the year in which the gross claim occurred and therefore under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or forms part of a catastrophe reinsurance claim.

	Group	
	2021	**2020**
	K'000	**K'000**
27. Unearned Premium Reserve (UPR)		
General insurance fund at the beginning of the year	11 134 497	9 424 492
Effects of changes in exchange rates	1 800 074	(1 020 901)
Reclassification from trade payable	1 043 788	-
Movement during the year	504 687	2 730 906
General insurance fund at end of the year	14 483 046	11 134 497

The Group's insurance business raises a reserve for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires. The majority of the Group's insurance contracts have an even risk profile and therefore the unearned premium provisions are released evenly over the period of insurance using a time proportionate basis ($1/365^{th}$ basis method).

The reserves for unearned premiums are determined at gross level and thereafter the reinsurance impact is recognized. Deferred Acquisition Costs and Deferred Acquisition Revenue are recognised on a basis that is consistent with the related reserves for unearned premiums.

		Group		Company	
		2021	**2020**	**2021**	**2020**
		K'000	**K'000**	**K'000**	**K'000**
28.	**Interest bearing loans and borrowings**				
	CDH Investment Bank Limited	524 971	665 331	-	-
	Continental Asset Management Limited	2 750 000	2 750 000	2 750 000	2 750 000
	NBM Capital Markets Limited	5 002 576	3 001 477	-	-
	NICO Asset Managers Limited	2 741 357	3 806 544	-	-
		11 018 904	10 223 352	2 750 000	2 750 000
	Analysed as follows:				
	Balance at 1 January	10 223 352	10 613 245	2 750 000	2 750 000
	Additions during the year	2 000 000	765 510	-	-
	Interest charge	1 564 777	1 528 939	363 151	362 213
	Interest paid	(1 510 121)	(1 528 527)	(363 151)	(362 213)
	Loan repaid	(1 259 104)	(1 155 815)	-	-
	Balance as at 31 December	11 018 904	10 223 352	2 750 000	2 750 000
	Terms and debt repayment schedule				
	Due within 1 year	2 946 079	168 708	2 750 000	-
	Due between 2 and 5 years	8 072 825	10 054 644	-	2 750 000
		11 018 904	10 223 352	2 750 000	2 750 000

Included in the loans of K11.0 billion (2020: K10.2 billion) are the following loans:-

(i) CDH Investment Bank

This is a 4-year floating rate loan raised in March 2020 by NICO Technologies Limited to enable the acquisition of server infrastructure. Interest is payable monthly in arrears. The loan is priced at the floating rate of the market reference rate plus a margin of 0.5%.

(ii) Continental Asset Management (CAM) loan

NICO Holdings plc issued a 3- year floating rate bond to Continental Asset Management of K2.75 billion whose proceeds were used to repay foreign currency denominated loan in order to reduce its foreign currency exposure. Each NICO bond note will mature in its entirety 3 years from the date of issue subject to optional early redemption by the Issuer. The loan is secured by a floating charge over all assets of NICO Holdings plc.

Interest is payable quarterly in arrears and commenced on 30 September 2019. The interest rate for the notes are offered on a Floating Rate basis to be repriced quarterly with interest being the published average yield for 91day Treasury Bills in the auction immediately preceding the repricing date plus 350 basis points.

Interest is paid quarterly at the end of the calendar quarter on 31 March, 30 June, 30 September and 31 December.

(iii) The NBM Capital Markets Limited loan

This is a 5 year-floating rate loan raised in June 2019 to increase the Group's banking business total capital to enable it to execute its lending strategy. A further drawdown of MK2 billion was processed in 2021. All the notes are repriced semi-annually at 182 T-bill of the last public auction before the start of the day count plus 550 to 650 basis points. The Bank has an option of earlier repayment.

28. Interest bearing loans and borrowings (Continued)

(iv) The NICO Asset Managers Limited loan

This is a syndicated loan borrowed by the Group's banking business, arranged by NICO Asset Managers Limited. It is a 5-year floating rate loan raised purely to fund a huge ticket transaction entered into in June 2019. Interest rate is at 16.5% per annum (2020 :16.5%). It was not raised to form part of the total capital of the Groups banking business.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
29. Capital and reserves				
(a) Share capital				
Authorised:				
Number of authorised share capital ('000)	1 300 000	1 300 000	1 300 000	1 300 000
Nominal value (K)	0.05	0.05	0.05	0.05
Authorised share capital (K'000)	65 000	65 000	65 000	65 000
Issued and fully paid:				
Number of issued and fully paid share capital ('000)	1 043 041	1 043 041	1 043 041	1 043 041
Nominal value (K)	0.05	0.05	0.05	0.05
Issued share capital (K'000)	52 152	52 152	52 152	52 152
(b) Share premium	428 859	428 859	428 859	428 859

Share premium arose on issue of 1 043 041 096 ordinary shares above nominal value of K0.05.

	Group	
	2021	**2020**
	K'000	**K'000**
(c) Revaluation reserve		
Balance at 31 December	244 825	569 073

The revaluation reserve relates to property and comprises the cumulative increase in the fair value at the reporting date.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
(e) Other reserves				
(i) General reserve	545 519	545 519	-	-
(ii) Fair value reserve	2 249 295	983 951	1 733 102	882 550
(iii) Translation reserve	(681 996)	(1 079 395)	-	-
Total other reserves	2 112 818	450 075	1 733 102	882 550

General reserve represents transfers from retained earnings, required by statute and other regulators as well as premium on sale of shares in a subsidiary and other reserve arising out of business combination or other transaction with owners of the business and other reserves arising out of business combination.

Fair value reserve represents fair value adjustment on financial assets through other comprehensive income. Translation reserve represents retranslation difference arising on retranslation of foreign investments at the reporting date.

30. Non-Controlling interest

Details of subsidiaries of the Group where there is a material non-controlling interest are disclosed below:

Name of subsidiary	Principal place of business	Proportion of ownership interests		Profit/loss allocated to non controlling interests	
		2021 %	2020 %	2021 K'000	2020 K'000
NICO Insurance Zambia Limited	Zambia	49	49	(116 845)	(317 803)
NICO Life Insurance Limited	Malawi	49	49	4 240 002	4 543 414
NICO General Insurance Limited	Malawi	49	49	385 841	848 302
NBS Bank plc	Malawi	49.9	49.9	3 838 494	3 517 826
NICO Pension Services Limited	Malawi	49		215 600	-
TOTAL				8 563 092	8 591 739

Non-controlling interest represents minority position of the shares and reserves in NBS Bank plc, NICO Life Insurance Company Limited, NICO Pension Services Company Limited, NICO General Insurance Company Limited and NICO Insurance (Zambia) Limited.

	Group	
	2021 K'000	2020 K'000
The composition of non-controlling interest is as follows:-		
NBS Bank plc	11 932 770	9 943 982
NICO General Insurance Company Limited	4 414 998	4 120 875
NICO Insurance (Zambia) Limited	1 403 639	371 650
NICO Life Insurance Company Limited	18 666 803	17 504 319
NICO Pension Services Company Limited	1 001 819	-
Total	37 420 029	31 940 826
The movement is analysed as follows:-		
Balance as at 1 January	31 940 826	26 643 194
Profit for the year	8 563 092	8 591 739
Revaluation of land and buildings	(118 972)	-
Fair value on financial assets	386 524	12 153
Translation difference on foreign subsidiaries	381 815	(265 487)
Purchase of shares in subsidiary	1 217 332	-
Dividends paid	(4 950 588)	(3 040 773)
Balance as at 31 December	37 420 029	31 940 826

30. Non-Controlling interest (Continued)

NCI in subsidiaries

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

2021	NICO General Insurance Company Limited	NICO Life Insurance Company Limited	NICO Pension Services Company Limited	NBS Bank Plc	NICO Insurance Zambia Limited	Total
Location	**Malawi**	**Malawi**	**Malawi**	**Malawi**	**Zambia**	
NCI Percentage	49.00%	49.00%	49.00%	49.90%	49.00%	
Non-current assets	6 519 863	368 851 637	1 484 872	288 609 060	4 623 731	670 089 163
Current assets	24 016 302	59 361 429	892 136	75 810 577	8 189 932	168 270 376
Non-current liabilities	(10 219 028)	(386 708 830)	(80 134)	(237 946 591)	(8 265 534)	(643 220 117)
Current liabilities	(11 312 309)	(3 408 132)	(252 345)	(102 559 679)	(1 678 775)	(119 211 240)
Net assets	9 004 828	38 096 104	2 044 529	23 913 367	2 869 354	75 928 182
Carrying amount of NCI	4 414 998	18 666 803	1 001 819	11 932 770	1 405 983	37 420 029
Revenue	28 006 531	121 154 481	3 267 664	60 625 193	18 894 806	231 948 675
Profit/(loss)	787 431	8 653 065	440 001	7 692 372	(238 455)	17 334 414
Other comprehensive income	716 346	(431 248)	-	76 916	182 597	544 611
Total comprehensive income	1 503 777	8 221 817	440 001	7 769 288	(55 858)	17 879 025
Profit allocated to NCI	385 841	4 240 002	215 600	3 838 494	(116 845)	8 563 092
Total comprehensive income allocated to NCI	736 851	4 028 690	215 600	3 876 875	(27 370)	8 830 645
Cash flows from operating activities	(2 779 974)	2 892 914	1 002 355	14 574 660	1 110 534	16 800 489
Cash flows (utilised in)/from investing activities	5 403 159	13 622 261	(890 771)	655 587	(2 653 997)	16 136 239
Cash flows utilised in financing activities, before dividends to NCI	(523 970)	(2 226 275)	(42 615)	(2 478 616)	1 498 830	(3 772 646)
Cash flows used in financing activities- cash dividends to NCI	(441 000)	(2 107 000)	-	(1 888 088)	-	(4 436 088)
Net (decrease)/increase in cash and cash equivalents	1 658 215	12 181 900	68 969	10 863 543	(44 633)	24 727 994

30. Non-Controlling interest (Continued)

2020	**Nico General Insurance Company Limited**	**Nico Life Insurance Company Limited**	**NBS Bank Plc**	**Nico Insurance Zambia Limited**	**Total**
Location	**Malawi**	**Malawi**	**Malawi**	**Zambia**	
NCI Percentage	49.00%	49.00%	49.90%	49.00%	
Non-current assets	8 327 258	319 189 028	72 449 471	1 279 016	401 244 773
Current assets	20 775 766	45 414 355	146 643 730	8 747 992	221 581 843
Non-current liabilities	(9 035 817)	(328 145 226)	(164 823 036)	(5 330 859)	(507 334 938)
Current liabilities	(11 657 257)	(735 058)	(34 342 345)	(3 937 681)	(50 672 341)
Net assets	8 409 950	35 723 099	19 927 820	758 468	64 819 337
Carrying amount of NCI	4 120 876	17 504 319	9 943 982	371 649	31 940 826
Revenue	22 366 248	100 546 595	47 078 781	13 583 853	183 575 477
Profit	1 731 229	9 272 275	7 049 751	(648 578)	17 404 677
Other comprehensive income	163 877	-	(136 567)	-	27 310
Total comprehensive income	1 895 106	9 272 275	6 913 184	(648 578)	17 431 987
Profit allocated to NCI	848 302	4 543 414	3 517 826	(317 803)	8 591 739
Total comprehensive income allocated to NCI	928 602	4 543 414	3 449 679	(317 803)	8 603 892
Cash flows from operating activities	229 812	13 462 749	46 269 904	90 995	60 053 460
Cash flows (utilised in)/from investing activities	(925 976)	(7 132 915)	(30 721 457)	269 940	(38 510 408)
Cash flows utilised in financing activities, before dividends to NCI	(700 176)	(1 117 140)	(4 303 844)	(282 054)	(6 403 214)
Cash flows used in financing activities- cash dividends to NCI	(588 000)	(1 050 773)	(1 161 901)	-	(2 800 674)
Net (decrease)/increase in cash and cash equivalents	(1 984 340)	4 161 921	10 082 702	78 881	12 339 164

