NICO
Holdings plc

2017

Consolidated and Separate Financial Statements

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Mission Statement

To create value for stakeholders

Vision

To be the preferred financial service provider

Our Values

Excellence, Integrity, Collaboration, Professionalism, Transparency

Capital Raising

We assist in raising additional financing to fund operations of capital investments by utilizing our extensive network of financiers, both locally and internationally.

We offer the following services under our Corporate Finance Division:

- Capital Raising
- Feasibility Studies
- Company Valuations
- Mergers and Acquisitions
- New Company setup

Visit www.nicoassetmanagers.com to learn more about NICO Asset Managers and our products and services.

Blantyre Office Chibisa House, 19 Glyn Jones road, Blantyre, P.O. Box 3173, Blantyre, Malawi. Tel +265 (0) 1 832 085/ 086. Fax +265 (0) 1 821 617.
Lilongwe Office NICO Centre, Old Town, Corner Kenyatta Drive. P.O. Box 30729 Capital City, Lilongwe. Tel +265 (0) 757 085/ 086. Fax +265 (0) 1 751 617.

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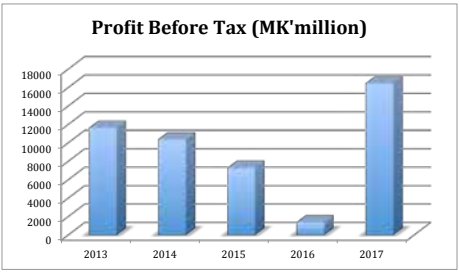
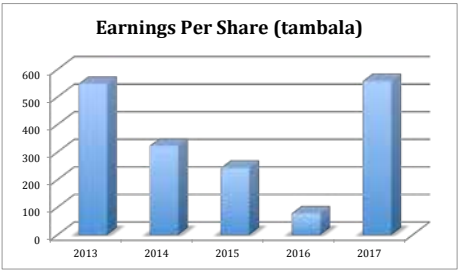
for Tomorrow

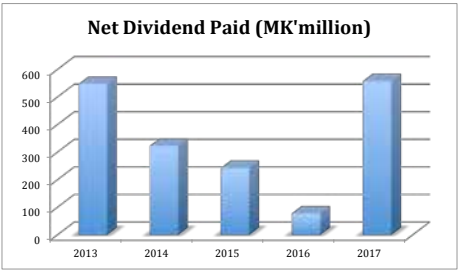
NICO
Asset Managers

FIVE YEAR HIGHLIGHTS

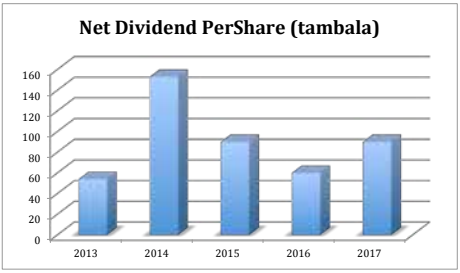
		Restated	Restated	Restated	
	2013	**2014**	**2015**	**2016**	**2017**
GROSS REVENUE (MK'million)	82,661	81,186	83,227	103,395	134,127
PROFIT BEFORE TAX (MK'million)	11,642	10,387	7,298	1,395	16,480
EARNINGS PER SHARE (tambala)	548	323	243	78	558
NET DIVIDEND PAID (MK'million)	563	1,596	939	626	939
NET DIVIDEND PER SHARE (tambala)	54	153	90	60	90
TOTAL ASSETS (MK'million)	171,588	206,437	244,880	290,248	295,787
NET ASSETS (MK'million)	14,205	16,170	18,642	17,381	22,536
SHARE PRICE (tambala)	1,780	3,250	2,800	1,700	3,400
NET ASSET VALUE PER SHARE (tambala)	1,362	1,550	1,787	1,666	2,161
PRICE TO BOOK VALUE (times)	1.3	2.1	1.6	1.0	1.6
PRICE EARNINGS RATIO (times)	3.2	10.1	11.5	21.8	6.1
MARKET CAPITALISATION (MK'million)	18,566	33,899	29,205	17,732	35,463

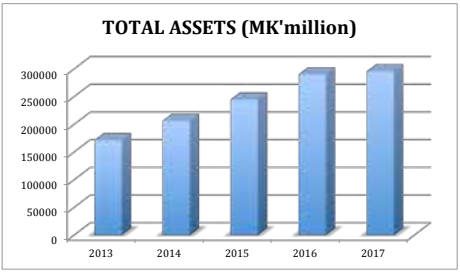


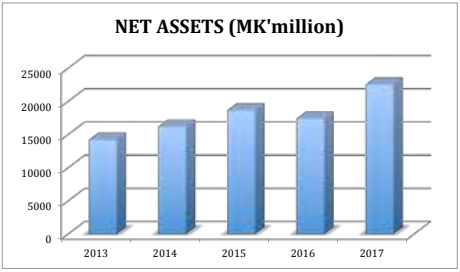


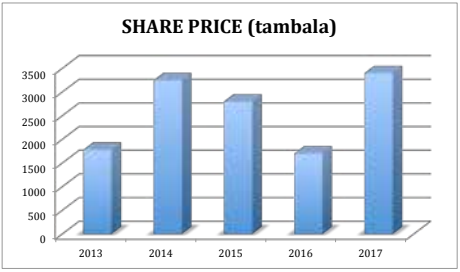


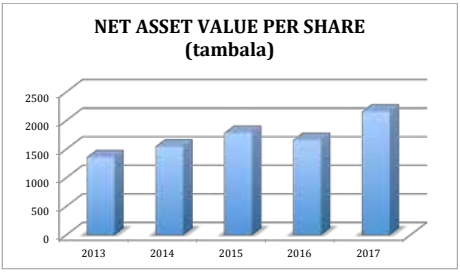
FIVE YEAR HIGHLIGHTS (Continued)











CHAIRMAN'S STATEMENT

NICO Holdings plc is fully committed to managing its business in a sustainable manner and upholding the highest standards of ethics and corporate governance practices. The Board also ensures that NICO Group plays its part in discharging Corporate Social responsibilities.

Significant strides made in 2017 were;

- Significant growth in revenues, profit after tax and total assets;
- A successful rights issue to recapitalize NBS Bank;
- A new partnership with Eris Properties that boosts our property offering;
- Continued innovation throughout the NICO Group with introduction of innovative solutions for the respective clients.

The bouncing back of the NICO Holdings plc share price on the Malawi Stock Exchange epitomizes the good performance of the Group. On 31st December 2017, the NICO Holdings share price closed at MK32.00 per share (31st December 2016: MK17.00 per share). By 31st March 2018 the share was trading at MK48.00.

Economic overview

In 2017 we saw significant improvement in the indicators of the Economic fundamentals in Malawi where for the first time in several years the average inflation closed at below 10%. Positive as this was, it was not enough to eliminate the negative effects of the high inflation and interest rates that prevailed in the economy for the past four years. Accordingly, many businesses in the market still operated below full capacity.

Financial performance

As was reported in last year's Report, the focus in 2017 was to consolidate our business operations to regain lost ground. I am pleased to report that we have progressed well as signified by the growth in performance registered by businesses across the board with profit after tax impressively increasing well over 300%. The Group Managing Director has elaborated on this in his report.

The Group registered significant growth, in Total Assets, Revenues, Profit after Tax and an improvement in its Cashflows. These growths and improvements are apparent as you go through the 2017 financials. A reminder that

CHAIRMAN'S STATEMENT (Continued)

all our Group operations are in Malawi except for one General Insurance Company that is located in Zambia. We have associate companies in Mozambique, Tanzania and Uganda. While we look to the associate companies to contribute to the performance of the Group in the end, their contribution is currently insignificant.

Due to significant improvement in performance and cash flows, the NICO Holdings plc Board of Directors will be recommending to shareholders at AGM to declare a 2017 final divided of MK1.00 per share (2016 nil). This will be in addition to the interim dividend of MK0.50 per share (2016: MK0.40 per share) that was paid in September 2017. Subject to approval of the final dividend, the Group will pay a total dividend of MK1.50 per share compared to MK 0.40 per share for prior year. This represents a dividend growth of 275%. Going forward, one of the board's primary medium to long-term target is to ensure NICO Holdings plc pays a consistent but steadily growing dividend from year to year.

Prospects

In 2018 the Group will continue to focus on consolidating its existing business operations while pursuing revenue growth through continuous improvement to clients' service driven by investment in Technology and Human resources. Partnerships at various levels will also remain a key performance pillar for the Group in 2018 and beyond. In this regard, leveraging on Sanlam Emerging Markets (SEM) that has a footprint in over 45 countries in Africa to create value for the Group will get special attention.

Changes in Directorships

Mr. Alaudin Osman, the previous Chairman, retired on 1st September 2017. I, on behalf of my colleagues on the Board and the rest of the NICO Group want to thank Mr. Osman for his leadership, wisdom and dedication to the Group. We wish Mr. Osman a well-deserved restful retirement and wish him all the best in his future endeavors.

New appointments - Let me welcome Mr. Robert Mdeza and Mr. Patrick Chilambe that joined the NICO Holdings plc Board, during the year, on 27th September and 1st November respectively. They are both accomplished leaders and experts in their respective areas of specialization. They bring to the Board a wealth of knowledge, wisdom and experience that I have no doubt will be of immense value to the NICO Group.

Appreciation

In closing, I wish to extend my sincere appreciation to all NICO Holdings stakeholders. Our clients across the Group for the trust and confidence in the NICO Brand, your continued support through the patronage of our services is not taken for granted. To shareholders, thank you for relying on us to add value, and to the NICO Board, executive management and employees for your guidance and hard work, all of which contributed significantly to NICO's success.

GAFFAR HASSAM

INTERIM CHAIRMAN

GROUP MANAGING DIRECTOR'S REPORT

1. EXECUTIVE SUMMARY

The Group has registered satisfactory financial results indicating a strong rebound from what was achieved in 2016. This is evidence that the Group turnaround strategy that has been implemented with effect from 2017 is working. The Group Strategy is anchored on our desire to provide affordable and effective financial services to both Corporate and Retail clients. This strategy is being driven by investment in our people and technology, leveraging on key partnerships and our quest for continuous improvement to client service, compliance to regulatory framework and good corporate governance.

2. GROUP RESULTS

Gross revenue for the year increased by 30% to MK134.4 billion compared to MK103.5 billion for 2016. Total Profit After Tax increased impressively to MK12.1 billion compared to a restated loss of MK1.1 billion for 2016 (After Tax Growth Before Restatement is 322%). The growth in profitability is due to remarkable performance in our general and life insurance, asset management businesses and improvement in the performance of the banking business. The prior year comparatives were restated due to a prior year adjustment relating to loan impairment losses in our banking business.

3. SEGMENTAL PERFORMANCE

3.1 General Insurance

The performance of the general insurance business in Malawi was satisfactory and registered significant growth in profit in the current year. The business in Zambia was profitable, though timely premium collection was a challenge. Premium income for the general insurance business increased by 14% for the year, driven by growth from the Malawi business. Claims expenses in both the Malawi and Zambia operations were satisfactory. NICO continues to offer unique customer-centric products such as Mtetezi in Malawi, targeting tobacco farmers and a legal expenses policy in Zambia targeting SME's and individuals.

The associate company in Uganda registered significant growth in revenue. The performance of the associate company in Tanzania was negatively affected by the impairment of premium receivables.

GROUP MANAGING DIRECTOR'S REPORT (Continued)

3.2 Life Insurance

Overall, the performance of NICO Life Insurance and Pensions business was satisfactory. Its Profit After Tax grew by 40% over the previous year. Premium income grew by 20%. The business experienced growth in claims benefits payments arising from increased pension payroll, refund of pension contributions and death benefits.

In our continued quest to serve customers better and to exceed their expectations, NICO Life has introduced an innovative Group Funeral product on the market, "Dekhani", to cover corporates and other groupings. The "Dekhani" funeral product is unique in that it offers clients a service where claims are settled instantly upon death being reported. NICO Life has partnered with Goodwill Funeral Services, who have been engaged to provide the service. The product was introduced to complement the traditional funeral policy that is already available to clients.

The associate company in Mozambique registered satisfactory growth in both revenue and profit in the year.

3.3 Banking

The activities of NBS Bank in the year were dominated by capital raising, improving staff efficiencies and enhancing customer service delivery.

It is pleasing to note that the Bank successfully raised MK11.8 billion through a rights issue that was concluded in July 2017.

The Bank entered into a technical services agreement with Rabobank of the Netherlands. Through this agreement NBS Bank is able to access technical support services from a bank of World repute. The support that the bank is accessing from Rabobank focused on transformation activities and change management.

We are confident that the initiatives that we are undertaking at the bank will ensure that we offer a service that meets the needs and expectations of our clients. It is pleasing to report that the Bank registered profit every month from July 2017. Overall, the Bank is in a loss situation at the end of the year as a result of the loss incurred up to June 2017. However, the loss that the Bank has registered in the year is significantly lower than that in 2016.

The Bank offers a broad range of services and products that are aimed at meeting the needs of both corporate and individual clients. Some of the products that the bank offers are mortgage finance, Visa credit cards and tailor-made savings accounts to mention a few. The Bank has recently introduced the "Kuwala" product aimed at financing individuals to procure solar powered solutions for their domestic use.

As a trusted provider of banking solutions to the Malawi market for over 50 years, NBS Bank will continue to use its wide distribution network to ensure that its products and services are available to the remotest part of the country.

3.4 Asset Management

NICO Asset Managers Limited registered an impressive growth in assets under management of 41% to close the year at MK353 billion.

We continue to provide a broad and exciting product offering for the Malawi market. The services we offer include fund management (both corporate and individual), investment analysis and advice, capital raising and company secretarial.

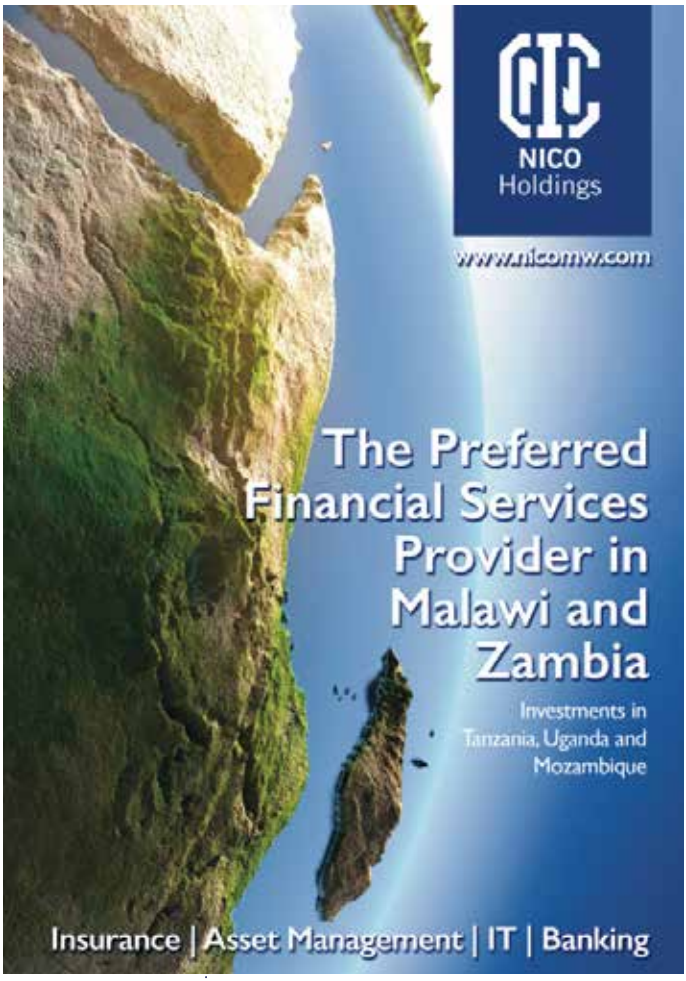
The performance of the business was satisfactory and it registered significant growth in profit in the year. Going forward, the strategy is to grow our asset management business on the back of the expected growth in pension funds that should be boosted with

GROUP MANAGING DIRECTOR'S REPORT (Continued)

the operationalization of the government-funded Pension scheme. The contribution of this business to Group performance should grow over time.

4. INVESTMENT INCOME AND SURPLUSES

The performance of the investment portfolio continued to register a strong and satisfactory performance. Despite a decline in interest rates on the money market in the second half, the Group was able to register significant growth in performance compared to the prior year due to the size and structure of the investment portfolio. The Group registered significant gains as a result of increase in the value of listed equity investments on the Malawi Stock Exchange.



5. STRATEGIC ALLIANCES

The tripartite relationship between NICO Group, Sanlam Emerging Markets (SEM) and Botswana Insurance Holdings Ltd (BIHL) continues to work well for our businesses. During the year, NICO Group staff members benefitted from various leadership and management training programmes organized by SEM. In addition, SEM continued to provide actuarial business support to our Life Insurance and pensions business operations. We also had executive exchange visits with BIHL as a way of comparing notes and sharing knowledge.

NICO Holdings plc entered into a new partnership with Eris Property Group, an International Property Development and Management company from South Africa, by forming a local 50/50 joint venture company – Eris Properties Mw Limited (Eris Mw). The objective of the partnership is to bring to the Malawi

GROUP MANAGING DIRECTOR'S REPORT (Continued)

market a complete suite of Property Development and Management services the benefit of NICO Group and third party clients. Eris Mw is now fully operational. Already there are major property development projects that we are looking at with the help of Eris that should be implemented within the next twelve months.

NICO Holdings plc will continue exploring areas where it can partner with other entities so as to create optimal value for all stakeholders.

6. STAFF DEVELOPMENT AND WELFARE

In 2017 we continued with initiatives that we started in 2016 to perfect our performance and remuneration management systems aimed at improving staff productivity. We also worked on various initiatives aimed at creating and maintaining an environment that is conducive for staff to thrive and give their best. We implemented Excellency Awards that are given to top performing employees, to acknowledge and encourage staff to be innovative and go the extra mile when serving clients. We also engaged in various transformational training programs for our managers to encourage and entrench entrepreneurial culture. Most of these initiatives are on-going and will continue in 2018 and beyond. Worth singling out, are our 2018 plans aimed at enhancing the capacity of our Human Resources function so that it is better able to deliver the objectives in this crucial area of staff development and welfare.

7. OUTLOOK

We note the positive developments in the Macro-Economic fundamentals in economies of Malawi and the countries that we operate in. How sustainable these developments are is the question that will keep exercising our minds.

In 2017, regulatory challenges from new and sometimes ambiguous regulations intensified. We do not see this abating in 2018. New regulation sometimes creates challenges that cannot be foreseen. My colleagues and I believe we have the capacity to steer the Group through 2018, despite the uncertainties of the economy and regulatory framework, and deliver performance that will sustain what we have achieved in 2017.

8. APPRECIATION

In closing, I wish to thank our clients, regulatory authorities and service providers at large for the continued support rendered to NICO Group. I also wish to thank the NICO Holdings plc Board for the guidance and direction they have given to me and my colleagues on the Executive management team. Last but not least, I wish to thank our staff for their hard work and dedication to duty. They once again, as expected, held the NICO Brand high. I have no doubt they will continue to do so in 2018 and beyond.

VIZENGE KUMWENDA

GROUP MANAGING DIRECTOR

CORPORATE GOVERNANCE

The NICO Group recognises that good corporate governance is key in ensuring that the Group achieves its objectives for the benefit of its shareholders while taking cognizance of the interests of all other stakeholders. The Group is thus fully committed to good corporate governance in dealing with shareholders and all other stakeholders. NICO Holdings formally adopted the Malawi Code II ("the Code")and where appropriate will supplement with internationally recognized corporate governance principles includingthe King Code of Governance Principles. The company carries outperiodic assessments of the adherence to the Code.

BOARD OF DIRECTORS

The Board consists of eight directors seven of whom are non-executive directors. The roles of chairman and managing director are separate.

The Board continues to ensure that governance structures and processes are effective to ensure proper discharge of its oversight role. The Board considers effective risk management asone of the key drivers to ensuring that the Group achieves its objectives. The company has separate functions for Internal Audit and Risk Management

The Board recognises its responsibility to provide ethical leadership, promote the Company's vision and uphold its values. Board members will therefore act in the best interest of the Company and its stakeholders.

The board meets quarterly and has full and effective control over the Group. In order to ensure thorough and focused attention on matters before it, the Board has the following standing Board committees:

AUDIT AND FINANCE COMMITTEE

Group Appointments and Remuneration Committee
Group Investments Committee
Group Risk Committee

The Chairs of all Board Committees provide to the Board reports on material matters that were considered in their Committees. All Board members receive Board papers and minutes for all Board Committees.

AUDIT AND FINANCE COMMITTEE

The committee is responsible for reviewing financialstatements and accounting policies, monitoringthe effectiveness of the internal controls and to discussthe findings and recommendations of both theinternal and external auditors. TheExternal and Internal auditors have unrestricted access to the Audit and Finance Committee.

THE GROUP APPOINTMENTS AND REMUNERATION COMMITTEE

The committee is responsible for overseeing and makingrecommendations to the Group Boards on all human resource strategic matters, risks, opportunities and practices to achieve the Group's mission and goals. The committee among other matters, makesrecommendations on remuneration, succession planning, appointments of new executive and non-executive directors and plays a role in the recruitment of executive management.

GROUP INVESTMENT COMMITTEE

The Group Investment Committee is responsible for approval of investment proposals, such as equity investments, investments in properties, money markets investments and other long term investment decisions.

GROUP RISK COMMITTEE

The Group Risk Committee is responsible for overseeing risk in the Group. It ensures that Management maintains an effective risk management framework for the Group.

COMPANY SECRETARY

The Company Secretary has a key role in governance. All directors have access to the advice and servicesof the company secretary.

MANAGEMENT REPORTING

The Group has in place management reporting disciplines which include annual Strategy Review meetings attended by senior management team which is involved in the preparation of annual budgets in the various operating entities. Monthly results and the financial status of operating entities are reported against approved budgets. Profit projections and cash flow are reviewed regularly, while working capital and

CORPORATE GOVERNANCE (Continued)

borrowing levels are monitored on an ongoing basis.

EXECUTIVE COMMITTEE

The Group has in place a Group Executive Committee whose membershipcomprise the Group Managing Director, the Chief Finance Officer, the Group Company Secretary and the chief executive officersof the subsidiary companies. The Committee meets once a quarter and its role is to ensure that where necessary, there is uniformity within the Group in terms of policies and procedures and to ensure that the group exploits to the full the synergies available.

EMPOWERMENT AND EMPLOYMENT EQUITY

NICO Group continued to acknowledge and appreciate the high value on the abilities and contributions made by employees in the development and achievements of its businesses.

NICO Group is an equal opportunities employer. The group strives to afford all staff members opportunities to realise their full potential and advance their careers. The Group is committed to a working environment that is free from any discrimination.

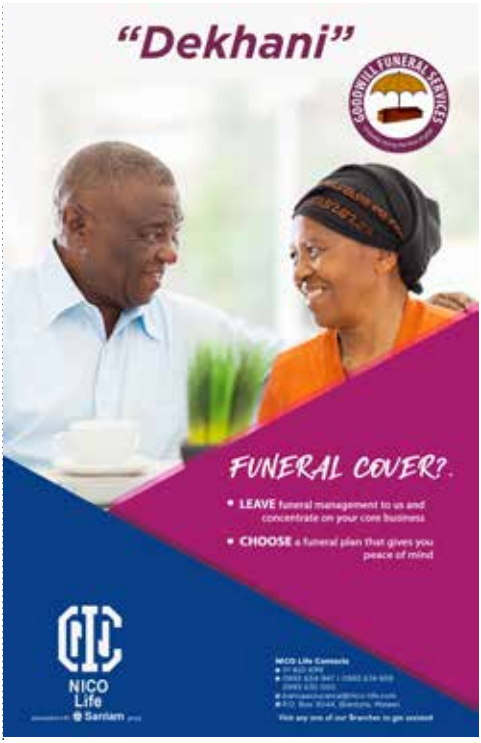
SAFETY HEALTH AND ENVIRONMENT

The safety of personnel and their health at the workplace remained a priority in the year under review.

The Group acknowledges that the HIV/Aids pandemic is a major challenge to the business community and is always ready and available to support HIV/Aids programsthat are designed to improve the quality of life for those employees who are either infected or affected by the HIV/Aids problem.

CODE OF ETHICS

NICO Holdings and its subsidiaries are committed to a policy of fair dealing and integrity in the conduct of their businesses. This commitment is based on fundamental belief that business should be conducted honestly, fairly and legally. The board formally adopted a comprehensive code of ethics that is applied throughout the Group in the conduct of its affairs. This code provides a detailed guideline governing the all-important relationships between the various stakeholders and the communities in which the group operates.



STAKEHOLDER RELATIONS

Regular communication is maintained with various stakeholders such as investors,shareholders and the general public.

The board encourages shareholders to attend the Annual General Meeting where it provides full explanation of the implications of proposed resolutions.

CORPORATE SOCIAL INVESTMENT

The Group continued to play an important role in the growth and development of the nation through its corporate social responsibility programs. NICO Group has sponsored activities in health, sports, education and other activities of national importance in all the operating countries.

Overall, it is the Group's intention to remain a responsible corporate citizen.

Bringing you a chat-based workspace

Microsoft Teams

Microsoft Teams brings chat, content, people, and tools together, all in one hub, wherever you are.

Chat for today's team

A hub for teamwork

Customized for each team

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eshard.karim@nicotechnologies.com

Community

Helpdesk

help@nicotech.mw

NICO Technologies

Microsoft

NICO Holdings plc

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

DIRECTORS' REPORT

For the year ended 31 December 2017

The Directors have pleasure in presenting their report and consolidated financial statements of NICO Holdings plc (the Group) for the year ended 31 December 2017.

NATURE OF BUSINESS

The activities of the Group are general insurance, life assurance and pension administration, banking, asset management and information technology. NICO Holdings plc shareholding structure in subsidiary and associate 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
SFG Holdings (Zimbabwe) Limited	49.00	Short term insurance (Dormant)
NICO Life Insurance Company Limited	51.00	Life insurance and pension administration
NBS Bank plc	50.10	Banking
NICO Technologies Limited	100.00	Information technology
NICO Asset Managers Limited	100.00	Asset management
Group Fabrications & Manufacturers Limited	100.00	Property holding

Name of Associate Company	% Holding	Type of business
Sanlam General Insurance Uganda Limited	5.82	Short term insurance
Sanlam General Insurance Tanzania Limited	20.00	Short term insurance
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

REGISTERED OFFICE

The Physical address of the Company'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 statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement 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 under the Companies Act, 2013, The Malawi Code II, Malawi Stock Exchange Listing Requirements, Banking Act, Reserve Bank of Malawi Corporate Governance Directives and other applicable financial services laws. The Directors are pleased to confirm that the Group complied with all the requirements set out in the aforementioned instruments.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

CORPORATE GOVERNANCE (CONTINUED)

The Board and subcommittees have a written charter and terms of references respectively which include all the material points as required under the corporate governance instruments. All the subcommittees are chaired by non-executive Directors and the company secretary provides to the Board as a whole, the subcommittees and to the Directors individually with detailed guidance as to how their responsibilities are properly discharged in the best interest of the Group and in compliance with laws, internal rules and corporate governance guidelines.

PROFIT

The profit for the year attributable to the owners of the parent of K5.8 billion (2016: loss of K0.8 million) has been added to retained earnings.

DIVIDEND

The Directors recommend a dividend of K1.043 billion (2016: Nil).

STAFFING

Staff complement for the Group stands at 1,088 as at 31 December 2017 (2016: 1,226). 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	-	Interim Chairman - Non–executive Director (from 1 September 2017)
Mr. Alaudin Osman	-	Chairman – Independent and Non-executive (up to 1 September 2017)
Mr. Harold Bijoux	-	Non-executive Director (Up to 1 September 2017, then from 29 November 2017)
Mr. Robert Scharar	-	Non-executive Director
Ms. Catherine Lesetedi	-	Non –executive Director
Mr. Patrick Chilambe	-	Independent and Non-executive Director (from 29 November 2017)
Mr. Sangwani Hara	-	Independent and Non-executive Director
Mr. Robert Mdeza	-	Independent and Non-executive Director (from 27 September 2017)
Mr. Vizenge Kumwenda	-	Executive and Group Managing Director
Ms. Emily Makuta	-	Group Company Secretary

During the year, the following changes took place in the composition of the Board of Directors of the Company:

BOARD OF DIRECTORS AND SECRETARY

Mr. Alaudin Osman retired and resigned as Chairman of the Board of Directors of the Company effective 1 September 2017, after serving on the Board for 10 years (3 years and eleven months of which he served as Chairman of the Board). The Board places on record its appreciation for the contributions made during his tenure as Chairman of the Board and Director. Following his retirement, Mr. Gaffar Hassam was appointed as Interim Chairman of the Board of Directors of the Company effective 1 September 2017;

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS AND SECRETARY (CONTINUED)

Mr. Harold Bijoux ceased to be a non-executive director at the conclusion of the Annual General Meeting of the Group held on 1 September 2017 by virtue of section 169(4) of the Companies Act 2013 that states that an office of a director should fall vacant at the conclusion of the annual general meeting commencing next after the director attains the age of seventy years. Shareholders subsequently, on 29 November 2017 re-appointed Mr. Bijoux as director of the Company under Section 169(6)(a) of the Companies Act 2013;

Mr. Robert Mdeza was appointed as an independent non-executive director of the Board of Directors of the Company effective 27 September 2017. The appointment was duly approved by the Registrar of Financial Institutions.

Mr. Patrick Chilambe was appointed as an independent non-executive director of the Board of Directors of the Company effective 29 November 2017. The appointment was duly approved by the Registrar of Financial Institutions; and

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

	2017 %	2016 %
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

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

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

Member	17-Mar-17	02-Jun-17	01-Sep-17	01-Dec-17
Mr. Alaudin Osman (Chairman)√	A	√	N	
Mr. Gaffar Hassam (Interim Chairman)	√	√	√	√
Mr. Harold Bijoux	√	√	√	√
Mr. Patrick Chilambe	N	N	N	A
Mr. Sangwani Hara	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√
Ms. Catherine Lesetedi	√	A	A	A
Mr. Robert Scharar	√	√	√	√
Mr. Robert Mdeza	N	N	N	√

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.

FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee is responsible for reviewing annual reports and Group financial statements. This committee also monitors the adequacy of accounting and internal control systems. Both external and internal auditors report to the Board of Directors through the Finance and Audit Committee. The committee consists of four 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	(Chairman)
Mr. Harold Bijoux	(Member)
Mr. Sangwani Hara	(Member)
Ms. Catherine Lesetedi	(Member)
Mr. Robert Mdeza	(Member) from 30 November 2017

The committee met four times during the year.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

FINANCE AND AUDIT COMMITTEE (CONTINUED)

Finance and Audit Committee- Meeting Attendance

Member	16-Mar-17	01- Jun-17	27-Aug-17	30-Nov-17
Mr. Gaffar Hassam	√	√	√	√
Mr. Harold Bijoux	√	√	√	√
Mr. Sangwani Hara	√	√	√	√
Ms. Catherine Lesetedi	√	A	√	A
Mr. Robert Mdeza	N	N	N	√

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

GROUP APPOINTMENTS AND REMUNERATION COMMITTEE

The Group Appointments and Remuneration Committee was in 2017 reconstituted as a Group Board Committee. It acts as an independent Board Committee for issues 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 four non-executive Directors and the Group Managing Director. The committee meets at least four times in a year.

