

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2015

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

COUNCIL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

1. Incorporation

The Institute was incorporated as a company limited by guarantee on 23 August 2013 with the purpose of facilitating the merger of the Society of Accountants in Malawi (SOCAM) and the Public Accountants Examination Council (PAEC).

The assets and liabilities of SOCAM were transferred into ICAM on incorporation of ICAM on 23 August 2013 while the assets and liabilities of PAEC were transferred into ICAM on 1st April 2014 at which date the merger of SOCAM and PAEC became complete.

2. Review of activities

Objectives of the Institute

Objectives, functions and powers of the Institute are provided in Section 40, 41 and 42 of the Public Accountants and Auditors Act (No.5 of 2013).

The activities of the Institute include:

- Promoting the development of the accountancy profession;
- Ensuring that members of the Institute obtain necessary technical and ethical guidance that enable them to meet the needs of the community in areas in which they have special knowledge and expertise;
- Developing professional qualification for accountants and auditors in Malawi;
- Setting accounting and auditing standards appropriate to conditions prevailing in Malawi with international acceptance of audited financial statements originating in Malawi.

As at 31 December 2015 the Institute had 1,107 members (2014: 1,020 members) and 8,637 students (2014: 10,039 students) on its register.

3. Review of the financial results

The Institute made a surplus for the year of K91 million (2014: K83 million). Total reserves were K869 million as at 31 December 2015 (2014: K778 million). In view of the nature of the Institute's business and mandate, the results together with the financial position are considered satisfactory.

4. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**COUNCIL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. Council members

The Council members of the Institute during the year and to the date of this report are as follows:

<i>Name</i>	Period served
Mr. Chiwemi Chihana (President)	Jan to Dec 2015
Mr. Henry Chowawa (Vice President & Chairman-Audit Committee)	Jan to Dec 2015
Mr. Ken Mthuzi	Jan to Dec 2015
Mr. Joel Mwenelupembe	Jan to Dec 2015
Mrs Dalitso Gadama	Jan to Dec 2015
Mr. Peter Chetama	Jan to Dec 2015
Mr. Shadric Namalomba	Jan to Aug 2015
Mr. George Matekenya	Jan to Sept 2015
Mr. David Mhango	Jan to Dec 2015
Mr. Moffat Ngalande	Jan to Dec 2015
Mrs Hilda Singo	Jan to Dec 2015
Dr. Francis Gondwe	Sept to Dec 2015
Mrs Phyles Kachingwe	Sept to Dec 2015
The Accountant General (Ex officio)	Jan to Dec 2015
The Auditor General (Ex officio)	Jan to Dec 2015

6. Secretary

Ms Evelyn Mwapasa

Business and postal address

Stansfield House, Blantyre
P.O. Box 1, Blantyre
Malawi

7. Independent auditor

Graham Carr have expressed interest to continue in office in accordance with section 191(5) of the Companies Act, 1984 and a proposal will be made at the Institute's Annual General Meeting to re-appoint them as auditors of the ensuing year.

The financial statements were authorized for issue by the Council on 24 March 2016 and are signed on its behalf by :



President



Chairman- Audit Committee

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2015**

The Council members are required by the Companies Act 1984, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Council members acknowledge that they are ultimately responsible for the system of internal control established by the Council and place considerable importance on maintaining a strong control environment. To enable the Council members meet these responsibilities, the Council sets minimum standards for internal control aimed at reducing risks in a cost effective manner. The standards include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are maintained at all levels in the Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing and monitoring all known forms of risk across the Institute. While risk cannot be fully eliminated, the Institute endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Council members believe that the system of internal control provides a reasonable basis for the preparation of the financial statements.

The going-concern basis has been adopted in preparing the Institute's financial statements. The Council members have reviewed the Institute's budget for the year to 31 December 2016 and the current financial position; they are satisfied that the Institute will continue in operational existence for the foreseeable future.

The independent auditor is responsible for expressing an opinion on the Institute's financial statements. The auditor's independent report is on page 4.

The financial statements set out on pages 5 to 30 were authorized for issue by the Council on 24 March 2016 and are signed on its behalf by:



President



Chairman- Audit Committee

**AUDITOR'S REPORT TO THE MEMBERS OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the accompanying financial statements of the Institute of Chartered Accountants in Malawi, which comprise of the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council's responsibility for the financial statements

The Council is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in a manner required by the Companies Act 1984 and for such internal control as council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Institute of Chartered Accountants in Malawi as of 31 December 2015 and of its financial performance and of its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Companies Act 1984.