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
31. Insurance premium				
Gross written premium-short term insurance	40 785 617	32 612 670	-	-
Gross life insurance premium	13 710 519	18 781 970	-	-
Gross pension premium	38 465 684	34 337 330	-	-
	92 961 820	85 731 970	-	-
Unearned premium adjustment	601 472	(1 017 971)	-	-
Reinsurance premium	(23 325 607)	(16 892 494)	-	-
Net earned insurance premium	70 237 685	67 821 505	-	-
32. Fees and commission income				
Premium based fees	1 817 087	1 623 432	-	-
Fund management based fees	4 419 472	3 293 953	-	-
Information technology fees	963 277	671 640	-	-
Other fee income	710 907	806 761	2 214 617	1 913 449
	7 910 743	6 395 786	2 214 617	1 913 449
33. Income from banking operations				
Interest income on loans	14 151 874	11 126 617	-	-
Interest from government stocks	35 360 426	25 444 212	-	-
Gross interest from banking	49 512 300	36 570 829	-	-
Fees and commission income	4 869 753	6 948 547	-	-
Profit on foreign exchange transactions	4 437 545	3 521 536	-	-
	58 819 598	47 040 912	-	-
34. Investment income				
34a. Interest				
Bank deposits	5 464 582	634 200	29 330	11 105
Treasury bills	7 746 882	2 717 180	591 283	280 068
Local registered stocks	19 970 567	16 161 918	-	-
Loans and debentures	2 426 864	4 153 154	-	-
Other interest income/(expense) from other investments	30 100	(392 075)	-	-
Total interest income from investments	35 638 995	23 274 377	620 613	291 173
34b Other				
Dividends from equity shares	5 908 478	3 771 435	7 110 539	5 072 021
Fair value adjustment of shares	31 891 199	20 604 225	-	-
Fair value adjustment of investment properties	221 237	88 787	-	11 000
Gain on term deposits designated at FVPTL	5 950 595	2 598 011	14 509	12 925
Rental income	625 882	293 119	4 700	4 518
Total other investment income	44 597 391	27355 577	7 129 748	5 100 464
34c. Investment expenses	(4 559 368)	(3 016 414)	-	-

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
35. Other income				
Profit on disposal of property and equipment	107 511	72 799	366	-
Other sundry income	66 888	8 209	85 163	27 534
	174 399	81 008	85 529	27 534
36. Net policyholders claims and benefits				
Insurance claims and loss adjustment expenses	(50 673 041)	(39 105 043)	-	-
Recoveries from reinsurers	440 812	4 995 484	-	-
	(50 232 229)	(34 109 559)	-	-
37. Insurance contracts acquisition costs				
Commission expenses paid	(4 167 218)	(3 355 545)	-	-
Changes in deferred acquisition costs	(123 128)	128 355	-	-
	(4 290 346)	(3 227 190)	-	-
38. Interest expense				
Fixed deposits**	(7 084 843)	(5 694 951)	-	-
Interest expense on managed funds*	(9 922 089)	(4 734 038)	-	-
Investment deposits**	(345 236)	(270 225)	-	-
Savings deposits**	(9 259 962)	(2 929 802)	-	-
	(26 612 130)	(13 629 016)	-	-

*This represents interest expenses paid to the clients from the funds invested and managed by the Group on their behalf. (Refer to note 24b)
** Interest expenses incurred by the Group in its normal banking operations.

39. Administrative expenses				
Auditors' remuneration -Audit fees	(448 703)	(484 074)	(84 975)	(79 238)
Other audit expenses and disbursements	(46 225)	(54 316)	(10 487)	(44 698)
Directors' remuneration: Executive (note 14)	(377 937)	(376 377)	(377 937)	(376 377)
Directors' remuneration: Non-executive (note14)	(257 930)	(197 111)	(63 924)	(62 132)
Staff costs	(18 840 503)	(16 764 403)	(1 585 913)	(1 356 518)
Communication and accommodation expenses	(6 615 926)	(6 816 724)	(129 334)	(104 226)
Depreciation and amortisation	(4 039 299)	(3 101 652)	(45 602)	(41 742)
Amortisation of right of use asset	(1 357 579)	(1 164 694)	(25 538)	(25 173)
Sundry business charges	(5 059 350)	(2 329 399)	(262 134)	(239 707)
Repairs and maintenance	(4 601 416)	(5 093 130)	(282 816)	(199 578)
	(41 644 868)	(36 381 880)	(2 868 660)	(2 529 389)

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
40. Net finance costs				
Interest on loans	(446 033)	(438 006)	(363 151)	(362 212)
Interest on lease liabilities	(898 439)	(688 728)	(20 303)	(19 636)
Exchange (loss)/gain	(373 383)	(22 888)	16 512	12 448
	(1 717 855)	(1 149 622)	(366 942)	(369 400)

41. Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2021 was based on profit attributable to ordinary shareholders of K9 735 566 (2020: K10 003 982) and a weighted average number of ordinary shares outstanding of 1 043 041 thousand (2020: 1 043 041 thousand) calculated as follows: -

	Group	
	2021	**2020**
Profit for the year K'000	18 298 658	18 595 721
Non-controlling interest K'000	(8 563 092)	(8 591 739)
Profit attributable to owners of the parent (K'000)	9 735 566	10 003 982
Weighted average number of ordinary shares in issue throughout the year ('000)	1 043 041	1 043 041
Basic earnings per share (K)	9.33	9.59

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**
42. Dividends				
Dividends declared and paid	7 109 008	4 605 672	2 672 761	2 054 791
Dividends declared and unpaid*	331 197	490 000	331 197	-
Dividends in specie	514 500	-	-	-
Total dividend declared	7 954 705	5 095 672	3 003 958	2 054 791

*The unpaid dividends related to dividend payable to Sanlam Emerging Markets (Pty) Limited, Africap LLC and Botswana Insurance Holdings Limited. The dividends were unpaid due to unavailability of foreign currency in the market. The amount is included in note in noted 24 to these consolidated and separate financial statements.

43. Risk Management

43.1 Risk governance structure

The Board of Directors has the overall responsibility for the Group's risk management framework and policies as well as monitoring the effectiveness and disclosure thereof in accordance with best practice.

The Group operates a decentralised business model environment, and all individual businesses take responsibility for all operational and risk related matters on a business level, within the set limits of the risk management framework.

The Board has established a number of risk management and monitoring mechanisms operating within the Group as part of the overall risk management structure.

The key ones are illustrated below:

- **Group Risk Committee**
  Develops Group risk management framework, policies and provides overall oversight across the Group, coordinates reporting and improves risk management across the Group.

- **Group Investment Committee**
  Determines and monitors appropriate investment strategies for the Group.

- **Finance and Audit Committee**
  Assists the Board in providing assurance on the policies and procedures and the financial reporting processes.

- **Credit Committee and Asset Liability Committee**
  Identifies, measures and controls credit risk exposure in the banking operations.

  The Group's Asset and Liability Management Committee (ALCO) is responsible for ensuring that there is an equitable balance between the Group's assets and liabilities. This is a management committee that meets regularly, and reports to the Finance and Audit Committee.

- **Actuarial Committee**
  Monitors and reports on key risks affecting life insurance operations. Determines capital requirements of the life operations and the potential impact of strategic decisions, by using appropriate modelling technics.

- **Treasury function**
  Manages the liquidity risks for banking operations, and reports to management and the board regularly.

- **Internal Audit**
  Monitors adequacy and effectiveness of internal controls and risk management practices across the Group. Also provides assurance on all aspects of the business.

- **Group Risk Management and Compliance Function**
  Coordinates the risk management processes and assisting the Group Risk Committee in aiding identification of risks.

43. Risk Management (Continued)

43.2 Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all stakeholders understand their roles and obligations.

The main components of the Group Risk and Policy are as follows:

- The Broad objectives and Philosophy of Risk Management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- Standards on implementing risk management within the Group's businesses.

The Group Risk Committee provides an oversight role of ensuring compliance with the Group's risk management policies and procedures, and for ensuring the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Risk Committee is assisted in these functions by the Risk Management and Compliance Services functions.

43.3 Capital Risk Management

Effective capital management is an essential component of meeting the NICO Group's strategic objective of maximizing shareholder value. The management of the Group's capital base requires a continuous review of optimal capital levels,

The NICO Group has an integrated capital management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

43.3.1 Capital Allocation

The NICO Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The level and nature of the supporting capital is determined by regulatory capital requirements as well as business risks and growth considerations.

The NICO Group's approach to ensure appropriate working capital levels are as follows:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

43. Risk Management (Continued)

43.3 Capital Risk Management (Continued)

43.3.2 Discretionary Capital

Any capital in excess of requirements, and not optimally utilized, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of the Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy.

Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

43.3.3 Capital Risk Management - Life Business

Life insurance operations require significantly higher levels of allocated capital than the pension administration business. The optimization of long term required capital is a primary focus area of the business while maintaining appropriate solvency levels.

The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for the policy holder;
- Due regard is given to liquidity risk management, where funds are managed in line with the investment strategy;
- The asset mix of the long-term required capital. The balance sheet represents the overall risk and expected return on assets;
- The company ensures efficient selection of reinsurance exposure; and
- Internal controls and other operational risk management processes are used to reduce operational risk.

NICO Life Insurance Company Limited

The Reserve Bank of Malawi Directive on Minimum Capital and Solvency prescribes a minimum capital of K1 billion and a minimum solvency ratio of 100% for life fund and Shareholders funds and 120% for the company as a whole. Below is the company's compliance positions:

	2021 K'm	2020 K'm
Minimum capital		
Share capital	33	33
Share premium	1 357	1 357
Total	1 390	1 390

Solvency margin	**With waiver**		**Without waiver**	
	2021 **%**	**2020** **%**	**2021** **%**	**2020** **%**
Life fund	100	107	100	100
Shareholders fund	1 268	1 638	434	512
Whole company	183	172	128	119

The company has been granted special dispensation to comply with the Minimum Capital and Solvency Directive by 26 November 2023. The waiver allows for reduced risk charges on equity investments of more than 30% in listed and unlisted companies, and on investments in unlisted securities and collective investment schemes and other assets. With the waiver, the company has met the minimum capital for life insurers and solvency ratio for life fund, shareholders fund and for the whole company.

43. Risk Management (Continued)

43.3 Capital Risk Management (Continued)

43.3.4 Capital Risk Management – Banking Business

Regulatory capital
The Reserve Bank of Malawi sets and monitors capital requirements for the Group as a whole.

In implementing current capital requirements, Reserve Bank of Malawi requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets as below.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.; and
- Tier 2 capital, which includes qualifying liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments such as available-for-sale.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognized in the statement of financial position.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There has been no material changes in the Group's management of capital during the year.

The Bank's regulatory capital position as at 31 December 2021 was as follows: -

Capital Adequacy Requirement
The Bank's available Tier 1 and Tier 2 capital is required to be a minimum of 10% and 15% respectively, of its risk bearing assets and contingent liabilities. At 31 December 2021, the Bank's available capital was 15.61% (2020: 15.53%) for tier 1 and 18.97% (2020: 18.54%) for tier 2 of all its risk bearing assets and contingent liabilities.

