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 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.

PROFIT
The profit for the year attributable to equity shareholders of the Company of MK2.2 billion (2016: MK1.9 billion) has been added to retained earnings.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2017

DIVIDENDS
A dividend of MK938.7million (2016: MK625.8 million) representing MK0.90 per ordinary share (2016: MK0.60 per ordinary share) was paid during the year. The Directors recommend a final dividend for the year ended 31 December 2017 of MK1.043 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

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:

Mr. Alaudin Osman retired as Director and consequently 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

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

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. Gaffar Hassam (Interim Chairman)	√	√	√	√
Mr. Alaudin Osman (Chairman)	√	A	√	N
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.

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 A = Apology N= Not a Member

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:

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.

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 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

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 27 November 2017

The committee met four times during the year:

Investments Committee- Meeting Attendance

Member	13-Mar 17	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	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 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

The committee met four times during the year.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2017

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	√
Mr. Catherine Lesetedi	N	N	√	√
Mr. Lucius Mandala	A	√	√	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 Group 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
In thousands of Malawi Kwacha

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 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 MK2.4 million (2016: MK4.6 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.

Sangwani Hara
DIRECTOR

Vizenge Kumwenda
DIRECTOR

24 April 2018

DIRECTORS' RESPONSIBILITY STATEMENT

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.

Sangwani Hara
DIRECTOR

Vizenge Kumwenda
DIRECTOR

24 April 2018

Deloitte.

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Blantyre
Malawi

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Opinion

We have audited the financial statements of NICO Holdings plc (the Company) set out on pages 159 to 201, 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NICO Holdings plc (CONTINUED)

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.

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
Chartered Accountants
Nkondola Uka
Partner

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

STATEMENT OF FINANCIAL POSITION

31 December 2017
In thousands of Malawi Kwacha

	Notes	2017 MK'000	2016 MK'000
ASSETS			
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:

Sangwani Hara
DIRECTOR

Vizenge Kumwenda
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

In thousands of Malawi Kwacha

	Notes	2017 MK'000	2016 MK'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)
Total 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

In thousands of Malawi Kwacha

	Share capital MK'000	Share premium MK'000	Fair value reserve MK'000	Retained earnings MK'000	Total MK'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
In thousands of Malawi Kwacha

	Notes	2017 MK'000	2016 MK'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 capitalisation)		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 (utilised)/ 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 FINANCIAL STATEMENTS
For the year ended 31 December 2017
In thousands of Malawi Kwacha

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 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

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.

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:

In thousands of Malawi Kwacha

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 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. 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 recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss; • 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 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

Effective date	Standard, Amendment or Interpretation
	• 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.

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.

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 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 recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. 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. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017
In thousands of Malawi Kwacha

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. • 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 Annual 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. 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 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 recognised 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 recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognised 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 recognised 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 recognised 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.

(iii) Other income

Profit on disposal (sale) of investments and property and equipment is recognised 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.

(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.

(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.

3. BASIS OF PREPARATION (CONTINUED)
3.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments

Initial recognition
Financial assets and liabilities are recognised 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 recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 recognised 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.

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 recognised in profit or loss. The net gain or loss recognised 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.

(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.

3. BASIS OF PREPARATION (CONTINUED)
3.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017
In thousands of Malawi Kwacha

(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 derecognised 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 derecognised.

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.

(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.

3. BASIS OF PREPARATION (CONTINUED)
3.4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Employee benefits

(i) Short-term employee benefits
A liability is recognised 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 recognised 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.

(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 recognised 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.

(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.

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 recognised 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.

In thousands of Malawi Kwacha

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 categorised 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:

5. EQUIPMENT AND FURNITURE

See accounting policy note 3.4 (b)

	Motor vehicles MK'000	Furniture and equipment MK'000	Total MK'000
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

	Motor vehicles MK'000	Furniture and equipment MK'000	Total MK'000
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.

6. INTANGIBLE ASSETS

See accounting policy note 3.4 (c)

	Software 2017 MK'000	2016 MK'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.

In thousands of Malawi Kwacha

7. INVESTMENT PROPERTIES

See accounting policy note 3.4 (f)

	2017 MK'000	2016 MK'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 B.Sc., 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.

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.

8. LOANS RECEIVABLES

See accounting policy note 3.4 (d)

	2017 MK'000	2016 MK'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 MK4 million for the acquisition of its own shares when the Company listed its shares on the Malawi Stock Exchange. The loan is repaid at MK0.20 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.

9. INVESTMENT IN SHARES

See accounting policy note 3.4 (j)(iii)

	2017 MK'000	2016 MK'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 MK407 m (2016: MK50 m) and Telecom Holdings Limited MK328 m (2016: MK305 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

In thousands of Malawi Kwacha

9. INVESTMENT IN SHARES (CONTINUED)

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 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).

10. INVESTMENT IN SUBSIDIARY COMPANIES (AT COST)

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

	Country of Incorporation	2017 Share-holding %	2017 Amount MK'000	2017 Dividends received MK'000	2016 Share-holding %	2016 Amount MK'000	2016 Dividends received MK'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

	As at 1 January MK'000	Additions MK'000	As at 31 December MK'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 capitalisation of NBS Bank plc by 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. No impairment has been recognised in the current year. In prior year, impairment of MK67 million was recognised on the investment in NICO Technologies Limited.