GRAHAM CARR
27 July 2016

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Figures in thousands of Malawi Kwacha

	Note	2015	2014
ASSETS			
Non current assets			
Property, plant and equipment	8	188,122	135,530
Current assets			
Inventory	9	58,233	32,618
Receivables	10	105,045	59,308
Cash and cash equivalents	12	712,201	681,139
Total current assets		<u>875,479</u>	<u>773,065</u>
Total assets		<u><u>1,063,601</u></u>	<u><u>908,595</u></u>
RESERVES AND LIABILITIES			
Reserves			
Staff revolving reserve		35,000	20,000
Special project reserve		480,000	400,000
Learning materials reserve		70,000	70,000
Accumulated surplus		283,737	288,050
Total reserves		<u>868,737</u>	<u>778,050</u>
Current liabilities			
Payables	13	<u>194,864</u>	<u>130,545</u>
Total current liabilities		<u>194,864</u>	<u>130,545</u>
Total funds and liabilities		<u><u>1,063,601</u></u>	<u><u>908,595</u></u>

The financial statements were authorized for issue by the Council on 24 March 2016 and are signed on its behalf by :



President



Chairman- Audit Committee

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Figures in thousands of Malawi Kwacha

	Note	2015	2014
Revenue			
Revenue from members	5.1	344,495	292,439
Revenue from examinations	5.2	756,534	387,408
Total revenue		<u>1,101,029</u>	<u>679,847</u>
Direct expenses			
Members expenses	6.2	170,359	142,721
Examinations expenses	6.3	265,550	79,818
Total direct expenses		<u>435,909</u>	<u>222,539</u>
Grants	5.3	-	90,743
Revenue for specific purposes	5.4	6,700	17,400
Sundry income	5.5	17,460	20,711
Total grants and revenue for specific purposes		<u>24,160</u>	<u>128,854</u>
Surplus before operating expenses		689,280	586,162
Operating expenses			
MAB fees	6.1	110,028	67,720
World Bank project expenses	6.4	-	90,743
Expenses for specific purposes	6.5	16,907	42,629
Administration expenses	6.6	282,339	193,391
Committee and Council expenses	6.7	33,484	21,415
Personnel expenses	6.8	287,089	193,251
Total operating expenses		<u>729,847</u>	<u>609,149</u>
Deficit before financing income and exchange losses		<u>(40,567)</u>	<u>(22,987)</u>
Financing income			
Exchange losses		(322)	(105)
Investment income	5.6	131,576	105,780
Surplus for the year		<u>90,687</u>	<u>82,688</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2015**

Figures in thousands of Malawi Kwacha

	Staff revolving reserve	Special project reserve	Learning materials reserve	Accumulated Surplus	Total
Balance at 1 January 2015	20,000	400,000	70,000	288,050	778,050
Transfer to staff revolving reserve	15,000	-	-	(15,000)	-
Transfer to special projects reserve	-	80,000	-	(80,000)	-
Surplus for the year	-	-	-	90,687	90,687
Balance at 31 DECEMBER 2015	35,000	480,000	70,000	283,737	868,737
Balance at 1 January 2014	7,000	40,000	-	18,367	65,367
Transfer from PAEC*	-	-	-	629,995	629,995
Transfer to staff revolving reserve	13,000	-	-	(13,000)	-
Transfer to special projects reserve	-	360,000	-	(360,000)	-
Transfer to learning materials reserve	-	-	70,000	(70,000)	-
Surplus for the year	-	-	-	82,688	82,688
Balance at 31 DECEMBER 2014	20,000	400,000	70,000	288,050	778,050

* Refer to details of this transfer on note number 7.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Figures in thousands of Malawi Kwacha