The members of the Group Appointments and Remuneration Committee are:

Mr. Robert Scharar (Chairman)
Ms. Doreen Chanje* (Member) from 1 September 2017
Mr. Sangwani Hara (Member) up to 28 August 2017
Mr. Gaffar Hassam (Member)
Dr. Candida Nakhumwa* (Member) from 1 September 2017
Mr. Vizenge Kumwenda (Member)

The committee met four times during the year.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

GROUP APPOINTMENTS AND REMUNERATION COMMITTEE (Continued)

Group Appointments and Remuneration Committee - Meeting Attendance

Member		13-Mar-17	29-May-17	28-Aug-17	15-Dec-17
Mr. Robert Scharar		√	√	√	√
Ms. Doreen Chanje	N	N	N	√	
Mr. Sangwani Hara		√	√	√	N
Mr. Gaffar Hassam		√	√	√	√
Dr. Candida Nakhumwa		N	N	N	√
Mr. Vizenge Kumwenda		√	√	√	√

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

*Ms. Doreen Chanje is a NICO General Director representing the company's interest and Dr. Candida Nakhumwa is a NICO Life Director representing the company's interest on the Group Appointments and Remuneration Committee.

GROUP INVESTMENTS COMMITTEE

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

Mr. Robert Scharar	(Chairman)
Mr. Harold Bijoux*	(Member)
Mr. Sangwani Hara	(Member)
Mr. Gaffar Hassam	(Member)
Mr. Ryan Scharar*	(Member) From 27 November 2017

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

GROUP INVESTMENTS COMMITTEE (Continued)

The committee met three times during the year:

Investments Committee- Meeting Attendance

Member	29-May-17	28-Aug-17	27-Nov-17
Mr. Robert Scharar	√	√	√
Mr. Harold Bijoux	√	√	√
Mr. Sangwani Hara	√	√	√
Mr. Gaffar Hassam	√	√	√
Mr. Ryan Scharar	N	N	√

Key:
√ = Attendance
N = Not a Member

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

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:

Mr. Robert Scharar	(Chairman)
Mr. Harold Bijoux	(Member) up to 29th August 2017
Mr. Jonathan Kara*	(Member) from 29th November 2017
Ms. Catherine Lesetedi*	(Member)
Mr. Lucius Mandala*	(Member)
Mr. Robert Mdeza	(Member) from 29th November 2017

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

GROUP RISK COMMITTEE (Continued)

The committee met four times during the year.

Risk Committee- Meeting Attendance

Member	14-Mar-17	30-May-17	29-Aug-17	29-Nov-17
Mr. Robert Scharar	√	√	√	√
Mr. Harold Bijoux	√	√	√	N
Mr. Jonathan Kara	N	N	N	√
Ms. Catherine Lesetedi	N	N	√	A
Mr. Lucius Mandala	A	√	√	√
Mr, Robert Mdeza	N	N	N	√

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

* Mr. Jonathan Kara is a NICO General Director representing the company's interest and Ms. Catherine Lesetedi is a NICO Life Director representing the company's interest and Mr. Lucius Mandala is a 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 as it has been done.

The Boards of all Group Companies conducted a review by means of peer and self-evaluation of the Board as a whole, its committees and the contribution of each and every director including the chairperson, and was satisfied that the there was a right mix of skills and experience and each director continued to contribute effectively and demonstrated commitment to their roles including commitment of time for the Board and committee meetings.

DIRECTOR'S INTEREST

Mr. Sangwani Hara directly held 19 435 shares (2016: 19 435 shares) in the Company. Mr. Sangwani Hara indirectly holds 12 000 000 shares through Millennium Investments Limited (2016: 12 000 000). Mr. Vizenge Kumwenda indirectly held 41 871 149 shares (2016: 32 873 165) in the Company through WOP VJ Trust whose beneficiaries are his family members. Mr. Vizenge Kumwenda also holds 5 066 880 shares (2016: 5 066 880 shares) through Millennium Holdings Limited and 9 449 644 shares (2016 : 9 449 644 shares) in Millennium Investments Limited.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

DIRECTOR'S INTEREST (CONTINUED)

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. Mr. Vizenge Kumwenda declared his interest in CDH Investment Bank Limited, a bank that was engaged as advisors on the NBS Bank plc rights issue. He has a 22% shareholding in Investments Alliance Limited which had a 12.5% shareholding in CDH Investment Bank.
4. Mr. Sangwani Hara declared interest in CDH Holdings Limited, as a result of having a significant shareholding in Kesaart Capital Limited a company that has a 7% shareholding in CDH Investment Bank.
5. Standing notices of Disclosure for Ms. Catherine Lesetedi for BIHL executive position (which has shareholding in Sanlam) and for the Directorship of NICO Life and NICO Pensions.
6. Standing Notices of Disclosure for Mr. Gaffar Hassam for executive position in Sanlam and Directorship in NBS Bank plc.

DIRECTORS' REMUNERATION

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

		2017	2016
Directors' remuneration	- Executive (note 45)	(198 222)	(145 353)
	- Non executive (note 45)	(125 853)	(99 365)

CONTRACT WITH THE GROUP MANAGING DIRECTOR

The Group Managing Director is engaged on 5 year term contract expiring on 12th December 2021. Three months' notice is required for termination and there is no predetermined compensation on termination.

EXTERNAL AUDITORS

A resolution is to be proposed at the fourth coming Annual General Meeting to re-appoint Deloitte as auditors in respect of the year ending 31 December 2018.

ADDITIONAL INFORMATION ON INDIVIDUAL COMPANIES

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

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS

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

NBS Bank plc

Name	Position	Duration
Mr. Vizenge M. Kumwenda	Chairman *	All year
Mr. Chadwick Mphande	Director ***	All year
Mr. Lucius Mandala	Director***	All Year
Mr. Anurag Saxena	Director ***	All Year
Mr. Chifundo Chiundira	Director**	All year
Mr. Harrison Kalua	Director***	All year
Dr. Matthews Mtumbuka	Director***	All Year
Dr. Zolomphi Nkowani	Director**	All Year
Mr. Gaffar Hassam	Director**	All Year
Mr. Andre Bester	Director**	From March 2017
Mr. Marsha Machika	Company Secretary	All year

Executive Director *
Non-Executive Director **
Non-Executive Independent Director ***

NICO Life Insurance Company Limited

Name	Position	Duration
Mr. Vizenge M. Kumwenda	Chairman *	All year
Dr. Candida Nankhumwa	Director ***	All year
Mr. Robert W. Scharar	Director**	Up to August 2017
Mr. Leonard Chikadya	Director ***	Up to August 2017
Ms. Catherine Lesetedi	Director**	All year
Dr. Elias Ngalande	Director***	All year
Mr. Ryan Scharar	Director**	From August 2017
Ms. Emily Makuta	Company Secretary	All year

Executive Director *
Non-Executive Director **
Non-Executive Independent Director ***

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS (Continued)

NICO General Insurance Company Limited

Name	Position	Duration
Mr. Vizenge M. Kumwenda	Chairman *	All year
Mr. Harold Bijoux	Director***	All Year
Ms. Natasha Nsamala	Director***	All Year
Ms. Doreen Chanje.	Director ***	All Year
Mr. Christo Stoman	Director**	All year
Mr. Leonard Chikadya	Director***	From July 2017
Mr. Jonathan Kara	Director***	From July 2017
Ms. Emily Makuta	Company Secretary	All Year

Executive Director *
Non-Executive Director **
Non-Executive Independent Director ***

NICO Insurance (Zambia) Limited

Name	Position	Duration
Mr. Vizenge M. Kumwenda	Chairman *	All year
Mr. Eric Chapola	Director**	All Year
Mr. Basil Le Grande	Director**	All Year
Mr. Michael Mundashi	Director **	All Year
Ms. Chishala Kateka	Director**	All year
Ms. Mirriam Chiyaba	Director**	All year
Wilson & Cornhill Advocates	Company Secretary	All Year

Executive Director *
Non-Executive Director **

NICO Asset Managers Limited

Name	Position	Duration
Mr. Vizenge M. Kumwenda	Chairman**	All year
Mr. Chifundo Chiundira	Director**	All Year
Mr. W. Chirwa	Director***	All Year
Mr. J. Suzi Banda	Director ***	All Year
Mr. Simon Msefula	Director***	Up to March 2017
Mr. Ryan Scharar	Director**	From January 2017
Mr. James Tsonga	Company Secretary	All Year

Non-Executive Director **
Non-Executive Independent Director ***

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS (Continued)

NICO Technologies Limited

Name	Position	Duration
Mr. Vizenge M. Kumwenda	Chairman *	All year
Mr. Alex Chitsime	Director**	All Year
Dr. Matthews Mtumbuka	Director**	All Year
Mr. Eric Chapola	Director **	All Year
Mr. Kwanele Ngwenya	Director**	From 23 May 2017
Mr. Donbell Mandala	Director**	From 23 May 2017
NICO Asset Managers Limited	Company Secretary	All Year

Executive Director *
Non-Executive Director **

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 NICO Holdings plc Executive Director is presented in earlier paragraphs.

	Name of Company	2017 Directors Remuneration MK '000	2016 Directors Remuneration MK '000
1	NICO Holdings plc	27 052	22 043
2	NBS Bank plc	13 150	10 450
3	NICO Life Insurance Limited	15 192	11 406
4	NICO General Insurance Limited (Malawi)	16 313	14 173
5	NICO General Insurance Zambia Limited	35 149	27 808
6	NICO Asset Managers Limited	14 879	9 961
7	NICO Technologies Limited	4 118	3 524
	Total	**125 853**	**99 365**

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS (Continued)

EXTERNAL AUDITOR'S REMUNERATION

The remuneration of External Auditors for the individual Group Companies is as presented below.

	Name of Company	2017 Auditor's Remuneration MK '000	2016 Auditor's Remuneration MK '000
1	NICO Holdings plc	45 195	29 079
2	NBS Bank plc	49 200	45 968
3	NICO Life Insurance Limited	39 810	20 797
4	NICO General Insurance Limited (Malawi)	35 018	26 500
5	NICO General Insurance Zambia Limited	43 936	68 892
6	NICO Asset Managers Limited	10 549	8 953
7	NICO Technologies Limited	8 347	5 524
	Total	**232 055**	**205 713**

DONATIONS

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

	Name of Company	2017 Donations MK '000	2016 Donations MK '000
1	NICO Holdings plc	2 385	4 650
2	NBS Bank plc	3 114	2 428
3	NICO Life Insurance Limited	3 470	2 986
4	NICO General Insurance Limited	0	0
5	NICO Insurance (Zambia) Limited	12	5
6	NICO Asset Managers Limited	1 170	1 171
7	NICO Technologies Limited	16	3 000
	Total	**10 167**	**14 240**

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS (Continued)

DIRECTOR'S INTEREST (Excluding NICO Holdings plc)

Mr. Sangwani Hara directly holds 6 693 946 shares in NBS Bank plc and Mr. Robert Mdeza directly holds 18 895 shares.

Mr. Vizenge Kumwenda indirectly holds 10 000 023 shares in NBS Bank plc through WOP VJ Trust whose beneficiaries are his family members.

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 (Excluding NICO Holdings plc)

There was no interest recorded.

…….....
DIRECTOR

…….....
DIRECTOR

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2017

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Nico Holdings plc, comprising the consolidated statement of financial position as at 31 December 2017 and the statement of comprehensive income, the statement of changes in equity and the statement 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 Malawi Companies Act, 2013. In addition, the Directors are responsible for preparing the Directors' Report.

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

In preparing the consolidated financial statements, the Directors accept responsibility for the following:

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

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

The Directors have made an assessment of the Group and its subsidiary respective abilities to continue as going concerns and have no reason to believe that the Group will not be going concerns in the year ahead except for the subsidiary described as dormant on page 1.

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

Approval of Consolidated financial statements

The consolidated financial statements of NICO Holdings plc as identified in the first paragraph, were approved by the Board of Directors on 24th April 2018 and are signed on its behalf by:

……..... …….....

DIRECTOR **DIRECTOR**

Deloitte.

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Certificate of the Actuary

We hereby certify that to the best of our knowledge and belief, the liabilities under unmatured life, funeral, industrial, Deposit Administration, Group Life, and sinking fund policies issued by NICO Life Insurance Company Limited, do not exceed the amount of the life insurance fund as at 31 December 2017.

Giles Waugh
MA, FASSA

22 March 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NICO HOLDINGS PLC

Opinion

We have audited the consolidated financial statements of NICO Holdings plc (the Group) set out on pages 44 to 175, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of NICO Holdings plc as at 31 December 2017, and of its consolidated financial performance and consolidated 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 financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants' Code for Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA code. We believe 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key audit matter	***How our audit addressed the key audit matter***
Valuation of long-term policyholder liabilities and insurance technical reserve (Life & General Insurance)	To address the key audit matter we carried out the following audit procedures:
<u>*Life Insurance Business*</u> The policy holder funds and insurance technical reserves such as Unearned Premium Reserves, Incurred But Not Reported, Investments Reserves, Resilience Reserves, Annuity Mismatch Reserves and Unallocated Reserves are valued by an independent consulting actuary on behalf of the Directors as disclosed in note 42.9.9 to the 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 policy holder liabilities and insurance technical reserves to be a key audit matter.	<u>*Life Insurance procedures*</u> - We tested the design and implementation of the relevant controls around valuation of technical reserves and long-term policyholder funds; - We evaluated the reliability of the entity's expert valuation report and utilised our internal experts to assess the reasonableness of the assumptions used and adequacy of the long-term policy holder's liabilities and technical reserves; and - We tested the data provided to and used by the actuaries for completeness and accuracy and our actuarial experts counter checked the data used for calculations and the output from the calculations of the liabilities and reserves. We concluded that the valuation and completeness of policy holder funds and insurance technical reserves are reasonable.
<u>*General Insurance Business*</u> The estimation of insurance liabilities and insurance technical reserves 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.	<u>*General Insurance procedures*</u> - We tested the design and implementation of control in respect of the insurance technical reserves; - We tested the design and implementation of controls in respect of the insurance technical reserves; - We assessed the appropriateness of the principles and estimation methods used in the valuation of the reserves. - We analysed and tested the reasonableness of the assumptions. - We also performed independent computations of the reserves and compared our expectations to the amounts booked in the general ledger; and - We further performed a retrospective review of the estimates.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key audit matter	***How our audit addressed the key audit matter***
The determination of insurance technical reserves involves significant judgements and assumptions as disclosed in notes 11, 24 and 25 to the financial statements. Incurred But Not Reported Reserve (IBNR) is determined by using the aggregate of the best estimate reserve and risk margins expressed as a percentage of premiums written. Liability adequacy test is performed by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. The Unearned Premium Provision calculations were carried out using the 365th method. The deferred acquisition cost is recognised on a basis that is consistent with the related Unearned Premium Provision. Accordingly, due to the significance of the balances in the financial statements, we have identified the valuation of these liabilities and reserves to be a key audit matter.	We concluded that the completeness of insurance liabilities and the technical reserves are reasonable.
Impairment of loans and advances to customers The Group recognised impairment on loans amounting to K4.41 billion (2016: K18.94 billion) against loans and advances balance of K22.5 billion (2016: K37.6 billion) as disclosed in note 6(a) to the financial statements. This represents the shortfall between the present value of future expected cash flows, discounted at the original effective interest rate, and the carrying value of the advance in respect of loans and advances that exhibit indicators of impairment. Significant judgement is required by the Directors in assessing the impairment against loans and advances to customers. The credit risk policy is disclosed in note 42.4 to the financial statements.	In evaluating the impairment of loans and advances, we reviewed the judgments applied by management by performing the following procedures: - Considered the Group's credit control processes to identify impaired advances and tested relevant key controls in the process; - Obtained the Group's model for determining the impairment losses and assessed reasonability of the assumptions and judgments that were used; - Examined on a sample basis the appraised fair value of the collateral securing impaired advances; - Performed a trend analysis on the impairment

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key audit matter	*How our audit addressed the key audit matter*
The judgements applied in determining the impairment include: - Estimate of realisable values of collateral securing impaired assets; and - Estimates of expected time it will take to realise the value of security on impaired loans. We considered impairment against loans and advances as a key audit matter because of the following: - The determination of impairment uses significant judgements making compliance with IAS 39 *Financial Instruments: Recognition and Measurements* requirements a complex and demanding exercise; and - Economic fundamentals in Malawi together with other factors may impact on the ability of customers to repay loans.	losses; - Considered the qualitative factors that indicate impairment including the amount in arrears, period in arrears and the financial strength of the borrower; - Assessed the adequacy of the impairment recorded based on the realisable value of collateral and the qualitative factors described above; and - Assessed whether the determination of impairment against loans and advances is in line with IAS 39 *Financial Instruments: Recognition and Measurements.* We found that the judgements applied in determining impairment against loans and advances were appropriate and that the amounts recorded were reasonable and complied with IAS 39 Financial Instruments: Recognition and Measurements. We further concluded that the financial statements disclosures in relation to impairment of loans and advances to customers are appropriate.
Valuation of unlisted equity investments The Group has investments in unlisted companies as disclosed in note 17 (a) to the financial statements. The valuation of the investments in these companies 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 method, use of information that is not complete and accurate and use of inappropriate assumptions. 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 assessed the reasonableness of the valuation method and assumptions used in the valuation. We concluded that investments in unlisted shares are properly valued.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key audit matter	*How our audit addressed the key audit matter*
Provision for litigation cases The Group is involved in a number of legal and arbitration proceedings concerning matters arising in connection with the conduct of its businesses. The outcomes of such cases are dependent on the future outcomes of continuing legal and arbitration processes. Consequently, the calculations of the provisions are subject to inherent uncertainty as they rely on management judgment about the likelihood and amount of liabilities arising from litigation and arbitration claims. These legal claims and litigation are under arbitration and court proceedings. These are disclosed as contingent liabilities amounting to K 5 billion (2016: K 4.5 billion) in note 46 (b) to the financial statements. The Group regularly updates and assesses its legal position with the use of internal and external legal experts. In addition, the Group estimates and records related accruals at the end of the reporting period. We considered the claims and litigation as a key audit matter given the size and complexity of the cases, and related uncertainty of the outcomes.	To address the key audit matter we carried out the following audit procedures: - We evaluated the Group's assessment of the nature and status of litigation, claims and arbitration actions; - We considered the legal advice received by the bank from in-house legal counsel, as well as external legal counsel, where relevant, for certain of the more significant cases; - We examined the Group's conclusions with respect to the provisions and disclosures made for significant cases, considered the results of corroborative information obtained from management. In view of the significance of the judgments required, we examined the more significant provisions in detail. For the significant cases, we obtained correspondence directly from the Group's external attorneys and, where appropriate, performed corroborative inquiry of external counsel and tested data and inputs used by management in determining their litigation provisions; We consider that the disclosures made including legal expenses were adequate and sufficient.

Key audit matter	*How our audit addressed the key audit matter*
Unconsolidated Structured entities The Group has interests in various unconsolidated structured entities, such as property investment entities, in conducting investments, asset management and Life insurance business as disclosed in note 15 to the financial statements. The Group determines whether or not to consolidate these structured entities based on the assessment of whether it has control taking into consideration power arising from rights, variable returns, and link between power and returns. The assessment of the Group's control over	To address the key audit matter we carried out the following audit procedures - We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities; - We also assessed whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, and whether the Group has provided

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key audit matter	*How our audit addressed the key audit matter*
structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing liquidity support. Due to the significance of the unconsolidated structured entities and the high levels of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter.	liquidity support to structured entities, as well as the fairness of transactions between the Group and structured entities; and - Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities. We considered the analysis and evaluation of control on the unconsolidated structured entities as appropriate.

Key audit matter	*How our audit addressed the key audit matter*
Restatements of prior year financial statements As disclosed on note 1.2 to the consolidated financial statements the previously issued consolidated financial statements for the Group for the years ended 31 December 2015 and 2016 on which another auditor issued an auditor's report dated 30 May 2016 and 19 June 2017, respectively have been restated. As explained therein, this is to reflect effects of de-recognition of a liquidated subsidiary SFG Holdings (Zimbabwe) Limited, the correction of classification relating to recognition of the revaluation surplus and its related deferred tax and the presentation and measurement of income notes receivables from NICO Life Insurance Limited and adjustment to loan loss provision from NBS Bank plc. In terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, these represented errors that needed to be adjusted for as the amounts involved are significant to both current and prior years.	*SFG Holdings (Zimbabwe) Limited De-recognition procedures* - We obtained the final consolidation working and agreed it with the signed financial statements for year ending 31 December 2015 and 2016 being restated; and - We verified the exclusion of SFG Holdings (Zimbabwe) Limited from the consolidated financial statements for accuracy and completeness. *Classification of revaluation surplus and its related deferred tax and, presentation and measurement of income notes receivables procedures* - We ensured that the 2015 revaluation surplus and its related deferred tax are appropriately classified in accordance with the applicable standard; and - We assessed the reasonability of presentation and recognition of income notes.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key audit matter	***How our audit addressed the key audit matter***
As a result, these restatements are considered a key audit matter given the nature of the restatements	*Loan loss procedures* - We analysed the provisions data and assumptions to ensure completeness and accuracy of the amount in respect of the adjustment relating to the year ended 31 December 2016. - We assessed the presentation and disclosure in respect of the restatements and considered whether the disclosures correctly reflected the restatements. We concurred with the directors' treatment of the restatements and found the related disclosures adequate.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 19 June 2017.

Other information

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

Our opinion on the consolidated 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 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 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 financial statements

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Auditor's responsibilities for the audit of the consolidated financial statements

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

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated 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.

Deloitte
Chartered Accountants
Nkondola Uka
Partner

26th April 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

ASSETS	Notes	2017 K'000	2016 K'000 Restated	2015 K'000 Restated
Cash and cash equivalents	4	44 650 579	38 751 401	45 989 424
Short-term investments	5	100 483 120	70 762 761	45 216 418
Placements with other banks	6(b)	14 563 715	5 185 821	-
Loans and advances to customers	6(a)	18 079 654	18 632 166	29 971 721
Income tax receivable	7(c)	877 868	340 701	1 172 661
Other receivables	8	25 065 020	19 491 916	12 780 789
Lease receivables	9	62 563	95 230	119 478
Insurance receivables	10	25 633 915	24 636 866	16 494 367
Deferred Acquisition Costs (DAC)	11	1 054 640	874 229	752 093
Inventories	12	164 411	255 232	201 278
Deferred tax assets	13	3 793 244	3 127 807	783 474
Investment in associate companies	14	1 181 981	1 196 667	1 168 519
Investment in government securities	16	30 210 305	20 044 987	13 660 482
Investment in equity shares	17(a)	66 937 033	48 132 759	43 468 155
Investment in shares and income notes	17(b)	13 144 906	8 753 398	7 394 495
Loans and debentures	18	18 448 445	9 658 922	6 918 921
Investment properties	19	9 612 582	6 908 661	6 296 927
Intangible assets	20	4 644 982	6 413 857	5 834 420
Property and equipment	21	7 310 872	6 984 405	6 647 225
Total assets		385 919 835	290 247 786	244 870 847
EQUITY AND LIABILITIES				
Equity				
Issued share capital	27	52 152	52 152	52 152
Share premium	27	428 859	428 859	428 859
Revaluation reserve	27	97 265	173 508	101 673
Loan loss reserve	28(a)	2 020 136	2 595 785	4 732 578
Other reserves	28(b)	997 121	836 703	715 614
Retained earnings		18 940 281	13 294 275	12 612 090
Total equity attributable to equity holders of the company		22 535 814	17 381 282	18 642 966
Non-controlling interest	29(a)	21 200 935	11 921 023	14 369 583
Total equity		43 736 749	29 302 305	33 012 549
Liabilities				
Deferred tax liabilities	13	5 292 780	2 743 001	977 493
Trade and other payables	22	44 060 373	25 107 319	19 586 171
Deposits and customer accounts	23	74 762 068	63 933 967	60 888 676
Insurance contract payables	24	19 601 288	18 376 367	12 574 170
Unearned Premium Reserve (UPR)	25	11 596 450	10 419 714	8 323 048
Interest-bearing loans and borrowings	26	3 916 117	3 837 154	3 006 269
Long-term policyholders liabilities	42.9.9	182 954 010	136 527 959	106 502 471
Total liabilities		342 183 086	260 945 481	211 858 298
Total equity and liabilities		385 919 835	290 247 786	244 870 847

These financial statements of the Group were approved and authorized for issue by the Board of Directors on 24th April 2018 and were signed on its behalf by:

DIRECTOR **DIRECTOR**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

31 December 2017

	Notes	2017 K'000	2016 K'000 Restated
REVENUE			
Gross written insurance premiums	30	62 240 804	52 654 157
Unearned premium adjustment	30	(537 682)	(396 795)
		61 703 122	52 257 362
Gross earned insurance premiums			
Fees and commission income	31	2 969 531	2 379 966
Income from banking operations	32	17 302 543	18 493 059
Investment income	33	52 152 182	30 264 403
Total operating revenue		134 127 378	103 394 790
Other income	34	383 569	111 811
Share of (loss)/profit from associated companies	14	(14 686)	28 148
Total income		134 496 261	103 534 749
EXPENSES			
Insurance premium ceded to reinsurers	30	(18 709 534)	(17 014 241)
Net policyholders claims and benefits	35	(20 310 494)	(16 655 050)
Insurance contracts acquisition costs	36	(2 221 241)	(1 474 237)
Bank interest expense	37	(5 920 633)	(6 629 721)
Administrative expenses	38	(24 029 301)	(32 199 828)
Long-term policyholders benefits	42.9.9b (i)	(46 426 051)	(28 018 925)
Profit before net finance costs		16 879 007	1 542 747
Net finance costs	39	(399 383)	(147 613)
Profit before income tax expense		16 479 624	1 395 134
Income tax expense	7	(5 356 345)	(2 799 172)
PROFIT/(LOSS) FOR THE YEAR		11 123 279	(1 404 038)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings		367 505	211 277
Deferred tax on revaluation of land buildings		8 098	(53 722)
		375 603	157 555
Items that are or may be reclassified to profit or loss			
Loss on available for sale assets		743 789	(179 161)
Translation difference on foreign subsidiary		(47 316)	247 976
Total other comprehensive income for the year net of tax		1 072 076	226 370
Total comprehensive income for the year		12 195 355	(1 177 668)
Profit for the year attributable to:			
Non-controlling interest		5 304 365	(588 473)
Owners of the parent Company		5 818 914	(815 565)
		11 123 279	(1 404 038)
Total comprehensive income for the year Attributable to:			
Non-controlling interest		5 643 636	(490 553)
Owners of the parent company		6 551 719	(687 115)
		12 195 355	(1 177 668)
Basic diluted earnings/(loss) per share (MK)	40	5.58	(0.78)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital K'000	Share premium K'000	Revaluation reserves K'000	Loan loss reserve 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
Balance at 1 January 2017	52 152	428 859	173 508	2 595 785	(576 638)	867 822	545 519	13 294 275	17 381 282	11 921 023	29 302 305
Total comprehensive income for the year											
Profit for the year								5 818 914	5 818 914	5 304 365	11 123 279
Other comprehensive income for the year	-	-	191 558	-	(24 131)	-	-	565 378	732 805	339 271	1 072 076
Total comprehensive income for the year	-	-	191 558	-	(24 131)	-	-	6 384 292	6 551 719	5 643 636	12 195 355
Transfers within reserves											
Realisation of revaluation surplus	-	-	(267 801)	-	-	-	-	267 801	-	-	-
Transfer from retained earnings/Loan loss reserves	-	-	-	(575 649)	-	-	-	575 649	-	-	-
Transfer from fair value reserve	-	-	-	-	-	184 549	-	(184 549)	-	-	-
Total transfer within reserves	-	-	(267 801)	(575 649)	-	184 549	-	658 901	-	-	-
*issue shares in subsidiary	-	-	-	-	-	-	-	(458 450)	(458 450)	5 566 876	5 108 426
Arising on loss of control											
Dividends to equity holders (note 41)	-	-	-	-	-	-	-	(938 737)	(938 737)	(1 930 600)	(2 869 337)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(1 397 187)	(1 397 187)	3 636 276	2 239 089
Balance at 31 December 2017	52 152	428 859	97 265	2 020 136	(600 769)	1 052 371	545 519	18 940 281	22 535 814	21 200 935	43 736 749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2017

	Share capital K'000	Share premium K'000	Revaluation reserves K'000	Loan loss reserve 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
Balance at 1 January 2016 (As previously stated)	52 152	428 859	196 579	4 732 578	(165 297)	890 637	545 519	11 390 816	18 071 843	13 775 149	31 846 992
Prior year adjustment	-	-	(94 906)	-	(555 245)	-	-	1 221 274	571 123	594 434	1 165 557
Balance at 1 January 2016 (As restated)	52 152	428 859	101 673	4 732 578	(720 542)	890 637	545 519	12 612 090	18 642 966	14 369 583	33 012 549
Total comprehensive income for the year											
2016 Restatement (removal of SFG)	-	-	(8 518)	-	(61 434)	-	-	121 208	51 256	53 349	104 605
Profit for the year	-	-	-	-	-	-	-	(815 565)	(815 565)	(588 473)	(1 404 038)
Total other comprehensive income	-	-	80 353	-	205 338	-	-	(157 241)	128 450	97 920	226 370
Total comprehensive income for the year	-	-	71 835	-	143 904	-	-	(851 598)	(635 859)	(437 204)	(1 073 063)
Transfers within reserves											
Transfer from retained earnings/loan loss reserves	-	-	-	(2 136 793)	-	-	-	2 136 793	-	-	-
Transfer from fair value reserve	-	-	-	-	-	(22 815)	-	22 815	-	-	-
Total transfer within reserves	-	-	-	(2 136 793)	-	(22 815)	-	2 159 608	-	-	-
Total transactions with owners											
Issue of shares	-	-	-	-	-	-	-	-	-	94 027	94 027
Dividends to equity holders (note 41)	-	-	-	-	-	-	-	(625 825)	(625 825)	(2 105 383)	(2 731 208)
Total transactions with owners of the parent	-	-	-	-	-	-	-	(625 825)	(625 825)	(2 011 356)	(2 637 181)
Balance at 31 December 2016	52 152	428 859	173 508	2 595 785	(576 638)	867 822	545 519	13 294 275	17 381 282	11 921 023	29 302 305

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 K'000	2016 K'000 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		66 983 950	64 854 332
Cash payments to clients employees and suppliers		(36 609 220)	(53 943 342)
Cash generated from operations		30 374 730	10 910 990
Income tax paid	7(c)	(5 277 943)	(3 354 131)
Net cash flows from operating activities		25 096 787	7 556 859
CASH FLOWS UTILISED IN INVESTING ACTIVITIES			
Proceeds disposal of property and equipment		2 423 249	45 687
Interest received		29 282 010	23 546 074
Dividend Received	33	2 436 056	1 727 732
Additions to property and equipment and intangible assets	20,21	(2 367 692)	(1 914 271)
Additions to investment properties	19	(35 777)	(2 989)
Disposal of government securities	16	10 941 671	260 954
Disposal of loan and debentures	18	2 877 089	5 375 493
Additions to government securities	16	(21 118 526)	(6 481 656)
Additions to short term investments		(29 720 359)	(25 546 343)
Additions to equity shares	17	(2 790 485)	(1 638 275)
Disposal of equity shares	17	73 154	-
Addition to income notes and shares	17	(1 476 671)	-
Additions to loans and debentures	18	(11 666 612)	(8 547 933)
Net cash utilized in investing activities		(21 142 893)	(13 175 527)
CASH FLOWS UTILISED IN FINANCING ACTIVITIES			
Additions to long term borrowings	26	3 729 089	3 600 000
Repayment of long term borrowing	26	(3 974 807)	(2 825 011)
Issue of shares		5 108 426	94 027
Dividend paid	41	(2 869 337)	(2 731 208)
Net cash generated from/(utilized in) financing activities		1 993 371	(1 862 192)
Net increase/(decrease) in cash and cash equivalents		5 947 265	(7 480 860)
Cash and cash equivalents at 1 January		38 751 401	45 989 424
Effects of changes in exchange rates		(48 087)	242 837
Cash and cash equivalents at 31 December	4	44 650 579	38 751 401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1.1 Reporting entity

NICO Holdings plc (The Company) is a public Company incorporated in Malawi. Formerly it was called National Insurance Company Limited. The address of the Company's registered office is: Chibisa House, 19 Glyn Jones Road, and P.O. Box 501, Blantyre, Malawi. The Consolidated financial statements for the year ended 31 December 2017 comprises the Company, its subsidiaries and associate companies (together referred to as the "Group"). The Company is listed on the Malawi Stock Exchange.