	As at 1 January MK'000	Additions MK'000	Impairment loss/gain MK'000	As at 31 December MK'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

In thousands of Malawi Kwacha
In thousands of Malawi Kwacha

	2017 MK'000	2016 MK'000

12. AMOUNTS DUE FROM/TO SUBSIDIARY AND ASSOCIATE COMPANIES

See accounting policy in note 3.4 (d)

	2017 MK'000	2016 MK'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.

13. OTHER RECEIVABLES

See accounting policy in note 3.4 (d)

	2017 MK'000	2016 MK'000
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 capitalisation (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 MK2.7 billion with NBS Bank plc as funds awaiting capitalisation. These funds (and interest accrued thereon) were utilised in June 2017 towards recapitalisation 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 MK'000	2016 MK'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 MK224 million foreign currency denominated account (FCDA) balance, held in NBS Bank plc. In prior year MK271 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 MK1.2 billion 30 days fixed deposit held at FDH Bank Limited and MK143 million held at NBS Bank Plc.

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

	2017 MK'000	2016 MK'000

16. FAIR VALUE RESERVES

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:-

MK0.90 per qualifying ordinary share (2016: MK0.60 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.

18. INTEREST BEARING LOANS AND BORROWINGS

See accounting policy in note 3.4 (d)

	2017 MK'000	2016 MK'000
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 MK12 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 MK3.6 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017
In thousands of Malawi Kwacha

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 recapitalise 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 recognised 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 recognised in the current year is MK93 million (2016: MK364 million). The accumulated tax losses to 31 December 2017 were MK1.3 billion (2016: MK1.2 billion).

20. OTHER PAYABLES

See accounting policy in note 3.4 (d)

	2017 MK'000	2016 MK'000
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	43062
	485 658	613933

Included in other payables is MK246 million (2016: MK246 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.

21 FEES INCOME

See accounting policy in note 3.4 (a)

	2017 MK'000	2016 MK'000
Management fees and shared services fees	995 484	853 893
Directors fees	30 229	25 608
	879 501	1 025 713

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.

In thousands of Malawi Kwacha

	2017 MK'000	2016 MK'000

22. INVESTMENT INCOME

See accounting policy in note 3.4 (a)

	2017 MK'000	2016 MK'000
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

During the year, NICO Holdings plc received MK2.4 billion in dividends from its subsidiaries as disclosed in note 10 above. The Company also received MK19.2 million (2016: MK6.2 million) in dividends from Mwaiwathu Private Hospital. As disclosed under note 13, the Company had placed MK2.7 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.

23. OTHER INCOME

See accounting policy in note 3(a)

	2017 MK'000	2016 MK'000
Profit on disposal of property and equipment	15 062	476
Profit on disposal of shares in a Joint venture	217 223	-
International Finance Corporation Put 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 MK217 million in return for equity stake in the new Company.

24. ADMINISTRATIVE EXPENSES

		2017 MK'000	2016 MK'000
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 amortisation (46 851)			(49 995)
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.

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

Other sundry expenses include investment expenses.

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

25. NET FINANCE EXPENSE

	2017 MK'000	2016 MK'000
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 MK241 million in interest to Norsad Finance Limited on the MK3.6 billion loan and MK7 million towards Standard Bank Pension Fund loan.

In thousands of Malawi Kwacha

26. INCOME TAX

See accounting policy in note 3.4 (g)

	2017 MK'000	2016 MK'000
(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 unrecognised 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)

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 MK2,153,301,000 (2016: MK1,975,315,000) and a weighted average number of ordinary shares outstanding of 1,043,041,000 (2016: 1,043,041,000), calculated as follows:-

	2017 MK'000	2016 MK'000
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.

28. EMPLOYEE BENEFITS LIABILITIES

See accounting policy in note 3.4 (h)

	2017 MK'000	2016 MK'000
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 MK'000	2016 MK'000	2017 MK'000	2016 MK'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

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 SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

In thousands of Malawi Kwacha

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	Unlisted investment	Dividend income	19 223	-	6 230	-

29. RELATED PARTIES (CONTINUED)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

In thousands of Malawi Kwacha

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

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.

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.

30. CAPITAL AND RISK MANAGEMENT (CONTINUED)

30.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum exposure to credit risk (continued)

	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 SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017
In thousands of Malawi Kwacha

	Note	Up to 1 month MK'000	1-3 months MK'000	3-12 months MK'000	Over 1 year MK'000	Total MK'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	-

In thousands of Malawi Kwacha

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;

	Note	Up to 1 months MK'000	1 – 3 months MK'000	3 – 12 months MK'000	Over 1 year MK'000	Non interest bearing MK'000	Total MK'000
As at 31 December 2017							
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)

	Note	Up to 1 months MK'000	1 – 3 months MK'000	3 – 12 months MK'000	Over 1 year MK'000	Non interest bearing MK'000	Total MK'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.

In thousands of Malawi Kwacha

30. CAPITAL AND RISK MANAGEMENT (CONTINUED)
30.2 FINANCIAL RISK MANAGEMENT (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.

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 MK'000	Available for sale MK'000	Other Financial Assets/ liabilities MK'000	Total MK'000	Level 1 MK'000	Level 2 MK'000	Level 3 MK'000	Total MK'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

In thousands of Malawi Kwacha

30. CAPITAL AND RISK MANAGEMENT (CONTINUED)
30.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

		Carrying amount				Fair value			
	Note	Loans And receivables MK'000	Available for sale MK'000	Other Financial Assets/ liabilities MK'000	Total MK'000	Level 1 MK'000	Level 2 MK'000	Level 3 MK'000	Total MK'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.

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 African 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 African Rand (ZAR) to Malawian Kwacha (MK)	59.4
British Pound (GBP) to Malawian Kwacha (MK)	1 024.8
Inflation (April 2018)	9.9%

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