	2021 K'000	2020 K'000
Capital management		
Share premium	13 559 474	13 559 474
Retained earnings prior periods	9 567 575	5 372 873
Total tier 1 capital	23 127 049	18 932 347
Tier 2 capital		
Revaluation reserve on property, loss reserve less 50% of investment in a subsidiary	4 977 726	3 264 946
Total tier 2 capital	4 977 726	3 264 946
Total regulatory capital	28 104 775	22 197 293
Risk weighted assets	148 151 667	112 706 433
Capital ratios		
Total regulatory capital expressed as a percentage of total risk weighted assets	15.61%	15.53%
Total tier 1 capital expressed as a percentage of total risk weighted assets	18.97%	18.54%

43. Risk Management (Continued)

43.3 Capital Risk Management (Continued)

43.3.4 Capital Risk Management – Banking (Continued)

Prudential Aspects of Bank's Liquidity

The Reserve Bank of Malawi issued the following guidelines on the management of liquidity:

Liquidity Ratio 1
Net liquidity (total liquid assets less suspense account in foreign currency) divided by total deposits must be at least 30%.

As at 31 December 2021, the Bank's liquidity Ratio 1 was 65.86% (2020: 53.93%).

Liquidity Ratio 2
Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

As at 31 December 2021, the Bank's Liquidity Ratio 2 was 65.78% (2020: 53.93%).

In accordance with the Banking Act, the Reserve Bank of Malawi in its supervisory role, has established the following requirement as at the reporting date:

Liquidity Reserve Requirement
The Bank is required to maintain a liquidity reserve amount with Reserve Bank of Malawi, calculated on a weekly basis, of not less than 3.75% of the preceding month's average total deposit liabilities. The Bank complied with this directive throughout the year.

43.3.5 Capital management – Short-term Insurance Business

The Group aims to maintain capital balances that are sufficient to meet operating and strategic obligations. The objectives are to maintain the Group's ability to continue as a going concern, while supporting the optimisation of returns relative to risks. The major objective to be achieved when managing short term capital are as follows;

- To comply with the statutory capital requirements required by regulators of the insurance market where the Group operates;
- To provide adequate return shareholders & benefits of other stakeholders;
- To protect policyholders against adverse results that may affect the solvency of the Group and therefore its ability to meet its financial obligations; and
- To ensure sufficient capital is available to fund the Group's capital and strategic requirements.

Regulatory solvency position

In each country in which the Group operates, the local insurance regulator specifies the minimum amount and the type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

Management regard share capital, share premium, perpetual preference shares, retained earnings, Long term debt and other reserves as capital.

43. Risk Management (Continued)

43.3 Capital Risk Management (Continued)

43.3.5 Capital management – Short-term Insurance (Continued)

(a) NICO General Insurance Company Limited

Solvency Margin and minimum capital

The Reserve Bank of Malawi Directive on Minimum Capital and Solvency prescribes a minimum capital of K750 million and a minimum solvency ratio of 20% defined as being a percentage of adjusted net assets the insurer bears to the net written premium for the corresponding period. Below are the entity's compliance position:

Solvency margin	**2021 K'000**	**2020 K'000**
Net assets available to meet solvency	4 703 344	4 606 261
Net premium	11 299 709	11 488 871
Solvency margin (%)	41.6	40.1
Minimum requirement by regulator (Reserve Bank of Malawi) (%)	20	20
Paid up capital		
Share capital	9 000	9 000
Share premium	1 195 618	1195 618
Total paid up capital	1 204 618	1 204 618
Minimum requirement by regulator (Reserve Bank of Malawi):		
As at 31 December	750 000	750 000

43. Risk Management (Continued)

43.3 Capital Risk Management Business (Continued)

43.3.5 Capital management – Short-term Insurance Business (Continued)

(a) NICO Insurance (Zambia) Limited

The Group manages the capital in NICO Insurance (Zambia) Limited with the following objectives;

To comply with the insurance capital requirements that the regulator has set for the insurance market. In this respect the Group manages its capital on a basis of not less than 100% of its minimum capital position presented in the table below. Management considers the quantitative threshold of 100% sufficient to maximise shareholders' return and to support the capital required to write its businesses in Zambia;

To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

Minimum capital

The defined Group capital includes equity and the share premium.

	Group	
	2021	**2020**
	K'000	**K'000**
Total shareholder funds	2 985 200	815 596
Minimum required share capital	490 785	364 920
Company issued share capital	696 964	450 676
Excess	206 179	153 303
Excess as % of minimum capital	42%	42%

The Company is compliant with the externally imposed capital requirement in accordance with Section 41 of the Insurance Act of Zambia, which is currently K10 million (Zambian Kwacha).

Solvency Margin

The Company met the minimum solvency margins as required by Section 36(2) of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin of 15 % (2020: -17%).

43.4 Credit Risk Management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from its holding position of cash and cash equivalents, loans and advances to customers and banks, insurance receivables and investment securities.

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)**5**

43.4.1 Exposure of credit risk

The carrying amount of financial assets represents the maximum credit exposure without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

		31-Dec-21			31-Dec-20
	Note	Gross Amount	Impairment	Net Amount	Net Amount
Balance with central bank	5	22 810 916	2 302	22 808 614	8 889 210
Short term deposits	6a	51 934 973	1 529	51 933 444	46 727 634
Placements with other banks	6b	28 457 583	2 845	28 454 738	11 818 330
Local registered stocks	17	328 243 938	430 788	327 813 150	241 916 312
Promissory notes	17	6 150 434	598	6 149 836	286 750
Treasury Bills	17	30 344 586	3 714	30 340 872	5 745 953
Loans and advances to customers- loans & overdrafts	7	79 816 606	2 833 485	76 983 121	52 310 096
Loans and advances to customers- finance lease	7	1 630 740	64 332	1 566 408	1 574 468
Loans and advances to customers- mortgage advances	7	3 724 536	91 440	3 633 096	5 150 158
Insurance receivables	11	21 759 137	552 353	21 206 784	6 124 512
Loans and debentures	19	7 328 852	-	7 328 852	14 071 221
Client funds under management		96 328 355	1 286 950	95 041 405	66 198 392
Other trade receivables	10	20 004 189	118 654	19 885 535	7 563 803
TOTAL RECOGNISED		698 534 845	5 388 990	693 145 855	468 376 839
Loan commitments		6 310 569	6 311	6 304 258	3 780 451
Letters of credit and guarantee		20 360 005	20 360	20 339 645	3 818 389
TOTAL UNRECOGNISED		26 670 574	26 671	26 643 903	7 598 840
TOTAL		725 295 419	5 415 661	719 789 758	475 975 679

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.1 Exposure of credit risk (Continued)

Credit Risk Exposure based on stage of asset per IFRS 9

Stage 1: 12 Month ECL	**31-Dec-21**			**31-Dec-20**
	Gross Amount	**Impairment**	**Net Amount**	**Net Amount**
	K'000	**K'000**	**K'000**	**K'000**
Balance with central bank	22 810 916	2 302	22 808 614	8 889 210
Short term deposits	51 934 973	1 529	51 933 444	46 727 634
Placements with other banks	28 457 583	2 845	28 454 738	11 818 330
Local registered stocks	328 243 938	430 788	327 813 150	241 916 312
Promissory notes	6 150 434	598	6 149 836	286 750
Treasury Bills	30 344 586	3 714	30 340 872	5 745 953
Loans and advances to customers- loans & overdrafts	74 886 907	6 144	74 880 763	49 134 783
Loans and advances to customers- finance lease	1 390 603	-	1 390 603	1 245 709
Loans and advances to customers- mortgage advances	2 989 039	-	2 989 039	4 735 984
Outstanding premiums	21 383 097	521 335	20 861 762	5 479 509
Loans and debentures	7 328 852	-	7 328 852	14 071 221
Client funds under management	96 328 355	1 286 950	95 041 405	66 198 392
Other trade receivables	20 004 189	118 654	19 885 535	7 563 803
Total recognised	692 253 472	2 374 859	689 878 613	463 813 590
Loan commitments	6 310 569	6 311	6 304 258	3 780 451
Letters of credit and guarantee	20 360 005	20 360	20 339 645	3 818 389
Total unrecognised	26 670 574	26 671	26 643 903	7 598 840
Total	718 924 046	2 401 530	716 522 516	471 412 430

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.1 Exposure of credit risk (Continued)

Stage 2: Lifetime ECL	**31-Dec-21**			**31-Dec-20**
	Gross Amount	**Impairment**	**Net Amount**	**Net Amount**
	K'000	**K'000**	**K'000**	**K'000**
Loans and advances to customers- loans & overdrafts	3 251 574	2 143 173	1 108 401	516 864
Loans and advances to customers- finance lease	-	-	-	65 109
Loans and advances to customers- mortgage advances	170 636	-	170 636	226 528
Insurance receivables	376 040	31 018	345 022	645 003
Total recognised	3 798 250	2 174 191	1 624 059	1 453 504
Stage 3: Lifetime ECL				
Loans and advances to customers- loans & overdrafts	1 678 125	684 168	993 957	2 658 449
Loans and advances to customers- finance lease	240 137	64 332	175 805	263 649
Loans and advances to customers- mortgage advances	564 861	91 440	473 421	187 646
Total recognised	2 483 123	839 940	1 643 183	3 109 744

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.2 Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of expected loss on both impaired and non-impaired loans. An analysis of the movement of the loss allowance for each portfolio is included in the tables below.

Summary

	Loss allowance as at 31 December 2020 K'000	**Net movement during the year K'000**	**Loss allowance as at 31 December 2021 K'000**
Balance with central bank	897	1 405	2 302
Short term deposits	-	1 529	1 529
Placements with other banks	1 182	1 663	2 845
Local registered stocks	290 156	140 632	430 788
Promissory notes	-	598	598
Treasury Bills	472	3 242	3 714
Loans and advances to customers- loans & overdrafts	1 892 110	941 375	2 833 485
Loans and advances to customers- finance lease	122 802	(58 470)	64 332
Loans and advances to customers- mortgage advances	128 540	(37 100)	91 440
Insurance receivables	356 267	196 086	552 353
Client funds under management	-	1 286 950	1 286 950
Other trade receivables	6 085	112 569	118 654
Loan commitments	1 198	5 113	6 311
Letters of credit and guarantee	2 022	18 338	20 360
Total recognised	2 801 731	2 613 930	5 415 661

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.2 Allowances for impairment (Continued)

Stage 1:12 month ECL

	Loss allowance as at 31 December 2020 K'000	Net movement during the year K'000	Loss allowance as at 31 December 2021 K'000
Balance with central bank	897	1 405	2 302
Short term deposits	-	1 529	1 529
Placements with other banks	1 182	1 663	2 845
Local registered stocks	290 156	140 632	430 788
Promissory notes	-	598	598
Treasury Bills	472	3 242	3 714
Loans and advances to customers- loans & overdrafts	1 334 391	(1 328 247)	6 144
Loans and advances to customers- finance lease	45 181	(45 181)	-
Insurance receivables	356 267	258 521	521 335
Other trade receivables	6 085	1399 519	1 405 604
Loan commitments	1 198	5113	6 311
Letters of credit and guarantee	2 022	18 338	20 360
	2 037 851	457 132	2 401 530

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.2 Allowances for impairment (Continued)

Stage 2: Lifetime ECL

	Loss allowance as at 31 December 2020	Net movement during the year	Loss allowance as at 31 December 2021
	K'000	K'000	K'000
Loans and advances to customers- loans & overdrafts	98 787	2 044 386	2 143 173
Loans and advances to customers- finance lease	8 947	(8 947)	-
Insurance receivables	93 453	(62 435)	31 018
	201 187	1 973 004	2 174 191

Stage 3: lifetime ECL

Loans and advances to customers- loans & overdrafts	458 932	225 236	684 168
Loans and advances to customers- finance lease	68 674	(4 342)	64 332
Loans and advances to customers- mortgage advances	128 540	(37 100)	91 440
	656 146	183 794	839 940