The major activities of the Company are general insurance, life assurance and pension administration, banking, asset management 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
SFG Holdings (Zimbabwe) Limited (Refer note 1.2)	49.00	Short term insurance (Dormant)
NICO Life Insurance Group Limited	51.00	Life insurance and pension administration
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 General Insurance Uganda Limited	5.82	Short term insurance
Sanlam General Insurance Tanzania Limited	20.00	Short term insurance
Sanlam Mozambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

1.2 Restatement of 2015 and 2016 consolidated financial statements

Derecognition of SFG Holdings (Zimbabwe) Limited in the 2015 and 2016 consolidated financial statements

Nico Holdings plc had a subsidiary SFG Holdings (Zimbabwe) Limited which was an insurer registered in Zimbabwe. Nico Holdings plc held 49% of the interests in the company.

In 2012, the company experienced operational difficulties with increased losses emanating from high claims and reduced premiums. In June 2012, the company's performance was worse than anticipated as it had trading losses of US1.6 million. The solvency ratio had fallen to minus 98% and shareholder's funds stood at minus US 1.13 million. The board held an emergency meeting in August 2012 to deliberate on and approve a turnaround strategy. The strategy aimed at raising US 3.5 million, through a rights issue, to recapitalise the company. The board approved the strategy on 4th October 2012. This was followed by an Extraordinary General Meeting, on 5th October 2012, to approve the strategy. Following this approval, the board and management approached several investors for possible joint venture or capitalisation of the business. However, this did not materialise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

1.2 Restatement of 2015 and 2016 consolidated financial statements (Continued)

Derecognition of SFG Holdings (Zimbabwe) Limited in the 2015 and 2016 consolidated financial statements (Continued)

On 13 May 2013, the board of SFG met and passed a resolution that SFG Holdings (Zimbabwe) Limited should cease to operate and apply to the court for voluntary liquidation. This was approved by the board and the company proceeded to notify the Insurance and Pension Commission of Zimbabwe.

On 25 May 2013, Zimbabwe's Pension and Insurance Commission issued a circular that SFG Holdings (Zimbabwe) Limited was directed to stop underwriting business and all its assets were frozen by the commission. The circular, cited the insolvency and failure by the shareholders to recapitalise.

Since the liquidation, the Group has been consolidating the subsidiary hence its removal from the consolidated statement of financial position as an error in accordance with IAS 8; *Accounting policies, changes in Accounting Estimates and Error*s.

Loan loss provision restatement –NBS Bank plc

The Loss for the year ended 31 December 2016 of NBS Bank plc, a subsidiary of NICO Holdings plc has been restated from K4, 330 million to K8, 396 million. The restatement arose from errors in the assessment of the recoverability and discounting of collateral in the process of calculating credit impairment charges for the year ended 31 December 2016 and failure of the core banking system to accrue interest expense. The pre-tax restatement related to credit impairment charges amounted to K5, 678 million, and K131 million relates to interest expense. The deferred tax impact of the restatements amounted to K1,743 million which has been included in the tax credit for the year ended 31 December 2016.

Reclassification of income notes and recognition of revaluation surplus and its related deferred tax – NICO Life Insurance Limited.

The consolidated financial statements have been restated to correct prior year error in the recognition of revaluation surplus and its related deferred tax for NICO House. Previously, the revaluation surpluses were being recognised in retained earnings instead of the revaluation reserve since they are unrealised. Income notes and investment in shares of Lilongwe City Mall Limited and Chichiri Shopping Centre Limited were previously recognised separately as equity and income notes. These have been merged because they are not separable at any point in time. The restatement has been done in line with International Accounting Standard (IAS) 8, Accounting Policies, Changes in Accounting Estimates and Errors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

1.2 Restatement of 2015 and 2016 consolidated financial statements (Continued)

Restated 2015 consolidated financial statement

	Notes	As previously reported K'000	Adjustments K'000	Restatements K'000
Assets				
Property and equipment	21	6 741 805	(94 580)	6 647 225
Investment properties	19	6 795 261	(498 334)	6 296 927
Investment in equity shares	17(a)	49 804 304	(6 336 149)	43 468 155
Investment in shares and income notes	17(b)	-	7 394 495	7 394 495
Loans and debentures	18	7 999 178	(1 080 257)	6 918 921
Inventories	12	204 027	(2 749)	201 278
Deferred acquisition costs	11	756 290	(4 197)	752 093
Insurance receivables	10	18 047 739	(1 553 372)	16 494 367
Other receivables	8	12 789 100	(8 311)	12 780 789
Income tax receivable	7(c)	1 167 642	5 019	1 172 661
Short-term investments	5	45 225 625	(9 207)	45 216 418
Cash and cash equivalents	4	45 991 620	(2 196)	45 989 424
Equity				
Revaluation reserve	27	196 579	(94 906)	101 673
Other reserves	28b	1 270 859	(555 245)	715 614
Retained earnings	page 24	11 390 816	1 221 274	12 612 090
Liabilities				
Unearned premium provision	25	8 407 494	(84 446)	8 323 048
Insurance contract payables	24	15 407 021	(2 832 851)	12 574 170
Trade and other payables	22	20 024 268	(438 097)	19 586 171
Restated 2016 consolidated financial statement				
Expenses				
Bank interest expense	37	(6 498 719)	(131 002)	(6 629 721)
Administrative expenses	38	(26 522 010)	(5 677 818)	(32 199 828)
Income tax expense	7	(4 541 820)	1 742 648	(2 799 172)
Other comprehensive income				
Revaluation of property and equipment		84 473	73 082	157 555
Overall impact on Group profit				
Group profit for the year		2 735 216	(4 139 254)	(1 404 038)
Basic and diluted earnings per share	40			
Profit for the year MK'000		2 735 216		(1 404 038)
Non controlling interest MK'000		(1 477 014)		588 473
Profit attributable to owners of parent MK'000		1 258 202		(815 565)
Weighted average numbers of ordinary shares in issue throughout the year ('000s)		1 043 041	-	1 043 041
Basic and diluted earnings per share (MK)		1.21		(0.78)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

1.2 Restatement of 2015 and 2016 consolidated financial statements (Continued)

Restated 2015 consolidated financial statement (Continued)

	Notes	As previously reported K'000	Adjustments K'000	Restatements K'000
Assets				
Property and equipment	21	7 087 473	(103 068)	6 984 405
Investment properties	19	7 451 719	(543 058)	6 908 661
Investment in equity shares	17(a)	55 829 780	(7 697 021)	48 132 759
Investment in shares and income notes	17(b)	-	8 753 398	8 753 398
Loans and debentures	18	11 171 618	(1 512 696)	9 658 922
Loans and advances to customers	6a	24 309 984	(5 677 818)	18 632 166
Deferred tax assets	13	499 495	2 628 312	3 127 807
Inventories	12	258 228	(2 996)	255 232
Deferred acquisition costs	11	878 803	(4 574)	874 229
Insurance receivables	10	26 329 648	(1 692 782)	24 636 866
Other receivables	8	18 640 328	851 588	19 491 916
Income tax receivable	7(c)	1 298 802	(958 101)	340 701
Short-term investments	5	70 772 794	(10 033)	70 762 761
Cash and cash equivalents	4	38 753 794	(2 393)	38 751 401
Equity				
Revaluation reserve	27	239 660	(66 152)	173 508
Loan loss reserve	28a	5 034 124	(2 438 339)	2 595 785
Other reserves	28b	1 453 596	(616 893)	836 703
Retained earnings		11 587 007	1 707 268	13 294 275
Liabilities				
Unearned premium reserve	25	10 511 738	(92 024)	10 419 714
Insurance contract payables	24	21 463 458	(3 087 091)	18 376 367
Other payables	22	24 795 547	311 772	25 107 319
Deposits and customer accounts	23	63 802 965	131 002	63 933 967

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 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been adopted in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	IFRS 9 *Financial Instruments* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Effective date	Standard, Amendment or Interpretation
	Key requirements of IFRS 9: • All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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
	Key requirements of IFRS 9: • With regard to the measurement of measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes In other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
Effective date	**Standard, Amendment or Interpretation**
	• In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit losses and changes in those expected credit losses each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and • The new general hedge accounting requirements retain the three types of hedge accounting mechanics currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
Annual periods beginning on or after 1 January 2018	IFRS 15 *Revenue from Contracts with Customers* IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 periods beginning on or after 1 January 2018	IFRS 15 *Revenue from Contracts with Customers* • Step 1: Identify the contract(s) with a customer; • Step 2: Identify the performance obligations in the contract; • Step 3: Determine the transaction price; • Step 4: Allocate the transaction price to the performance obligations in the contract; and • Step 5: Recognise Revenue when (or as) the entity satisfies a performance obligation. Under IFRS15, an entity recognises Revenue when (or as) a performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Classifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 periods beginning on or after 1 January 2019	IFRS 16 Leases

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively.

In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
Annual reporting periods beginning on or after 1 January 2019	IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.
Annual periods beginning on or after 1 January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9) Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Directors anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 9 will impact the measurement of financial instruments and IFRS 15 will affect recognition of revenue. 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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.2 Basis of measurement (Continued)

3.2.1 Use of estimates and judgements

The preparation of consolidated 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, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 42.8 - Valuation of long term policy holders' liabilities and technical reserves.
- Note 19 - Valuation of investment properties
- Note 6,10 and 17 - Valuation of investments in shares and loans receivables
- Note 15 - 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.2 Basis of measurement (Continued)

3.2.2 Fair value measurement

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

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

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

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

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) Available for sale financial instruments and financial instruments at fair value through profit or loss

The fair values of Available for sale financial instruments and financial instruments at fair value through profit or loss 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

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 annual financial statements comprise the Company and its subsidiaries as stated on note 1.1 to the financial statements. 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 Group can appoint or prevent the appointment of not less than half of the Directors of the subsidiary company. Under IFRS 10, consolidated financial statements, control exists when the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns. The financial statements of subsidiary are included in the Consolidated Annual Financial Statements from the date that control commences until that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed to, or, has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee. The financial statements of subsidiaries are included in the Consolidated Financial statements from the date that control commences until the date that control ceases. Uniform accounting policies have been applied throughout the Group.

(ii) Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. The investments in associates are measured using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss, until the date on which significant influence ceases.

(iii) Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's interest therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests are allocated to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interest are measured as the present ownership proportionate share in the recognised amounts of the acquirees net assets.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling Interest and other components of equity. Any resulting gain or loss, is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Funds management

The Group manages and administers assets held in investment vehicles on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements except when the Group controls the entity.

(b) 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.

(c) Revenue

Recognition and measurement

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(c) Revenue (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(c) Revenue (Continued)

(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.

(d) 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.

(e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(j) Insurance receivables and payables (Continued)

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.

(k) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(k) Foreign currency (Continued)

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.

(l) Property and equipment

(i) Recognition and measurement

All property and equipment is 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 to the Group or Group and cost can be measured reliably. The carrying amount of the replaced component is derecognised. Ongoing repairs and maintenance expenses are expensed in profit or loss.

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(l) Property and equipment (Continued)

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. It is depreciated.

(m) 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.

The Group as a lessor

(i) Finance lease

A lease is a finance lease if substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. All other leases are classified as operating leases.

The lessor records the amounts due from lessees under finance leases 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.

(ii) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases.

The difference between the amounts recognised as income and the contractual payments are recognised as an operating lease asset or liability (refer to note 10). This asset or liability is not discounted. Any contingent rents are recognised as income in the period they are earned.

The Group as a lessee

Operating lease

A lease is an operating lease if lessor effectively retains substantially all the risks and benefits of ownership. The Payments made under operating leases are recognised in profit or loss on a straight line basis over the period of the lease.

Assets leased in accordance with operating lease agreements are not recognised in the statement of financial position.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(n) 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.

(o) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate at the reporting date. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if and when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the asset are transferred. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(o) Financial instruments (Continued)

Subsequent measurement financial assets

Held-to-maturity investments

Held to maturity investments comprise government securities which consists government stocks and treasury bills. If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale equity instruments are recognised directly in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

*Fin**ancial instruments at fair value through profit or loss***

A financial instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments (assets) are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. These include equity securities and policyholders' loans.

L***oans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and include purchased loans. Subsequent to initial measurement, loans and receivables are accounted for at amortised cost using the effective interest method less impairment losses. Directly attributable transaction costs and fees received are capitalised to the value of the loan and amortised through interest income.

Loans and receivables include; other investments, loans receivables and other receivables and relate to receivables from the insurance businesses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and money market investments with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their value and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

Subsequent measurement-Financial liabilities

Trade and other payables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Subsequent measurement is at amortised cost using the effective interest rate method.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Financial guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value and the initial value is amortised over the life of the guarantee. The guarantee liability is subsequently measured at the higher of this amortised amount and the present value of any expected payment (when payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

Customers deposit accounts

Customer deposit accounts comprise current and savings accounts, foreign currency denominated, and term deposits accounts.

Customer deposit accounts are the Group's sources of debt funding.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Customer deposit liabilities are subsequently measured at their amortised cost using the effective interest method.

Impairment

Financial assets

A financial asset not classified at fair value through profit or loss is assessed at the reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence of impairment that indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issues will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for security.

Individually significant financial assets measured at amortised cost are tested for impairment on an individual basis. The remaining financial assets and those found not to be specifically impaired are assessed collectively in Groups that share similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(o) Financial instruments (Continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the loss is reversed through profit or loss.

Presentation of allowance for credit losses

Financial assets at amortised cost are stated in the statement of financial position after the deduction of allowances for credit losses. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets.

Specific allowances, covering identified doubtful debts, are based on specific evaluations of loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure.

Loans and advances are written off once the probability of recovery becomes remote. The amounts required to fund the assessed level of allowances for credit losses are charged to profit or loss.

Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

For financial assets measured at amortised cost and available for sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(p) 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.

(q) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(q) Investment property (Continued)

Subsequently, investment property is measured at fair value as determined by an independent registered valuer. Fair value is the price that would be received to sell or paid to transfer a liability in an orderly transaction.

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.

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.

(r) 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.

(s) Interest expense

Interest expense relates to interest on deposits held in the banking business and is 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 through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. The effective interest rate is established on initial recognition of the financial liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid 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 liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(s) Interest expense (Continued)

Interest 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.

(t) Income tax

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(u) 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.

(v) 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.

(w) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(x) 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.

(y) Other receivables

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

(z) 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(z) Long term insurance contracts (Continued)

(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) Reinsuranc*e**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

(z) 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.

(aa) 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.

3. Basis of preparation (Continued)

3.5 Significant accounting policies (Continued)

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.

(ab) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000	2015 K'000
4.	**Cash and cash equivalents**		**Restated**	**Restated**
	Cash balances	5 157 296	6 769 424	6 924 373
	Balances with Reserve Bank of Malawi	15 841 711	5 437 984	5 925 248
	Short term deposits	23 651 572	26 546 386	33 141 999
	Cash and cash equivalents as shown in the statement of cash flows (As previously stated)	44 650 579	38 753 794	45 991 620
	Restatement (note 1.2)	-	(2 393)	(2 196)
	Balance as at 31 December	44 650 579	38 751 401	45 989 424

Included in cash and cash equivalents is the liquidity reserve deposit with the central bank amounting to MK15.8 billion (2016: MK5.4 billion) which is not available for use by NBS Bank plc. Balances with Reserve Bank of Malawi are held at a zero interest rate, balances with other banks relate to bank balances with correspondent banks on which interest at a rate of 0.5% per annum (2016: 0.5% per annum) is earned. Interest rate on bank balances was 5.10% (2016: 7.05%) and for short term deposits was 15.06% (2016: 26.63%).

		2017 K'000	2016 K'000	2015 K'000
5.	**Short term investments**		**Restated**	**Restated**
	Loans and debentures	-	578 130	253 557
	Term deposits	-	8 603	7 894
	Government securities (note 16)	100 483 120	70 186 061	44 964 174
	As previously stated	100 483 120	70 772 794	45 225 625
	Restatement (note 1.2)	-	(10 033)	(9 207)
	Balance as at 31 December	100 483 120	70 762 161	45 216 418

Interest rates for Government Securities ranged from 10% to 23% per annum in 2017 (2016: 13% to 29%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000	2015 K'000
6.	**Advances to Customers and Banks**	**Restated**	**Restated**	
(a)	**Loans and advances to customers**			
	Loans and overdrafts	17 851 343	24 739 251	31 512 636
	Lease contracts*	1 226 930	1 015 751	2 507 466
	Mortgage advances	3 415 488	11 815 244	10 168 493
	Gross loans and advances	22 493 761	37 570 246	44 188 595
	Impairment of loans and advances	(4 414 107)	(13 260 262)	(14 216 874)
	As previously stated	18 079 654	24 309 984	29 971 721
	Additional impairment on restatement (note 1.2)	-	(5 677 818)	-
	Net loans and advances	18 079 654	18 632 166	29 971 721
	Gross loans and advances are due to mature as follows:			
	• Within one year	13 625 605	14 678 860	26 329 884
	• After one year	8 868 156	22 891 386	17 858 711
		22 493 761	37 570 246	44 188 595
	Movement on allowance for impairment:			
	At beginning of the year	18 938 080	14 216 874	9 455 709
	Amounts written off	(13 450 387)	(2 824 206)	(2 115 529)
	(Decrease)/increase in impairment loss net of recoveries	(1 073 586)	7 545 412	6 876 694
		4 414 107	18 938 080	14 216 874

The Group's banking business applies risk based pricing on its products. The price is linked to the base lending rate with an interest spread of minus 200 to plus 1000 basis points. The applicable lending rates were 27.5% and 25.5% for 2016 and 2017, respectively.

***Finance lease receivables:**

Refer to accounting policies as per note 3 for details on measurement and impairment analysis

Loans and advances to customers include the following finance lease receivables for leases of equipment where the Group is a lessor:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

6. Advances to Customers and Banks (Continued)

(a) Loans and advances to customers (Continued)

	2017 K'000	2016 K'000	2015 K'000
Gross investment in finance lease receivables:			
Less than one year	797 581	417 108	1 361 134
Between one and five years	1 179 174	1 668 433	2 722 268
	1 976 755	2 085 541	4 083 402
Unearned finance income	(749 825)	(1 069 790)	(1 575 936)
Net investment in finance leases	1 226 930	1 015 751	2 507 466
Net investment in finance leases receivable:			
Less than one year	611 173	95 508	569 145
Between one and five years	615 757	920 243	1 938 321
	1 226 930	1 015 751	2 507 466

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 and 36 months. The interest rate charges are risk based and the facility is secured through the financed assets and in some occasions additional security is required.

	2017 K'000	2016 K'000
(b) Placement with other banks		
Placement with Reserve Bank of Malawi	14 563 715	5 185 821

The placements earned an average of 16% (2016: 25%).

	2017 K'000	2016 K'000
7. Income tax expense		**Restated**
Recognised in profit or loss		
(a) Current tax expense		
Current year tax at 33% (2016: 38%)	4 738 721	3 223 908
Deferred tax		
Temporary differences (note 13)	617 624	1 317 912
As previously stated	5 356 345	4 541 820
Restatement (note 1.2)	-	(1 742 648)
Total as restated	5 356 345	2 799 172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
7.	**Income tax expense**		**Restated**
(b)	***Reconciliation of tax charge***		
	Profit before income tax expense	16 479 624	1 395 13
	Income tax at 30% (2016: 30%)	4 943 936	418 540
	Effect of non-taxable income/non-taxable expenses	(842 913)	(24 638)
	Effect of permanent differences	1 138 485	2 217 066
	Capital gains tax	-	3 690
	Dividend tax	113 565	162 386
	Over provision in prior year	3 272	22 128
	As restated	5 356 345	2 799 172

		2017 K'000	2016 K'000	2015 K'000
(c)	***Tax payable/ (receivable) reconciliation***		**Restated**	**Restated**
	Balance at 1 January	(340 701)	(1 167 642)	123 551
	Charge for the year	4 738 721	3 223 908	2 097 121
	Tax paid	(5 277 943)	(3 354 131)	(3 393 419)
	Exchange rate differences	2 055	(937)	151
	Tax credit due to loss of control	-	-	4 954
	As previously stated	(877 868)	(1 298 802)	(1 167 642)
	Restatement (note 1.2)	-	958 101	(5 019)
	Balance as at 31 December	(877 868)	(340 701)	(1 172 661)

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

			2017 K'000	2016 K'000	2015 K'000
8.	**Other receivables**			**Restated**	**Restated**
	Cheques in course of collection		2 039 444	2 577 012	2 677 853
	Accrued investment income		672 234	1 124 580	607 407
	Staff loans and advances		506 255	837 685	623 532
	Prepayment		2 595 466	120 929	1 062 399
	Amounts receivable from related parties		-	15 754	225 703
	Clients funds under management	18 444 605	11 460 145	6 488 743	
	Sundry receivables		807 016	2 504 223	1 103 463
	As previously stated		25 065 020	18 640 328	12 789 100
	Restatement (note 1.2)		-	851 588	(8 311)
	Balance as at 31 Dec		25 065 020	19 491 916	12 780 789

Cheques in course of collection are recoverable within one year. Clients funds under management are third party funds invested by Nico Nominees. All of other assets are consumable or recoverable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
9.	**Lease receivables**		
	Balance at 1 January	95 230	119 478
	Lease rental receivable per IAS 17	(32 667)	(24 248)
	Balance at 31 December	62 563	95 230
	Analysis of balance is as follows:		
	Receivable within 12 months	37 989	32 667
	Receivable after 12 months	24 574	62 563
		62 563	95 230
	Lease rental income recognised in revenue account:-		
	Amount included in rent received	(32 667)	(24 248)

The lease period will expire in 2019. Escalation clause used is 20%. The difference between rentals on straight line and actual basis has been accounted for as long lease receivable. The carrying value of the Investment Property on which the leases are recognised has been limited to the market value.

10. Insurance receivables

	2017 K'000	2016 K'000 Restated	2015 K'000 Restated
Insurance premium receivable (outstanding premium)	10 122 175	8 589 439	4 383 620
Reinsurance companies - Commission, UPR, IBNR	9 034 745	9 571 185	8 804 540
Reinsurance companies - Outstanding losses	6 476 995	8 169 024	4 859 579
As previously stated	25 633 915	26 329 648	18 047 739
Restatement (note 1.2)	-	(1 692 782)	(1 553 372
Balance as at 31 December	25 633 915	24 636 866	16 494 367

During the year the Group's insurance business entered into arrangements with certain of its insured clients whereby they agreed to repay the outstanding premiums by instalments. The provisions for impairment of insurance receivables are estimated by management based on prior experience and the current economic environment. The credit risk exposure is spread over a large number of customers. The directors consider that the carrying amount of insurance contracts approximate to their fair value The balances for trade receivables are interest free and in the opinion of Directors, these balances approximate their fair value at the reporting date, because of their short term nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000	2015 K'000
11.	**Deferred Acquisition Costs (DAC)**		**Restated**	**Restated**
	Balance as at 1 January	874 229	756 290	710 576
	Effects of exchange rate differences -	377	1 235	
	Amount charged to PL	-	-	(705 560)
	Movement for the year	180 411	122 136	750 039
	As previously stated	1 054 640	878 803	756 290
	Restatement (note 1.2)	-	(4 574)	(4 197)
	Balance as at 31 December	1 054 640	874 229	752 093

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 contracts.

		2017 K'000	2016 K'000	2015 K'000
12.	**Inventories**		**Restated**	**Restated**
	Consumables	164 411	258 228	204 027
	Restatement (note 1.2)	-	(2 996)	(2 749)
	Balance at 31 December	164 411	255 232	201 278

13. Deferred tax assets and liabilities

Recognised deferred tax

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

	Assets			Liabilities			Net		
	2017 K'000	2016 K'000	2015 K'000	2017 K'000	2016 K'000	2015 K'000	2017 K'000	2016 K'000	2015 K'000
		Restated			Restated			Restated	
Property and equipment	80 448	47 169	(2 273)	975 572	678 509	258 330	1 056 020	725 678	256 057
Investment properties and equity shares	-	-	(3 516)	2 611 103	1 112 032	-	2 611 103	1 112 032	(3 516)
Accrued interest	-	-	-	1 681 527	890 628	564 792	1 681 527	890 628	564 792
Exchange losses	(12 233)	-	-	27 940	12 007	154 371	15 707	12 007	154 371
Other assets	(3 861 459)	(3 174 976)	(777 685)	(3 362)	49 825	-	(3 864 821)	(3 125 151)	(777 685)
Deferred tax (assets)/liabilities	(3 793 244)	(3 127 807)	(783 474)	5 292 780	2 743 001	977 493	1 499 536	(384 806)	194 019

Balance	as at 1 January 2017 K'000	Recognised profit and loss K'000	Recognised OCI K'000	Policyholder liabilities K'000	Effects exchange rates K'000	Balance as at 31 December 2017 K'000
2017						
Movement during the year						
Summary deferred tax						
Property and equipment	725 678	342 384	(10 291)	-	(1 751)	1 056 020
Investment properties and equity shares	1 112 032	1 499 309	-	1 268 347	(238)	3 879 450
Accrued interest	890 628	790 899	-	-	-	1 681 527
Exchange gain/(losses)	12 007	4 051	-	-	(351)	15 707
Other assets	(3 125 151)	(2 019 019)	-	-	11 002	(5 133 168)
Deferred tax (assets)/liabilities	(384 806)	617 624	(10 291)	1 268 347	8 662	1 499 536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

13. Deferred tax assets and liabilities (Continued)

	Balance as at 1 January 2016 K'000	Recognised profit and loss K'000	Reclassfication from tax receivable K'000	Recognised OCI K'000	Policyholder liabilities K'000	Balance Effects exchange rates K'000	as at 31 December 2016 K'000
2016 - Restated							
Movement during the year							
Summary deferred tax							
Property and equipment	256 057	400 647	-	45 486	-	23 488	725 678
Investment properties and equity shares	(3 516)	334 496	-	-	778 388	2 664	1 112 032
Accrued interest	564 792	325 836	-	-	-	-	890 628
Exchange gain/(losses)	154 371	(145 336)	-	-	-	2 972	12 007
Other assets	(777 685)	(1 340 379)	(892 111)	-	-	(114 976)	(3 125 151)
Deferred tax liabilities/(assets)	194 019	(424 736)	(892 111)	45 486	778 388	(85 852)	(384 806)

	Balance as at 1 January 2015 K'000	Recognised profit and loss K'000	Recognised OCI K'000	Policyholder liabilities K'000	Effects exchange rates K'000	Balance as at 31 December 2015 K'000
2015						
Movement during the year						
Summary deferred tax						
Property and equipment	308 399	(47 530)	-	-	(4 812)	256 057
Investment properties and equity shares	589 472	(589 147)	(2 244)	-	(1 597)	(3 516)
Accrued interest	314 107	250 685	-	-	-	564 792
Exchange gain/(losses)	(3 517)	185 596	-	-	(27 708)	154 371
Other assets	(665 531)	(424 585)	-	198 007	114 424	(777 685)
Deferred tax liabilities/(assets)	542 930	(624 981)	(2 244)	198 007	80 307	194 019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

14. Investment in associates

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

Principal Activity	Place of Incorporation	Number of Associates	
		2017	2016
Short term Insurance	Uganda	1	1
Short term insurance	Tanzania	1	1
Short term Insurance	Moçambique	1	1
	Total	3	3

The table below show the summarized financial statements of the associates:

	Sanlam Vida		Sanlam Tanzania		Sanlam Uganda	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Non-current assets	1 623 008	1 263 489	317 123	105 331	851 398	170 533
Current assets	909 282	242 397	6 619 957	2 198 788	6 613 744	1 324 719
Non-current liabilities	(882 409)	(355 730)	-	-	-	-
Current liabilities	(648 540)	(422 167)	(4 628 870)	(1 537 458)	(6 156 866)	(1 233 208)
Total net assets	1 001 341	727 989	2 308 210	766 661	1 308 276	262 044
Revenue	2 040 873	887 286	2 787 590	2 899 849	2 703 913	1 577 132
Profit/(loss)	113 367	30 573	(320 415)	12 734	52 560	75 571
Total comprehensive income	113 367	30 573	(320 415)	12 734	52 560	75 571
Percentage shareholding*	34.3%	34.3%	20%	20%	5.82%	20%
Share of associates profit/(loss)	38 885	10 487	(64 083)	2 547	10 512	15 114

	Principle place of business/ country of incorporation	2017 Shareholding	2017 Shareholding	2016 Amount	2016
Sanlam General Insurance Uganda Limited	Uganda	5.82%	235 825	20%	225 313
Sanlam General Insurance Tanzania Limited	Tanzania	20%	483 895	20%	547 978
Sanlam Moçambique Vida Companhia de Seguros, SA	Mozambique	34.30%	462 261	34.30%	423 376
			1 181 981		1 196 667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

14. Investment in associates (Continued)

The investments in Sanlam General Insurance Uganda and Tanzania are operating within the general insurance business whilst the investment in Sanlam Moçambique Vida Companhia de Seguros, SA is operating within the life insurance business. These are strategic to the entity'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 discharged in aggregate.

	As at 1 January K'000	Share of profit/(loss) K'000	Balance at 31 December K'000
2017			
Associates Movement during the year			
Sanlam Mocambique Vida Companhia de Seguros SA	423 376	38 885	462 261
Sanlam General Insurance Uganda Limited	225 313	10 512	235 825
Sanlam General Insurance Tanzania Limited	547 978	(64 083)	483 895
	1 196 667	(14 686)	1 181 981
2016			
Movement during the year			
Sanlam General Insurance Uganda Limited	210 199	15 114	225 313
Sanlam General Insurance Tanzania Limited	545 431	2 547	547 978
Sanlam Mocambique Vida Companhia de Seguros, SA	412 889	10 487	423 376
	1 168 519	28 148	1 196 667

15. Unconsolidated structured entities

A 'structured entity' is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements. The term 'unconsolidated structured entities' refers to all structured entities that are not controlled by the reporting entity. In consolidated financial statements, interests in associates in which the investor does not hold a significant influence.