	Note	2015	2014
Cash flow from operating activities			
Surplus for the year		90,687	82,688
Depreciation		47,365	18,086
Less surplus on assessment of useful life of assets		(3,371)	-
Loss on disposal		-	710
		<u>134,681</u>	<u>101,484</u>
Movements in working capital			
Increase in inventories		(25,615)	(29,540)
(Increase)/decrease in receivables		(45,737)	37,728
Increase/(decrease) in payables		64,319	(260,976)
		<u>127,648</u>	<u>(151,304)</u>
Cash generated from/(used in) operations		<u>127,648</u>	<u>(151,304)</u>
Net cash generated from/(used in) operating activities		<u>127,648</u>	<u>(151,304)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(96,587)	(64,502)
Proceeds from disposal of equipment		-	763
		<u>(96,587)</u>	<u>(63,739)</u>
Net cash used in investing activities		<u>(96,587)</u>	<u>(63,739)</u>
Cash flows from financing activities			
Net cash transferred from PAEC		-	870,950
		<u>-</u>	<u>870,950</u>
Net cash generated from financing activities		<u>-</u>	<u>870,950</u>
Net increase in cash and cash equivalents		31,061	655,907
Cash and cash equivalents at the beginning of the financial year		<u>681,139</u>	<u>25,232</u>
Cash and cash equivalents at the end of the financial year	12	<u><u>712,201</u></u>	<u><u>681,139</u></u>
Net movement in working capital (as defined by legislation)		<u><u>38,095</u></u>	<u><u>611,213</u></u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 GENERAL INFORMATION

The Institute was incorporated as a company limited by guarantee on 23 August 2013 with the purpose of facilitating the merger of the Society of Accountants in Malawi (SOCAM) and the Public Accountants Examination Council (PAEC).

The assets and liabilities of SOCAM were transferred into ICAM on incorporation of ICAM on 23 August 2013 while the assets and liabilities of PAEC were transferred into ICAM on 1st April 2014 at which date the merger of SOCAM and PAEC became complete.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

These financial statements have been prepared in accordance with International Financial Reporting Standards. These financial statements have also been prepared on the historical cost convention basis as modified by the revaluation of land and buildings, and financial assets and financial liabilities at fair value through profit and loss. The principal accounting policies adopted are set out below:-

2.1 Standards and interpretations affecting figures reported and disclosed in the financial statements

In the current year, the Institute has adopted new and revised Standards and Interpretations issued by the International Accounting Standards Board and 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 1 January 2015.

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

New and revised IFRSs affecting presentation and disclosure only

The following amendments to IFRSs applied in the current year have affected the disclosures reported in these financial statements.

IFRS 13 <i>Fair Value Measurement</i>	Issued in December 2013. Amendments resulting from <i>Annual Improvements 2011-2013 Cycle</i> (scope of the portfolio exception in paragraph 52). Effective for annual periods beginning on or after 1 July 2014.
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IFRS 13 <i>Fair Value Measurement</i>	The amendment to the basis for conclusion of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendment to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.
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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 Standards and interpretations affecting figures reported and disclosed in the financial statements - continued

New and revised IFRSs affecting presentation and disclosure only - continued

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets Issued in May 2014. Clarification of Acceptable Methods of Depreciation and Amortization. Effective for annual periods beginning on or after 1 July 2014.

IAS 24 Related Party Disclosures The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Effective for annual periods beginning on or after 1 July 2014.

2.2 Standards and Interpretations in issue not yet adopted

IFRS 9 Financial Instruments(as revised in 2014) Issued in July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* upon its effective date. Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers Issued in May 2014. Provides a single, principles based five-step model to be applied to all contracts with customers. Effective for annual periods beginning on or after 1 January 2018.

Amendments to IAS 1 Disclosure Initiative The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Effective for annual periods beginning on or after 1 January 2016.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted - continued

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16. Effective for annual periods beginning on or after 1 January 2016.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations Issued in September 2014. Amended by Improvements to IFRSs 2014 (changes in methods of disposal). Effective for annual periods beginning on or after 1 January 2016.

IFRS 7 Financial Instruments: Disclosures Issued in September 2014. Amended by Improvements to IFRSs 2014 (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements). Effective for annual periods beginning on or after 1 January 2016.

IAS 19 Employee Benefits Issued in September 2014. Amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). Effective for annual periods beginning on or after 1 January 2016.

IAS 34 Interim Financial Reporting Issued in September 2014. Amended by Improvements to IFRSs 2014 (disclosure of information 'elsewhere in the interim financial report'). Effective for annual periods beginning on or after 1 January 2016.