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.3 Credit risk profiling

The Group primarily uses ageing analysis to identify an increase in significant risk. This is the case mainly for loans and advances to customers. The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

	0-29 days K'000	30-59 days K'000	60-89 days K'000	90-180 days K'000	More than 181 days K'0000	Gross carrying amount K'000	Loss allowance K'000	Total K'000
2021								
Balance with central bank	22 810 916	-	-	-	-	22 810 916	(2 302)	22 808 614
Short term deposits	51 934 972	-	-	-	-	51 934 972	(1 529)	51 933 443
Placements with other banks	28 457 583	-	-	-	-	28 457 583	(2 845)	28 454 738
Treasury Notes	328 243 939	-	-	-	-	328 243 939	(430 788)	327 813 151
Promissory notes	6 150 434	-	-	-	-	6 150 434	(598)	6 149 836
Treasury Bills	30 236 132	-	108 454	-	-	30 344 586	(3 714)	30 340 872
Loans and advances to customers- loans and overdrafts	74 886 907	3 251 574	-	-	1 678 125	79 816 606	(2 833 485)	76 983 121
Loans and advances to customers- finance lease	1 390 603	-	-	-	240 138	1 630 741	(64 332)	1 566 409
Loans and advances to customers-mortgage advances	2 989 039	170 636	-	-	564 861	3 724 536	(91 440)	3 633 096
Insurance receivables	17 161 576	1 214 983	1 523 158	528 254	1 331 167	21 759 138	(552 353)	21 206 785
Loans and debentures	7 328 852	-	-	-	-	7 328 852	-	7 328 852
Client funds under management	94 335 355	-	-	-	1 993 000	96 328 355	(1 286 950)	95 041 405
Other trade receivables	20 004 189	-	-	-	-	20 004 189	(118 654)	19 885 535
Total	685 930 497	4 637 193	1 631 612	528 254	5 807 291	698 534 847	(5 388 990)	693 145 857
Loan commitments	6 310 569	-	-	-	-	6 310 569	(6 311)	6 304 258
Letters of credit and guarantee	20 360 005	-	-	-	-	20 360 005	(20 360)	20 339 645
Total unrecognised	26 670 574	-	-	-	-	26 670 574	(26 671)	26 643 903
Total	712 601 071	4 637 193	1 631 612	528 254	5 807 291	725 205 421	(5 415 661)	719 789 760

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.3 Credit risk profiling (Continued)

	0-29 days K'000	30-59 days K'000	60-89 days K'000	90-180 days K'000	More than 181 days K'0000	Gross carrying amount K'000	Loss allowance K'000	Total K'000
2020								
Balance with central bank	8 890 107	-	-	-	-	8 890 107	(897)	8 889 210
Short term deposits	42 121 077	3 345 069	456 861	804 627	-	46 727 634	-	46 727 634
Placements with other banks	11 819 512	-	-	-	-	11 819 512	(1 182)	11 818 330
Treasury Notes	99 460 765	-	9 937 000	-	132 808 703	242 206 468	(290 156)	241 916 312
Promissory notes	-	-	-	-	286 750	286 750	-	286 750
Treasury Bills	5 637 971	-	108 454	-	-	5 746 425	(472)	5 745 953
Loans and advances to customers- loans and overdrafts	50 469 174	615 651	-	-	3 117 381	54 202 206	(1 892 110)	52 310 096
Loans and advances to customers- finance lease	1 290 890	74 056	-	-	332 324	1 697 270	(122 802)	1 574 468
Loans and advances to customers-mortgage advances	4 735 984	226 528	-	-	316 186	5 278 698	(128 540)	5 150 158
Outstanding premiums	1 604 030	1 179 585	1 127 060	423 752	2 146 352	6 480 779	(356 267)	6 124 512
Loans and debentures	-	-	-	7 071 221	7 000 000	14 071 221	-	14 071 221
Other trade receivables	19 774 907	3 536 407	17 010 367	20 540 506	12 906 093	73 768 280	(6 085)	73 762 195
Loans commitments	3 781 649	-	-	-	-	3 781 649	(1 198)	3 780 451
Letters of credit and guarantee	3 820 411	-	-	-	-	3 820 411	(2 022)	3 818 389
Total	253 406 477	8 977 296	28 639 742	28 840 106	158 913 789	478 777 410	(2 801 731)	475 975 679

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.4 Distribution of credit exposures by sector

The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due sector

2021	Balance with central bank K'000	Short term deposits K'000	Placements with other banks K'000	Local registered stock K'000	Promissory notes K'000	Treasury Bills K'000	Loans and advances to customers K'000	Insurance receivables K'000	Loans & debentures K'000	Client fund under management K'000	Other trade receivables K'000	Loan commitments K'000	Letters of credit and guarantee K'000	Total K'000
Carrying amount Concentration by sector														
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	19 483 728	703 973	-	-	-	-	-	20 187 701
Mining and quarrying	-	-	-	-	-	-	84 238	20 175	-	-	-	-	-	104 413
Manufacturing	-	-	-	-	-	-	6 546 950	80 271	-	-	-	-	-	6 627 221
Electricity, gas, water and energy	-	-	-	-	-	-	8 810 314	714 959	1 904 000	-	-	-	-	11 429 273
Construction	-	-	-	-	-	-	2 103 035	69 622	-	-	-	-	-	2 172 657
Wholesale and retail trade	-	-	-	-	-	-	9 762 215	231 915	-	-	-	-	-	9 994 130
Restaurants and hotels	-	-	-	-	-	-	651 738	227 162	-	-	-	-	-	878 900
Transport, storage and communications	-	-	-	-	-	-	1 404 805	176 704	5 424 852	-	-	-	-	7 006 361
Financial services	22 808 613	51 933 444	28 454 738	327 813 151	6 149 836	30 340 872	8 400 358	15 411 868	-	95 041 405	-	-	-	586 354 285
Community, social and personal services	-	-	-	-	-	-	24 590 670	1 711 423	-	-	-	-	-	26 302 093
Real estate	-	-	-	-	-	-	344 574	12 503	-	-	-	-	-	357 077
Other sectors	-	-	-	-	-	-	-	1 846 209	-	-	19 885 535	6 304 258	20 339 645	48 375 647
Total carrying amount	22 808 613	51 933 444	28 454 738	327 813 151	6 149 836	30 340 872	82 182 625	21 206 784	7 328 852	95 041 405	19 885 535	6 304 258	20 339 645	719 789 758

43. Risk Management (Continued)

43.4 Credit Risk Management (Continued)

43.4.4 Distribution of credit exposures by sector

2020	Balance with central bank	Short term deposits	Placements with other banks	Local registered stock	Promissory notes	Treasury Bills	Loans and advances to customers	Outstanding premiums	Loans & debentures	Client funds under management	Other trade receivables	Loan commitments	Letters of credit and guarantee	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000		K'000	K'000	K'000	K'000
Carrying amount Concentration by sector														
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	3 531 718	748 926	-	-	-	-	-	4 280 644
Mining and quarrying	-	-	-	-	-	-	660 729	53 207	-	-	-	-	-	713 936
Manufacturing	-	-	-	-	-	-	5 125 393	70 660	7 000 000	-	-	-	-	12 196 053
Electricity, gas, water and energy	-	-	-	-	-	-	12 884 349	686 336	2 640 000	-	-	-	-	16 210 685
Construction	-	-	-	-	-	-	2 681 397	75 422	-	-	-	-	-	2 756 819
Wholesale and retail trade	-	-	-	-	-	-	14 988 128	236 050	-	-	-	-	-	15 224 178
Restaurants and hotels	-	-	-	-	-	-	1 264 318	297 607	-	-	-	-	-	1 561 925
Transport, storage and communications	-	-	-	-	-	-	1 295 747	261 497	4 100 000	-	-	-	-	5 657 244
Financial services	8 889 210	46 727 634	11 818 330	241 916 312	286 750	5 745 953	4 108 743	551 416	-	-	-	-	-	386 624 741
Community, social and personal services	-	-	-	-	-	-	11 206 523	931 356	-	-	-	-	-	12 137 879
Real estate	-	-	-	-	-	-	634 035	12 503	-	-	-	-	-	646 538
Other sectors	-	-	-	-	-	-	653 642	2 199 532	331 221	66 198 391	7 563 803	3 780 451	3 818 389	84 545 430
Total carrying amount	8 889 210	46 727 634	11 818 330	241 916 312	286 750	5 745 953	59 034 722	6 124 512	14 071 221	66 198 391	7 563 803	3 780 451	3 818 289	475 975 679

43. Risk management (Continued)

43.4 Credit Risk Management (Continued)

43.4.5 Cash and cash equivalents

The Group's cash and cash equivalents are held with financial institution counterparties that have high credit ratings.

43.4.6 Government securities

The Group's investments in government securities are issued by the Malawi government and are considered secure. Reputable financial institutions are used for investing and cash handling purposes within the group's strict guidelines on investments and institution exposure limits.

43.4.7 Placements

The Group invested in liquid short term assets. These do not pause a risk of default due to the high credit rating of the counterparties. For 2021 and 2020 the placements were done by the group's banking business with the Reserve Bank of Malawi, financial institutions and a Malawi Government agency.

43.4.8 Loans and advances to customers

For its banking business, the Group uses an internal credit risk rating system called Credit Quest and risk categories range from PN1 to PN9, PN1 representing the lowest credit risk whilst PN9 the highest credit risk. The system utilises a combination of numerical data and qualitative information to assign a rating to each counterparty.

All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Ageing analysis;
- Extent of utilisation of granted limit especially excess over limits;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, employment history; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, management accounts, changes in the financial sector the customer operates in.

The Group uses ageing as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower. The information used is both internal and external depending on the portfolio assessed.

43.4.9 Clients funds under management

These are fixed income investments on behalf of various clients, principally in fixed deposits. The counter parties are banks with good credit rating.

43. Risk management (Continued)

43.4 Credit Risk Management (Continued)

43.4.10 Insurance receivables

The Group determines counter-party credit quality by performing an internal analysis, and seeks to avoid unacceptable concentration of credit risk to Groups of counter-parties, to business sectors, product types, and geographical segments.

Amounts receivable in terms of short-term insurance business are secured by the underlying value of unpaid policy benefits in terms of the policy contract. An appropriate level of allowances for credit losses is maintained. Granting of credit is based on laid down approved guidelines and procedures; there is an arrangement allowing for payment over a longer period, provided that failure to pay within the said agreed period should result in cancellation of the unexpired insurance period. In preparing these financial statements, the Directors have considered the recoverability of these amounts and are of the opinion that the amounts are recoverable in full.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of re-insurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The Group ensures that there is no significant concentration of risk within a single re-insurer.

43.4.11 Investments in equity shares

Investments are allowed only in liquid securities and only with counterparties that have a good credit rating and business ventures that are profitable. Given their good credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

43.4.12 Investment in shares and income notes

These investment in shares and income notes have been made with counterparties of good credit rating. As a consequence the Group does not expect the counterparties to fail to meet their obligations.

43.4.13 Loans and debentures

The loans and debentures have been entered into with counterparties of good credit rating. As a consequence the Group does not expect the counterparties to fail to meet its obligations. In the opinion of the directors, the loans receivables, all of which, are due from Malawi registered companies are expected to be realised in full at maturity date

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43.4.14 Forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group's ALCO is supplied with external information on critical macroeconomic variables that may have a material impact on the performance of various credit portfolios. The typical sources include the European Investment Unit (EIU), the World Bank and International Monetary Fund country reports, National Statistical Office and Reserve Bank of Malawi reports.