An 'interest' in another entity refers to contractual and non-contractual involvement that exposes an entity to variability in returns from the performance of the other entity.

These investments are mainly through the Life and Pensions business. In addition, IFRS 12 requires specific disclosure of interests in unconsolidated structured entities. The disclosure requirements for interest in unconsolidated structured entities are split into two areas, namely 'nature of interest' and 'nature of risks'. They are mutual investments and the shareholders portion in these investments is very minimal around 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

15. Unconsolidated Structured entities (Continued)

These investments include the following;

	2017 %Holding	2016 % Holding
Chichiri Shopping Centre Limited - (through NICO Life Insurance Company Limited)	54.27	54.26
NICO Properties Limited: - (through NICO Life Insurance Company Limited)	65.69	59.48
Lilongwe City Mall Limited (through NICO Life Insurance Company Limited)	56.42	52.67

Summarised Financial Information

	Lilongwe City Mall		Chichiri Shopping Centre		NICO Properties	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Non-current assets	14 744 064	11 246 531	12 474 200	9 448 000	8 582 249	5 946 593
Current assets	15 267 315	11 408 500	572 055	481 388	1 387 629	731 369
Non-current liabilities	-	(1 651 988)	(955 426)	(285 867)	-	-
Current liabilities	(261 009)	(1 253 912)	(149 121)	(294 633)	(154 276)	(289 620)
Total assets	29 750 370	19 749 131	11 941 708	9 348 888	9 815 602	6 388 342
Revenue	1 814 708	1 682 956	1 197 551	1 026 573	1 883 579	808 716
Profit/(loss)	4 347 009	2 211 682	2 609 740	900 314	1 271 927	541 236
Total comprehensive income	4 347 009	2 211 682	2 609 740	900 314	1 271 927	541 236

Details of amounts relating to unconsolidated entities that are included in the consolidated financial statements are as follows:

Income	2017 K'000	2016 K'000
Interest income	92 100	171 289
Dividend income	104 914	180 876
Fair value gains or losses	1 247 877	1 138 098
Total income	1 444 891	1 490 263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

15. Unconsolidated Structured entities (Continued)

These amounts have been included under Note 33 (Investment Income) in the consolidated statement of comprehensive income.

Assets

Investments – maximum exposure	**2017**	**2016**
	K'000	**K'000**
Investment in Equity Shares	5 887 204	3 494 970
Investment in Shares and Income notes	13 144 906	8 753 398

These amounts have been included under Note 17 (a) & 17(b) to the Consolidated Statement of Financial Position

Nature and Purpose

Chichiri Shopping Centre Limited
The principal activity of the company is renting of units in the Chichiri Shopping Mall to regionally based and local retailers. The company developed and owns the property.

NICO Properties Limited
It is a real estate investment company. It currently owns nine properties and a 40% stake in Kang'ombe Investments Limited, another real investment company. The company expanded its operations in 2017 through a sale and leaseback transaction with NBS Bank plc.

Lilongwe City Mall Limited
The company is engaged in renting out of premises and operates principally in Malawi.

Financing

Chichiri Shopping Centre Limited
The company is funded through shares and income notes. The income notes attract interest equivalent to the grossed up value of the dividend paid on the ordinary share of the company and such interest is payable half yearly.

NICO Properties Limited
The capital structure of the company is made up of shares and debentures stocks. During the year, the company made a rights issue to existing investors in proportion to their holding.

Lilongwe City Mall Limited
The company is funded through shares and income notes. Income notes attract interest which is payable half yearly at a rate fixed by the board of Directors of the company from time to time.

Nature of Risks

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 also impairment of the properties under the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

15. Unconsolidated Structured entities (Continued)

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.

	2017 K'000	2016 K'000
16. Investment in government securities		
The investments are due to mature as follows:		
• Within one year (note 5)	100 483 120	70 186 061
• After one year	30 210 305	20 044 987
	130 693 625	90 231 048
Investment in government securities comprised the following:-		
Local registered stocks	32 702 579	23 538 700
Repos	45 178 740	19 089 301
Treasury bills	45 113 249	41 975 398
Promissory notes	7 698 857	5 627 649
	130 693 425	90 231 048
Balance as at 1 January	20 044 987	13 660 482
Additions during the year	19 603 686	10 299 691

16. Investment in government securities

	2017 K'000	2016 K'000
Effects of changes in exchange rates	(11 537)	163 803
Short term portion of investments	1 514 840	(3 818 035)
Eliminated on loss of control in subsidiary	-	
Disposals during the year	(10 941 671)	(260 954)
Balance at 31 December	30 210 305	20 044 987

Interest rates for government securities range from 10% to 23% (2016: 13.00% to 29.00%) and for loans and debentures range from 18.53% to 22% (2016: 33% to 36%).

Treasury bills earned interest at an average rate of 15.06% (2016: 25%). 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. It is the intention of the Directors to hold treasury bills to maturity. They are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000	2015 K'000
17.	**Investment in shares and income notes**		**Restated**	**Restated**
	(a) Investment in equity shares			
	Valuation			
	Balance at 1 January	48 132 759	49 804 304	45 973 600
	Purchases during the year	2 790 485	1 638 275	970 243
	Effects of changes in exchange rates	1 910	7 137	7 938
	Increase in fair value – shareholders	2 450 241	299 924	390 034
	– policyholders	13 634 792	4 080 140	2 788 153
	Eliminated on loss of control in subsidiary	-	-	(290 569)
	Disposals during the year	(73 154)	-	(35 095)
	As previously stated	66 937 033	55 829 780	49 804 304
	Restatement (note 1.2)	-	(23 878)	(21 911)
	Reclassification (note 1.2)	-	(7 673 143)	(6 314 238)
	Balance as at 31 Dec	66 937 033	48 132 759	43 468 155
	Analysis of investment in shares			
	Listed shares			
	Blantyre Hotels plc	1 248 637	898 475	429 122
	Standard Bank plc	28 470 387	23 336 383	20 523 018
	Illovo Sugar plc	3 453 842	2 302 561	3 219 560
	Press Corporation plc	1 557 601	1 401 841	1 388 861
	Old Mutual plc	1 255 427	1 032 914	898 354
	National Bank of Malawi plc	8 440 605	7 296 420	7 844 605
	National Investment Trust plc	554 102	306 877	496 420
	First Merchant Bank plc	925 983	206 968	170 445
	Telekom Networks Malawi plc	9 505 488	3 772 019	3 590 142
	Mpico plc	414 999	199 840	104 642
	NICO Holdings plc*	-	68 302	-
	Airtel Networks Zambia plc	31 631	29 726	24 992
	Total listed shares	55 858 702	40 852 326	38 690 161
	Unlisted shares			
	Plantation House Limited	39 308	31 344	33 185
	Chibuku Products Limited	4 296 470	3 300 000	2 400 000
	Telecom Holdings Limited	407 906	378 448	553 586
	NICO Properties Limited	5 887 204	3 494 970	1 717 344
	NATSWITCH Limited	30 000	15 000	15 000
	Mwaiwathu Private Hospital	406 566	49 794	49 794
	Fortesa	10 877	10 877	9 085
	Total unlisted shares	11 078 331	7 280 433	4 777 994
	Total investment in equity shares	66 937 033	48 132 759	43 468 155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

17. Investment in shares and income notes (Continued)

(a) Investment in equity shares (Continued)

The fair value gains in unlisted shares are recognised in investment income in profit/loss under note 33 as part of the fair value adjustment of investment properties and shares.

Level 1 Fair Value

Listed shares amount to K55.8 billion (2016: MK40.8 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 plc valued at K31.6 million (2016: K30 million) whose prices are quoted on the Lusaka Stock Exchange.

Level 3 Fair Value

Unlisted equities amount to K11 billion (2016: K7.2billion). They were valued based on net asset value as at 31 December 2017 by National Bank Capital Markets Limited.

In the current year shares in unlisted companies have been valued by NBM Capital Markets Limited using net asset model, discounted free cash flow and maintainable earning model as at 31 December 2017 on behalf of the Directors. Listed shares have been valued using Malawi Stock Exchange prices as at 31 December 2017.

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 Net Asset Value Approach as well as the Discounted Cash Flow;

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Net Asset Value valuation method takes into account the company's net asset value or fair market value of its total assets minus its total liabilities. It does not take into account the historic, current and future earnings generation of the business	N/A	N/A
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 (2017:30%; 2016:30%)	The estimated fair value would increase (decrease) if the discount rate were lower (higher)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

17. Investment in shares and income notes (Continued)

(b) Investment income notes

	Chichiri Shopping Centre K'000	Lilongwe City Mall K'000	2017 K'000	Total 2016 K'000	2015 K'000
At the beginning of the year	5 369 382	3 384 016	8 753 398	7 394 495	7 270 107
Additions - income notes**	-	264 358	264 358	-	-
- shares	-	1 212 313	1 212 313	-	-
Fair value adjustment	738 949	2 175 888	2 914 837	1 358 903	124 388
At the end of the year	6 108 331	7 036 575	13 144 906	8 753 398	7 394 495

Income notes comprise of:

a) Lilongwe City Mall income notes attract interest which is payable half yearly at a rate fixed by the board of Directors of the company from time to time. Such rate may not exceed Standard Bank Malawi plc prime lending rate plus 4%.

b) Chichiri Shopping Centre Limited income notes attract interest equivalent to the grossed up value of the dividend paid on an ordinary share of the company and such interest is payable half yearly.

**Every income note is an integral part of such share of the company to which it relates and neither an income note nor any part of it shall be transferable separately from the share of the company to which it relates. The income notes are carried on the same basis as shares considering that they are an integral part of the shares for the company and at no point they shall be separated.

	2017 K'000	2016 K'000	2015 K'000
18. Loans and debentures			
Refer to note 3 for measurement and recognition.			
Amortised cost			
Balance at 1 January	9 658 922	7 999 178	3 662 258
Additions during the year	11 666 612	8 547 933	5 143 526
Short term portion of loans and debentures	(279 766)	(578 130)	(253 557)
Disposals during the year	(2 597 323)	(4 797 363)	(553 049)
As previously reported	18 448 445	11 171 618	7 999 178
Reclassification to income note (note 1.2)	-	(1 512 696)	(1 080 257)
Balance at 31 December	18 448 445	9 658 922	6 918 921

The above disclosed loans and debentures are receivable from Malawi registered companies hence no exposure to exchange rate movement. All loans considered doubtful of recovery have been fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

18. Loans and debentures (Continued)

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. At the reporting date, the most significant loans (excluding interest) are:-

(a) Loan to NBS Bank plc members of staff with the Bank as administrator and guarantor, a related party, of K1.1 billion as at 31 December 2017, (2016: K1.4 billion) earning interest at the bank's owner occupied mortgage rate.

(b) Loan to NICO Properties Limited, a related party comprises of 96 631 666 debenture notes as at 31 December 2017 (2016: 96 631 666) redeemable on 31 December 2036. The notes are currently valued at K9.90 each amounting to K957 million as at 31 December 2017 (2016: K957 million).
Debenture interest is payable quarterly and varies according to rental and investment income of NICO Properties Limited. NICO Properties Limited has not been equity accounted for, as 88% of the funds invested are from Policyholders' Liabilities.

(c) A three year K940 million medium term note/bond was purchased from Press Corporation plc in 2014 at 364 day treasury bill yield plus 400 basis points with a cap of National Bank of Malawi plc (NBM) lending rate less 400 basis points and a floor of inflation + 200 basis points. The balance of the loan as at 31 December 2017 is K204 million (2016: K368 million).

(d) A short term loan of K4.5 billion was advanced in the year to Illovo Sugar (Malawi) plc carrying a fixed rate equivalent to 182 days Treasury bill rate.

(e) A seven-year K5.4 billion floating rate note was advanced to First Merchant Bank plc (FMB) on 3 June 2016 at 31.97% interest rate. The balance of the loan as at 31 December 2017 is at K5.4 billion.

(f) An amortising five year loan of K500 million was advanced to Stansfield Motors Limited on 21 July 2016 at an interest rate of 31%. The balance of the loan as at 31December 2017 is K425 million.

(g) A three year K350 million amortising loan was advanced to Deloitte & Touche, during the period from July 2016 to November 2016 at an interest rate of 32%. The balance of the loan as at 31 December 2017 is K208 million (2016: K339 million).

(h) A K4.1 billion floating rate loan was advance to Telekom Networks Malawi plc during the year 2017. The balance as at 31 December 2017 is K4.1 billion.

(i) A K250 million floating rate loan was advanced to Sunbird plc in the year. The balance as at 31 December 2017 is at K250 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

	Freehold investment properties K'000	Leasehold investment properties K'000	Total K'000
19. Investment properties			
At valuation			
Balance at 1 January 2017	3 657 757	3 250 904	6 908 661
Additions during the year	-	35 777	35 777
Fair value adjustment	1 103 289	1 564 855	2 668 144
Balance as at 31 December 2017	4 761 046	4 851 536	9 612 582
Balance at 1 January 2016 **- Restated**	3 361 933	3 433 328	6 795 261
Effects of exchange differences	44 724	-	44 724
Additions during the year	-	2 989	2 989
Fair value adjustment	251 100	357 645	608 745
As previously stated	3 657 757	3 793 962	7 451 719
Restatement (note 1.2)	-	(543 058)	(543 058)
Balance as at 31 December 2016	3 657 757	3 250 904	6 908 661
Balance at 1 January 2015 **- Restated**	2 974 711	3 031 335	6 006 046
Effects of exchange differences	146 622	-	146 622
Additions during the year	9 484	152 595	162 079
Disposals during the year	-	(8 230)	(8 230)
Fair value adjustment	231 116	257 628	488 744
As previously stated	3 361 933	3 433 328	6 795 261
Restatement (note 1.2)	-	(498 334)	(498 334)
Restated Balance as at 31 December 2015	3 361 933	2 934 994	6 296 927

** Additions in both the current and prior year consisted of subsequent expenditure to existing properties.*

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

	2017 K'000	2016 K'000
Rental income (note 33)	663 963	609 122
Direct operating expenses (maintenance costs)	7 749	10 615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

19. Investment properties (continued)

Investment

Properties were revalued on open market basis on 31 December 2017 by Don Whayo BSC, MRCIS, MSIM, 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 categorised as Level 3 for value based on inputs to the valuation techniques used.

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.

20. Intangible assets

	Capital work in progress K'000	Software K'000	Total K'000
2017			
Cost			
Balance as at 1 January	19 601	7 351 466	7 371 067
Effects of changes in exchanges rates -	(2 784)	(2 784)	
Additions during the year	105 593	435 597	541 190
Transfer to property and equipment (note 21)	-	(620 075)	(620 075)
Disposals during the year	-	(896 546)	(896 546)
Balance at 31 December	125 194	6 267 658	6 392 852
2016			
Cost			
Balance as at 1 January	23 360	6 515 117	6 538 477
Additions during the year	19 601	704 692	724 293
Transfer (to)/from property and equipment (note 21)	(23 360)	153 209	129 849
Disposals during the year	-	(21 552)	(21 552)
Balance at 31 December	19 601	7 351 466	7 371 067
2017			
Amortisation			
Balance as at 1 January	-	957 210	957 210
Effects of changes in exchanges rate	-	(1 703)	(1 703)
Charge for the year	-	794 390	794 390
Elimination on disposal	-	(2 027)	(2 027)
Balance at 31 December	-	1 747 870	1 747 870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

20. Intangible assets (continued)

	Capital work in progress K'000	Software K'000	Total K'000
2016			
Amortisation			
Balance as at 1 January	-	704 057	704 057
Charge for the year	-	253 153	253 153
Balance at 31 December	-	957 210	957 210
Carrying amount at 31 December 2017	125 194	4 519 788	4 644 982
Carrying amount at 31 December 2016	19 601	6 394 256	6 413 857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

21. Property and equipment

	Land and buildings K'000	Motor vehicles K'000	Capital Furniture and equipment K'000	Capital work in progress building K'000	work in progress equipment K'000	Total K'000
Cost or valuation						
2017						
Balance as at 1 January	2 837 718	654 914	8 566 507	2 513	391 037	12 452 689
Effects of changes in exchange rates	(1 961)	(1 927)	(7 109)	-	-	(10 997)
Additions during the year	-	174 766	1 239 608	-	412 128	1 826 502
Revaluation surplus	401 700	-	-	-	-	401 700
Transfers from intangible assets (note 20)	-	-	620 075	-	-	620 075
Disposals during the year	(1 614 876)	(44 829)	(37 740)	-	(1 764)	(1 699 209)
Balance as at 31 December	1 622 581	782 924	10 381 341	2 513	801 401	13 590 760
Analysed as follows:						
Valuation	1 500 520	-	-	-	-	1 500 520
Cost	122 061	782 924	10 381 341	2 513	801 401	12 090 240
	1 622 581	782 924	10 381 341	2 513	801 401	13 590 760
2016 - Restated						
Balance as at 1 January	2 590 135	551 568	7 241 387	14 006	730 656	11 127 752
Effects of changes in exchange rates	-	31 203	114 375	-	-	145 578
Additions during the year	42 824	83 519	1 006 417	25	57 193	1 189 978
Revaluation surplus	203 759	-	-	-	-	203 759
Transfers within classes of assets	1 000	-	265 963	-	(266 963)	-
Transfers to intangible assets (note 20)	-	-	-	-	(129 849)	(129 849)
Disposals during the year	-	-	(49 804)	(11 518)	-	(61 322)
As previously stated	2 837 718	666 290	8 578 338	2 513	391 037	12 475 896
Restatement (note 1.2)	-	(11 376)	(11 831)	-	-	(23 207)
Balance as at 31 December	2 837 718	654 914	8 566 507	2 513	391 037	12 452 689
Analysed as follows:						
Valuation	1 633 356	-	-	-	-	1 633 356
Cost	1 204 362	654 914	8 566 507	2 513	391 037	10 819 333
	2 837 718	654 914	8 566 507	2 513	391 037	12 452 689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

21. Property and equipment (Continued)

	Land and buildings K'000	Motor vehicles K'000	Capital Furniture and equipment K'000	Capital work in progress building K'000	work in progress equipment K'000	Total K'000
Cost or valuation						
2015 - Restated						
Balance as at 1 January	2 450 724	681 0247	065 863	76 481	1 144 802	11 418 894
Effects of changes in exchange rates	-	253	(64 210)	-	-	(63 957)
Additions during the year	1 636	123 768	501 659	-	272 911	899 974
Revaluation surplus	75 300	-	-	-	-	75 300
Transfers within classes of assets	62 475	21 088	-	(62 475)	(21 088)	-
Transfers to intangible assets (note 20)	-	-	-	-	(629 860)	(629 860)
Derecognized on loss of control of subsidiary	-	(58 451)	(88 575)	-	-	(147 026)
Disposal during the year	-	(89 358)	(41 525)	-	(36 109)	(166 992)
As previously reported	2 590 135	678 324	7 373 212	14 006	730 656	11 386 333
Restatement (Note 1.2)	-	(126 756)	(131 825)	-	-	(258 581)
Balance as at 31 December	2 590 135	551 568	7 241 387	14 006	730 656	11 127 752
Analysed as follows:						
Valuation	1 429 597	-	-	-	-	1 429 597
Cost	1 160 538	551 568	7 241 387	14 006	730 656	9 698 155
	2 590 135	551 568	7 241 387	14 006	730 656	11 127 752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

21. Property and equipment (Continued)

	Land and buildings	Motor vehicles	Capital Furniture and equipment	Capital work in progress building	work in progress equipment	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Accumulated depreciation and impairment loss						
2017						
Balance as at 1 January	131 598	397 932	4 938 754	-	-	5 468 284
Effects of changes in exchange rates	-	(916)	(4 005)	-	-	(4 921)
Charge for the year	86 225	92 675	922 207	-	-	1 101 107
Released on revaluation	(17 805)	-	-	-	-	(17 805)
Eliminated on disposal	(195 423)	(44 829)	(26 525)	-	-	(266 777)
Balance as at 31 December	4 595	444 862	5 830 431	-	-	6 279 888
2016 - Restated						
Balance as at 1 January	88 844	300 748	4 090 935	-	-	4 480 527
Effects of changes in exchange rates	-	17 055	81 326	-	-	98 381
Charge for the year	59 183	86 438	813 606	-	-	959 227
Released on revaluation	(16 429)	-	-	-	-	(16 429)
Eliminated on disposal	-	-	(38 703)	-	-	(38 703)
As previously reported	131 598	404 241	4 947 164	-	-	5 483 003
Restatement (note 1.2)	-	(6 309)	(8 410)	-	-	(14 719)
Balance as at 31 December	131 598	397 932	4 938 754	-	-	5 468 284
2015 - Restated						
Balance as at 1 January	46 891	414 946	3 587 876	-	-	4 049 713
Effects of changes in exchange rates	-	(6 621)	(46 931)	-	-	(53 552)
Charge for the year	49 585	80 297	744 167	-	-	874 049
Release on revaluation	(7 632)	-	-	-	-	(7 632)
Derecognised on loss of control of subsdiary	-	(32 049)	(62 699)	-	-	(94 748)
Eliminated on disposal	-	(85 530)	(37 772)	-	-	(123 302)
As previously reported	88 844	371 043	4 184 641	-	-	4 644 528
Restatement (Note 1.2)	-	(70 295)	(93 706)	-	-	(164 001)
Balance as at 31 December	88 844	300 748	4 090 935	-	-	4 480 527
Carrying amounts						
At 31 December 2017	1 617 986	338 062	4 550 910	2 513	801 401	7 310 872
At 31 December 2016 **(Restated)**	2 706 120	256 982	3 627 753	2 513	391 037	6 984 405
At 31 December 2015 **(Restated)**	2 501 291	250 820	3 150 452	14 006	730 656	6 647 225

*Transfers from intangible assets relate to capital work in progress, which represents software implementation and upgrade costs, previously allocated under a wrong class of assets and is now corrected after determination of the appropriate classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

21. Property and equipment (Continued)

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

	2017 K'000	2016 K'000	2015 K'000
Cost	122 061	1 204 362	1 160 538
Accumulated depreciation	(4 595)	(76 398)	(47 444)
Carrying amount	117 466	1 127 964	1 113 094

Total gains for the period recognised in other comprehensive income amount to K367.5 million (2016: K 211.3 million) and the gains are recognised under the revaluation of property and equipment line.

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

Land and buildings were revalued on open market basis on 31 December 2017 by an independent external valuer Mr Don Whayo BSC MRCIS MSIM 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 March 2014 and the international valuation Standards (ISV).

Values were determined by reference to observable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

21. Property and equipment (Continued)

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.	• The valuer makes professional judgement on adjustments as properties and locations are never the same mainly in situations where there are not much sale transactions taking place.	The estimated fair value would increase (decrease) if: • Expected average rental yields were higher (lower);or • If the market was not restricted to few capable buyers. 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 have been categorised as Level 3 for value based on inputs to the valuation techniques used. Total gains for the period recognised in other comprehensive income amounted to MK367.5 million under items that will not be reclassified to profit or loss – revaluation of land and buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017	2016	2015
		K'000	K'000	K'000
22.	**Trade and other payables**	**Restated**	**Restated**	
	Client funds payable	18 322 027	11 460 469	6 454 168
	Trade payables	877 980	1 231 093	2 159 898
	Accruals	22 729 334	9 349 673	9 118 039
	Amounts due to related parties	16 401	52 727	79 907
	Other non-trade payables	2 114 467	2 701 585	2 212 256
	As previously stated	44 060 209	24 795 547	20 024 268
	Restatement (note 1.2)	-	311 772	(438 097)
	Balance 31 December	44 060 209	25 107 319	19 586 171

Included in accruals are Global Technology Partners funds amounting to K12 billion (2016: K5.8 billion).

			2017	2016	2015
			K'000	K'000	K'000
23.	**Deposits and customer accounts**	**Restated**			
	Repayable on demand		73 646 523	58 042 360	52 913 685
	Repayable within three months or less	1 115 545	5 760 605	7 974 991	
	As previously stated		74 762 068	63 802 965	60 888 676
	Restatement (note 1.2)		-	131 002	-
	Balance at 31 Dec		74 762 068	63 933 967	60 888 676

Deposits from customers on savings, investment and term deposit accounts carried an interest rate ranging from 5% to 19.0% (2016: 8% to 19%). Current accounts earn 0.5% (2016: 0.34%) when the balance is above K500, 000. Interest rates applicable for 2017 and 2016 for foreign currency denominated accounts were 2%, 2.25%, 3% and 1.5% for US dollar, British Pound, Euro and South African Rand deposits, respectively.

		2017	2016	2015
		K'000	K'000	K'000
24.	**Insurance contract payables**		**Restated**	**Restated**
	Gross outstanding claims	10 325 253	12 719 325	9 104 539
	Allowances for claims incurred but not reported (IBNR)	1 371 814	1 708 786	3 149 348
	Total insurance contract outstanding claims	11 697 067	14 428 111	12 253 887
	Due to re-insurance companies	7 904 221	7 035 347	3 153 134
	As previously stated	19 601 288	21 463 458	15 407 021
	Restatement (note 1.2)	-	(3 087 091)	(2 832 851)
	Balance 31 December	19 601 288	18 376 367	12 574 170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

24. Insurance contract payables (Continued)	2017 K'000	2016 K'000 Restated	2015 K'000 Restated
Movement of total insurance contract outstanding claims:			
Balance at beginning of the year	11 470 856	12 253 887	11 400 118
Effects of changes in exchange rates (73 319)	973 366	(205 772)	
Claims incurred	10 032 566	20 414 161	20 311 440
Cash paid for claims settled in the year	(9 733 036)	(19 213 303)	(19 251 899)
As previously stated	11 697 067	14 428 111	12 253 887
Restatement	-	(2 957 255)	(2 713 707)
Balance 31 December	11 697 067	11 470 856	9 540 180
Movement of allowances for claims incurred: but not reported (IBNR):			
Balance at beginning of the year	1 632 003	3 149 348	2 801 370
Effects of changes in exchange rates (8 530)	409 847	(261 121)	
(Reversal)/additional allowance made during the year	(251 659)	(1 850 409)	609 099
As previously stated	1 371 814	1 708 786	3 149 348
Restatement	-	(76 783)	(70 460)
Balance 31 December	1 371 814	1 632 003	3 078 888

Process used to determine significant assumptions

Insurance risks are unpredictable and the company recognizes that it is impossible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over the period, 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 company employs staff experienced in claims handling and rigorously applies standardized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

24. Insurance contract payables (Continued)

Claims Incurred But Not Reported (IBNR)

The IBNR provision is calculated by developing a trend over the past five years in which a ratio of prior year's IBNR to prior year's net premium is calculated and applied on current year's net premiums.

The levels of the IBNR provisions 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.

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.

	2017	2016	2015
	K'000	K'000	K'000
25. Unearned Premium Reserve (UPR)	**Restated**	**Restated**	
General insurance fund at the beginning of the year	10 419 714	8 407 494	8 031 431
Effects of changes in exchange rates (68 700)	965 040	(747 208)	
Movement during the year	1 245 436	1 139 204	1 123 271
General insurance fund at end of the year	11 596 450	10 511 738	8 407 494
Restatement (note 1.2)	-	(92 024)	(84 446)\
Restated Balance 31 December	11 596 450	10 419 714	8 323 048

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 company'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 (1/365th 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 is recognised on a basis that is consistent with the related reserves for unearned premiums.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
26.	**Interest bearing loans and borrowings**		
	NORSAD Finance Limited (Norsad)	3 673 888	-
	Old Mutual plc loan	-	3 600 000
	Malawi Government	20 010	20 010
	Malawi Housing Corporation Loan	-	59 421
	Mega African Capital Limited Loan	210 089	126 000
	Standard Bank Pension Fund	12 130	31 723
		3 916 117	3 837 154
	Analysed as follows:		
	Balance at 1 January	3 837 154	3 006 269
	Additions during the year	3 729 089	3 600 000
	Interest charge	295 793	43 621
	Exchange losses	28 888	12 275
	Repayments	(3 974 807)	(2 825 011)
	Balance as 31 December	3 916 117	3 837 154
	Terms and debt repayment schedule		
	Due within 1 year	12 558	3 612 436
	Due between 2 and 5 years	3 903 559	224 718
		3 916 117	3 837 154

Included in the loans of K3.9 billion (2016: K3.8 billion) are the following loans:-

(i) NORSAD Finance Limited (Norsad) Loan

During the year NICO Holdings plc obtained a loan of US$ 5 million an equivalent of K3.6 billion from Norsad Finance Limited. Norsad Finance Limited is an impact investment company which is based in Botswana and was established to contribute to the Southern Africa Economies by providing funding to enterprises that are financially, socially and environmentally suistainable.

NICO holdings plc borrowed from Norsad Finance Limited for purpose of financing the purchase of additional shares in NBS Bank plc through exercising the rights issue and thereby capitalize the Bank. This loan is repayable in Five (5) years, repayable in Four (4) equal annual instalments, the first at the end of Twenty-Four calendar months, the second at the end of Thirty Six (36) calendar months, the third at the end of Forty Eight (48) calendar months and the forth at the end of the facility Sixty (60) calendar months after disbursement with the first instalment due in June 2019. The loan is secured by a floating charge over all assets of NICO Holdings plc.

The interest on the facility on each Interest Payment Date is at a variable rate per annum of three months USO Libor plus Eight Point Five per cent (8.5%) calculated on the outstanding balance on the basis of a 360-day year and actual days elapsed. It is repayable quarterly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

26. Interest bearing loans and borrowings (Continued)

(ii) Malawi Government loan

The Malawi Government loan represents an International Development Association (a World Bank fund) credit which was loaned to Malawi Housing Corporation (MHC) for the construction of low cost housing. Interest on the loan, originally at 7% per annum, was suspended. The Group repays the loan through offsetting receipts by Malawi Housing Corporation to Malawi Government under the varied terms of the contract. The loan is secured through a guarantee by the Malawi Government.

(iii) Mega African Capital Limited Loan

This loan for MK210 million relates to a loan taken by the NICO Employee Share Ownership Scheme (ESOS) in September 2015 to purchase shares in NICO Holdings plc. The loan which is denominated in United States Dollars is for a period of 5 years and bears interest at 10% per annum and is compounded annually. ESOS is not obliged to repay principal loan amount before the expiry of the repayment period. This loan is secured by the shares.

(iv) Standard Bank Pension Fund

MK12 million unsecured loan from Standard Bank Pension Fund for development of ICON 1 software. The loan is at an interest rate of 34%.