The members of the Council anticipate that the new standards, amendments and interpretations will be adopted in the Institute's financial statements when they become effective. The Institute has assessed where practicable, the potential impact of these new standards, amendments and interpretations that will be effective in future periods.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Institute which are set out below, have been consistently followed in all material aspects, unless otherwise stated.

3.1 Foreign currency transactions

Functional and presentation currency

The financial statements are presented in Malawi Kwacha which is the Institute's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlements of such transactions and the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in surplus or deficit in the statement of comprehensive income.

3.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Institute;
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Property, plant and equipment are depreciated on a straight line basis so as to write down the cost over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Land	Infinite
Building	50 years
Motor vehicles	5 years
Office equipment	3 years
Examination furniture	5 years
Furniture and fittings	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment - continued

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

3.3 Impairment of property, plant and equipment

The carrying amounts of the Institute's assets are reviewed at each reporting period closing date to determine whether there is any indication of impairment. If such indication exists, assets recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the surplus or deficit.

At each reporting period closing date, the Institute reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried as a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.4 Government grants and donations

Government grants are recognized when there is reasonable assurance that:

- the Institute will comply with the conditions attaching to them; and
- the grants and donations will be received.

Grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate. Grants not spent at year end are held as deferred income to be utilized in future periods.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Revenue

(i) Subscriptions

Subscriptions represent the amounts received from members and students of the Institute during the year. Subscriptions in arrears are not recognized and membership for any unpaid subscription is lapsed. Membership subscriptions received from new applicants for membership are kept in other payables until the time of the approval of the membership application by the Council.

(ii) Examination fees

Examination fees represent fees received in respect of examinations conducted within the year.

(iii) Revenue from the Institute's activities

Revenue from the Institute's activities includes gross receipts from the participants to the various continuing professional development activities undertaken by the Institute during the year. Revenue from these activities is recognized when the service is provided.

(iv) Interest income

Interest income represents the interest earned and accrued for the year on investments and staff loans.

3.6 Special project reserve

The Special project reserve relates to funds designated for the construction of the Institute's proposed office building on the land acquired in Blantyre along Masauko Chipembere Highway.

3.7 Staff revolving reserve

The Staff revolving reserve relates to funds designated to be given out to staff as loans. Management is not allowed to disburse staff loans in excess of the reserve.

3.8 Learning materials reserve

The Learning materials reserve relates to funds designated to be used in the production of learning materials for students.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial instruments

Initial recognition and measurement

The Institute classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognized on the Institute's statement of financial position when the Institute becomes a party to the contractual provisions of the instrument.

Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in surplus or deficit within operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

Payables

Payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

3.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognized in the period in which the service is rendered and are not discounted.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits - continued

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

The Institute has a defined contributions pension scheme administered by the Associated Pensions Trust. The scheme is a contributory scheme to which both the employer and employee contribute. Contributions by the Institute into the scheme are expensed in the period in which they are incurred. The Institute has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and past periods.

3.11 Inventories

Inventories are stated at the lower cost and net releasable value. Costs, including an appropriate portion of the fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first out basis. Net releasable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.12 Provisions

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

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year are discussed below:

4.1.1 Useful lives and residual values of tangible assets

The entity reviews the estimated useful lives of tangible assets and assesses residual values of the assets at the end of each year and the actual results may differ from estimates.

4.1.2 Provisions

By their nature, various assumptions are applied in arriving at the carrying value of provisions that are recognized in terms of the requirements of IAS 37 Provisions, contingent liabilities and contingent assets.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

Figures in thousands of Malawi Kwacha

5 REVENUE	2015	2014
5.1 Revenue from members		
Annual subscription	114,611	78,859
Lake conference	177,823	167,930
Other Continuous Professional Development activities	46,361	33,917
Sale of handbooks	-	4,247
Dinner dance	5,700	7,486
	<u>344,495</u>	<u>292,439</u>
5.2 Revenue from examinations		
Examinations fees	459,867	285,536
Annual subscriptions from students	69,173	36,301
Registration and exemption	103,248	65,571
Student manuals	124,246	-
	<u>756,534</u>	<u>387,408</u>
5.3 Grants		
World Bank Project (Strengthening the Accountancy Profession in Malawi) - note 6.4	-	90,743
	<u>-</u>	<u>90,743</u>
5.4 Designated income		
Partnerships with audit firms for ICAM launch	-	8,000
ICAEW Scholarship	183	-
Donation for flood victims	6,517	-
Members contribution for dinner	-	1,449
National Authorizing Office (NAO) - ICAM launch funding	-	7,951
	<u>6,700</u>	<u>17,400</u>
5.5 Sundry income		
ACCA examinations handling	-	7,820
Advertising	6,940	7,770
Certifying statement and transcript production	1,526	1,836
Identity card replacement	2,880	1,153
Sale of ICAM branded shirts	-	1,770
Miscellaneous income	6,114	362
	<u>17,460</u>	<u>20,711</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Figures in thousands of Malawi Kwacha