The Group's approach to forward-looking information is to develop scenarios for the next 12 months. ALCO then approves one scenario that best captures likely movements in key variables that may have an impact on the performance of various credit portfolios. The scenarios are fed into IFRS 9 models.

43. Risk management (Continued)

43.4 Credit Risk Management (Continued)

43.4.14 Forward-looking information (Continued)

The table below summarises the principal macro-economic indicators included in the economic scenarios used at December 31, 2021 for the year 2022 for Malawi which is the country here the Group operates and therefore is the country that has a material impact on ECLs.

List of macro-economic variables used	Definition	Scenario	2022
Nominal GDP	(US$ at PPP)	Base	23.95
		Favourable	24.19
		Worst	23.35
Real GDP	(US$)	Base	1 580 628.9
		Favourable	1 596 435.2
		Worst	1 541 113.2
Real private consumption	(US$)	Base	1 506 158.2
		Favourable	1 521 219.8
		Worst	1 468 504.2
Exchange rate	Malawi kwacha per USD (average)	Base	850.90
		Favourable	872.17
		Worst	829.63
Lending interest rate	Average borrowing rate on loans	Base	23.0
		Favourable	20.7
		Worst	24.2
Public debt	USD value of sovereign debt	Base	5 957 858.6
		Favourable	5 808 912.1
		Worst	6 255 751.5
Deposit interest rate	Average interest rate on deposits	Base	10.3
		Favourable	10.8
		Worst	9.8
GDP per head	($ at PPP)	Base	1 190.0
		Favourable	1 201.9
		Worst	1 178.1
Goods: exports	USD value of good exported	Base	1.1
		Favourable	1.1
		Worst	1.0
Goods: exports	USD value of good imported	Base	(2.99)
		Favourable	(2.92)
		Worst	(3.14)
Effective interest rate	Percentage	Base	1.1
		Favourable	1.1
		Worst	1.1

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing historical data of more than five years.

Probabilities of the three scenarios occurring in 2022 and beyond have been attached to the three forecast scenarios based on management view of the future economic outlook. A weighted average ECL for the three scenarios has been derived as follows; Base case 50%; Worse case 30% and Favourable case 20%.

43. Risk management (Continued)

43.4 Credit Risk Management (Continued)

43.4.15 Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified with the aim of arriving at a repayment plan that enables the counterparty to settle the outstanding liability without significant difficulty. Such modified or restructured facilities are flagged in the Group's core Banking system to enable ease of identification. The following tables refer to modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the period	**Year ended 2021 K 000**	**Year ended 2020 K 000**
Gross carrying amount before modification	657 210	651 893
New restructures	3 908 553	2 382 879
Loss allowance before modification	(2 145 848)	(1 144 988)
Net amortised cost before modification	2 419 915	1 889 784
Repayment post modification	(335 417)	(674 479)
Net amortised cost after modification	2 084 498	1 215 305

The moratoriums were sanctioned by the Government through Reserve Bank of Malawi and were to cover a period of three months to 31 July 2020. However, due to the continued spread of the virus the window has been under-going extensions. Modification gain/loss assessment was performed on all exposures that were granted moratoriums due to Covid-19 pandemic; results of the assessment were negligible

43.5 Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations arising from its financial liabilities. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

The Group's treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Money market investments, loans and advances to banks and other inter-company facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are met through Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The Group's banking business has an Asset and Liability Management Committee (ALCO) which is responsible for ensuring that there is an equitable balance between assets and liabilities. Daily liquidity position is monitored and liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

43. Risk management (Continued)

43.5 Liquidity Risk Management (Continued)

Maturity profiles

The table below shows maturity profiles of financial and insurance assets and liabilities. It shows some periodic mismatches between financial and insurance assets and liabilities. From time to time management manages this mismatch by setting guidelines and limits for anticipated liquidity gaps. The Board sets limits on the minimum proportion of maturing funds available to meet any calls. The Group has significant liquid resources to cover its obligations.

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 year K'000	Total K'000	Carrying amount K'000
2021						
Assets						
Cash and cash equivalents	88 616 964	-	-	-	88 616 964	88 616 964
Government securities	9 023 475	6 418 112	21 687 906	442 607 972	479 737 465	364 265 958
Placements with other banks	-	-	-	28 454 738	28 454 738	28 454 738
Loans and advances to customers	3 365 068	330 611	16 495 434	108 480 211	128 671 324	82 182 625
Insurance receivables	3 203 230	1 698 914	1 749 299	825 431	7 476 874	7 476 874
Investment in equity shares	-	-	-	194 920 529	194 920 529	194 920 529
Loans and debentures	-	-	3 228 000	4 100 852	7 328 852	7 328 852
Client fund under management	3 521 699	22 365 319	69 154 387	-	95 041 405	95 041 405
Other receivables	9 000 085	11 946 747	1 804 870	-	22 751 702	22 751 702
Total assets	116 730 521	42 759 703	114 119 896	779 389 733	1 052 999 853	891 039 647
Liabilities						
Trade and other payables	8 475 061	96 577 799	4 920 373	-	109 973 233	109 973 233
Client fund payable	15 700 721	33 728 294	39 068 595	6 308 209	94 805 819	94 805 819
Deposits to customers	120 899 242	104 687 598	1 222 199	102 190	226 911 229	210 665 104
Insurance contract payables	1 349 268	2 840 101	5 420 201	9 009 284	18 618 854	18 618 854
Interest bearing loans and Borrowings	15 223	31 511	2 899 349	10 397 325	13 343 408	11 018 904
Long-term policyholders liabilities	-	-	-	386 379 904	386 379 904	386 379 904
Total liabilities	146 439 515	237 865 303	53 530 717	412 196 912	850 032 447	831 461 818
Net liquidity gap	**(29 708 994)**	**(195 105 600)**	**60 589 179**	**367 192 821**	**202 967 406**	
Cumulative liquidity gap	**(29 708 994)**	**(224 814 594)**	**(164 225 415)**	**202 967 406**		

43. Risk management (Continued)

43.5 Liquidity Risk Management (Continued)

.

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 year K'000	Total K'000	Carrying amount K'000
2020						
Assets						
Cash and cash equivalents	76 655 978	-	-	-	76 655 978	76 655 978
Government securities	1 693 349	2 268 894	16 350 487	227 914 447	248 227 177	248 227 177
Placements with other banks	5 666 932	6 151 398	-	-	11 818 330	11 818 330
Loans and advances to customers	5 760 087	2 465 161	26 364 833	46 598 761	81 188 842	59 034 722
Other receivables	193 803	76 132 000	316 029	-	76 641 832	76 641 832
Outstanding Premiums	1 598 705	1 454 527	3 380 855	46 692	6 480 779	6 124 512
Investment in equity shares	-	-	-	163 956 274	163 956 274	163 956 274
Loans and debentures	-	-	7 001 221	7 070 000	14 071 221	14 071 221
Total assets	91 568 854	88 471 980	53 413 425	445 586 174	679 040 433	656 530 046
Liabilities						
Trade and other payables	34 743 841	64 335 888	3 755 536	684 618	103 519 883	103 519 883
Deposits to customers	81 069 191	70 963 085	1 135 387	1 349 629	154 517 292	153 146 418
Insurance contract payables	2 497 243	3 814 962	9 737 969	2 021 071	18 071 245	17 151 245
Interest bearing loans and borrowings	-	-	168 708	10 054 644	10 223 352	10 223 352
Long-term policyholders liabilities	-	-	-	327 956 376	327 956 3776	327 956 376
Total liabilities	118 310 275	139 113 935	14 797 600	342 066 338	614 288 148	611 997 274
Net liquidity gap	**(26 741 421)**	**(50 641 955)**	**38 615 825**	**103 519 836**	**64 752 285**	**-**
Cumulative liquidity gap	**(26 741 421)**	**(77 383 376)**	**(38 767 551)**	**64 752 285**		

43.6 Market Risk Management

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

43.6.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Group is exposed to currency risk through transactions denominated in foreign currencies, its foreign investments, and through the foreign exchange trading book of its banking business.

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.1 Currency risk (Continued)

Management of currency risk

The Group ensures that the net exposure is kept to an acceptable level by transacting in foreign currencies at spot rates where necessary to address short term imbalances.

The Group's banking business has a foreign exchange business policy and a foreign exchange risk management policy. The policies have exposure limits, limits for investments, trading limits and levels of authorization of foreign currency transactions. Forex exposure positions are regularly monitored by Treasury department and senior management. The policy for trading book exposure is that the position should be almost square. In the banking book, assets and liabilities mismatch is minimised. Most of the foreign currency borrowings by the Group are hedged by foreign currency loans to customers, to minimize risk exposure.

Currency risk exposure
The Group had the following significant foreign currency denominated monetary assets and liabilities.

Consolidated	**USD** **K'000**	**GBP** **K'000**	**EURO** **K'000**	**ZAR** **K'000**	**TOTAL** **K'000**
At 31 December 2021					
Assets					
Balances with correspondent banks	2 189 341	475 429	2 355 944	38 939	5 059 653
Cash balances	1 755 530	14 943	81 930	86 085	1 938 488
Loans and advances to customers	643 691	-	-	-	643 691
Outstanding premiums	134 070	-	0.00	-	134 070
Due from Reinsurance companies	227 743	-	-	-	227 743
Other Receivables	11 896 781	-	5 840 923	6	17 737 710
Total assets	16 847 156	490 372	8 278 797	125 030	25 741 355
Liabilities					
Customer deposits	11 817 627	772 282	2 975 375	24 698	15 589 982
Outstanding claims	305 629	-	-	-	305 629
Due from Reinsurance companies	266 918	-	-	-	266 918
Other liabilities	8 490 525	9 209	29	12	8 499 775
Total liabilities	20 880 699	781 491	2 975 404	24 710	24 662 304
Net position	(4 033 543)	(291 119)	5 303 393	100 320	1 079 051

Sensitivity to projected profit on foreign exchange transactions

Movement in foreign currency rates	(1 000bp)	(2 000bp)	1 000bp	2 000bp
Change in income (K'000)	(107 905)	(215 810)	107 905	215 810
Change in equity (K'000)	(75 534)	(151 067)	75 534	151 067

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.1 Currency risk (Continued)

Consolidated	**USD K'000**	**GBP K'000**	**EURO K'000**	**ZAR K'000**	**TOTAL K'000**
At 31 December 2020					
Assets					
Balances with correspondent banks	4 157 551	473 241	4 963 695	45 208	9 639 695
Cash balances	586 051	11 986	27 710	20 930	646 677
Loans and advances to customers	1 435 062	-	-	-	1435 062
Other assets	409 646	-	-	-	409 646
Total assets	6 588 310	485 227	4 991 405	66 138	12 131 086
Liabilities					
Customer deposits	8 669 299	450 641	3 019 622	13 774	12 153 336
Other liabilities	1 235	13 421	476	-	15 132
Total liabilities	8 670 534	464 062	3 020 098	13 774	12 168 468
Net position	(2 082 224)	21 165	1 971 307	52 370	(37 382)

Sensitivity to projected profit on foreign exchange transactions

Movement in foreign currency rates	(1 000bp)	(2 000bp)	1 000bp	2 000bp
Change in income (K'000)	3 738	7 476	(3 738)	(7 476)
Change in equity (K'000)	2 617	5 233	(2 617)	(5 233)

Management compiled the sensitivity analysis based on the assumption that the market moves in the directions indicated above which are movements that management deems reasonable based on the volatility of the relevant economic climate and the Malawi Kwacha.