27. Capital and reserves	**2017 K'000**	**2016 K'000**
(i) Share capital		
Authorised:		
Number of authorised share capital ('000)	1 300 000	1 300 000
Nominal value (K)	0.05	0.05
Authorised share capital (K'000)	65 000	65 000
Issued and fully paid:		
Number of issued and fully paid share capital ('000)	1 043 041	1 043 041
Nominal value (K)	0.05	0.05
Issued share capital (K'000)	52 152	52 152
(ii) Share premium	428 859	428 859

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

	2017 K'000	**2016 K'000 Restated**	**2015 K'000 Restated**
(iii) Revaluation reserve			
Balance at 31 December	97 265	239 660	196 579
Restatement (note 1.2)	-	(66 152)	(94 906)
Balance as at 31 December	97 265	173 508	101 673

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000 Restated	2015 K'000 Restated
28 (a)	**Loan loss reserve**	2 020 136	5 034 124	4 732 578
	Restatement (note 1.2)	-	(2 438 339)	-
	Balance as at 31 December	2 020 136	2 595 785	4 732 578

Loan loss reserve represents an appropriation from retained earnings as additional provision above those required by the International Financial Reporting Standards, to meet the requirements of the Reserve Bank of Malawi. The Directors are of the opinion that the loan loss reserve is in accordance with the requirements of the Reserve Bank of Malawi.

		2017 K'000	2016 K'000 Restated	2015 K'000 Restated
(b)	**Other reserves**			
	(i) General reserve	545 519	545 519	545 519
	(ii) Fair value reserve	1 052 371	868 036	890 637
	(iii) Translation reserve	(600 769)	40 041	(165 297)
	Total other reserves	977 121	1 453 596	1 270 859
	Restatement (note 1.2)	-	(616 893)	(555 245)
	Balance as at 31 December	977 121	836 703	715 614

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 available for sale financial assets.

Translation reserve represents retranslation difference arising on retranslation of foreign investments at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. (a) Non-Controlling interest

Details of subsidiaries that have material controlling interest to the Group are disclosed below:

Name of subsidiary	Principal place of business	Proportion of ownership interests		Profit/loss allocated to non controlling interests	
		2017	2016	2017 K'000	2016 K'000
Nico Insurance Zambia	Zambia	49%	49%	185 739	113 049
Nico Life Insurance	Malawi	49%	49%	4 595 012	2 575 446
Nico general Insurance	Malawi	49%	49%	1 068 674	913 453
NBS Bank plc	Malawi	49.9%	49.9%	(545 061)	(4 189 765)
TOTAL				5 304 364	(587 817)

Non-controlling interest represents minority position of the shares and reserves in NBS Bank plc at 49.9%, NICO Life Insurance Company Limited at 49%, NICO General Insurance Company Limited at 49% and NICO Insurance (Zambia) Limited at 49%.

	2017 K'000	2016 K'000 Restated	2015 K'000 Restated
The composition of non-controlling interest is as follows:-			
NBS Bank plc	6 247 661	1 367 715	5 557 481
NICO General Insurance Company Limited	3 265 983	2 705 997	2 328 964
NICO Insurance Zambia Limited1 094 518	765 907	422 110	
NICO Life Insurance Company Limited	10 592 773	7 081 404	6 061 028
Total	21 200 935	11 921 023	14 369 583
The movement is analysed as follows:-			
Balance as at 1 January	11 921 023	13 775 149	12 832 496
Profit for the year	5 304 365	(588 473)	2 953 514
Revaluation of land and buildings 180 077	103 526	-	
Deferred tax on revaluation	3 968	(26 324)	-
Fair value on available for sale assets	178 411	(21 920)	(1 006)
Translation difference on foreign subsidiaries	(23 185)	42 638	(269 715)
Effect of loss of control	-	-	127 538
Issue of shares in subsidiary	5 566 876	94 027	-
Dividends paid	(1 930 600)	(2 105 383)	(1 867 678)
As previously stated	21 200 935	11 273 240	13 775 149
Restatement	-	647 783	594 434
Balance as at 31 December	21 200 935	11 921 023	14 369 583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. Non-Controlling interest (Continued)

(b) 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.

2017	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	7 255 405	191 065 412	39 007 988	3 552 744	240 881 549
Current assets	11 819 190	19 023 727	70 323 297	17 971 962	119 138 176
Non-current liabilities	(6 531 380)	(187 231 566)	(20 010)	(6 112 401)	(199 895 357)
Current liabilities	(5 877 943)	(1 239 669)	(96 790 912)	(13 209 275)	(117 117 799)
Net assets	6 665 272	21 617 904	12 520 363	2 203 030	43 006 569
Carrying amount of NCI	3 265 983	10 592 773	6 247 661	1 094 518	21 200 935
Revenue	17 401 402	59 170 058	17 330 332	18 128 900	112 030 692
Profit/(loss)	2 180 967	9 377 576	(1 092 307)	379 060	10 845 296
Other comprehensive income	361 861	328 482	-	51 662	742 005
Total comprehensive income	2 542 828	9 706 058	(1 092 307)	430 722	11 587 301
Profit/(loss) allocated to NCI	1 245 986	4 755 968	(545 061)	211 054	5 667 947
Cashflows from/(used in) operating activities	336 546	7 142 868	14 961 984	980 781	
Cashflows (used in)/from investing activities	2 245 381	286 206	(21 502 199)	(1 680 501)	
Cashflows (used in)/from financing activities, before dividends to NCI	(714 000	(1 295 400)	7 271 757	289 529	
Cash flows (used in)/from financing activities - cash dividends to NCI	(686 000)	(1 244 600)	-	-	
Net increase in cash and cash equivalents	1 181 927	4 889 074	731 542	(410 191)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. Non-Controlling interest (Continued)

(b) NCI in subsidiaries

2016	Nico General Insurance Company Limited	Nico Life Insurance Company Limited	NBS Bank Plc	Nico Insurance Zambia Limited	Total
NCI Percentage	49.00%	49.00%	49.90%	49.00%	
Non-current assets	7 282 957	140 436 019	32 638 442	1 677 384	182 034 802
Current assets	9 259 923	13 964 322	48 458 212	18 660 541	90 342 998
Non-current liabilities	(5 356 652)	(138 514 152)	(3 679 431)	(6 453 510)	(154 003 745)
Current liabilities	(5 663 785)	(1 434 344)	(74 676 310)	(12 319 998)	(94 094 437)
Net assets	5 522 443	14 451 845	2 740 913	1 564 417	24 279 618
Carrying amount of NCI	2 705 997	7 081 404	1 367 715	765 907	11 921 023
Revenue	14 887 952	47 141 596	17 205 059	16 544 829	95 779 436
Profit/(loss)	1 864 190	5 329 098	(8 396 325)	230 712	(972 325)
Other comprehensive income	(44 735)	-	-	84 473	39 738
Total comprehensive income	1 819 455	5 329 098	(8 396 325)	315 185	(932 587)
Profit/(loss) allocated to NCI	891 533	2 611 258	(4 189 766)	154 441	(532 534)
Cashflows from/(used in) operating activities	(135 247)	9 684 505	457 442	339 269	
Cashflows (used in)/from investing activities	(649 949)	(8 979 392)	(2 730 023)	(384 881)	
Cashflows (used in)/from financing activities, before dividends to NCI	(535 500)	(1 655 816)	965 946	(547 194)	
Cash flows (used in)/from financing activities- cash dividends to NCI	(514 500)	(1 590 883)	-	-	
Net increase in cash and cash equivalents	(1 835 196)	(2 541 586)	(1 306 635)	(592 806)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
30.	**Insurance premium**		
	Gross written premium-short term insurance	32 308 157	28 536 110
	Gross life insurance premium	7 297 741	7 094 922
	Gross pension premium	22 634 906	17 023 125
		62 240 804	52 654 157
	Unearned premium adjustment	(537 682)	(396 795)
	Reinsurance premium	(18 709 534)	(17 014 241)
	Net earned insurance premium	42 993 588	35 243 121
31.	**Fees and commission income**		
	Premium based fees	1 063 135	943 429
	Fund management based fees	1 358 793	1 039 881
	Other fee income	547 603	396 656
		2 969 531	2 379 966
32.	**Income from banking operations**		
	Interest income on loans	6 191 140	6 112 464
	Interest from government stocks	4 368 245	4 644 300
	Gross interest from banking	10 559 385	10 756 764
	Fees and commission income	5 277 310	5 965 013
	Profit on foreign exchange transactions	1 465 848	1 771 282
		17 302 543	18 493 059
33.	**Investment income**		
	Investment income from:-		
	- Bank deposits	2 005 707	3 117 350
	- Treasury bills	21 242 807	15 365 369
	- Local registered stocks	375 016	255 485
	- Loans and debentures	2 466 482	3 175 141
	- Dividends from equity shares	2 436 056	1 727 732
	Fair value adjustment of investment properties	2 721 499	664 382
	Fair value adjustment of shares	17 048 654	3 717 093
	Rental income	663 963	609 122
	Other interest income from other investments	3 385 082	2 459 593
		52 345 266	31 091 267
	Investment expenses	(193 084)	(826 864)
	Net investment income	52 152 182	30 264 403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
34.	**Other income**		
	Profit on disposal of property and equipment	96 298	1 516
	International Finance Corporation put option commission	-	50 079
	Other sundry income	287 271	60 216
		383 569	111 811
35.	**Net policy holders claims and benefits**		
	Insurance claims and loss adjustment expenses	(23 882 264)	(20 414 161)
	Recoveries from reinsurers	3 571 770	3 759 111
		(20 310 494)	(16 655 050)
36.	**Insurance contracts acquisition costs**		
	Commission expenses paid	(2 310 097)	(1 545 226)
	Changes in deferred acquisition costs	88 856	70 989
		(2 221 241)	(1 474 237)
37.	**Bank interest expense**		
	Fixed deposits	(3 954 184)	(3 526 855)
	Investment deposits	(209 049)	(321 987)
	Savings deposits	(1 757 400)	(2 649 877)
	As previously stated	(5 920 633)	(6 498 719)
	Restatement (note 1.2)	-	(131 002)
	Restated Balance as at 31 December	(5 920 633)	(6 629 721)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
38.	**Administrative expenses**		
	Auditors' remuneration - Audit fees	(193 585)	(170 064)
	Other audit expenses and Disbursements	(38 470)	(35 649)
	Directors' remuneration - Executive (Note 45)	(198 222)	(145 353)
	- Non executive (Note 45)	(125 853)	(99 365)
	Staff costs	(11 747 455)	(10 611 502)
	Communication and accommodation expenses	(5 349 305)	(5 401 390)
	Depreciation and amortisation	(1 895 497)	(1 212 380)
	Sundry business charges	(3 072 869)	(3 893 928)
	Impairment loss *	1 350 081	(7 753 172)
	Provision for Operational losses	-	(1 288 000)
	Repairs and maintenance	(2 758 126)	(1 589 025)
		(24 029 301)	(32 199 828)
	**** Impairment loss is analysed as follows:***		
	Loans recoveries	1 073 586	(1 867 594)
	Other receivables	(4 914)	(207 760)
	Insurance receivables	281 409	-
	As previously stated	1 350 081	(2 075 354)
	Restatement (note 1.2)	-	(5 677 818)
	Balance 31 December	1 350 081	(7 753 172)
39.	**Net finance (costs)/income**		
	Interest on loans	(295 793)	(40 471)
	Exchange (loss)/gain	(103 590)	(107 142)
		(399 383)	(147 613)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

40. Basic and diluted earnings/(loss) per share

The calculation of basic earnings per share at 31 December 2017 was based on profit attributable to ordinary shareholders of K5 818 914 thousand (2016: K1 258 202 thousand) and a weighted average number of ordinary shares outstanding of 1 043 041 thousand (2016: 1 043 041 thousand) calculated as follows:-

	2017 K'000	2016 K'000
Profit/(loss) for the year K'000	11 123 279	(1 404 038)
Non-controlling interest K'000	(5 304 365)	588 473
Profit/(loss) attributable to owners of the parent (K'000)	5 818 914	(815 565)
Weighted average number of ordinary shares in issue throughout the year (K'000s)	1 043 041	1 043 041
Basic and diluted earnings/(loss) per share (K)	5.58	(0.78)

41. Dividends

The following dividends were declared and paid by the Group during the financial year.		
Dividend declared	2 869 337	2 731 208
Dividend paid	2 869 337	2 731 208

42. Risk Management

42.1 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42. Risk management (Continued)

42.1 Risk governance structure (Continued)

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

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

42.2 Risk management framework

The Group's risk management policies are established to identify and analyse the risk 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's 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's Risk Committee is assisted in these functions by the Risk Management and Compliance Services function.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42. Risk management (Continued)

42.3 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.

42.3.1 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.

42.3.2 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 NICO 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.
The business requires significantly high levels of allocated capital. The optimization of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value.

The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk.
- Managing the impact of new business on capital requirements by limiting volumes of capital intensive new business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.3 Capital Risk Management (Continued)

42.3.1 Capital Risk Management - Life Business

- The asset mix of the long-term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. There is accordingly a trade-off between lower capital levels and the return on capital.
- Management of operational risk: Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital

NICO Life Insurance

The business has previously measured solvency based on the SAP 104 Capital Adequacy Requirement (CAR) guidance. In 2017 the Insurance (Insurance (Minimum Capital and Solvency Requirements For Life Insurers) Directive, 2017 became effective in Malawi.

The solvency position as at 31 December 2017 and 31 December 2016 according to the Malawi Solvency Directive is shown in the table below. The business is solvent as at 31 December 2017 with a cover ratio of 1.64 times the solvency capital requirement. NICO Life received a 3-year waiver from the Regulator to apply lower asset shocks to unlisted equities and investments in associates; renewable 3-yearly subject to meeting specified conditions. The reduced asset shocks are the main reason for the improvement in cover ratio between 2016 and 2017.

The excess of assets over liabilities as per the actuarial balance sheet as at 31 December 2017 and 31 December 2016 are shown below.

Actuarial balance sheet

	31 Dec 2017 (Solvency)	31 Dec 2016 (Solvency)
Total assets per balance sheet	210 314 825	154 420 624
Total Liabilities	188 729 161	139 968 778
Actuarial value of liabilities	182 954 010	136 527 960
Current liabilities	5 775 151	3 440 818
Excess of Assets over Liabilities for financial	21 585 664	14 451 846
Adjustments for regulatory purposes*	14 237 416	10 822 023
Excess of Assets over Liabilities for statutory	35 823 080	25 273 869
Capital requirement	21 840 629	20 173 128
Capital cover	1.64	1.25

*Adjustment for inadmissible assets and for discretionary liabilities treated as excess assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.3 Capital Risk Management (Continued)

42.3.2 Capital Risk Management - Banking

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 Bank'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 have been no material changes in the Bank's management of capital during the year.

The Bank's regulatory capital position as at 31 December 2017 was as follows:-

Capital Adequacy Requirement

The Group'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 2017, the Bank's available capital was 10.79% for tier 1 (2016 Restated: (8.65%)) and 18.37% (2016 Restated: (8.65%)) for tier 2 of all its risk bearing assets and contingent liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.3 Capital Risk Management (Continued)

42.3.2 Capital Risk Management - Banking (Continued)

	2017 K'000	2016 K'000
Capital management		
Paid up share capital	1 455 287	363 822
Share premium	12 104 187	2 323 895
Retained earnings prior periods	(3 967 102)	2 745 687
Loss for the year (100%)	(1 092 307)	(8 396 325)
Core capital (Tier 1 Capital)	8 500 065	(2 962 921)
Loan loss reserve	4 032 208	5 181 208
Revaluation reserves	17 481	552 017
Total capital (Tier 2 Capital)	12 549 754	2 770304

k) 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 2017, the Bank's liquidity Ratio 1 was 93% (2016 – 42%)

-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 2017, the Bank's Liquidity Ratio 2 was 93% (2016 – 38%).

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 15.5% of the preceding month's average total deposit liabilities. The Bank complied with this directive throughout the year 2017.

42.3.3 Capital management – Short-term Insurance

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.3 Capital Risk Management (Continued)

42.3.3 Capital management – Short-term Insurance (Continued)

- To comply with the statutory capital requirements required by regulators of the insurance market where the Group operates
- To provide adequate return for 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.
- 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.

The position for the Short term insurance businesses at the reporting date were the following:

(a) NICO General Insurance Company Limited

Solvency Margin and minimum capital

In August 2017, the Reserve Bank of Malawi issued a new Directive on Minimum Capital and Solvency which prescribes a minimum capital of K750 million an increase from the old amount of K50million. The Directive introduced a transition period of 2 years for general insurance companies to comply in full as follows; K400 million by 31 December 2017 and K750 million by 31 December 2018.

The regulator also prescribes 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.

	2017 K'000	2016 K'000
Solvency Margin		
Solvency margin	3 862 212	3 786 381
Net premium	9 536 325	7 949 777
Solvency margin (%)	40.5	47.6
Minimum requirement by regulator (Reserve Bank of Malawi) (%)	20	20

Had the new directive been effective in 2016, the solvency margin as at 31 December 2016 would have been 40.7%, on the new directive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.3 Capital Risk Management (Continued)

42.3.3 Capital management – Short-term Insurance (Continued)

Minimum capital	2017 K'000	2016 K'000
Paid up capital		
Share capital	8 000	8 000
Share premium	112 000	112 000
Total paid up capital	120 000	120 000
Minimum requirement by regulator (Reserve Bank of Malawi):		
As at 31 December	400 000	50 000
As at 31 December 2018	750 000	

The company did not meet the minimum capital as at 31 December 2017. The Directors plan to increase the paid up capital to meet the minimum capital requirement through issue of bonus shares to existing shareholders. The process is expected to be completed by end of the first quarter for financial year 2018.

(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.

	2017 K'000	2016 K'000
Total shareholder funds	31 054	21 368
Minimum required share capital	10 000	10 000
Company issued share capital	14 201	10 201
Excess	14 201	201
Excess as % of minimum capital	42.0%	113.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.3 Capital Risk Management (Continued)

The Group is compliant with the externally imposed capital requirement in accordance with Section 41 of the Insurance Act of Zambia, which is currently K10 million.

Solvency Margin

The Company did not meet the minimum solvency margins as required by Section 36(2) of the Insurance Act, 1997 (as amended). The Company recorded a solvency margin of 6%.

42.4 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 the Group's cash and cash equivalents, loans and advances to customers and banks, insurance receivables and investment securities. and investments in equity shares. The credit risk also extends to insurance premiums and investment securities.

42.4.1 Exposure of credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Gross maximum exposure to credit risk

	Note	2017 K'000	2016 K'000
Cash and cash equivalents	4	44 650 579	38 751 401
Government securities	16	130 693 425	90 231 048
Placements with other banks	6(b)	14 563 715	5 185 821
Loans and advance to customers	6(a)	18 079 654	18 632 166
Lease receivable	9	62 563	95 230
Other receivables*	8	22 469 554	19 370 987
Outstanding premiums	10	10 122 175	8 589 439
Investment in equity shares	17(a)	66 937 033	48 132 759
Investment in shares and income notes	17(b)	13 144 906	8 753 398
Loans and debentures	18	18 448 445	9 658 922
Total recognized financial assets		339 172 049	247 401 171
Letters of credit and guarantees		226 692	264 102
Total unrecognized financial assets		226 692	264 102
Total credit risk exposure		339 398 741	247 665 273

** excludes prepayment as per note 8*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.4 Credit Risk Management (Continued)

42.4.2 Cash and cash equivalents

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

42.4.3 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.

42.4.4 Placements with other banks

The Group invested in liquid short term assets. These do not pause a risk of default due to the the high credit rating of the counterparties. For 2017 and 2016 the placements were done by the Group's banking business with the Reserve Bank of Malawi.

(a) Management of credit risk for loans and advances

The Group's banking business Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit department, reporting to the Credit Committee, is responsible for oversight of the credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by Management Credit Committee, Head of Credit, the Credit Committee or the Board of Directors as appropriate;
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the same review process;
- Limiting concentrations of exposure to counterparties, geographical location and industries (for loans and advances), and by issuer and market liquidity;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken; and
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement the Group's credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business unit has a Credit Officer who reports on all credit related matters to management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Bank's Credit processes are undertaken by Internal Audit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.4 Credit Risk Management (Continued)

42.4.5 Loans and advances to customers

(b) Credit quality analysis of loans and advances

The Group's loans and advances are rated using internally established credit rating system. The table below indicates the credit quality of the Group's loans and advances using the credit rating system.

Loans and advances to customers

	2017 K'000	2016 K'000
Consolidated		**Restated**
Carrying amount	18 079 654	18 632 166
Individually impaired	9 420 710	26 226 247
Allowance for impairment	(4 414 107)	(13 260 262)
Prior year adjustment	-	(5 677 818)
Specific impairment	(4 280 446)	(18 938 080)
Collective impairment	(133 661)	-
Carrying amount	5 006 603	7 288 167
Individually impaired		
7 – 12 months	765 630	1 938 233
13 – 24 months	380 705	1 200 869
>24 months	8 274 375	23 087 145
Total	9 420 710	26 226 247
Allowance for impairment	(4 414 107)	(18 938 080)
Carrying amount	5 006 603	7 288 167
Past due not impaired	1 543 536	4 821 478
Carrying amount	1 543 536	4 821 478
Neither past due nor impaired		
Low risk	11 529 515	6 522 521
Total	11 529 515	6 522 521
Total carrying amounts	18 079 654	18 632 166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.4 Credit Risk Management (Continued)

42.4.5 Loans and advances to customers (Continued)

Impaired loans

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement.

Past due but not impaired loans

Loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to Group.

Furthermore, impairment may not be appropriate on the basis of past repayment history of the customer and current repayment arrangements and effort being put forward to pay.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Impairment policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when the Credit committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, and the proceeds from collateral will not be sufficient to pay back the entire exposure.

(c) Collateral held as security against loans and advances

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other banks except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against Money market investments, and no such collateral was held at the period end.

The Group does not use property and equipment that is held as collateral for loans for its operations. In case of default the collateral can be sold to recover the outstanding debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.4 Credit Risk Management (Continued)

42.4.5 Loans and advances to customers (Continued)

Estimated fair value of collateral and other security enhancement held against financial assets is shown below:

	Loans and advances to customers	
	2017 K'000	**2016 K'000**
Against individually impaired		
Property	3 438 411	21 149 897
Plant and equipment	778 675	823 077
Against past due but not impaired		
Property	2 313 841	6 084 057
Plant and equipment	783 462	702 733
Against neither past due nor impaired		
Property	4 447 339	5 942 600
Plant and equipment	248 869	830 276
Total collateral held	12 010 597	35 532 640

(d) Distribution of Credit Exposure by Sector

The Group monitors concentrations of credit risk by sector. Economic sector risk concentrations within the customer loan and finance lease portfolio at 31 December 2017 were as follows:

	Loans and advances to customers	
	2017 K'000	**2016 K'000 Restated**
Consolidated		
Carrying amount	18 079 654	18 632 166
Concentration by sector		
Agriculture, forestry, fishing and hunting	1 655 441	3 228 515
Mining and aquaring	393 469	414 823
Manufacturing	2 489 478	2 496 054
Electricity, gas, water and energy	81 084	42 241
Construction	1 420 049	1 458 930
Wholesale and retail trade	3 914 939	2 248 320
Restaurants and hotels	330 498	413 338
Transport, storage and communications	1 102 187	1 112 090
Financial services	1 960 128	2 884 556
Community, social and personal services	2 696 154	2 668 041
Real estate	173 747	318 364
Other sectors	1 862 480	1 346 894
Carrying amount	18 079 654	18 632 166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.4 Credit Risk Management (Continued)

42.4.6 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.

42.4.7 Insurance receivables

Management of credit risk

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.

Credit quality analysis for insurance receivables

	Note	Carrying amount K'000	Past due not impaired K'000	Neither past not impaired K'000	Total K'000
2017					
Outstanding premiums	10	10 122 175	6 303 787	3 818 388	10 122 175
2016					
Outstanding premiums	10	8 589 439	6 761 395	1 828 044	8 589 439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.4 Credit Risk Management (Continued)

42.4.8 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.

42.4.9 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 its obligations.

42.4.10 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.

42.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.5 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 period K'000	Total K'000	Carrying amount K'000
2017						
Assets						
Cash and cash equivalents	44 650 579	-	-	-	44 650 579	44 650 579
Government securities	-	2 843 801	103 787 830	24 621 379	131 253 010	130 693 425
Placements with other banks	14 966 029	-	-	-	14 966 029	14 563 715
Loans and advances to customers	12 216 626	136 415	1 138 418	8 868 641	22 360 100	18 079 654
Lease receivable	-	-	62 563	-	62 563	62 563
Other receivables	22 039 454	210 987	206 156	12 957	22 469 554	22 469 554
Outstanding Premiums	2 017 520	1 709 798	6 223 876	170 981	10 122 175	10 122 175
Investment in equity shares	-	-	66 107 034	829 999	66 937 033	66 937 033
Investments in shares and income notes	-	-	-	13 144 906	13 144 906	13 144 906
Loans and debentures	6 614	-	5 773 825	12 668 006	18 448 445	18 448 445
Total assets	95 896 822	4 901 001	183 299 702	60 316 869	344 414 394	339 172 049
Liabilities						
Trade and other payables	42 594 660	1 436 863	28 850	-	44 060 373	44 060 373
Deposits to customers	73 278 412	1 550 078	509 315	78 430	75 416 235	74 762 068
Insurance contract payables	1 259 117	3 086 398	14 616 790	638 983	19 601 288	19 601 288
Interest bearing loans and borrowings	-	5 866	6 693	3 903 558	3 916 117	3 916 117
long-term policyholders liabilities	-	-	-	162 329 622	162 329 622	162 329 622
Total liabilities	117 132 189	6 079 205	15 161 648	166 950 593	305 323 635	304 669 468
Net liquidity gap	**(21 235 367)**	**(1 178 204)**	**168 138 054**	**(106 633 724)**	**39 090 759**	
Cumulative liquidity gap	**(21 235 367)**	**(22 413 571)**	**145 724 483**	**39 090 759**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.5 Liquidity Risk Management (Continued)

	Up to 1 month K'000	1 – 3 month K'000	3 – 12 months K'000	Over 1 period K'000	Total K'000	Carrying amount K'000
2016						
Assets						
Cash and cash equivalents	38 751 401	-	-	-	38 751 401	38 751 401
Government securities	635 950	26 605 344	53 332 871	13 958 898	94 533 063	90 231 048
Placements with other banks	5 185 821	-	-	-	5 185 821	5 185 821
Loans and advances to customers	9 406 098	1 685 777	6 146 471	6 610 982	23 849 328	18 632 166
Lease receivable	-	-	95 230	-	95 230	95 230
Other receivables	14 732 631	790 602	15 186	3 832 568	19 370 987	19 370 987
Outstanding Premiums	1 163 426	1 168 029	6 257 984	-	8 589 439	8 589 439
Shares -	-	47 699 349	433 410	48 132 759	48 132 759	
Investments in shares and income notes	-	-	7 673 141	1 080 257	8 753 398	8 753 398
Loans and debentures	-	647 819	-	9 011 103	9 658 922	9 658 922
Total assets	69 875 327	30 897 571	121 220 232	34 927 218	256 920 348	247 401 171
Liabilities						
Trade and other payables	12 016 265	1 047 991	727 052	11 316 011	25 107 319	25 107 319
Deposits to customers	55 471 901	2 967 448	6 808 336	56 727	65 304 412	63 933 967
Insurance contract payables	584 834	1 928 052	15 863 481	-	18 376 367	18 376 367
Interest bearing loans and borrowings	-	4 257 790	15 514	218 761	4 492 065	3 837 154
long-term policyholders liabilities	-	-	-	120 275 946	120 275 946	120 275 946
Total liabilities	68 073 000	10 201 281	23 414 383	131 867 445	233 556 109	231 530 753
Net liquidity gap	**1 802 327**	**20 696 290**	**97 805 849**	**(96 940 227)**	**23 364 239**	
Cumulative liquidity gap	**1 802 327**	**22 498 617**	**120 304 466**	**23 364 239**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.6 Market and Currency Risk Management (Continued)

42.6 Market risk

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.

42.6.1 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.

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 minimized. 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 positions.

	USD	GBP	EURO	ZAR	TOTAL
Consolidated					
At 31 December 2017					
Assets					
Balances with correspondent banks	4 049 329	633 726	583 765	262 347	5 529 167
Cash balances	1 601 876	62 936	163 729	482 864	2 311 405
Loans and advances to customers	2 155 585	138	4 806	27	2 160 556
Other assets	13 853 879	-	83 886	-	13 937 765
Total assets	21 660 669	696 800	836 186	745 238	23 938 893
Liabilities					
Customer deposits	8 533 816	647 349	668 691	2 892	9 852 748
Other liabilities	20 127 888	-	-	-	20 127 888
Total liabilities	28 661 704	647 349	668 691	2 892	29 980 636
Net position	(7 001 035)	49 451	167 495	742 346	(6 041 743)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.6 Market Risk Management (Continued)

42.6.1 Currency risk (Continued)

Sensivity to projected profit on foreign exchange transactions

Movement in foreign currency rates	(1000bp)	(2000bp)	1000bp	2000bp
Change in income (K'000)	(604 174)	(1 208 349)	604 174	1 208 349
Change in equity (K'000)	(422 922)	(845 844)	422 922	845 844

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.

	USD	GBP	EURO	ZAR	TOTAL
At 31 December 2016					
Assets					
Balances with correspondent banks	9 613 679	436 260	562 923	92 190	10 705 052
Cash balances	1 307 825	8 678	19 974	56 340	1 392 817
Loans and advances to customers	1 701 764	101	4 061	-	1 705 926
Other assets	5 312 431	-	-	-	5 312 431
Total assets	17 935 699	445 039	586 958	148 530	19 116 226
Liabilities					
Customer deposits	6 960 441	387 124	561 955	33 392	7 942 912
Other liabilities	11 180 545	-	-	-	11 180 545
Total liabilities	18 140 986	387 124	561 955	33 392	19 123 457
Net position	**(205 287)**	**57 915**	**25 003**	**115 138**	**(7 231)**

Sensivity to projected profit on foreign exchange transactions

Movement in foreign currency rates	(1000bp)	(2000bp)	1000bp	2000bp
Change in income (K'000)	(723)	(1 446)	723	1 446
Change in equity (MK'000)	(506)	(1 012)	506	1 012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.6 Market Risk Management (Continued)

42.6.2 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 the Group had the following financial assets that are exposed to equity risk.

	2017 K'000	2016 K'000
Financial assets		
Blantyre Hotels plc	1 248 637	898 475
Standard Bank plc	28 470 387	23 336 383
Illovo Sugar plc	3 453 842	2 302 561
Press Corporation plc	1 557 601	1 401 841
Old Mutual plc	1 255 427	1 032 914
National Bank of Malawi plc	8 440 605	7 296 420
National Investment Trust plc	554 102	306 877
First Merchant Bank plc	925 983	206 968
TNM plc	9 505 488	3 772 019
Mpico plc	414 999	199 840
Airtel plc	31 631	29 726
NICO Holdings plc (held by Stansfield Pension Fund)	-	68 302
Total listed shares	55 858 702	40 852 326

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:

	2017 K'000	2016 K'000
Increase/decrease in equity	5 585 870	4 085 233
Increase/decrease in profit or loss	5 585 870	4 085 233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.6 Market Risk Management (Continued)

42.6.2 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.