5 REVENUE (CONTINUED)	2015	2014
5.6 Investment income		
Interest on short term investments	127,989	97,222
Bank interest - call and current accounts	1,287	8,012
Interest on staff loans	2,300	546
	<u>131,576</u>	<u>105,780</u>
6 OPERATING EXPENSES		
6.1 *MAB fees at 15%		
MAB fees from members fees	15,185	9,815
MAB fees from student fees	94,843	57,905
	<u>110,028</u>	<u>67,720</u>
6.2 Members expenses		
Dinner dance expenses	4,869	7,698
Lake conference expenses	130,172	108,172
Other CPD activities	35,318	26,851
	<u>170,359</u>	<u>142,721</u>
6.3 Examination expenses		
Examination and assessors fees	14,749	9,348
Examination supervision	5,961	7,746
Hire of examination hall	6,531	4,848
Invigilation fees	5,692	2,104
Marking fees	30,013	18,231
Balance carried forward	<u>62,946</u>	<u>42,277</u>

* ICAM contributes 15% of members' subscription fees and students' fees to Malawi Accountants Board (MAB).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Figures in thousands of Malawi Kwacha

	2015	2014
6 OPERATING EXPENSES (CONTINUED)		
6.3 Examination expenses		
Balance brought forward	62,946	42,277
Moderation fees	9,216	3,151
Printing and stationery	23,083	14,781
Re-marking fees	816	1,899
Student newsletter	14,072	8,326
Syllabus review and pilot papers	7,334	6,557
Student manuals	63,036	-
ICEAW exam expenses	60,258	-
Training of examiners and assessors	12,810	-
Training of tuition providers	11,979	2,827
	<u>265,550</u>	<u>79,818</u>
6.4 World Bank Project expenses		
Curriculum for the Malawi professional qualification	-	18,593
Audit practice manual	-	18,593
Staff training	-	6,997
Learning materials for the Malawi professional qualification	-	37,248
Project completion report	-	9,312
	<u>-</u>	<u>90,743</u>
6.5 Expenses for specific purposes		
ICAM launch expenses	-	39,344
ICAEW Scholarship	10,250	-
Donation for flood victims	6,657	-
ICAM project workshops	-	3,285
	<u>16,907</u>	<u>42,629</u>
6.6 Administration expenses		
Advertising	22,281	5,236
Auditor's remuneration	3,679	3,845
Bad debts - write offs	2,931	4,021
Stock write off	1,442	-
Bank charges	1,923	998
Depreciation	47,365	18,086
Balance carried forward	<u>79,621</u>	<u>32,186</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Figures in thousands of Malawi Kwacha

6 OPERATING EXPENSES (CONTINUED)	2015	2014
6.6 Administration expenses		
Balance brought forward	79,621	32,186
Members' handbooks	222	-
Hennox Mazengela - award	1,768	1,000
ID production	7,529	2,747
Insurance	15,615	8,058
Legal expenses	277	770
Loss on disposal of fixed assets	-	710
Marketing	14,321	22,167
Members social events	-	724
Motor vehicle repairs and maintenance	4,259	3,615
Motor vehicle fuel	8,096	4,703
Newsletter	13,232	6,941
Office supplies	360	2,001
Pan African Federation of Accountants (PAFA) meetings	-	1,766
Postage and delivery	24,167	24,198
Printing and stationery	8,831	9,193
Recruitment	70	1,604
Rent	19,392	12,939
Repairs and maintenance	6,435	1,432
Security	9,878	6,470
Students activities	-	286
Uniforms	70	297
AGM expenses	424	1,334
Office cleaning expenses	3,391	527
Corporate social responsibility	1,500	2,844
Casual labour	1,621	72
Subscriptions	6,576	5,873
Telephone and internet	5,960	5,903
Tevety levy	1,718	1,159
Travelling	44,696	28,941
Utilities	2,310	2,931
	282,339	193,391