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.1 Currency risk (Continued)

	USD K'000	GBP K'000	EURO K'000	ZAR K'000	TOTAL K'000
Company					
At 31 December 2021					
Assets					
Balances with banks	64 422	-	-	-	64 422
Total assets	64 422	-	-	-	64 422
Liabilities					
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position	64 422	-	-	-	64 422
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	1 000bp	2 000bp	(1 000bp)	(2 000bp)	
Change in income (K'000)	6 442	12 884	(6 442)	(12 884)	
Change in equity (MK'000)	4 509	9 019	(4 509)	(9 019)	
At 31 December 2020					
Assets					
Balances with banks	371 956	-	-	-	371 956
Total assets	371 956	-	-	-	371 956
Liabilities					
Other liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Net position	371 956	-	-	-	371 956
Sensitivity to projected profit on foreign exchange transactions					
Movement in foreign currency rates	1 000bp	2 000bp	(1 000bp)	(2 000bp)	
Change in income (K'000)	37 196	74 391	(37 196)	(74 391)	
Change in equity (MK'000)	26 037	52 074	(26 037)	(52 074)	

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.2 Other price risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Group is exposed to price risk as it maintains equity shares traded on the Malawi Stock Exchange and Zambia Stock Exchange.

Management of other price risk

The Group manages price risk by constructing a diversified portfolio of equity shares. The Group will therefore ensure that its portfolio is well diversified so as to minimise any risk of loss resulting from a concentration of investments in one asset, asset class or sector. Although price risk specific to a stock can be minimized through diversification, market risk cannot be diversified away.

Exposure to equity price risk

As at 31 December 2021 the Group had the following financial assets that are exposed to equity risk.

	2021 K'000	2020 K'000
Financial assets		
Blantyre Hotels plc	3 191 383	3 750 814
Standard Bank Malawi plc	62 975 772	48 844 439
Airtel Malawi plc	5 608 400	3 923 076
Illovo Sugar Malawi plc	239 438	64 258
Press Corporation plc	12 277 354	8 328 229
Old Mutual plc	1 946 369	2 039 381
Quilter plc		-
National Bank of Malawi plc	25 380 057	20 363 850
National Investment Trust plc	799 809	799 574
FMB Capital Holdings plc	490 550	135 147
Telekom Networks Malawi plc	20 824 262	17 353 511
Mpico plc	933 325	946 848
Airtel Networks Zambia plc	10 863	13 452
ICON Properties plc	2 316 150	2 189 824
NICO Holdings plc (held by Administration Fund)	51 104 182	51 397 005
NBS Bank plc	424 492	400 399
FDH Bank plc	1 185 750	-
Total listed shares	189 708 156	160 549 807

Equity price sensitivity analysis

A sensitivity analysis in relation to the exposure for a plus or minus 10% movement in price will be as follows:

	2021 K'000	2020 K'000
Increase/decrease in equity	18 970 816	16 054 981
Increase/decrease in profit or loss	18 970 816	16 054 981

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.2 Other price risk (Continued)

Exposure to equity price risk (Continued)

The movement used in the sensitivity analysis is based on a history of price movements on the various counters over the past year with current months receiving more weight.

Management also consider the current and projected performance of individual counters in line with market conditions.

43.6.3 Interest rate risk management

The Group holds significant interest-bearing financial assets and is therefore subjected to significant exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Group are invested in short-term repurchase agreements with maturity of up to one month.

The Group's interest rate risk is managed on a daily basis by the Asset Manager in accordance with policies and procedures set up by the Board. The Group's overall interest rate risks are monitored on a quarterly basis by the Board of Directors. Where the interest rate risks are not in accordance with the investment policy or guidelines of the Group, the Asset Manager will rebalance the portfolio.

Exposure to interest rate risk

The following table details the Group's exposure to interest rate risks. It includes the Group's assets and trading liabilities sensitive to interest rates at fair values, categorised by the earlier of contractual pricing or maturity date, measured by carrying value of the assets and liabilities:

	Less than 1 month K'000	1 – 3 month K'000	3 months above K'000	Non-interest bearing K'000	Total K'000	Carrying amount K'000
31 December 2021						
Financial assets						
Cash and cash equivalents	87 985 848	631 116	-	-	88 616 964	88 616 964
Short-term investments	-	-	3 271 849	-	3 271 849	3 271 849
Placements with other banks	-	28 454 738	-	-	28 454 738	28 454 738
Loans and advances to Customers	3 365 068	330 611	78 486 946	-	82 182 625	82 182 625
Client funds management	3 521 699	22 365 319	69 154 387	-	95 041 405	95 041 405
Other receivables	-	-	-	22 751 702	22 751 702	22 751 702
Insurance receivables	-	-	-	21 206 784	21 206 784	21 206 784
Government securities	15 243 894	19 479 971	326 308 146	-	361 032 011	361 032 011
Investment in equity shares	-	-	-	194 920 529	194 920 529	194 920 529
Loans and debentures	-	-	7 328 852	-	7 328 852	7 328 852
Total assets	110 116 509	71 261 755	484 550 180	238 879 015	904 807 459	904 807 459

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.3 Interest rate risk (Continued)

Exposure to interest rate risk (Continued)

	Less than 1 month K'000	1 – 3 month K'000	3 months above K'000	Non-interest bearing K'000	Total K'000	Carrying amount K'000
31 December 2021						
Financial liabilities						
Trade and other payables	-	96 577 799	-	13 395 434	109 973 233	109 973 233
Client funds payables	15 700 721	33 728 294	39 068 595	6 308 209	94 805 819	94 805 819
Deposits and customer accounts	104 653 119	104 687 598	1 324 387	-	210 665 104	210 665 104
Insurance Payables	-	-	-	18 618 854	18 618 854	18 618 854
Interest bearing loans and borrowings	15 223	31 511	10 972 170	-	11 018 904	11 018 904
Long-term policyholders liabilities	-	-	299 393 763	86 986 141	386 379 904	386 379 904
Total financial liabilities	120 369 063	235 025 202	350 758 915	125 308 638	831 461 818	831 461 818
Interest sensitivity gap	(10 252 554)	(163 763 447)	133 791 265	113 570 377	73 345 641	73 345 641
31 December 2020						
Financial assets						
Cash and cash equivalents	76 024 862	631 116	-	-	76 655 978	76 655 978
Short-term investments	-	1 295	105 080 140	-	105 081 435	105 081 435
Placements with other banks	-	-	11 818 330	-	11 818 330	11 818 330
Loans and advances to Customers	5 760 087	2 465 161	50 809 474	-	59 034 722	59 034 722
Other receivables	-	-	-	10 443 440	10 443 440	10 443 440
Clients funds under management	3 536 407	6 566 924	49 786 849	6 308 212	66 198 392	66 198 392
Insurance receivables	-	-	-	20 694 940	20 694 940	20 694 940
Government securities	408 000	9 937 000	132 800 742	-	143 145 742	143 145 742
Investment in equity shares	-	-	-	163 956 274	163 956 274	163 956 274
Loans and debentures	-	-	14 071 221	-	14 071 221	14 071 221
Total assets	85 729 356	19 601 496	364 366 756	201 402 866	671 100 474	671 100 474
31 December 2020						
Financial liabilities						
Trade and other payables	23 607 895	-	6 128 747	9 442 352	39 178 994	39 178 994
Client funds payable	17 391 333	19 686 029	20 955 318	6 308 209	64 340 889	64 340 889
Deposits and customer accounts	-	151 996 305	2 485 016	-	154 481 321	153 146 418
Insurance Payables	-	-	-	18 071 245	18 071 245	17 151 245
Interest bearing loans and borrowings	-	-	10 223 352	-	10 223 352	10 223 352
Long-term policyholders liabilities	-	-	255 353 128	72 603 248	327 956 376	327 956 376
Total financial liabilities	40 999 228	171 682 334	295 145 561	106 425 054	614 252 177	611 997 274
Interest sensitivity gap	44 730 128	(152 080 838)	69 221 195	94 977 812	56 848 297	59 103 200

43. Risk management (Continued)

43.6 Market Risk Management (Continued)

43.6.3 Interest rate risk (Continued)

Exposure to interest rate risk (Continued)

	Less than 1 month K'000	1 – 3 month K'000	3 months above K'000	interest bearing K'000	Total K'000
Company					
31 December 2021					
Financial assets					
Cash and cash equivalents	5 976 873	-	-	-	5 976 873
Amount due from group companies	-	-	-	106 574	106 574
Other receivables	-	-	-	330 496	330 496
Total financial assets	5 976 873	-	-	437 070	6 413 943
Financial liabilities					
Trade and other payables	-	-	-	1 105 473	1 105 473
Amounts due to Group companies	-	-	-	2 697	2 697
Interest bearing loans and Borrowings	-	-	2 750 000	-	2 750 000
Total financial liabilities	-	-	2 750 000	1 108 170	3 858 170
Interest sensitivity gap	**5 976 873**	**-**	**(2 750 000)**	**(671 100)**	**(2 555 773)**
31 December 2020					
Financial assets					
Cash and cash equivalents	4 737 827	-	-	-	4 737 827
Amount due from group companies	-	-	-	51 089	51 089
Other receivables	-	-	-	157 173	157 173
Total financial assets	4 737 827	-	-	208 262	4 946 089
Financial liabilities					
Trade and other payables	-	-	-	913 436	913 436
Amounts due to Group companies	-	-	-	-	-
Interest bearing loans and Borrowings	-	-	2 750 000	-	2 750 000
Total financial liabilities	-	-	2 750 000	913 436	3 663 436
Interest sensitivity gap	**4 737 827**	**-**	**(2 750 000)**	**(705 174)**	**1 282 653**

43. Risk management (Continued)

43.7 *Accounting classifications and fair values*

Fair value hierarchy

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described below under the heading Level 3. For financial assets that are traded infrequently and have little price transparency fair value is less objective and requires varying degrees of judgement depending on liquidity concentration uncertainty of market factors pricing assumptions and other risks affecting the specific instrument. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1. Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2. Valuation techniques based on observable inputs either directly i.e. as process or indirectly i.e. derived from prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3. Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

43. Risk management (Continued)

43.7 ***Accounting classifications and fair values*** (Continued)

Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Group	**Note**	**Financial instruments designated at FVTPL**	**Financial instruments designated at FVTOCI**		**Fair value**			
				Total	**Level 1**	**Level 2**	**Level 3**	**Total**
		K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	
2021								
Financial Assets								
Investment in government securities	17	164 743 783	-	164 743 783	-	164 743 783	-	164 743 783
Investment in equity shares	18	189 708 156	5 212 373	194 920 529	189 708 156	5 212 373	-	194 920 529
Loan and debentures	19	7 328 852	-	7 328 852	-	7 328 852	-	7 328 852
Total		361 780 791	5 212 373	366 993 164	189 708 156	177 285 008	-	366 993 164
Financial Liabilities								
Long-term policyholder liabilities	43.9.8	299 393 763	-	299 393 763	-	-	299 393 763	299 393 763
Total		**299 393 763**	**-**	**299 393 763**	**-**	**-**	**299 393 763**	**299 393 763**
2020								
Financial Assets								
Investment in government securities	17	137 121 284	-	137 121 284	-	137 121 284	-	137 121 284
Investment in equity shares	18	160 549 807	3 406 467	163 956 274	160 549 807	3 406 467	-	163 956 274
Loan and debentures	19	14 071 221	-	14 071 221	-	14 071 221	-	14 071 221
Total		311 742 312	3 406 467	315 148 779	160 549 807	154 598 972	-	315 148 779
Financial Liabilities								
Long-term policyholder liabilities	43.9.8	255 353 128	-	255 353 128	-	-	255 353 128	255 353 128
Total		**255 353 128**	**-**	**255 353 128**	**-**	**-**	**255 353 128**	**255 353 128**

43. Risk management (Continued)

43.7 *Accounting classifications and fair values* (Continued)

Company

	Note	Equity instruments designated at FVTOCI K'000	Equity instruments designated at FVTPL K'000	Financial Financial assets designated FVTPL K'000	Total K'000	Fair value Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
2021									
Shares	18	2 789 673	-	-	2 789 673	-	-	2 789 673	2 789 673
Total		2 789 673	-	-	2 789 673	-	-	2 789 673	2 789 673
2020									
Shares	18	-	1 709 767	-	1 709 767	-	-	1 709 767	1 709 767
Total		-	1 709 767	-	1 709 767	-	-	1 709 767	1 709 767

Measurement of fair values
The following table shows the valuation techniques used in measuring level 3 fair values as well as the significant unobservable inputs used.