42.6.3 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.6 Market Risk Management (Continued)

42.6.3 Interest rate risk Management (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 2017						
Financial assets						
Cash and cash equivalents	44 650 579	-	-	-	44 650 579	44 650 579
Short-term investments	866 089	11 205 436	88 411 595	-	100 483 120	100 483 120
Placements with other banks	14 563 715	-	-	-	14 563 715	14 563 715
Loans and advances to customers	12 216 626	136 415	5 726 613	-	18 079 654	18 079 654
lease receivable	-	-	62 563	-	62 563	62 563
Other receivables	-	-	-	25 065 020	25 065 020	25 065 020
Insurance receivables	-	-	-	25 633 915	25 633 915	25 633 915
Government securities	-	1 481 791	28 728 514	-	30 210 305	30 210 305
Investment in equity shares	-	-	-	66 937 033	66 937 033	66 937 033
Investments in shares and income notes	-	-	-	13 144 906	13 144 906	13 144 906
Loans and debentures	6 614	-	18 441 831	-	18 448 445	18 448 445
Total assets	72 303 623	12 823 642	141 371 116	130 780 874	357 279 255	357 279 255

	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
Financial liabilities						
Trade and other payables	-	-	-	44 060 373	44 060 373	44 060 373
Deposits and customer accounts	72 634 507	1 550 078	577 483	-	74 762 068	74 762 068
Insurance contracts payables	-	-	-	19 601 288	19 601 288	19 601 288
Interest bearing loans and borrowings	-	5 866	3 890 241	20 010	3 916 117	3 916 117
Long-term policyholders liabilities	-	-	-	182 954 010	182 954 010	182 954 010
Total financial liabilities	72 634 507	1 555 944	4 467 724	246 635 681	325 293 856	325 293 856
Interest sensitivity gap	(330 884)	11 267 698	136 903 392	(115 854 807)	31 985 399	31 985 399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.6 Market Risk Management (Continued)

42.6.3 Interest rate risk Management (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 2016						
Financial assets						
Cash and cash equivalents	38 751 401	-	-	-	38 751 401	38 751 401
Short-term investments	12 135 502	28 783 689	29 843 570	-	70 762 761	70 762 761
Placements with other banks	5 185 821	-	-	-	5 185 821	5 185 821
Loans and advances to customers	9 406 098	1 685 777	7 540 291	-	18 632 166	18 632 166
Lease receivable	-	-	95 230	-	95 230	95 230
Other receivables	-	-	-	19 491 916	19 491 916	19 491 916
Insurance receivables	-	-	-	24 636 866	24 636 866	24 636 866
Government securities	635 950	1 886 078	17 522 959	-	20 044 987	20 044 987
Investment in equity shares	-	-	-	48 132 759	48 132 759	48 132 759
Investments in shares and income notes	-	-	-	8 753 398	8 753 398	8 753 398
Loans and debentures	-	647 819	9 011 103	-	9 658 922	9 658 922
Total assets	66 114 772	33 003 363	64 013 153	101 014 939	264 146 227	264 146 227
Financial liabilities						
Trade and other payables	-	-	-	25 107 319	25 107 319	25 107 319
Deposits and customer accounts	55 471 901	2 967 448	5 494 618	-	63 933 967	63 933 967
Insurance contracts payables	-	-	-	18 376 367	18 376 367	18 376 367
Interest bearing loans and borrowings	-	3 604 202	154 844	78 108	3 837 154	3 837 154
Long-term policyholders Liabilities	-	-	-	136 527 959	136 527 959	136 527 959
Total financial liabilities	55 471 901	6 571 650	5 649 462	180 089 753	247 782 766	247 782 766
Interest sensitivity gap	10 642 871	26 431 713	58 363 691	(79 074 814)	16 363 461	16 363 461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.7 *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.7 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.

Consolidated

		Carrying amount			Fair value			
	Note	Designated at fair value K'000	Available for sale K'000	Total K'000	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
2017								
Deposit administration	42.8.9	142 168 386	-	142 168 386	-	-	142 168 386	142 168 386
Shares17	66 138 665	798 368	66 937 033	55 858 703		-11 078 330	66 937 033	
Investment in shares and income notes		13 144 906	-	13 144 906	-	-	13 144 906	13 141 906
Total		221 451 957	798 368	222 250 325	55 858 703	-	166 391 622	222 250 325
2016								
Deposit administration	42.8.9	104 936 692	-	104 936 692	-	-	104 936 692	104 936 692
Shares17	47 728 891	403 868	48 132 759	40 852 326		- 7 280 433	48 132 759	
Investment in shares and income notes		8 753 398	-	153 069 451	-	-	153 069 451	153 069 451
Total		161 418 981	403 868	306 138 902	40 852 326	-	265 286 576	306 138 902

Measurement of fair values

The following table shows the valuation techniques used in 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 17(a)	Refer to Note 17(a)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.7 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	Loans and receivables K'000	Amortised cost K'000	Total K'000
31 December 2017					
Cash and cash equivalents	4	-	44 650 579	-	44 650 579
Short-term investments	5	-	-	100 483 120	100 483 120
Placements with other banks	6(b)	-	14 563 715	-	14 563 715
Loans and advances to customers	6(a)	-	18 079 654	-	18 079 654
Lease receivables	9	-	62 563	-	62 563
Other receivables	8	-	25 065 020	-	25 065 020
Insurance receivables	10	-	25 633 915	-	25 633 915
Government securities	16	-	-	30 210 305	30 210 305
Investment in equity shares	17(a)	66 937 033	-	-	66 937 033
Investment in shares and Income notes	17(b)	13 144 906	-	-	13 144 906
Loans and debentures	18	-	-	18 448 445	18 448 445
Financial liabilities					
Trade and other payables	22	-	-	44 060 373	44 060 373
Deposits and customer accounts	23	-	-	74 762 068	74 762 068
Insurance contract payables	24	-	-	19 601 288	19 601 288
Interest bearing loans and borrowings	26	-	-	3 916 117	3 916 117
Long-term policyholders liabilities	42.9.9	142 168 386	-	20 161 236	162 329 622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.7 Accounting classifications and fair values (continued)

Financial instruments not measured at fair value (continued)

	Note	Fair value through profit or loss K'000	Loans and receivables K'000	Amortised cost K'000	Total K'000
31 December 2016					
Cash and cash equivalents	4	-	38 751 401	-	38 751 401
Short-term investments	5	-	-	70 762 761	70 762 761
Placements with other banks	6(b)	-	5 185 821	-	5 185 821
Loans and advances to customers	6(a)	-	18 632 166	-	18 632 166
Lease receivables	9	-	95 230	-	95 230
Other receivables	8	-	19 491 916	-	19 491 916
Insurance receivables	10	-	24 636 866	-	24 636 866
Government securities	16	-	-	20 044 987	20 044 987
Investment in equity shares	17(a)	48 132 759	-	-	48 132 759
Investment in shares and Income notes	17(b)	8 753 398	-	-	8 753 398
Loans and debentures	18	-	-	9 658 922	9 658 922
Financial liabilities					
Trade and other payables	22	-	-	25 107 319	25 107 319
Deposits and customer accounts	23	-	-	63 933 967	63 933 967
Insurance contract payables	24	-	-	18 376 367	18 376 367
Interest bearing loans and borrowings	26	-	-	3 837 154	3 837 154
Long-term policyholders liabilities	42.9.9	104 936 692	-	15 339 254	120 275 946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.8 Other Risk Management

42.8.1 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.

42.8.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.8 Other Risk Management (Continued)

42.8.2 Risk management objectives and mitigating insurance risk (Continued)

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.

42.8.3 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.

42.8.4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.8 Other Risk Management (Continued)

42.8.5 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.

42.8.6 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.

42.8.7 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.

42.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.9 Long term insurance risks (Continued)

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.

42.9.1 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.

42.9.2 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.

42.9.2 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.

42.9.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.9 Long term insurance risks (Continued)

42.9.3 Long-term insurance contracts – Immediate annuities (Continued)

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.

42.9.4 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.

42.9.5 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.

42.9.6 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.9 Long term insurance risks (Continued)

42.9.7 Major assumptions

General Investment Return Estimated at 210% net of tax.

Other

	Individual Life	Annuities	Credit Life
Mortality	100% of SA85-90 Heavy	a (55)	N/A
AIDS	100% HA2M/HA2F	N/A	N/A
Expenses/policy	-Maintenance 14038 -Acquisition 16115	14038 per policy per annum	N/A
IBNR	N/A	N/A	Retrospective reserve 2 months premium.

Sensitivity Analysis

The Group is sensitive to the following factors:

Mortality

- Mortality experience on risk business increased by a margin of 7.5%.
- 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, 2017. The Group business maintenance expense margin was in the December 2017 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.

Claims build-up

The Group does not maintain claims outstanding for a period of over 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.9 Long term insurance risks (Continued)

42.9.9 Long term policyholders' funds and technical reserves

See accounting policy note 4(c)

The policyholders' funds have been valued as at 31 December 2017 by an independent consulting actuary 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 business which constitutes a small portion of business, carries an Unearned Premium Reserve (UPR) of K229 million (2016: K185 million) and Incurred But Not Reported (IBNR) of K471 million (2016: K805 million). 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.

Valuation of net assets has been taken as presented in the statement of financial position i.e. K210 billion, (2016: K154 billion restated to K124 billion due to change in accounting policy).

a) The position of the fund as at 31 December 2017, (after allocation of surplus) is as follows:

	2017 K'000	2016 K'000
Long term policy holders liabilities		
Insurance contracts	20 161 236	15 339 254
Investment contracts	142 168 386	104 936 692
Technical reserves	20 624 388	16 252 013
Total long term policy holders' liabilities	182 954 010	136 527 959
i) Insurance contracts		
Individual life	13 068 162	9 675 713
Group life	701 403	989 367
Annuities	6 391 671	4 674 174
Total	20 161 236	15 339 254
ii) Investment contracts		
Deposits administration	142 168 386	104 936 692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.9 Long term insurance risks (Continued)

42.9.9 Long term policyholders' funds and technical reserves (Continued)

iii) Technical reserves

Additional reserves were held as follows:

- Investment reserves calculated as 10% of the actuarial liability (excluding deposit administration liability and additional reserves);
- Resilience reserves were calculated as 85% of valuation interest and ignoring any possible management action in terms of reducing bonuses; and
- Annuity mismatch reserve has been created to cushion future hard times where returns may fall below required levels to meet the liabilities.

	2017 K'000	2016 K'000
Annuity mismatch	2 830 725	2 017 685
Data reserves	65 340	48 378
Investment reserves	2 016 124	1 522 093
Resilience reserves	-	452 423
Unallocated reserves	15 712 199	12 211 434
	20 624 388	16 252 013

b)(i) Movements during the year		
At the beginning of the year	120 275 946	96 081 821
Transfer to long-term policyholders' funds from profit or loss	46 426 051	28 018 925
Transfer from technical reserves	(4 372 375)	(3 824 800)
At the end of the year	162 329 622	120 275 946

The contributions and related investment income are transferred to the policyholders' account by debiting profit or loss and crediting the reserve.

	2017 K'000	2016 K'000
ii) Technical reserves		
At the beginning of the year	16 252 013	10 420 650
Change in accounting policy	-	2 006 563
Transfer to long term policyholders' funds from reserves	4 372 375	3 824 800
At the end of the year	20 624 388	16 252 013

A final posting of transfer to reserves is carried out upon considering actual liability determined by the company and as assessed by the actuary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

42.9 Long term insurance risks (Continued)

42.9.9 Long term policyholders' funds and technical reserves (Continued)

c) The policyholders' fund has disclosed a surplus of K124.528 billion (2016: K89.427 billion) arising as follows:

	2017 K'000	2016 K'000
Unallocated surplus brought forward	89 427 222	66 354 844
Surplus arising over the year:		
Individual Life	1 836 362	625 757
Group Life	2 518 009	2 298 195
Deposit administration	26 520 383	18 763 598
Annuity business	1 453 659	405 840
Shareholders' assets	2 773 083	978 988
Surplus before allocations	124 528 718	89 427 222

d) The major risks, the management of the risks and the major assumptions made in relation to the long-term policyholders funds are detailed above

43. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

43. Operating segments (Continued)

Reportable segments

The Group comprises the following main reportable segments:

- Life Insurance and Pension business
- General Insurance business
- Banking business
- Investment Holding
- Asset Management
- Information Technology

General Insurance segment operate in Malawi, Zambia, Tanzania, 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.

43. Operating segments (Continued)

	Life Insurance and Pension business		General Insurance business		Banking business		Investment Holding		Asset Management		Technology business		Information Eliminated on consolidation		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Gross revenue	78 855 365	54 505 249	35 488 300	31 395 264	17 411 951	18 493 059	4 135 048	3 801 032	5 096 361	3 650 403	254 560	470 200	(7 114 207)	(8 920 417)	134 127 378	103 394 790
Profit before tax	13 868 999	8 427 711	3 383 115	3 271 113	(1 415 040)	(10 663 688)	2 163 557	2 179 184	853 139	471 573	10 254	81 557	(2 384 400)	(2 372 316)	16 479 624	1 395 134
Profit after tax	9 377 576	5 256 016	2 560 027	2 094 902	(1 092 307)	(8 396 325)	2 052 735	1 667 218	598 615	307 983	11 033	38 484	(2 384 400)	(2 372 316)	11 123 279	(1 404 038)
Other information																
Segment assets	210 455 244	154 400 341	40 965 532	36 880 805	113 008 327	82 766 868	12 511 838	7 074 884	19 389 691	12 236 043	212 457	174 096	(10 623 252	(3 285 251)	385 919 837	290 247 786
Segment liabilities	188 837 340	139 948 496	32 097 230	29 793 945	100 487 964	80 025 955	4 533 295	787 727	18 622 260	11 692 226	113 226	85 898	(2 508 229)	(1 388 766)	342 183 086	260 945 481
Capital expenditure	177 596	114 847	861 506	670 137	1 099 054	917 860	190 415	131 144	34 387	74 212	4 734	6 071	-	-	2 367 692	1 914 271
Segment cash flows																
From/(to) operating activities	9 233 821	9 684 505	1 317 327	204 022	20 381 550	457 442	(1 196 061)	(625 666)	(2 739 377)	(2 048 224)	25 707	(115 220)	(1 926 180)	-	25 096 787	7 556 859
(To)/from investing activities	(1 804 747)	(8 979 392)	564 879	(1 676 051)	(26 921 765)	(2 730 023)	27 891	195 818	3 309 174	2 354 097	19 564	32 340	3 662 111	(2 372 316)	(21 142 893)	(13 175 527)
(To)/from financing activities	(2 540 000)	(3 246 699)	(1 110 470)	(955 973)	7 271 757	965 946	2 409 195	(816 782)	(375 000)	(181 000)	-	-	(3 662 111)	2 372 316	1 993 371	(1 862 192)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

43. Operating segments (Continued)

Geographical segments

	Malawi		Zambia		Eliminated on consolidation		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Gross revenue	123 112 685	95 770 378	18 128 900	16 544 829	(7 114 207)	(8 920 417)	134 127 378	103 394 790
Profit before tax	18 481 631	3 298 059	382 393	469 391	(2 384 400)	(2 372 316)	16 479 624	1 395 134
Profit after tax	13 128 618	737 565	379 060	230 713	(2 383 400)	(2 372 316)	11 123 278	1 404 038
Other information								
Segment assets	374 259 526	274 759 529	22 283 563	18 773 508	(10 623 252)	(3 285 251)	385 919 837	290 247 786
Segment liabilities	324 610 782	241 996 322	20 080 533	20 337 925	(2 508 229)	(1 388 766)	342 183 086	260 945 481
Capital expenditure	1 652 989	1 390 432	714 703	523 839	-	-	2 367 692	1 914 271
Segment cash flows								
Cash flows from/(to) operating activities	26 042 186	7 217 590	980 781	339 269	(1 926 180)	-	25 096 787	7 556 859
Cash flows (to)/from Investing Activities	(23 214 503)	(10 418 330)	(1 680 501)	(384 881)	3 662 111	(2 372 316)	(21 142 893)	(13 175 527)
Cash flows (to)/from financing activities	5 365 952	(3 687 314)	289 529	(547 194)	(3 662 111)	2 372 316	1 993 371	(1 862 192)

The Group did not earn revenues from a single customer that was ten percent or more of Group's total revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
44.	**Employee benefits liabilities**		
	Expense recognised in the profit or loss		
	Pension costs	1 027 111	741 085

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

45. Related parties

The Group has a related party relationship with its Directors, Executive officers, subsidiaries, associates and Sanlam Emerging Markets Proprietary Limited (SEM).

Banking business

Transactions with key management personnel

Directors, Management and their immediate relatives have transacted with the Bank during the year as follows:

	Directors and their related parties 2017 K'000	Employees 2017 K'000	Directors and their related parties 2016 K'000	Employees 2016 K'000
Advances	-	990 812	96 976	654 070
Deposits	25 522	-	40 113	-
Net balances	25 522	990 812	137 089	654 070

Advances to Directors and parties related thereto are conducted at arm's length and deemed to be adequately secured. Advances to staff comprise K113 million (2016: K87 million) interest free loans and K887 million (2016: K567 million) at an interest rate of 9% the remaining balance carries interest at commercial rates.

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. Consequently, an allowance for impairment losses of K262 million (2016: K276 million) has been made against low interest advances to related employees. No other impairment losses have been recorded against loans to related parties.

All loans and advances to related parties are secured. The Bank guarantees repayment of mortgage loans to NICO Life Insurance Company for its staff. Staff mortgages and all mortgage securities are registered in the Bank's favour. At 31 December 2017 guaranteed staff mortgages were K1,065 million (December 2016: K1,262 million).

Executive Directors own shares in the Company through Millennium Holdings Limited and Millennium Investment Limited. The shareholders comprise executive Directors, ESOS and past and present senior managers of the Company. Millennium Holdings Limited and Millennium Investment Limited hold 11.6 million shares (2016: 11.6 million shares) and 60.7 million shares (2016: 60.7 million shares) out of 1.04 billion shares in NICO Holdings plc, representing 1.11% and 5.83% shareholding respectively in the Company.

Executive Directors also participate in the Company's share option programme (refer note 44). As at 31 December 2016, the total number of shares of the Company owned by Executive Directors was Nil (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

45. Related parties (Continued)

Insurance business

Key management personnel of the Insurance business have transacted with the business units during the year as follows:

	Directors and Their related parties 2017 K'000	Directors and their related parties 2016 K'000
Insurance premium	11 954	16 425

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 2017 there were no balances owing from Directors and Employees.

Key management personnel compensation:

Key management personnel compensation comprised the following:-

	Executive management		Non-executive Directors	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Short term employee benefits	198 222	145 353	-	-
Directors' fees		-	125 853	99 365
Retirement expenses	-	(57 764)	-	-
	198 222	87 589	125 853	99 365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

45. Related parties (Continued)

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

Related Party	Relationship	Type of transaction	Value of transactions 2017	Balance at year end 2017	Value of transactions 2016	Balance at year end 2016
Sanlam Emerging Markets (SEM)	Related company	Accrued income	-	-	(197 861)	-
		Actuarial fees	(77 297)	(19 479)	(73 225)	(23 286)
		Shared expenses	(6 088)	(3 807)	(16 934)	(12.966)
Sanlam General Insurance Uganda	Associate	Shared expenses	-	2 398	-	2 372
Sanlam General Insurance Tanzania	Associate	Shared expenses		(14 741)		(16 475)
Sanlam Mocambique Vida		Shared expenses	-	10 823	-	10 672
Companhia de Seguros, SAAssociate		Directors fees	2 528		1 664	

45. Related parties (Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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:

Principal Activity	Place of Incorporation	Number of Wholly owned subsidiaries	
		2017	2016
Asset Management	Malawi	1	1
Information Technology	Malawi	1	1
Property Holding	Malawi	1	1
		3	3

Principal Activity	Place of Incorporation	Number of Wholly owned subsidiaries	
		2017	2016
Short Term Insurance	Malawi	1	1
Short Term Insurance	Zambia	1	1
Long Term insurance	Malawi	1	1
Banking	Malawi	1	1
		4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

45. Related parties (Continued)

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

Investment in subsidiary companies (at cost)

	Country of Incorporation	2017 Shareholding %	2017 Amount K'000	2017 Dividends received K'000	2016 Shareholding %	2016 Amount K'000	2016 Dividends received K'000
NICO General Insurance Company Limited	Malawi	51	61 200	714 000	51	61 200	535 500
NICO Life Insurance Company Limited	Malawi	51	74 588	1 295 400	51	74 588	1 655 816
NICO Insurance (Zambia) Limited	Zambia	51	595 099		51	433 665	
NICO Technologies Limited	Malawi	100	75 365		100	75 365	-
NICO Asset Managers Limited	Malawi	100	31 081	375 000	100	31 081	181 000
Group fabricators and Manufacturers	Malawi	100	58 500		100	58 500	-
NBS Bank plc	Malawi	50.1	6 590 332	-	50.1	685 132	-
			7 486 165	2 384 400	1 419 531		2 372 316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

45. Related parties (Continued)

NICO Holdings plc has management control of SFG Holdings Limited with majority Directors on the board holding a majority of the voting rights.

	As at 1 January K'000	Additions K'000	As at 31 December K'000
2017			
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 433 665	161 434	595 099	
NICO Technologies Limited	75 365		73 365
NICO Asset Managers Limited	31 081		31 081
Group Fabricators and Manufacturers Limited	58 500		58 500
NBS Bank plc	685 132	5 905 200	6 590 332
	1 419 531	6 066 634	7 486 165

The addition relates to capitalization of NBS Bank plc of MK5.9 billion following a rights issue in June 2017 and additional capital injection in NICO Insurance Zambia Limited of MK161 million.

The Directors have performed an impairment assessment of the investments in subsidiaries as at 31 December 2017. As a result, no impairment has been recognised, (2016: K67 million) was recognised on the investment in NICO Technologies Limited.

	As at 1 January K'000	Additions K'000	Impairment loss/gain K'000	As at 31 December K'000
2016				
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 350 209	83 456	-	433 665	
NICO Technologies Limited	142 030	-	(66 665)	75 365
NICO Asset Managers Limited	31 081	-	-	31 081
Group Fabricators and Manufacturers Limited	58 500	-	-	58 500
NBS Bank plc	685 132	-	-	685 132
	1 402 740	83 456	(66 665)	1 419 531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017	2016
		K'000	K'000
45.	**Related parties (Continued)**		
	Amounts due from subsidiary and associate companies		
	NICO Insurance Zambia Limited	190 015	210 839
	NBS Bank plc	-	12 445
	NICO Technologies Limited	-	9 943
	Sanlam General Insurance Uganda Limited	2 398	2 372
	Sanlam Mocambique Vida Companhia de Seguros SA	10 822	13 382
		203 235	248 981
	Amounts due to subsidiary and associate companies		
	Sanlam General Insurance Tanzania Limited	14 761	16 475
		14 761	16 475

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 expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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

46. Contingent liabilities and commitments

(a) Capital commitments

As at 31 December 2017, there were no contracted but not yet incurred capital commitments. The authorised but not yet contracted for commitments as at 31 December 2017 were K3.4 billion (2016: K3.2 billion).These commitments are to be funded from internal resources.

(b) Contingent liabilities

The Group is a defendant to several cases which are outstanding in the courts of Malawi. While liability is not admitted, if the defence against the actions is unsuccessful, then the Group would pay the claims estimated at K5 billion (2016: K4.5 billion). The outcome of these cases are subject of the determination by the courts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

47. Exchange and inflation rates

		2017	2016
United States Dollar (USD) to Malawian Kwacha (MWK)		734.8	724.1
United States Dollar (USD) to Zambian Kwacha (ZMW)		10.0	9.9
United States Dollar (USD) to Ugandan Shilling (USH)		3 637.0	3 620.0
United States Dollar (USD) to Tanzanian (TSH)		2 244.0	2 185.0
United States Dollar (USD) to Mozambique Metical (MT)		58.7	71.4
South Africa Rand (ZAR) to Malawian Kwacha (MK)	59.6	54.1	
British Pound (GBP) to Malawian Kwacha (MK)		989.5	902.4
Inflation rates as at 31 December (%)		7.7%	20%

As at 26 April 2018, the above noted exchange rates and inflation had moved as follows:

United States Dollar (USD) to Malawian Kwacha (MWK)	734.8
United States Dollar (USD) to Zambian Kwacha (ZMW)	9.7
United States Dollar (USD) to Ugandan Shilling (USH)	3 708.0
United States Dollar (USD) to Tanzanian (TSH)	2 288.0
United States Dollar (USD) to Mozambique Metical (MT)	60.1
South Africa Rand (ZAR) to Malawian Kwacha (MK)	59.4
British Pound (GBP) to Malawian Kwacha (MK)	1 024.8
Inflation – April 2018	9.9%

48. Subsequent events

On the 7th April 2018, NICO Holdings plc acquired a further 4.25% shareholding in NBS Bank plc from International Finance Corporation (IFC).

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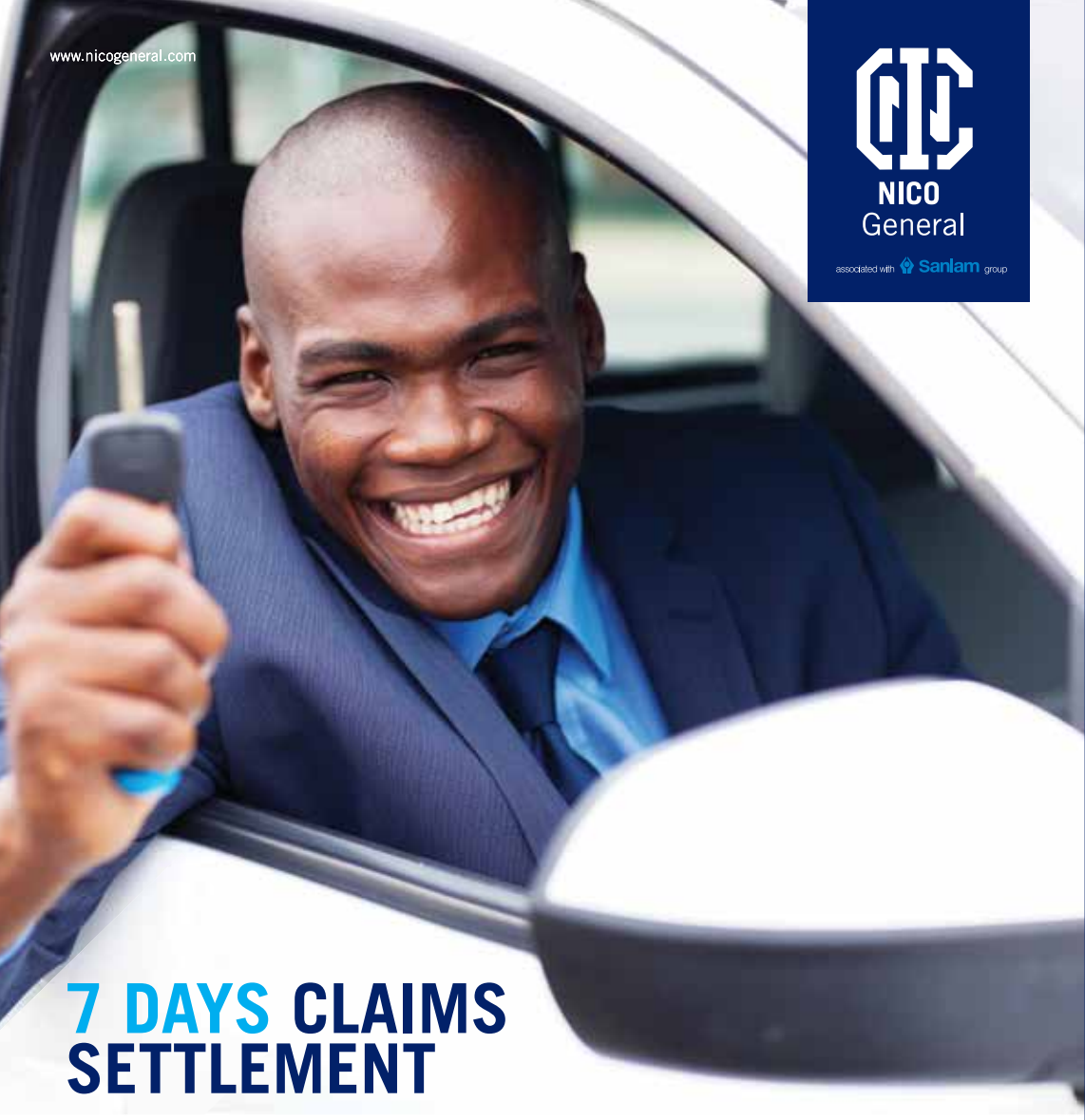

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NICO Holdings plc

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2017

DIRECTORS' REPORT

For the year ended 31 December 2017

The Directors have pleasure in presenting their report and the separate financial statements of NICO Holdings plc for the year ended 31 December 2017.

NATURE OF BUSINESS

The major activity of the company is investment in subsidiary and associate companies and management of these subsidiary companies. NICO Holdings plc's shareholding structure in Subsidiary and Associate 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
SFG Holdings (Zimbabwe) Limited	49.00	Short term insurance (Dormant)
NICO Life Insurance Company Limited	51.00	Life insurance and pension administration
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 Company	**% Holding**	**Type of business**
Sanlam General Insurance Uganda Limited	5.82	Short term insurance
Sanlam General Insurance Tanzania Limited	20.00	Short term insurance
Sanlam Mocambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration

REGISTERED OFFICE

The physical address of the Company'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 Company are set out in the accompanying statement of financial position, profit or loss and other comprehensive income, changes in equity, cash flows for the year then ended and associated accounting policies and notes.

CORPORATE GOVERNANCE

The company embraces best practices in corporate governance as enshrined under the Companies Act, 2013, The Malawi Code II, Malawi Stock Exchange Listing Requirements, Banking Act, Reserve Bank of Malawi Corporate Governance Directives and other applicable financial services laws. The Directors are pleased to confirm that the Group complied with all the requirements set out in the aforementioned instruments.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

CORPORATE GOVERNANCE (CONTINUED)

The Board and subcommittees have a written charter and terms of references respectively which include all the material points as required under the corporate governance instruments. All the subcommittees are chaired by non-executive Directors and the company secretary provides to the Board as a whole, the subcommittees and to the Directors individually with detailed guidance as to how their responsibilities are properly discharged in the best interest of the company and in compliance with laws, internal rules and corporate governance guidelines.

PROFIT

The profit for the year attributable to equity shareholders of the Company of K2.2 billion (2016: K1.9 billion) has been added to retained earnings.

DIVIDENDS

A dividend of K938.7million (2016: K625.8 million) representing K0.90 per ordinary share (2016: K0.60 per ordinary share) was paid during the year. The Directors recommend a final dividend for the year ended 31 December 2017 of K1.043 billion (2016: Nil)

STAFFING

Staff complement for the Company stands at 17 as at 31 December 2017, (2016: 18). Human resource remains a major and key factor to the success of the Company. NICO Holdings plc remains committed to professionalism by developing staff to their full potential. The Company has maintained staff development programmes through training both locally and internationally.