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

Figures in thousands of Malawi Kwacha

6 OPERATING EXPENSES (CONTINUED)	2015	2014
6.7 Committee and Council expenses		
Committee meetings	12,411	4,291
Council travel and accommodation	18,080	10,985
Other Council expenses	2,993	6,139
	<u>33,484</u>	<u>21,415</u>
6.8 Personnel expenses		
Air time for staff	3,310	841
Annual merit award	30,642	24,805
Fringe benefits tax	7,461	3,983
Fuel allowance	4,250	10,747
Gratuity	7,245	7,447
Leave grant	338	344
Subsistence allowance	5,427	37
Medical expenses	4,506	3,203
Pension	31,610	16,948
Salaries and wages	172,171	107,464
School fees allowance	3,650	1,368
Staff training	3,018	4,719
Staff welfare	7,242	6,717
Team building	6,219	4,628
	<u>287,089</u>	<u>193,251</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

Figures in thousands of Malawi Kwacha

7 BALANCES TRANSFERRED FROM PAEC

	2015	2014
Non current assets		
Property, plant and equipment	-	56,527
Current assets		
Trade and other receivables	-	79,624
Investment in term deposits	-	700,000
Cash and cash equivalents	-	170,950
Total current assets	-	950,574
Total assets	-	1,007,101
Liabilities		
Payables		
Deferred income	-	3,555
Prepaid membership fees	-	24,201
Prepaid annual subscriptions	-	27,756
Accruals	-	343,771
Payables control account	-	1,889
Amounts owing to students	-	3,690
	-	349,350
Total liabilities	-	377,106
Net assets transferred from PAEC	-	629,995
Net cash and cash equivalents transferred from PAEC		
Cash and bank	-	170,950
Cash equivalents	-	700,000
Total	-	870,950

The assets and liabilities of PAEC were transferred to ICAM based on their carrying value.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

Figures in thousands of Malawi Kwacha

8 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Motor vehicles	Furniture and fixtures	Office equipment	Exam furniture	Total
As at 01.01.15	18,932	64,178	5,763	38,103	36,622	210,871
Additions	-	78,973	8,501	9,112	-	96,587
As at 31.12.15	18,932	143,151	14,264	47,215	36,622	307,458
Depreciation						
As at 01.01.15	274	20,753	3,853	41,099	9,362	75,341
Charge for the year	274	21,882	1,119	11,829	8,890	43,995
As at 31.12.15	548	42,635	4,972	52,928	18,252	119,336
Carrying amount						
As at 31.12.15	18,384	100,516	9,292	-5,713	18,370	188,122
As at 01.01.14	18,320	18,320	1,895	11,687	-	50,222
Assets transferred from PAEC	-	4,882	3,631	20,432	27,584	56,529
Additions	612	48,631	237	5,984	9,038	64,502
Disposals	-	(7,655)	-	-	-	(7,655)
As at 31.12.14	18,932	64,178	5,763	38,103	36,622	163,598
Depreciation						
As at 01.01.14	-	5,500	998	9,665	-	16,163
Charge for the year	274	6,575	505	9,201	1,532	18,087
Disposals	-	(6,182)	-	-	-	(6,182)
As at 31.12.14	274	5,893	1,503	18,866	1,532	28,068
Carrying amount						
As at 31.12.14	18,658	58,285	4,260	19,237	35,090	135,530

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Figures in thousands of Malawi Kwacha

	2015	2014
9 INVENTORIES		
IFRS books	-	437
Tax booklets	-	1,213
Study manuals	58,233	30,968
	<u>58,233</u>	<u>32,618</u>

10 RECEIVABLES

Receivables	57,464	26,139
Provision for bad debts	(2,931)	(4,021)
	<u>54,533</u>	<u>22,118</u>
Staff loans and advances	17,394	11,162
Prepayments and other receivables	33,118	26,028
	<u>105,045</u>	<u>59,308</u>

11 INVESTMENTS IN TERM DEPOSITS

First Discount House	260,727	166,572
NICO Asset Managers	51,558	106,340
CDH Asset Management	242,451	151,438
Stock Brokers Malawi Limited	-	120,124
Old Mutual Investment Group Limited	129,094	109,260
	<u>683,830</u>	<u>653,734</u>

The investments earned interest at an average rate of 22% (2014: 22%). The investments were all maturing within 3 months as at year end.