Financial instruments measured at fair value.

Type	Valuation technique	Significant unobservable inputs
Unlisted equity securities	Refer to Note 18	Refer to Note 18
Government Treasury notes	Refer to note 17	Refer to note 17

43. Risk management (Continued)

43.7 ***Accounting classifications and fair values*** (Continued)

Financial instruments not measured at fair value

The following table provides the categories of financial instruments. It does not provide fair value information where the carrying amounts approximate their fair values.

	Note	Fair value through profit or loss K'000	Fair value through other comprehensive income K'000	Amortised cost K'000	Total carrying amount K'000
31 December 2021					
Cash and cash equivalents	5	-	-	88 616 964	88 616 964
Short-term investments	6	-	-	3 271 849	3 271 849
Placements with other banks	6(b)	-	-	28 454 738	28 454 738
Loans and advances to customers	7	-	-	82 182 625	82 182 625
Client funds under management		-	-	95 041 405	95 041 405
Other receivables	10	-	-	22 751 702	22 751 702
Insurance receivables	11	-	-	21 206 784	21 206 784
Government securities	17	164 743 783	-	196 288 228	361 032 011
Shares	18(a)	189 708 156	5 212 373	-	194 920 529
Financial liabilities					
Trade and other payables	24	-	-	109 973 233	109 973 233
Client funds payable		-	-	94 805 819	94 805 819
Deposits and customer accounts	25	-	-	210 665 104	210 665 104
Insurance contract payables	26	-	-	18 618 854	18 618 854
Interest bearing loans and borrowings	28	-	-	11 018 904	11 018 904
Long-term policyholders liabilities	43.9.9	342 502 512	-	43 877 392	386 379 904

*Other receivables excludes prepayments amounting to K7.5 billion.

31 December 2020					
Cash and cash equivalents	5	-	-	76 655 978	76 655 978
Short-term investments	6	-	-	105 081 435	105 081 435
Placements with other banks	6(b)	-	-	11 818 330	11 818 330
Loans and advances to customers	7	-	-	59 034 722	59 034 722
Client funds under management		-	-	66 198 391	66 198 391
Other receivables	10	-	-	10 443 441	10 443 441
Insurance receivables	11	-	-	20 694 940	20 694 940
Government securities	17	137 121 284	-	110 827 731	247 949 015
Shares	18(a)	160 549 807	3 406 467	-	163 956 274
Financial liabilities					
Trade and other payables	24	-	-	39 178 994	39 178 994
Client funds payable		-	-	64 340 889	64 340 889
Deposits and customer accounts	25	-	-	153 146 418	153 146 418
Insurance contract payables	26	-	-	17 151 245	17 151 245
Interest bearing loans and borrowings	28	-	-	10 223 352	10 223 352
Long-term policyholders liabilities	43.9.9	289 249 763	-	38 706 613	327 956 376

43. Risk management (Continued)

43.8 Other Risk Management

43.8.1 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including independent authorisation of transactions designed to ensure the correctness, completeness and validity of all transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

43.8.2 Risk management objectives and mitigating insurance risk

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits; approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

43. Risk management (Continued)

43.8 Other Risk Management (Continued)

43.8.3 Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome. Most general insurance contracts are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal. The Group has the right to re-price and change the risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Only extensive expertise, well maintained data resources, and selective underwriting based on this information can produce risk adequate prices and conditions. Through selective underwriting, client focused claims handling and good reserving methods, the Group endeavours to minimise risks.

43.8.4 Reinsurance strategy

The Group obtains reinsurance cover to reduce risks from single events or accumulation of risk that could have a significant impact on the current year earnings or the Group's capital. This cover is placed on the local and international reinsurance market. The Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programme and the net exposure of the Group.

The core components of the reinsurance programme comprise:

- A surplus treaty which covers fire, accident, engineering and marine risks. The cover ranges from material damage and business interruption arising from fire and allied perils and any other physical accidental loss (All risks policies).
- An excess of loss cover for fire, accident, engineering and marine. It also includes all risks policies, and catastrophe, which provides protection to limit losses on each and every loss and every risk or series of losses or occurrence of one event.
- A motor, accident and liabilities excess of loss which covers motor (own damage and property damage and third liabilities arising there from), and general public and products liability, miscellaneous accident, fidelity guarantee and professional indemnity cases.
- A bonds and guarantees quota share treaty covering performance, advance payment, maintenance, bid, customs and transit bonds.

43.8.5 Reinsurance risk

The Group cedes insurance risk to limit exposure to underwriting losses under various agreements. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specified risk, subject in certain circumstances to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the re-insurer agrees to reimburse the ceded proportion in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any re-insurer fails to meet the obligations it assumes.

43.8.6 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices.

Consequently, the Group has a history of positive claims development, i.e. the reserves created over time proved to be sufficient to fund the actual claims paid.

43. Risk management (Continued)

43.8 Other Risk Management (Continued)

43.8.7 Concentration of insurance risks and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's resources. The Group monitors the concentration of risk by geographical segment and class of business.

The Group has exposure to all major lines of insurance business with very limited exposure to specialised areas of insurance. This exposure is consistent with the market and the Group's reinsurance policy limits the losses in any one class of business.

43.9 Long term insurance risks

The primary insurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to life, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Group also has exposure to market risk through its insurance and investment activities.

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses and scenario analyses.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

43.9.1 Underwriting strategy

The underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

43.9.2 Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. It buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Group. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

43.9.2 Reinsurance risk

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

43. Risk management (Continued)

43.9 Long term insurance risks (Continued)

43.9.3 Long-term insurance contracts – Immediate annuities

This type of annuity is purchased with a single premium at outset and is paid to the policyholder for the remainder of his/her lifetime. Annuities may be level, or escalate at a fixed rate, or be in line with a suitable price index.

Payments are often guaranteed to be paid for a minimum term regardless of survival (e.g. 5 or 10 years).
Profit arises when mortality and investment experience are better than expected. All risks and rewards associated with this type of product accrue to shareholders.

***Management of risks*:** The main risks associated with this product are longevity and investment risks. Longevity risks arise as the annuities are paid for the lifetime of the policyholder, and this risk is managed through the initial pricing of the annuity. Investment risk depends on the extent to which the annuity payments under the contracts have been matched by suitable assets.

The key risks are managed through sensible pricing and product design. Reinsurance underwriting is not used for this product.

Mortality risk: The pricing assumption is based on both historic in-house and industry available information on mortality experience for the population of policyholders including allowance for future mortality improvements. The mortality will differ between the retirement, voluntary and joint life annuitant.

***Investment risk*:** With this type of product the lump sum premium is available for the Group to invest at the start of the contract. The asset mix will consist of corporate bonds and gilts with varying redemption dates. The income earned on the investment will not usually be sufficient to cover the annuity and the expense outgo, so each year part of the lump sum will be disinvested, which should coincide with (match) the redemption dates, in order to balance the fund. If annuitants die as expected then the fund will decline to zero just as the last annuitant dies (perfect matching). However, in most cases annuitants will not die as expected therefore the Group will need to buy and sell assets as necessary throughout the term of the policy to minimise the risk of mismatch.

Asset/liability modelling is used to monitor this position on a regular basis. Details of default risk have been covered under the credit risk section.

43.9.4 Long-Term Insurance Contracts – Individual Life

The Group writes individual life business. The policies are designed so as to distribute benefits to the policyholder.

Management of Risk

The Group uses properly developed rates as far as advised by the Actuary on life cover, and in the event of death covers, reinsurance arrangements are in place to protect the Group.

43.9.5 Short-term Insurance – Group Life

The Group writes short-term Group life business. The policies are designed to indemnify the insured in the event of death.

Management of Risk

The Group uses rates that take cognisance of the mortality/claims experience of the Group as well as the market. Reinsurance arrangements are also in place to protect the Group on large claims.

43. Risk management (Continued)

43.9 Long term insurance risks (Continued)

43.9.6 Concentration of risk

The Group's risk analysis is largely driven by the classes of business written;

Business Class	Risk Rating
Immediate Annuity	High
Group Life	High
Individual Life	Medium
Deposit Admin	Low

43.9.7 Major assumptions

General Investment Return — Estimated at 20% net of tax.

Other

	Individual Life	**Annuities**	**Credit Life**
Mortality	100% of SA85-90 Heavy	100% of a (55)	30% of gross earned premium
AIDS	100% HA2M/HA2F	N/A	N/A
Expenses/policy	- Maintenance K29 377 per policy - Acquisition K84 345 per policy	- Maintenance K40 000 per policy per annum - Acquisition K34 523 per policy	13.96% of Gross Earned Premium
IBNR	N/A	N/A	Ultimate Loss IBNR calculation.

Sensitivity Analysis

The Group is sensitive to the following factors:

Mortality

- Mortality experience on risk business increased by a margin of 7.5%; and
- A decrease of 1% in mortality rate as at the reporting date would have increased profit attributable to shareholders by 1% while an increase of 1% in mortality rate would have had an equal but opposite effect.

AIDS

Currently the industry has not been significantly affected by the impact of AIDS. With free cover limits closely monitored the Group has been able to operate profitably. However, a major increase in the AIDS statistics by at least 5%, is likely to impact negatively on the business. Decline in the AIDS statistics is unlikely to cause significant change in the results.

Expenses

The unit acquisition and maintenance costs assumptions were reviewed to reflect the actual expenses incurred and the file size as at December, 2020. The Group business maintenance expense margin was in the December 2019 valuation was decreased from 16% to 13% for all lines of Group business to take credit for the better than assumed experience observed.

Interest rates

The Group is highly vulnerable to interest rates fluctuations. However, the risk is heavily mitigated by the diversity of the Group's investment portfolio. Hence it does not pose a significant risk.

43. Risk management (Continued)

43.9 Long term insurance risks (Continued)

Claims build-up
The Group does not maintain claims outstanding for a period of over 12 months.

43.9.8 Long term policyholders' funds and technical reserves

The policyholders' funds have been valued as at 31 December 2021 by an appointed statutory actuary, Edwin Splinter (FASSA) on behalf of the Directors. The Financial Soundness Valuation Model Method has been used; this is a gross premium method of valuation. Reserves for the Deposit Administration business have been set equal to the value of the investment account. Group Life and Credit Life business which constitutes a small portion of reserves, carries an Unearned Premium Reserve (UPR) of K127 million (2020: K151 million), an Incurred But Not Reported (IBNR) reserve of K2 365 million (2020: K1 205 million) disclosed under insurance contracts (Group life and Credit Life). The balance of the liabilities has been based on projected cash flows taking into account expected mortality, expenses, market related investment returns, bonuses to be granted to policyholders' and current reinsurance arrangements.

a) The position of the fund as at 31 December 2021 (after allocation of surplus) is as follows:

Summary of long-term policyholders' liabilities

	GROUP	
	2021	**2020**
	K'000	**K'000**
Insurance contracts	43 877 392	38 706 613
Investment contract	299 393 763	255 353 128
Technical reserves	43 108 749	33 896 635
	386 379 904	327 956 376

The details are shown in the subsequent workings.

i)	Insurance contracts		
	Individual life	25 645 187	24 664 493
	Group life	2 492 421	1 356 657
	Annuities	15 739 784	12 685 463
	Total	43 877 392	38 706 613
ii)	Investment contracts		
	Deposits administration	299 393 763	255 353 128
	Total policyholders liabilities		
	Insurance contracts	43 877 392	38 706 613
	Investment contracts	299 393 763	255 353 128
	Total long term policyholders' funds	343 271 155	294 059 741

43. Risk management (Continued)

43.9 Long term insurance risks (Continued)

43.9.8 Long term policyholders' funds and technical reserves

ii) Technical reserves
Additional reserves were held as follows:

- Investment reserves on Non-participating Annuity business for the risk of future reductions in the yield curve.
- Unallocated reserves relates to bonus stabilisation reserve for the participating products and shareholder discretionary reserves. This is created to cushion future adverse investment performance.