BOARD OF DIRECTORS AND SECRETARY

The following served as Directors and secretary of the Company during the year:

Mr Gaffar Hassam	-	Interim Chairman – Non –executive Director (from 1 September 2017)
Mr. Alaudin Osman	-	Chairman – Independent and Non-executive (up to 1 September 2017)
Mr. Harold Bijoux	-	Non-executive Director (Up to 1st September 2017, then from 29th November 2017)
Mr. Robert Scharar	-	Non-executive Director
Ms Catherine Lesetedi	-	Non –executive Director
Mr. Patrick Chilambe	-	Independent and Non-executive Director (from 29 November 2017)
Mr. Sangwani Hara	-	Independent and Non-executive Director
Mr. Robert Mdeza	-	Independent and Non-executive Director (from 27 September 2017)
Mr. Vizenge Kumwenda	-	Executive and Managing Director
Ms. Emily Makuta	-	Company Secretary

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

BOARD OF DIRECTORS AND SECRETARY (CONTINUED)

During the year, the following changes took place in the composition of the Board of Directors of the Company:

Mr. Alaudin Osman retired and resigned as Chairman of the Board of Directors of the Company effective 1 September 2017, after serving on the Board for 10 years (3 years and eleven months of which he served as Chairman of the Board). The Board places on record its appreciation for the contributions made during his tenure as Chairman of the Board and Director. Following his retirement, Mr. Gaffar Hassam was appointed as Interim Chairman of the Board of Directors of the Company effective 1 September 2017;

Mr. Harold Bijoux ceased to be a non-executive director at the conclusion of the Annual General Meeting of the Group held on 1 September 2017 by virtue of section 169(4) of the Companies Act 2013 that states that an office of a director should fall vacant at the conclusion of the annual general meeting commencing next after the director attains the age of seventy years. Shareholders subsequently, on 29 November 2017 re-appointed Mr. Bijoux as director of the Company under Section 169(6)(a) of the Companies Act 2013;

Mr. Robert Mdeza was appointed as an independent non-executive Director of the Board of Directors of the Company effective 27 September 2017. The appointment was duly approved by the Registrar of Financial Institutions.

Mr. Patrick Chilambe was appointed as an independent non-executive Director of the Board of Directors of the Company effective 29 November 2017. The appointment was duly approved by the Registrar of Financial Institutions; and

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

	2017	2016
	%	%
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

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

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

Member	17-Mar-17	02-Jun-17	01-Sep-17	01-Dec-17
Mr. Alaudin Osman (Chairman)	√	A	√	N
Mr. Gaffar Hassam (Interim Chairman)	√	√	√	√
Mr. Harold Bijoux	√	√	√	√
Mr. Patrick Chilambe	N	N	N	A
Mr. Sangwani Hara	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√
Ms. Catherine Lesetedi	√	A	A	A
Mr. Robert Mdeza	N	N	N	√
Mr. Robert Scharar	√	√	√	√

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.

FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee is responsible for reviewing annual reports and Separate financial statements. This committee also monitors the adequacy of accounting and internal control systems. Both external and internal auditors report to the Board of Directors through the Finance and Audit Committee. The committee consists of four non-executive Directors. The Managing Director, internal and external auditors attend by invitation. The committee meets at least four times in a year. The members of the Finance and Audit Committee were as follows:-

Mr. Gaffar Hassam	(Chairman)
Mr. Harold Bijoux	(Member)
Mr. Sangwani Hara	(Member)
Ms. Catherine Lesetedi	(Member)
Mr. Robert Mdeza	(Member) from 30 November 2017

The committee met four times during the year.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

FINANCE AND AUDIT COMMITTEE (CONTINUED)

Finance and Audit Committee- Meeting Attendance

Member	16-Mar-17	01- Jun-17	27-Aug-17	30-Nov-17	
Mr. Gaffar Hassam	√	√	√	√	
Mr. Harold Bijoux	√	√	√	√	
Mr. Sangwani Hara	√	√	√	√	
Ms. Catherine Lesetedi	√	A	√	A	
Mr. Robert Mdeza	N	N	N	√	

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

GROUP APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee was in 2017 reconstituted as a Group Board Committee. It is an independent Board Committee for issues 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 three non-executive Directors and the Managing Director. The committee meets at least four times in a year. The members of the Group Appointments and Remuneration Committee are:

Mr. Robert Scharar (Chairman)
Ms. Doreen Chanje* (Member) from 1 September 2017
Mr. Sangwani Hara (Member) up to 28 August 2017
Mr. Gaffar Hassam (Member)
Ms. Candida Nakhumwa* (Member) from 1st September 2017
Mr Vizenge Kumwenda (Member)

The committee met four times during the year.

Group Appointments and Remuneration Committee - Meeting Attendance

Member	13-Mar-17	29-May-17	28-Aug-17	15-Dec-17	
Mr. Robert Scharar	√	√	√	√	
Ms. Doreen Chanje	N	N	N	√	
Mr. Sangwani Hara	√	√	√	N	
Mr. Gaffar Hassam	√	√	√	√	
Ms. Candida Nakhumwa	N	N	N	√	
Mr. Vizenge Kumwenda	√	√	√	√	

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

* Ms. Doreen Chanje is a NICO General Director representing the Company's interest on the Group Appointments and Remuneration Committee and Ms. Candida Nakhumwa is a NICO Life Director representing the Company's interest on the Group Appointments and Remuneration Committee.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

GROUP INVESTMENTS COMMITTEE

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

Mr. Robert Scharar	(Chairman)
Mr. Harold Bijoux*	(Member)
Mr. Sangwani Hara	(Member)
Mr. Gaffar Hassam	(Member)
Mr. Ryan Scharar*	(Member) from November 2017

The committee met three times during the year:

Group Investments Committee- Meeting Attendance

Member	29-May-17	28-Aug-17	27-Nov-17	
Mr. Robert Scharar		√	√	√
Mr. Harold Bijoux		√	√	√
Mr. Sangwani Hara		√	√	√
Mr. Gaffar Hassam		√	√	√
Mr. Ryan Scharar		N	N	√

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

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

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 Managing Director attends by invitation. The composition of the committee is as follows;

Mr. Robert Scharar	(Chairman)
Mr. Harold Bijoux	(Member) up to 29 August 2017
Mr. Jonathan Kara*	(Member) from 29 November 2017
Ms. Catherine Lesetedi*	(Member)
Mr. Lucius Mandala*	(Member)
Mr. Robert Mdeza	(Member) from 29 November 2017

The committee met four times during the year.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

GROUP RISK COMMITTEE (CONTINUED)

Group Risk Committee- Meeting Attendance

Member	14-Mar-17	30-May-17	29-Aug-17	29-Nov-17	
Mr. Robert Scharar		√	√	√	√
Mr. Harold Bijoux		√	√	√	N
Mr. Jonathan Kara		N	N	N	√
Ms. Catherine Lesetedi		N	N	√	A
Mr. Lucius Mandala		A	√	√	√
Mr. Robert Mdeza		N	N	N	√

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

* Mr. Jonathan Kara is a NICO General Director representing the Company's interest and Ms. Catherine Letegele is a NICO Life Director representing the Company's interest and Lucius Mandala is a 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 company discloses it in its annual report as it has been done.

DIRECTOR'S INTEREST

Mr. Sangwani Hara directly held 5 019 435 shares (2016: 19 435 shares) in the Company. Mr. Sangwani Hara indirectly holds 12 000 000 shares through Millennium Investments Limited (2016: 12 000 000). Mr. Vizenge Kumwenda indirectly held 41 871 149 shares (2016: 32 873 165) in the Company through WOP VJ Trust whose beneficiaries are his family members. Mr. Vizenge Kumwenda also holds 5 066 880 shares (2016: 5 066 880 shares) through Millennium Holdings Limited and 9 449 644 shares (2016: 9 449 644 shares) in Millennium Investments Limited.

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.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2017

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. Mr. Vizenge Kumwenda declared his interest in CDH Investment Bank Limited, a bank that was engaged as advisors on the NBS Bank plc rights issue. He has a 22% shareholding in Investments Alliance Limited which had a 12.5% shareholding in CDH Investment Bank.
4. Mr. Sangwani Hara declared interest in CDH Holdings Limited, as a result of having a significant shareholding in Kesaart Capital Limited a company that has a 7% shareholding in CDH Investment Bank.
5. Standing notices of Disclosure for Ms. Catherine Lesetedi for BIHL executive position (which has shareholding in Sanlam) and for the Directorship of NICO Life and NICO Pensions.
6. Standing Notices of Disclosure for Mr. Gaffar Hassam for executive position in Sanlam and Directorship in NBS Bank plc.

DIRECTOR'S REMUNERATION

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

		2017	2016
Directors' remuneration	- Executive (note 24)	(198 222)	(145 353)
	- Non executive (note 24)	(27 052)	(22 043)

CONTRACT WITH THE GROUP MANAGING DIRECTOR

The Group Managing Director is engaged on 5 year term contract expiring on 12th December 2021. Three months' notice is required for termination and there is no predetermined compensation on termination.

DONATIONS

Donations made during the year amounted to K2.4 million (2016: K4.6 million).

EXTERNAL AUDITORS

A resolution is to be proposed at the fourth coming Annual General Meeting to re-appoint Deloitte as auditors in respect of the year ending 31 December 2018.

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DIRECTOR DIRECTOR

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2017

The Directors are responsible for the preparation and fair presentation of the separate financial statements of NICO Holdings plc, comprising the statement of financial position as at 31 December 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the separate financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi. In addition, the Directors are responsible for preparing the Directors' report.

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

In preparing the 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 separate financial statements, subject to any material departures being disclosed and explained in the separate financial statements; and
- Preparation of separate financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for such internal controls as the Directors determine is necessary to enable the preparation of 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 Company's ability to continue as going concerns and have no reason to believe that the business will not be a going concern in the year ahead.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its operations.

……..... …….....

DIRECTOR DIRECTOR

24th April 2018

PO Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registererd Auditors
1st Floor
NBM Top Mandala House
Blantyre
Malawi

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF NICO HOLDINGS PLC

Opinion

We have audited the financial statements of NICO Holdings plc (the Company) set out on pages 13 to 59, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Valuation of unlisted equity investments	
The Company carries its unlisted equity investments at fair value as disclosed in note 9 to the financial statements. Revaluation of these investments are done at the end of every financial year. Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. We consider this a key audit matter.	To address the KAM we carried out the following audit procedures; • We considered the relevance and appropriateness of the valuation methods used; • We obtained the valuation reports and assessed the professional competence of the valuer by examining the valuer's qualification experience and independence; • Based on our understanding of the investment Company(ies), we also assessed the accuracy and completeness of the information provided by the Company to the valuer for valuation purposes; • We read the valuation reports and assessed the reasonableness of assumptions used in the valuations reports in comparison to market data; and • We also agreed information used in the valuation such as net assets, shareholding, profits to relevant supporting documents of the investment companies.

Other Matter

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 19 June 2017.

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (Continued)

For the year ended 31 December 2017

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Deloitte

Deloitte
Chartered Accountants
Nkondola Uka
Partner

26th April 2017

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

ASSETS	Notes	K'000	2017 K'000	2016
NON-CURRENT ASSETS				
Equipment and furniture		5	74 969	47 377
Intangible assets		6	12 220	36 831
Investment properties		7	81 000	51 000
Loans receivables		8	1 753	1 753
Investment in shares		9	734 703	355 019
Investment in subsidiary companies		10	7 486 165	1 419 531
Other receivables		13	-	2 731 693
Investment in associate companies		11	1 181 981	1 196 667
Total non-current assets			9 572 791	5 839 871
CURRENT ASSETS				
Amounts due from subsidiary and associate companies		12	203 236	248 981
Other receivables		13	63 646	36 403
Income tax recoverable		26(c)	315 873	156 585
Cash and cash equivalents		14	1 649 641	404 793
Total current assets			2 232 396	846 762
TOTAL ASSETS			11 805 187	6 686 633
EQUITY AND LIABILITIES				
SHAREHOLDER'S EQUITY				
Share capital		15	52 152	52 152
Share premium		15	428 859	428 859
Fair value reserves		16	308 843	(70 841)
Retained profit			6 828 896	5 614 332
Total equity attributable to equity holders of the company			7 618 750	6 024 502
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings		18	3 673 888	12 436
CURRENT LIABILITIES				
Amounts due to subsidiary and associate companies		12	14 761	16 475
Interest-bearing loans and borrowings		18	12 130	19 287
Other payables		20	485 658	613 933
Total current liabilities			512 549	649 695
Total liabilities			4 186 437	662 131
TOTAL EQUITY AND LIABILITIES			11 805 187	6 686 633

The financial statements were approved and authorised for issue by the Board of Directors on 24th April 2018 and signed on its behalf by:

....

Director **Director**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 K'000	2016 K'000
REVENUE			
Fee income	21	1 025 713	879 501
Investment income	22	2 894 031	2 917 554
		3 919 744	3 797 055
Fair value gain on investment properties	7	30 000	4 000
Total revenue		3 949 744	3 801 055
Share of (loss)/profit from associated companies	11	(14 686)	28 148
Other income	23	270 035	53 925
Expenses			
Administrative expenses	24	(1 665 413)	(1 746 212)
Profit before finance income		2 539 680	2 136 916
Net finance cost	25	(275 557)	(21 099)
Profit before income tax expense		2 264 123	2 115 817
Income tax expense	26(a)	(110 822)	(140 502)
Profit for the year		2 153 301	1 975 315
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Gain/(loss) on available for sale assets (net of tax)	9	379 684	(134 426)
Total other comprehensive income/(loss) for the year net of tax		379 684	(134 426)
Tot comprehensive income for the year		2 532 985	1 840 889
Basic and diluted earnings per share (K)	27	2.06	1.89

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital K'000	Share premium K'000	Fair value reserve K'000	Retained earnings K'000	Total K'000
2017					
As at 1 January 2017	52 152	428 859	(70 841)	5 614 332	6 024 502
Total comprehensive income					
Profit for the year	-	-	-	2 153 301	2 153 301
Other comprehensive income for the year					
Profit on available for sale assets (net of tax)	-	-	379 684	-	379 684
Total comprehensive income for the year	-	-	379 684	2 153 301	2 532 985
Transactions with owners of the company					
Dividends to equity holders (Note 17)	-	-	-	(938 737)	(938 737)
Total transactions with owners of the company	-	-	-	(938 737)	(938 737)
As at 31 December 2017	52 152	428 859	308 843	6 828 896	7 618 750
2016					
As at 1 January 2016	52 152	428 859	63 585	4 264 842	4 809 438
Total comprehensive income					
Profit for the year	-	-	-	1 975 315	1 975 315
Other comprehensive income for the year					
Loss on available for sale assets (net of tax)	-	-	(134 426)	-	(134 426)
Total comprehensive income for the year	-	-	(134 426)	1 975 315	1 840 889
Transactions with owners of the company					
Dividends to equity holders (Note 17)	-	-	-	(625 825)	(625 825)
Total transactions with owners of the company	-	-	-	(625 825)	(625 825)
As at 31 December 2016	52 152	428 859	(70 841)	5 614 332	6 024 502

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 K'000	2016 K'000
Cash flows from operating activities			
Cash receipts from customers		1 044 215	1 356 133
Cash payments to clients, employees and suppliers		(1 672 132)	(1 701 370)
Cash generated from operations		(627 917)	(345 237)
Income taxes paid	26	(270 110)	(284 002)
Net cash flows used in operating activities		(898 027)	(629 239)
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES			
Proceeds from disposal of equipment and furniture		15 375	1 671
Interest received	22	490 408	539 008
Dividend received	22	2 403 623	2 378 546
Receipt from Fixed Deposits (funds awaiting capitalization)		2 700 000	(2 700 000)
Purchase of other investments and loans receivables and Investment in subsidiaries	10	(6 066 634)	-
Disposal of shares in investments	23	217 223	-
Additions to equipment, furniture and intangible assets	5,6	(53 289)	(26 263)
Net cash flows (utilized)/ generated from in investing activities		(293 294)	192 962
CASH FLOWS UTILISED IN FINANCING ACTIVITIES			
Repayment of long-term borrowings	18	(268 178)	(182 593)
Norsad Loan	18	3 645 000	-
Divided paid	17	(938 737)	(625 825)
Net cash generated from/(utilised in) financing activities		2 438 085	(808 418)
Net increase/(decrease) in cash and cash equivalents		1 246 764	(1 244 695)
Cash and cash equivalents at 1 January		404 793	1 648 435
Effects of changes in exchange rates		(1 916)	1 053
Cash and cash equivalents at 31 December	14	1 649 641	404 793
ADDITIONAL INFORMATION			
Increase/(decrease) in net working capital		1 522 780	(1 206 097)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Reporting entity

NICO Holdings plc ("The Company") is a public Company incorporated in Malawi under the Companies Act, 2013 of Malawi. Formerly it was called National Insurance Company Limited. The address of the Company's registered office is: 19 Glyn Jones Road, Chibisa House, and P.O. Box 501, Blantyre, Malawi. The separate financial statements for the year ended 31 December 2017 comprise the Company. The Company is listed on the Malawi Stock Exchange. These are the Company's separate financial statements. The consolidated financial statements are available from NICO Holdings plc located in Chibisa House on 19 Glyn Jones Road, P O Box 501, Blantyre, Malawi.

Where reference is made on the basis of preparation to Company, it should be interpreted as being applied to the separate financial statements as the context requires.

The major activity of the Company is subsidiary investment management. 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 Limited	51.00	Short term insurance
SFG Holdings (Zimbabwe) Limited	49.00	Short term insurance (Dormant)
NICO Life Insurance Company Limited	51.00	Life insurance and pension administration
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 Company	% Holding	Type of business
Sanlam General Insurance Uganda Limited	5.82	Short term insurance
Sanlam General Insurance Tanzania Limited	20.00	Short term insurance
Sanlam Mocambique Vida Companhia de Seguros, SA	34.30	Life insurance and pension administration.

2. Adoption of new and revised International Financial Reporting Standards

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

In the current year, the entity has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	IFRS 9 *Financial Instruments* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. • All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 periods beginning on or after 1 January 2018 (Continued)	Key requirements of IFRS 9: • With regard to the measurement of measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes In other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss; • In relation to the impairment of financial assets, IFRS 9 requires an 2018 expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit losses and changes in those expected credit losses each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and • The new general hedge accounting requirements retain the three types of hedge accounting mechanics currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	IFRS 15 *Revenue from Contracts with Customers* IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer; • Step 2: Identify the performance obligations in the contract; • Step 3: Determine the transaction price; • Step 4: Allocate the transaction price to the performance obligations in the contract; and • Step 5: Recognise Revenue when (or as) the entity satisfies a performance obligation. Under IFRS15, an entity recognises Revenue when (or as) a performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Classifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 periods beginning on or after 1 January 2019 (Continued)	IFRS 16 Leases (Continued) The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively. In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.
Annual reporting periods beginning on or after 1 January 2021	IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	Classification and Measurement of Share-based Payment Transactions Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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

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

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018	Annual Improvements to IFRS Standards 2014–2016 Cycle Makes amendments to the following standards: • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose • IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
Annual reporting periods beginning on or after 1 January 2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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 2019	IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.
Annual periods beginning on or after 1 January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9) Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Annual periods beginning on or after 1 January 2019	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Directors anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Company. IFRS 9 will impact the measurement of financial instruments and IFRS 15 will affect recognition of revenue. The Directors are unable to quantify the impact that adoption of these Standards and Interpretations in future periods will have on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation

3.1 Basis of accounting

The 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.

Details of the Company's accounting policies, including changes during the year are included in note 3.4.

3.2 Basis of measurement

The 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 investment property are measure at their revalued amount.

3.3 Going concern basis of accounting

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

3.4 Significant accounting policies

The accounting policies have been consistently applied by the Company during the year.

(a) Revenue recognition and measurement

(i) Dividend and Interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income is recognized from a financial asset when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

(ii) Fee Income

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 part of the total rental income over the term of the lease.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(a) Revenue recognition and measurement (Continued)

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Service fees included in the price of the products sold are recognised by reference to the proportion of the total cost of providing the services for the products sold; and
- Revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses as incurred.

Management fees and recoveries of corporate expenses are generally recognised on an incurred basis when the related services are provided or an execution of a significant act. Management fees are recognized on a straight-line basis over the period of the agreement, provided that the fees can be measured reliably and it is probable that economic benefits will flow to the Company.

(ii) Other income

Profit on disposal (sale) of investments and property and equipment is recognized when the goods are delivered and its titles have passed, at which time all the following conditions are satisfied;

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retained neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that economic benefits associated with the transactions will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.4 Significant accounting policies

(b) Equipment and furniture

(i) Recognition and measurement

All equipment and furniture including motor vehicles are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use.

(ii) Subsequent costs

The cost of replacing part of an item of equipment and furniture including motor vehicle are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company or Company and cost can be measured reliably. The carrying amount of the replaced component is derecognised. Ongoing repairs and maintenance expenses are expensed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(iii) Depreciation recognised

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of equipment and furniture and major components that are accounted for separately.

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

- 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.

(c) Intangible assets

Software acquired by the Company 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 Company and the cast 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.

(d) Financial instruments

Initial recognition

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instruments.

De-recognition

A financial asset is derecognised when, and only when:

i. The contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Company; or
ii. The Company transfers the financial asset including substantially all risks and rewards of ownership of the asset; or
iii. The Company transfers the financial asset, neither retaining nor transferring substantially all risks and rewards of ownership of the asset, but no longer retains control of the asset. Any interest in the transferred financial assets that is created or retained is recognised as a separate asset or liability. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(d) Financial instruments (Continued)

The difference between the carrying amount of a financial asset (or part thereof) derecognised and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial liability is derecognised when, and only when:

i. the liability is extinguished, that is, when the obligation specified in the contract is discharged,
ii. Cancelled;
iii. has expired.

The difference between the carrying amount of a financial liability (or part thereof) derecognised and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offset

Financial assets and liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the Corporation intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss (FVTPL); loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include; trade and other receivables; bank balances and cash; and amounts due from subsidiaries and associated companies are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is (i) contingent consideration that may be paid by an acquirer as part of the business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(d) Financial instruments (Continued)

A financial asset is classified as held for trading if;

- It has been acquired principally for the purpose of selling it in near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset is included in the 'other gains and losses' line item.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determined payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(iv) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Company has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period, because the Directors consider that fair value can be reliably measured. Fair value is determined in the manner determined in note 9. The Company does not have AFS financial assets denominated in foreign currency.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, on hand and short-term deposits with a maturity period of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(d) Financial instruments (Continued)

(vi) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(e) Impairment on assets

Financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance amount. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the loss is reversed through profit or loss.

Reversal of impairment

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(e) Impairment on assets (Continued)

Non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

(f) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Company's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gains or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period in which the property is derecognized.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(g) Income tax

Income tax expense represents the aggregate amount included in determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

(h) Employee benefits

(i) Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undisclosed amount of the benefits to be paid in exchange of that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undisclosed amount of the benefits expected to be paid in exchange of the related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(h) Employee benefits (Continued)

(ii) Defined contribution plans

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

The Company 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 Company'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. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of the services provided by the employees up to the reporting date.

(i) Functional currency

These separate financial statements are presented in Malawi Kwacha, which is also the Company's functional currency. All financial information presented in Malawi Kwacha has been rounded to the nearest thousand unless otherwise stated.

Transactions in foreign currencies during the year are converted into Malawi Kwacha at rates ruling at the transaction dates. Monetary assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Malawi Kwacha at rates ruling at that date. The resulting differences from translation are recognised in the profit or loss in the year in which they arise. Non-monetary assets and liabilities that are denominated in foreign currencies that are measured at fair value are translated into functional currency at the spot exchange rate at the date that the fair value was determined. On retranslation, the resulting differences are recognised in profit or loss.

(j) Investments

(i) Investment in subsidiary

Subsidiaries are entities controlled by the Company. The Company controls an investee if it is exposed to, or, has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee. Investments in subsidiaries are recognised at cost in the Company Separate financial statements less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

3. Basis of preparation (Continued)

3.4 Significant accounting policies (Continued)

(j) Investments (Continued)

(ii) Investment in associate

Associates are entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. The investments in associates are measured using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Separate financial statements include the Company's share of the profit or loss, until the date on which significant influence ceases.

(iii) Investment in securities and loans receivable

These comprise loans receivable and shares in unlisted equities.

Loans receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Company designates the loans and advances at fair value through profit or loss on initial recognition.

Investment in securities are initially measured at fair value plus, in case of investment in securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity or available for sale.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies described above (note 3) management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are 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 an 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.

4.1 ***Critical judgements in applying the Bank's accounting policies***

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

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

4.2 ***Key sources of estimation uncertainty***

Investment property

Investment property is measured at cost on initial recognition. Subsequently, investment property is measured at fair value as determined by an independent registered valuer. An external, independent valuation Company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company'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

Valuation of unlisted investments

Investments in unlisted investment are initially recognized at cost. Subsequently, are measured at fair value as determined by an independent registered valuer. The fair values of Available for Sale Financial Instruments and Financial Instruments at Fair Value Through Profit or Loss 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.

Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about assumptions made in measuring fair values is included in the following notes:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
5. Equipment and furniture			
See accounting policy note 3.4 (b)			
Cost			
2017			
Balance as at 1 January	12 605	111 455	124 060
Additions during the year	44 378	6 262	50 640
Disposals during the year	(12 605)	(2 066)	(14 671)
Balance as at 31 December	44 378	115 651	160 029
2016			
Balance as at 1 January	12 605	101 850	114 455
Additions during the year	-	24 535	24 535
Disposals during the year	-	(14 930)	(14 930)
Balance as at 31 December	12 605	111 455	124 060
Accumulated depreciation and impairment loss			
2017			
Balance as at 1 January	12 605	64 078	76 683
Additions during the year	8 136	14 599	22 735
Disposals during the year	(12 605)	(1 753)	(14 358)
Balance as at 31 December	8 136	76 924	85 060
2016			
Balance as at 1 January	11 345	58 677	70 022
Additions during the year	1 260	18 366	19 626
Disposals during the year	-	(12 965)	(12 965)
Balance as at 31 December	12 605	64 078	76 683
Carrying amounts			
At 31 December 2017	36 242	38 727	74 969
At 31 December 2016	-	47 377	47 377

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

There are no contractual commitments for the acquisition of equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

6. Intangible assets

See accounting policy note 3.4 (c)

	Software	
	2017	2016
	K'000	K'000
Cost		
Balance at 1 January	109 041	128 866
Additions during the year	2 649	1 728
Disposals during the year	-	(21 553)
Balance at 31 December	111 690	109 041
Amortisation		
Balance at 1 January	72 210	44 985
Charge for the year	27 260	27 225
Balance at 31 December	99 470	72 210
Carrying amounts	12 220	36 831

There are no amounts of restrictions on title and intangible assets pledged as security for liabilities.

There are no items of intangible assets under construction.

There are no contractual commitments for the acquisition of intangible assets.

7. Investment properties

See accounting policy note 3.4 (f)

	2017	2016
	K'000	K'000
At valuation		
Balance at beginning of the year	51 000	47 000
Fair value adjustment	30 000	4 000
As at end of the year	81 000	51 000

Investment properties comprise a number of commercial properties that are leased to third parties. Investment properties were revalued on the open market value basis by an independent professional valuer Don Whayo Bsc, MRICS MSIM, a Chartered Valuation Surveyor of Knight Frank on behalf of the Directors on 31 December 2017.

The fair value measurements of investment properties have been categorised as level 3 fair values based on the inputs to the valuation techniques used. See note 4.2. Any increase or decrease in the carrying amount as a result of valuation is recognised in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

7. Investment properties (Continued)

The following table shows the valuation technique used in measuring the fair value of the investment property and revalued owner occupied property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The valuation approach of Open Market Value was adopted as a result of a consideration of both the Income and Comparable approaches. The Income approach relies much on rental income of the property while Comparable approach relies on recent sales data and all relevant factors pertaining to the property like age of the buildings and remaining lease life for the land. The rental is benchmarked to market rentals that as opposed to rack end rentals that a subject property may be raking due to different varying factors. Similarly, rental yields used are those that are derived from actual sales on the market on similar properties within the period of the valuation.	• The valuer makes professional judgement on adjustments as properties and locations are never the same mainly in situations where there are not many sales transactions taking place. Average rental yields used in the valuation are as follows: Commercial Property: 10.04% to 12.55%. Residential Property: 11.19% to 13.99%. The occupancy rate is currently at 100% and the average market rental escalation is at 23%.	The estimated fair value would increase (decrease) if: • Expected average rental yields were higher (lower); • The occupancy rates were higher (lower); or The rental market is likely to remain reasonably strong on the back of inflationary pressures as landlords continue to hedge against inflation and currency depreciation. On the basis of the general economic trends observed so far it appears unlikely that the sales market will improve in the near term unless a sustained reduction in interest rates take place.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

8. Loans receivables

See accounting policy note 3.4 (d)

	2017 K'000	2016 K'000
Balance at 1 January and 31 December	1 753	1 753

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. NICO Holdings plc provided a loan to NICO Employees Share Option Scheme amounting to K4 million for the acquisition of its own shares when the Company listed its shares on the Malawi Stock Exchange. The loan is repaid at K0.20 per share exercised (nominal value) through proceeds of acceptance and exercising of share options by qualifying members.

Options have been/are granted to employees of the Company based on length of service and positions of employees. The options are exercisable at a determined price and time. Employees are eligible if they have served for at least two years and occupy an established position in the Company. Option holders are only entitled to exercise their options if they are in the employment of NICO Group and in accordance with the trust deed and rules.

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 are up to the maximum percentages specified after the expiry of minimum periods computed from the date of granting and as set out below;

Maximum %	Minimum period
25%	12 months
50%	24 months
75%	36 months
100%	48 months

Shares allotted during the year were Nil (2016: Nil).

During the year ended 31st December 2017 there was no repayment. This is a loan to NICO Employees Share Option Scheme. The loan receivable does not earn any interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

9. Investment in shares

See accounting policy note 3.4 (j)(iii)

	2017 K'000	2016 K'000
Balance at 1 January	355 019	489 446
Fair value adjustment	379 684	(134 427)
As at end of the year	734 703	355 019

The Company has investments in shares in Mwaiwathu Private Hospital K407 m (2016: K50 m) and Telecom Holdings Limited K328 m (2016: K305 m). NICO Holdings plc holds 2,917,000 shares representing 17.73% shareholding in Mwaiwathu Private Hospital and holds 702,831,500 shares representing 7% shareholding in Telekom Holdings Limited. Mwaiwathu Private Hospital was valued based on Discounted Cash Flow whereas Telecom Holdings Limited was valued based on combined approaches: Net Asset Value and Discounted Cash Flow as at 31 December 2017. The valuations were undertaken by an independent valuer, NBM Capital Markets, on behalf of the Directors.