	GROUP	
	2021	**2020**
	K'000	**K'000**
Data reserves	610 595	611 000
Investment reserves	421 424	3 698 000
Unallocated reserves	42 076 731	29 588 000
	43 108 750	33 897 000

b)(i) Movements during the year

At the beginning of the year	294 059 742	248 516 756
Transfer to policyholder	58 423 528	52 185 816
Transfer to technical reserves	(9 212 114)	(6 642 830)
At the beginning of the year	343 271 156	294 059 742

The contributions and related investment income are transferred to the policyholders' account by debiting profit or loss and crediting the reserve.

	GROUP	
	2021	**2020**
	K'000	**K'000**
ii) Technical reserves		
At the beginning of the year	33 896 635	27 253 805
Transfer from long term policyholders' funds	9 212 114	6 642 830
At the end of the year	43 108 749	33 896 635

A final posting of transfer to reserves is carried out upon considering actual liability determined by the company and as assessed by the actuary.

44. Operating segments

Segment results that are reported to the Group's CEO (being the Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Executive Committee to make decisions about resource allocation to the segment and assess its performance and for which discrete information is available.

Inter-segment pricing is determined on an arms' length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Reportable segments
The Group comprises the following main reportable segments:

- Life Insurance and Pension business;
- General Insurance business;
- Banking business;
- Investment Holding;
- Asset Management; and
- Information Technology.

General Insurance segment operate in Malawi, Zambia and Uganda.

Investment Holding, Life Insurance and Pension segments operate in Malawi and Mozambique. Information Technology, Asset Management and Banking segments are only operated in Malawi.

The Banking sector monitors concentration of credit risk by sector and by geographic location

Concentration by Sector
- Retail
- Corporate
- Banks

Concentration by location
- Northern Region
- Central Region
- Southern Region

Geographical segments
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

44. Operating segments (Continued)

	Long Term Insurance & Pension		Short term insurance		Banking		Investment		Asset management		Information technology		Eliminated on consolidation		Total	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000	2021 K'000	2020 K'000	2021 K'000	2020 K'000	2021 K'000	2020 K'000	2021 K'000	2020 K'000	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Gross revenue	119 422 147	100 546 595	46 901 337	35 950 101	60 625 193	47 078 781	10 031 771	7 318 505	15 569 022	10 703 293	2 082 279	1 374 850	(19 101 730)	(14 191 474)	240 530 019	188 780 651
Profit Before Tax	12 367 609	12 236 243	997 076	1 769 725	11 489 687	9 974 719	6 844 023	4 664 052	2 018 799	2 973 026	44 510	90 047	(6 882 996)	(5 239 727)	26 878 708	26 468 085
Profit after Tax	9 093 066	9 272 275	548 972	1 082 651	7 692 372	7 049 751	6 416 628	4 291 207	1 402 603	2 081 193	28 013	58 371	(6 882 996)	(5 239 727)	18 298 658	18 595 721
Other Information																
Segment Assets	428 213 066	364 603 383	43 431 193	39 130 032	364 419 637	219 093 201	21 075 593	16 478 595	96 590 838	67 349 544	1 083 316	1 170 225	(17 200 809)	(6 480 330)	939 989 842	701 344 650
Segment Liabilities	390 449 441	328 880 284	31 479 331	29 961 614	340 506 270	199 165 381	3 036 281	3 273 211	95 518 118	65 667 761	747 049	843 315	(7 415 137)	1 634 161	854 321 353	629 425 727
Capital Expenditure	1 678 462	2 450 121	165 852	115 832	(549 573)	3 855 099	19 630	36 158	8 974	86 116	138 380	907 815	-	-	1 461 725	7 451 141
Segment Cashflows																
From Operating Activities	3 895 269	13 430 817	(1 675 564)	320 807	105 422 327	46 610 678	(2 148 263)	(1 122 095)	(12 004 743)	(5 682 554)	225 502	705 407	(11 449 947)	14 380 967	82 264 581	66 644 027
From Investing Activities	2 731 490	(7 132 815)	2 749 162	(656 036)	(91 287 013)	(30 721 457)	5 826 523	5 344 479	13 326 902	5 918 081	(137 175)	(906 860)	(7 333 650)	(6 163 903)	(64 123 761)	(34 418 674)
From Financing Activities	(4 375 890)	(2 135 981)	539 984	(1 570 230)	(3 271 771)	(3 806 394)	(2 386 550)	(1 560 394)	(1 816 324)	(1 957 464)	(140 360)	(63 241)	5 305 715	5 072 021	(6 145 196)	(5 895 326)

44. Operating segments (Continued)

GEOGRAPHICAL SEGMENTS	**Malawi**	**Malawi**	**Zambia**	**Zambia**	**Eliminated**	**Eliminated**	**Total**	**Total**
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Gross revenue	240 736 943	189 388 272	18 894 806	13 583 853	(19 101 730)	(14 191 474)	240 530 109	188 780 651
Profit/(loss) Before Tax	33 980 502	32 429 537	(218 798)	(721 725)	(6 882 996)	(5 239 727)	26 878 708	26 468 085
Profit after Tax	25 420 113	24 484 026	(238 459)	(648 578)	(6 882 996)	(5 239 727)	18 298 658	18 595 721
Other Information								
Segment Assets	944 295 623	697 797 872	12 895 028	10 027 008	(17 200 809)	(6 480 330)	939 989 842	701 344 650
Segment Liabilities	851 792 181	618 523 026	9 944 309	9 268 540	(7 415 137)	1 634 161	854 321 353	629 425 727
Capital Expenditure	1 437 756	7 401 256	23 969	49 885	-	-	1 461 725	7 451 141
Segment Cashflows								
From Operating Activities	92 603 994	52 172 065	1 110 534	90 995	(11 449 947)	14 380 967	82 264 581	66 644 027
From Investing Activities	(54 136 114)	(28 424 711)	(2 653 997)	269 940	(7 333 650)	(6 163 903)	(64 123 761)	(34 318 674)
From Financing Activities	(12 949 741)	(10 685 293)	1 498 830	(282 054)	5 305 715	5 072 021	(6 145 196)	(5 895 326)

The Group did not earn revenues from a single customer that was ten percent or more of Group's total revenues.

	Group		Company	
	2021	**2020**	**2021**	**2020**
	K'000	**K'000**	**K'000**	**K'000**

45. Employee benefits liabilities

Expense recognised in the profit or loss

Pension costs	1 055 341		74 711	

The Pension Fund is a defined contribution plan. Under this plan, employer's liability is limited to the pension contributions.

Employee Share Ownership Scheme

On 16 August 1996, the shareholders approved establishment of a Trust for an employee share ownership scheme. In terms of Malawi Stock Exchange rules, a maximum of up to 4% of the equity in the company may be held by the Trust. However, upon listing, arrangements were made for the Trust to acquire 2% of the equity. Options have been granted to employees of the Group based on length of service and positions of employees exercisable at a determined price. Option holders are only entitled to exercise their options if they are in the employment of the NICO Group and in accordance with the trust deed and rules. Employees are eligible if they have served for at least two years and occupy an established position in the Group.

The objective of the scheme is to motivate and encourage employees to identify themselves with the interests and aspirations of the NICO Group.

The periods in which the option shares may be acquired up to the maximum percentage specified after the expiry of minimum period computed from the date of grant and set out against the relevant percentages.

Maximum %	**Minimum Period**
25%	12 months
50%	24 months
75%	36 months
100%	48 months

No Shares were allotted during both current and prior years.

46. Contingent liabilities and commitments

(a) Capital commitments

(i) As at 31 December 2021, the authorised but not yet contracted for capital commitments for property and equipment were K5.4 billion (2020: K6.1 billion). These capital commitments are to be funded from internal resources.

(ii) As at 31 December 2021, the Group's undrawn formal stand-by facilities, credit lines and other commitments to lend were K6.3 billion (2020: 3.1 billion).

46. Contingent liabilities and commitments (Continued)

(b) Contingent liabilities

(i) The Group is a defendant to several cases which are outstanding. The cases include those relating to tax claims and claims from civil proceedings which are in courts. While liability is not admitted, if the defense against the actions is unsuccessful, then the Group would pay the claims estimated at K8.2 billion (2019: K4.5 billion). Included in the K8.2 billion are the following cases and claims;

- A case of K3.5 billion which the Group won in 2019 and is now subject of an appeal. The outcome of these cases are subject of the determination by the courts; and
- A claim by the Malawi Revenue Authority of K3.1 billion following a tax audit in NICO Life Insurance Company Limited. The Group is disputing the claim and has made an appeal to the Commissioner General.

(ii) The contractual amounts of the Group's off-balance sheet position financial instruments that commit it to extend credit to customers are as follows:

Group

	2021 K'000	2020 K'000
Acceptances and letters of credit	385 612	344 000
Currency swaps	16 383 689	-
Guarantees and performance bonds	3 590 704	3 476 411
	20 360 005	3 820 411

(c) Contingent asset

In November 2021, the High Court of Malawi awarded interest of K1.655 billion in favour of the Group's banking business. This interest is in respect of a 2019 Supreme court judgement in which the Group was refunded the principal sum of K566 million. The Group is still awaiting settlement of interest hence it has not incorporated the income in the financial statements.

47. Events after the reporting period

Subsequent to the reporting date, no events have occurred which require adjustment to or disclosures in the consolidated and separate financial statements.

48. Exchange and inflation rates

The average of selling and buying exchange rates at year end of major foreign currencies affecting the performance of the group and company are stated below, together with the increase in the National Consumer Price Index which represents an official measure of inflation.

	Group	
	2021	**2020**
United States Dollar (USD) to Malawian Kwacha (MWK)	817.3	772.3
United States Dollar (USD) to Zambian Kwacha (ZMW)	16.54	42.3
United States Dollar (USD) to Ugandan Shilling (USH)	3 546	3 645
United States Dollar (USD) to Tanzanian (TSH)	2 306	2 319
United States Dollar (USD) to Mozambique Metical (MT)	63.8	73.6
South Africa Rand (ZAR) to Malawian Kwacha (MK)	58.7	56.4
British Pound (GBP) to Malawian Kwacha (MK)	1 002.6	1 101.4
Inflation rates as at 31 December (%)	11.5	7.6

At the date of approval of these financial statements, the above noted exchange and inflation rates had moved as follows:

United States Dollar (USD) to Malawian Kwacha (MWK)	819.2
United States Dollar (USD) to Zambian Kwacha (ZMW)	17.6
United States Dollar (USD) to Ugandan Shilling (USH)	3 555
United States Dollar (USD) to Tanzanian (TSH)	2 322
United States Dollar (USD) to Mozambique Metical (MT)	63.8
South Africa Rand (ZAR) to Malawian Kwacha (MK)	66.2
British Pound (GBP) to Malawian Kwacha (MK)	1 200.5
Inflation (February 2022)	13%