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 Net Asset Value Approach as well as the Discounted Cash Flow:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The Net Asset Value valuation method takes into account the Company's net asset value or fair market value of its total assets minus its total liabilities. It does not not take into account the historic, current and future earnings generation of the business	N/A	N/A
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 (2017:30%; 2016:30%).	The estimated fair value would increase (decrease) if the discount rate were lower (higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

10. Investment in subsidiary companies (at cost)

See accounting policy in note 3.4 (j) (i)

	Country of Incorporation	2017 Shareholding %	2017 Amount K'000	2017 Dividends received K'000	2016 Shareholding %	2016 Amount K'000	2016 Dividends received K'000
NICO General Insurance Company Limited	Malawi	51	61 200	714 000	51	61 200	535 500
NICO Life Insurance Company Limited	Malawi	51	74 588	1 295 400	51	74 588	1 655 816
NICO Insurance (Zambia) Limited	Zambia	51	595 099	-	51	433 665	
NICO Technologies Limited	Malawi	100	75 365	-	100	75 365	-
NICO Asset Managers Limited	Malawi	100	31 081	375 000	100	31 081	181 000
SFG Holdings (Zimbabwe) Limited	Zimbabwe	49	-	-	49	-	-
Group fabricators and Manufacturers	Malawi	100	58 500	-	100	58 500	-
NBS Bank plc	Malawi	50.1	6 590 332	-	50.1	685 132	-
			7 486 165	2 384 400		1 419 531	2 372 316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

10. Investment in subsidiary companies (at cost) (Continued)

	As at 1 January K'000	Additions K'000	As at 31 December K'000
2017			
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	433 665	161 434	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	685 132	5 905 200	6 590 332
	1 419 531	6 066 634	7 486 165

The additions relate to capitalization of NBS Bank plc by K5.9 billion following a rights issue in June 2017 and additional capital injection in NICO Insurance (Zambia) Limited of K161 million.

The Directors have performed an impairment assessment of the investments in subsidiaries as at 31 December 2017. No impairment has been recognised in the current year. In prior year, impairment of K67 million was recognised on the investment in NICO Technologies Limited.

	As at 1 January K'000	Additions K'000	Impairment loss/gain K'000	As at 31 December K'000
2016				
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	350 209	83 456	-	433 665
NICO Technologies Limited	142 030	-	(66 665)	75 365
NICO Asset Managers Limited	31 081	-	-	31 081
Group Fabricators and ManufacturersLimited	58 500	-	-	58 500
NBS Bank plc	685 132	-	-	685 132
	1 402 740	83 456	(66 665)	1 419 531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

11. Investment in associate companies

See accounting policy in note 3.4 (j) (ii)

	As at 1 January K'000	Share of profit/(loss) K'000	Balance at 31 December K'000
2017			
Associates movement during the year			
Sanlam Mocambique Vida Companhia de Seguros SA	423 376	38 885	462 261
Sanlam General Insurance Uganda Limited	225 313	10 512	235 825
Sanlam General Insurance Tanzania Limited	547 978	(64 083)	483 895
	1 196 667	(14 686)	1 181 981
2016			
Associates movement during the year			
Sanlam Mocambique Vida Companhia de Seguros SA	412 889	10 487	423 376
Sanlam General Insurance Uganda Limited	210 199	15 114	225 313
Sanlam General Insurance Tanzania Limited	545 431	2 547	547 978
	1 168 519	28 148	1 196 667

12. Amounts due from/to subsidiary and associate companies

See accounting policy in note 3.4 (d)

		2017 K'000	2016 K'000
Amounts due from subsidiary and associate companies			
NICO Insurance (Zambia) Limited	190 015	210 839	
NBS Bank plc		-	12 445
NICO Technologies Limited		-	9 943
Sanlam General Insurance Uganda Limited		2 398	2 372
Sanlam Mocambique Vida Companhia de Seguros SA	10 823	13 382	
		203 236	248 981
Amounts due to subsidiary and associate companies			
Sanlam General Insurance Tanzania Limited		14 761	16 475

The amount receivable from NICO Zambia Insurance Limited is mostly due to outstanding management fees as shown in note 29. 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 expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. The amounts due from/to subsidiaries do not attract any interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

	2017 K'000	2016 K'000
13. Other receivables		
See accounting policy in note 3.4 (d)		
Accrued investment income	12 483	3 393
Staff loans and advances	5 845	7 118
Prepayments	36 710	23 631
Other non-trade receivables	8 608	2 261
	63 646	36 403
Funds awaiting capitalization (NBS Bank plc)	-	2 731 693

In 2016, the Reserve Bank of Malawi (RBM) requested that NICO Holdings plc should lead in the capitalisation of NBS Bank plc, a subsidiary of NICO Holdings plc, whose capital had fallen below the minimum capital requirement as required by the regulator in line with Basel II capital requirements. On 29 December 2016, a Special General Meeting of NBS Bank shareholders passed a resolution for a rights issue to raise the required capital to meet the minimum capital requirements as per RBM. In December 2016, NICO Holdings plc then placed K2.7 billion with NBS Bank plc as funds awaiting capitalization. These funds (and interest accrued thereon) were utilized in June 2017 towards recapitalization of the bank as disclosed in note 10 above.

The other receivables for 2016 are disclosed net of impairment on receivables from Sanlam Emerging Markets as disclosed in note 24.

14. Cash and cash equivalents

See accounting policy in note 3.4 (d)

	2017 K'000	2016 K'000
Bank balances	290 195	400 610
Short term deposits	1 359 446	4 183
	1 649 641	404 793

Interest rate for bank balances was 5.10% (2016: 7.05%) and for short term deposits was 15.06% (2016: 27.87%).

Included in bank balances is K224 million foreign currency denominated account (FCDA) balance, held in NBS Bank plc. In prior year K271 million was in Standard Bank Plc FCDA account. The other balances are call account balances held at Standard Bank plc and National Bank of Malawi plc and NBS Bank plc.
Included in Short term deposits is K1.2 billion 30 days fixed deposit held at FDH Bank Limited and K143 million held at NBS Bank Plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

15. Capital and reserves

Share capital	2017	2016
Authorised		
Number of authorised share capital ('000)	1 300 000	1 300 000
Nominal value (K)	0.05	0.05
Authorised share capital (K'000)	65 000	65 000
Issued and fully paid		
Number of issued and fully paid share capital ('000)	1 043 041	1 043 041
Nominal value (K)	0.05	0.05
Issued share capital (K'000)	52 152	52 152
Total number of shares issued ('000)	1 043 041	1 043 041
Share premium	428 859	428 859

16. Fair value reserves

	2017 K'000	2016 K'000
Fair value reserve	308 843	(70 841)

Fair value reserve represents fair value adjustment on available for sale financial assets. Refer to note 9.

17. Dividends

The following dividends were declared and paid by the Company:-

K0.90 per qualifying ordinary share (2016: K0.60 per share).	(938 737)	(625 825)

Dividend per share

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

18. Interest bearing loans and borrowings

See accounting policy in note 3.4 (d)

	2017	2016
Norsad Finance Limited	3 673 888	-
Standard Bank Pension Fund	12 130	31 723
	3 686 018	31 723
Analysed as follows:		
Balance at 1 January	31 723	184 219
Additions during the year	3 645 000	-
Interest charge	248 585	17 822
Exchange losses	28 888	12 275
Repayments including interest	(268 178)	(182 593)
As at end of the year	3 686 018	31 723
Repayable in 12 months	12 130	19 287
Non Current Portion of Loan	3 673 888	12 436

The loan balance of K12 million is an unsecured loan from Standard Bank Pension Fund for development of ICON 1 insurance software. The interest rate for the loan was at 27.0% (2016: 34.0%)

During the year NICO Holdings plc obtained a loan of US$5 million an equivalent of K3.6 billion from Norsad Finance Limited. Norsad Finance Limited is an impact investment Company which is based in Botswana and was established to contribute to the Southern Africa Economies by providing funding to enterprises that are financially, socially and environmentally sustainable.

NICO Holdings plc borrowed from Norsad Finance Limited for purpose of financing the purchase of additional shares in NBS Bank plc through exercising the rights issue and thereby recapitalize the Bank. This loan is repayable in eight equal six-monthly instalments, with the first instalment due in June 2019. The loan is secured by a floating charge over all assets of NICO Holdings plc. The interest for the loan is rate Libor plus 8.5%. The effective rate in 2017 was 11.5% per annum and is repayable quarterly.

19. Deferred tax assets (liabilities) and Tax losses

See accounting policy in note 3.4 (g)

Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. Deferred tax arose from timing differences on the equipment and furniture and on the differences in the adjusted basis and fair values of investment property and investments in shares. Deferred tax asset which has not been recognized in the current year is K93 million (2016: K364 million). The accumulated tax losses to 31 December 2017 were K1.3 billion (2016: K1.2 billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

		2017 K'000	2016 K'000
20. Other payables			
See accounting policy in note 3.4 (d)			
Audit fees		35 000	20 936
Staff costs payable		84 764	39 154
Business acquisition costs payable	246 277	246 607	
Accruals		8 773	19 912
Non-resident tax payable on management fees		54 210	244 262
Other non-trade payables		56 634	43 062
		485 658	613 933

Included in other payables is K246 million (2016: K246 million) relating to provision for tax liability payable to Zambia Revenue Authority on a matter that has not yet been concluded. The other payables balances do not attract interest.

	2017 K'000	2016 K'000
21 Fees income		
See accounting policy in note 3.4 (a)		
Management fees and shared services fees	995 484	853 893
Directors fees	30 229	25 608
	1 025 713	879 501

Income from Management and shared services fee as well as Directors fees represents amounts recovered by NICO Holdings plc for the services rendered to its subsidiaries that benefit from the services offered in the areas of risk management, internal audit, directorship and legal and company secretarial services as indicated in note 29 below.

	2017 K'000	2016 K'000
22. Investment income		
See accounting policy in note 3.4 (a)		
Investment income from:		
- Bank deposits	6 886	7 930
- Treasury bills	477 565	526 538
- Dividends from subsidiaries (note 10)	2 384 400	2 372 316
- Dividends from other investments	19 223	6 230
- Interest from other investments	5 957	4 540
	2 894 031	2 917 554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

22. Investment income (Continued)

During the year, NICO Holdings plc received K2.4 billion in dividends from its subsidiaries as disclosed in note 10 above. The Company also received K19.2 million (2016: K6.2 million) in dividends from Mwaiwathu Private Hospital. As disclosed under note 13, the Company had placed K2.7 billion with NBS Bank plc in December 2016. The Company earned interest on these funds for the 6 months to June 2017 when the funds were capitalised. The entity also earned interest on other short term deposits placed with NBS Bank plc and FDH Bank Limited as disclosed in note 14.

	2017 K'000	2016 K'000
23. Other income		
See accounting policy in note 3(a)		
Profit on disposal of property and equipment	15 062	476
Profit on disposal of shares in a Joint venture	217 223	-
International Finance Corporation Pvt Option Commission	-	50 079
Other sundry income	37 750	3 370
	270 035	53 925

During the year the Company entered into a joint venture arrangement with Eris Properties Limited of South Africa to form a property Company, Eris Malawi. As part of the agreement Eris Properties paid US$300,000 an equivalent of K217 million in return for equity stake in the new Company.

			2017 K'000	2016 K'000
24. Administrative expenses				
Auditors remuneration	-	Audit fees	(35 000)	(20 936)
	-	Disbursements	(1 927)	(1 869)
	-	Other audit expenses	(7 000)	(5 175)
Directors remuneration	-	Executive (note 29)	(198 222)	(145 353)
	-	Non executive (note 29)	(27 052)	(22 043)
	-	Retirement expenses	-	(57 764)
Salaries and other remuneration costs			(791 298)	(656 828)
Communication and accommodation expenses			(155 066)	(167 503)
Depreciation and amortization			(49 995)	(46 851)
Sundry business changes			(140 649)	(165 995)
Impairment loss*			-	(264 526)
Repairs and maintenance			(93 709)	(124 876)
Other sundry expenses			(165 495)	(66 493)
			(1 665 413)	(1 746 212)

Communication and accommodation expenses include office rent and its related utility costs and marketing / public relations costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

24. Administrative expenses (Continued)

Sundry business charges include Malawi Stock Exchange listing fees, annual report expenses, insurance and transfer secretarial fees.

Other sundry expenses include investment expenses.

	2017 K'000	2016 K'000
*Impairment loss is analysed as follows:		
Investments in subsidiaries (note 10)	-	(66 665)
Other receivables	-	(197 861)
	-	(264 526)

25. Net finance expense

Interest expense on loans	(248 585)	(17 822)
Exchange loss	(26 972)	(3 277)
	(275 557)	(21 099)

The interest expense on loans relates to interest bearing loans as indicated in note 18 to the financial statements. The Company paid K241 million in interest to Norsad Finance Limited on the K3.6 billion loan and K7 million towards Standard Bank Pension Fund loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

	2017 K'000	2016 K'000
26. Income tax		
See accounting policy in note 3.4 (g)		
(a) Recognised in profit or loss		
Current tax expense		
Current year tax at 30% (2016: 30%)	-	-
Capital gains tax		
Tax on disposal of shares/other	-	-
Dividend tax	110 822	140 502
(b) Reconciliation of tax charge		
Profit for the year	2 153 301	1 975 315
Income tax expense	110 822	140 502
Profit before tax	2 264 123	2 115 817
Tax at 30% (2016:30%)	679 237	634 745
Non-deductible expenses	13 726	113 867
Disallowable income	(725 606)	(714 764)
Prior year overprovision	-	(71 920)
Tax effect of unrecognized tax losses	27 002	38 072
Deferred tax on temporary difference	5 641	-
Dividend tax at 10%	110 822	158 386
Capital gains tax	-	(17 884)
	110 822	140 502
(c) Tax payable/(recoverable) reconciliation		
Balance at 1 January	(156 585)	(13 085)
Charge for the year	110 822	140 502
Income tax paid	(270 110)	(284 002)
As at the year end	(315 873)	(156 585)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

27. Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on profit attributable to ordinary shareholders of K2,153,301,000 (2016: K1,975,315,000) and a weighted average number of ordinary shares outstanding of 1,043,041,000 (2016: 1,043,041,000), calculated as follows:-

	2017	2016
Profit for the year MK'000	2 153 301	1 975 315
Profit attributable to equity holders (MK'000)	2 153 301	1 975 315
Weighted average number of ordinary shares in issue throughout the year ('000)	1 043 041	1 043 041
Basic and diluted earnings per share (MK)	2.06	1.89

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.

	2017 K'000	2016 K'000
28. Employee benefits liabilities		
See accounting policy in note 3.4 (h)		
Expense recognised in the profit or loss		
Pension costs	48 599	38 363
Retirement expenses*	-	(57 764)
	48 599	(19 401)

* This was a reversal of a prior period overprovision.

29. Related parties

The Company has a related party relationship with its subsidiaries, associated entities, Directors and key management personnel.

Key management personnel compensation:

Key management personnel compensation comprised the following:-

	Executive management		Non-executive Directors	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Short term employee benefits	544 808	462 372	-	-
Directors' fees		-	27 052	22 043
Retirement expenses	-	(57 764)	-	-
	544 808	404 608	27 052	22 043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. Related parties (Continued)

Company subsidiaries

(a) List of significant subsidiaries

The table below provides details of the significant subsidiaries of the Company

	Principal place of business	Ownership interest	
		2017	2016
NICO General Insurance Company Limited	Malawi	51%	51%
NICO Life Insurance Company Limited	Malawi	51%	51%
Group Fabricators & Manufacturing Limited	Malawi	100%	100%
NBS Bank plc	Malawi	50.1%	50.1%
NICO Technologies Limited	Malawi	100%	100%
NICO Asset Managers Limited	Malawi	100%	100%
NICO Insurance Zambia Limited	Zambia	51%	51%

(b) List of significant associates

The table below provides details of the significant associates of the Company:

Sanlam General Insurance Tanzania Limited	Tanzania	20%	20%
Sanlam General Insurance Uganda Limited	Uganda	5.82%	20%
Sanlam Mozambique Vida Companhia de Seguros, SA	Mozambique	34.3%	34.3%

In the year NICO Holdings plc shareholding in Sanlam Uganda reduced from 20% to 5.82% because NICO Holdings plc did not take part in a recapitalisation exercise in 2017. However, it has been maintained as an associate because there is an agreement to buy back the shares from Sanlam Emerging Markets (SEM) in 2018 and NICO Holdings plc still has representation on the board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

29. Related parties (continued)

Value of transactions and year end balances between NICO Holdings plc and its related parties were as follows:-

Related Party	Relationship	Type of transaction	Sale/ (Purchase) transactions 2017	Receivable/ (payable) year end 2017	Sale/ (Purchase) transactions 2016	Receivable/ (payable) year end 2016
NICO Technologies Limited	Subsidiary	Technical Support	(55 804)	-	(45 554)	-
		Shared expenses	-	-	(56 330)	(3 587)
		Management fees	16 455	-	13 530	13 530
		Directors' fees	702	-	570	-
NICO Life Insurance Company Limited	Subsidiary	Group Life and pension	(71 685)	-	(66 245)	-
		Management fees	276 985	-	230 795	-
		Rent	(32 483)	-	(25 752)	-
		Dividend income	1 295 400	-	1 655 816	-
		Directors' fees	3 272	-	2 261	-
NBS Bank plc	Subsidiary	Banking services	367 740	-	37 459	-
		Shared expenses	-	-	-	12 445
		Directors' fees	4 680	-	5 000	-
NICO General Insurance Company Limited	Subsidiary	Insurance premium	(24 034)	-	(22 703)	-
		Management fees	304 775	-	266 960	-
		Directors' fees	2 623	-	2 527	-
		Dividend income	714 000	-	535 500	-
Sanlam General Insurance Uganda	Associate	Shared expenses	-	2 398	-	2 372
NICO Insurance Zambia Limited	Subsidiary	Management fees	323 994	190 015	282 606	210 839
		Directors' fees	1 445	-	458	-
Sanlam General Insurance Tanzania	Associate	Shared expenses	-	(14 761)	1 974	(16 475)
NICO Asset Managers Limited	Subsidiary	Management fees	73 275	-	60 000	-
		Directors' fees	2 824	-	1 792	-
		Dividend income	375 000	-	181 000	-
		Secretarial fees	9 876	-	8 539	-
		Corporate finance fees	(54 981)	-	(38 495)	-
		Investment management fees	-	-	(6 248)	-
Sanlam Mocambique Vida Companhia de Seguros SA	Associate	Shared expenses	-	10 823	-	13 382
		Directors fees	2 528	-	1 664	-
Mwaiwathu Private Hospital	Subsidiary	Dividend income	19 223	-	6 230	-

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

All transactions with related parties are priced on an arm's length basis. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management

30.1 Risk Management

30.1.1 Risk governance structure

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

`The Company 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 framework.

The Board has established a number of risk management and monitoring mechanisms operating within the Company 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.
- **Internal Audit**
  Monitors adequacy and effectiveness of internal controls and risk management practices across the Company. Also provides assurance on all aspects of the business.
- **Company Risk and Compliance Function**
  Coordinates the risk management processes and assisting the Company Risk Committee in identification of risks.

30.1.2. Risk management framework

The Company's risk management policies are established to identify and analyse the risk faced by the Company 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 Company's activities. The Company through its training, 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 Company Risk Management Framework and policy are as follows:

- The Broad objectives and Philosophy of Risk Management in the Company
- The roles and responsibilities of the various functionaries in the Company tasked with risk management
- Standards on Implementing risk management within the Company's business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.1 Risk Management

30.1.2. Risk management framework

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

30.2 Financial risk management

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

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

This note presents information about the Company's exposure to each of the above risks the Company's objectives policies and processes for measuring and managing risk.

Credit risk

The risk of a financial loss to the Company if counterparty to a financial contract or transaction fails to fulfill their contractual obligation.

The Board has delegated responsibility for the management of credit risk to the risk committee which has oversight of the credit risk.

At reporting date the Company does not have significant credit risk exposure to any single counterparty. The risk on liquid funds is limited because the counterparties are Commercial Banks as detailed in Note 14. The amounts due from Group Companies as detailed in Note 12 are receivable from Subsidiaries and Associates and are payable within 30 days from date of invoice.

The Company does not hold any collateral to cover its credit risks associated with its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

Credit Risk

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk by class of financial instrument and how it is mitigated. The maximum exposure is shown gross before taking into account any collateral agreements or credit enhancements.

	Carrying amount	Net exposure to credit risk
As at 31 December 2017		
Loans receivable	1 753	1 753
Amount due from group companies	203 236	203 236
Other receivables	26 936	26 936
Cash and cash equivalents	1 649 641	1 649 641
Total	1 881 566	1 881 566
As at 31 December 2016		
Loans receivable	1 753	1 753
Amount due from group companies	248 981	248 981
Other receivables	2 744 465	2 744 465
Cash and cash equivalents	404 793	404 793
Total	3 399 992	3 399 992

The Company monitors on an on-going basis the risk that counterparties to financial instruments might default on their obligations and by dealing with counterparties of good credit rating.

Liquidity risk

This is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate assets at reasonable prices and in a timely manner.

Management of liquidity risk

The Board is responsible for managing overall liquidity by setting guidelines and limits for anticipated liquidity gaps. Liquidity position is monitored on a daily basis to ensure sufficient liquidity. The Board continually assesses liquidity risk by identifying and monitoring changes in funding requirements for business operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

An analysis of the Company's assets and liabilities based on the contractual period to maturity as at 31 December 2017 and 2016 is shown below:

	Note	Up to 1 month K'000	1-3 months K'000	3-12 months K'000	Over 1 year K'000	Total K'000
As at 31 December 2017						
Assets						
Loans receivable	8	-	-	-	1 753	1 753
Investment in Shares	9	-	-	-	734 703	734 703
Amounts due from group companies	12	203 236	-	-	-	203 236
Other receivables	13	26 936	-	-	-	26 936
Cash and cash equivalents	14	1 649 641	-	-	-	1 649 641
Total assets		1 879 813	-	-	736 456	2 616 269
Liabilities						
Interest bearing loan	18	-	5 866	6 264	3 673 888	3 686 018
Amount due to group companies	12	14 761	-	-	-	14 761
Other payables	20	145 844	-	-	-	145 844
Total liabilities		160 605	5 866	6 264	3 673 888	3 846 623
Liquidity Gap (Mismatch)		1 719 208	(5 866)	(6 264)	(2 937 432)	(1 230 354)
Cummulative		1 719 208	1 713 342	1 707 078	(1 230 354)	-
As at 31 December 2016						
Assets						
Loans receivable	8	-	-	-	1 753	1 753
Investment in Shares	9	-	-	-	355 019	355 019
Amounts due from group companies	12	248 981	-	-	-	248 981
Other receivables	13	2 744 465	-	-	-	2 744 465
Cash and cash equivalents	14	404 793	-	-	-	404 793
Total assets		3 398 239	-	-	356 772	3 755 011
Liabilities						
Interest bearing loan	18	-	4 202	15 085	12 436	31 723
Amount due to group companies	12	16 475	-	-	-	16 475
Other payables	20	308 260	-	-	-	308 260
Total liabilities		324 735	4 202	15 085	12 436	356 458
Liquidity Gap (Mismatch)		3 073 504	(4 202)	(15 085)	344 336	3 398 553
Cummulative		3 073 504	3 069 302	3 054 217	3 398 553	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other price risk will affect the income or the value of its holding 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.

Interest rate risk

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

The Company adopts a policy of ensuring that its exposure to changes in interest rates is on a fixed rate basis. This is achieved by entering into fixed-rate instruments. The Board monitors the movement of interest rates and takes necessary precautions to hedge.

The Company's short term deposits are at fixed interest rate and are measured at amortised cost. Bank balances are at variable-rate and their interest rate risk exposure is considered immaterial. Amounts due to or from Group companies are non -interest bearing. The interest bearing loans are at a variable rate of interest. The significant amount of loan in the current year is the USD 5 million loan that was obtained from Norsad Finance to finance the recapitalisation of NBS Bank plc following a rights issue as detailed in Note 18 above and this has significant bearing on credit risk exposure;

As at 31 December 2017	Note	Up to 1 months K'000	1 – 3 months K'000	3 – 12 months K'000	Over 1 year K'000	Non interest bearing K'000	Total K'000
Assets							
Bank balance	14	290 195	-	-	-	-	290 195
Short term deposits	14	1 359 446	-	-	-	-	1 359 446
Amount due from group companies	12	-	-	-	-	203 236	203 236
Other receivables	13	-	-	-	-	26 936	26 936
Total Assets		1 649 641	-	-	-	230 172	1 879 813
Liabilities							
Interest bearing loan	18	-	5 866	6 264	3 673 888	-	3 686 018
Amounts due to group companies	12	-	-	-	-	14 761	14 761
Other payables	20	-	-	-	-	145 844	145 844
Total liabilities		-	5 866	6 264	3 673 888	160 605	3 846 623
Interest sensitivity gap		1 649 641	(5 866)	(6 264)	(3 673 888)	69 567	(1 966 810)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

Interest rate risk (continued)

	Note	Up to 1 months K'000	1 – 3 months K'000	3 – 12 months K'000	Over 1 year K'000	Non interest bearing K'000	Total K'000
As at 31 December 2016							
Assets							
Bank balance	14	400 610	-	-	-	-	400 610
Short term deposits	14	4 183	-	-	-	-	4 183
Amount due from group companies	12	-	-	-	-	248 981	248 981
Other receivables	13	-	-	-	-	2 744 465	2 744 465
Total assets		404 793	-	-	-	2 993 446	3 398 239
Liabilities							
Interest bearing loan	18	-	4 202	15 085	12 436	-	31 723
Amounts due to group companies	12	-	-	-	-	16 475	16 475
Other payables	20	-	-	-	-	308 260	308 260
Total liabilities		-	4 202	15 085	12 436	324 735	356 458
Interest sensitivity gap		404 793	(4 202)	(15 085)	(12 436)	2 668 711	3 041 785

Currency risk

Currency risk or Foreign exchange risk arises on financial instruments that are denominated in a foreign currency. It relates to the exposure of the Company's foreign exchange position to adverse movements in foreign exchange rates. The Company manages this risk by adhering to internally set exposure limits which include holding minimal foreign currency cash levels in open positions.

Exposure to currency risk was as follows:

	USD	Total
As at 31 December 2017		
Bank balances	326 433	326 433
Interest bearing loan	(5 000 000)	(5 000 000)
Net statement of financial position exposure	(4 673 567)	(4 673 567)

Sensitivity to profit before tax and equity in relation to financial instruments denominated in foreign currency is as follows:

Movement in foreign currency	(1000bp)	(2000bp)	1000bp	2000bp
Movement in profit before tax	(467 357)	(934 714)	467 357	934 714
Movement in equity	(327 150)	(654 300)	327 150	654 300

Management has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

Interest rate risk (continued)

	USD	Total
As at 31 December 2016		
Bank balances	323 404	323 404
Total assets	323 404	323 404
Interest bearing loan	-	-
Total liabilities	-	-
Net statement of financial position exposure	323 404	323 404

Sensitivity to profit before tax and equity in relation to financial instruments denominated in foreign currency is as follows:

Movement in foreign currency	(1000bp)	(2000bp)	1000bp	2000bp
Movement in profit before tax	(32 340)	(64 680)	32 340	64 680
Movement in equity	(22 638)	(45 276)	22 638	45 276

30.2.1 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 Company 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

The following information tables show the carrying amount and fair values of financial assets and liabilities including their levels in the fair value hierarchy. It does not include fair value information for the financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The financial assets and liabilities not measured at fair value are measured at amortised cost.

		Carrying amount				Fair value			
	Note	Loans And receivables K'000	Available for sale K'000	Other Financial Assets/ liabilities K'000	Total K'000	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
2017									
Financial assets measured at fair value									
Shares 9		-	734 703	-	734 703	-	-	734 703	734 703
Financial assets not measured at fair value									
Loans receivable	8	1 753	-	-	1 753	-	1 753	-	1 753
Investment in subsidiary companies	10	-	-	7 486 165	7 486 165	-	7 486 165	-	7 486 165
Investment in associate companies	11	-	-	1 181 981	1 181 981	-	1 181 981	-	1 181 981
Amounts due from group companies	12	203 236	-	-	203 236	-	203 236	-	203 236
Other receivables	13	26 936	-	-	26 936	-	26 936	-	26 936
Cash and cash equivalents	14	1 649 641	-	-	1 649 641	-	1 649 641	-	1 649 641
		1 881 566	-	8 668 146	10 549 712	-	10 549 712	-	10 549 712
Financial liabilities not measured at fair value									
Payables	20	-	-	145 844	145 844	-	145 844	-	145 844
Amounts due to subsidiary companies	12	-	-	14 761	14 761	-	14 761	-	14 761
Interest bearing loan	18	-	-	3 686 018	3 686 018	-	3 686 018	-	3 686 018
		-	-	3 846 623	3 846 623	-	3 846 623	-	3 846 623

For the year ended 31 December 2017

30. Capital and Risk Management (Continued)

30.2 Financial risk management (Continued)

30.2.1 Accounting classifications and fair values

		Carrying amount				Fair value			
	Note	Loans And receivables K'000	Available for sale K'000	Other Financial Assets/ liabilities K'000	Total K'000	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
2016									
Financial assets measured at fair value									
Shares	9	-	355 019	-	355 019	-	-	355 019	355 019
Financial assets not measured at fair value									
Loans receivable	8	1 753	-	-	1 753	-	1 753	-	1 753
Investment in subsidiary companies	10	-	-	1 419 531	1 419 531	-	1 419 531	-	1 419 531
Investment in associate companies	11	-	-	1 196 667	1 196 667	-	1 196 667	-	1 196 667
Amounts due from group companies	12	248 981	-	-	248 981	-	248 981	-	248 981
Other receivables	13	2 744 465	-	-	2 744 465	-	2 744 465	-	2 744 465
Cash and cash equivalents	14	404 793	-	-	404 793	-	404 793	-	404 793
		3 399 992	-	2 616 198	6 016 190	-	6 016 190	-	6 016 190
Financial liabilities not measured at fair value									
Payables	20	-	-	308 260	308 260	-	308 260	-	308 260
Amounts due to subsidiary and associated companies	12	-	-	16 475	16 475	-	16 475	-	16 475
Interest bearing loan	18	-	-	31 723	31 723	-	31 734	-	31 734
		-	-	356 458	356 458	-	356 458	-	356 458

The following table shows the valuation techniques used in in measuring level 3 fair values as well as the significant unobservable inputs used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2017

31. Contingent liabilities and commitments

There were no contingent liabilities and commitments at the reporting period

32. Exchange and inflation rates

	2017	2016
United States Dollar (USD) to Malawian Kwacha (MK)	734.8	734.8
United States Dollar (USD) to Zambian Kwacha (ZK)	10.0	9.9
United States Dollar (USD) to Ugandan Shilling (USH)	3 637.0	3 620.0
United States Dollar (USD) to Tanzanian (TSH)	2 244	2 185.0
United States Dollar (USD) to Mozambique Metical (MT)	58.7	71.4
South Africa Rand (ZAR) to Malawian Kwacha (MK)	59.6	54.1
British Pound (GBP) to Malawian Kwacha (MK)	989.5	902.9
Inflation rates as at 31 December (%)	7.7%	20%

As at 26 April 2018, the above noted exchange rates and inflation had moved as follows:

United States Dollar (USD) to Malawian Kwacha (MK)	734.8
United States Dollar (USD) to Zambian Kwacha (ZK)	9.7
United States Dollar (USD) to Ugandan Shilling (USH)	3 708.0
United States Dollar (USD) to Tanzanian (TSH)	2 288.0
United States Dollar (USD) to Mozambique Metical (MT)	60.1
South Africa Rand (ZAR) to Malawian Kwacha (MK)	59.4
British Pound (GBP) to Malawian Kwacha (MK)	1 024.8
Inflation (April 2018)	9.9%

NICO
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