12 CASH AND CASH EQUIVALENTS

	2015	2014
Deposit accounts	1,987	21,475
Current accounts	26,293	5,820
Cash on hand	91	110
	<u>28,371</u>	<u>27,405</u>
Investment in term deposits (Note 11)	683,830	653,734
Total cash and cash equivalents as disclosed in the statement of cash flows	<u>712,201</u>	<u>681,139</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Figures in thousands of Malawi Kwacha

13 PAYABLES	2015	2014
Payables	25,890	17,575
Provisions	28,540	15,854
Subscriptions paid in advance	14,991	3,800
ICAEW Scholarship	6,936	-
Accruals and other payables	<u>118,507</u>	<u>93,316</u>
	<u><u>194,864</u></u>	<u><u>130,545</u></u>
13.1 Accruals and other payables		
MAB fees	9,988	47,085
Annual merit award	30,642	24,805
Marking and remarking fees	45,890	8,553
Amounts owing to students	16,866	7,951
Other accruals	<u>15,121</u>	<u>4,922</u>
	<u><u>118,507</u></u>	<u><u>93,316</u></u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

Figures in thousands of Malawi Kwacha

14 FINANCIAL RISK MANAGEMENT

The Council members have overall responsibility for the establishment and oversight of the Institute's risk management framework. The Council members are responsible for developing and monitoring Institute's risk management policies in their specified areas.

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

The Council members are responsible for monitoring compliance with the Institute's management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Institute.

The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Institute's financial performance.

The Institute manages its general financial risk through its investment policy. The Institute has a policy of spreading its investment across a wide range of investment houses such that no single investment exceeds 25% of the total investments.

14.1 Fair value measurements

This note provides information about how the Institute determines fair values of various financial assets and financial liabilities.

14.1.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The Council members consider that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the financial statements approximate their fair values.

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

Figures in thousands of Malawi Kwacha

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

14.1.2 Fair value measurements recognized in the statement of financial position

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

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

14.1.3 Fair value of the company's assets and financial liabilities that are measured at fair value on recurring basis

The Institute did not have any financial assets and financial liabilities that are measured at fair value at the end of the reporting period.

14.1.4 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Council members consider that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets classified as loans and receivables</i>				
Receivables	105,045	105,045	59,308	59,308
<i>Financial assets at amortized cost</i>				
Cash and cash equivalents	712,201	712,201	681,139	681,139
Total financial assets	<u>817,246</u>	<u>817,246</u>	<u>740,447</u>	<u>740,447</u>
<i>Financial liabilities at amortized cost</i>				
Payables	194,864	194,864	130,545	130,545
Total financial liabilities	<u>194,864</u>	<u>194,864</u>	<u>130,545</u>	<u>130,545</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

Figures in thousands of Malawi Kwacha

14 FINANCIAL RISK MANAGEMENT - CONTINUED

14.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet the financial obligations. The Institute's approach is to ensure that it will always have sufficient liquidity to meet its obligations as they fall due.

The Institute's risk to liquidity is a result of the funds available to cover future commitments. The Institute manages liquidity risk through an ongoing review of future commitments and credit facilities.

14.3 Credit risk

The Institute does not provide any services on credit except the practice review and advertisement in the ICAM and Student Magazine. Practice review expenses incurred on behalf of practitioners are paid once every year and therefore do not cause any significant credit risk. The Council does not expect any losses from non-performance by these members. The Institute faces a credit risk from the various financial institutions with which it invests funds in the event of financial failure of these institutions. The Institute manages this risk by investing in reputable financial institutions only and ensuring that the investment is spread across a number of Institutions.

Exposure to credit risk	2015	2014
Receivables		
Receivables	54,533	22,118
Staff loans and advances	17,394	11,162
Prepayments and other receivables	33,118	26,028
	<u>105,045</u>	<u>59,308</u>
The ageing of receivables at the statement of financial position date was:-		
Not past due	13,343	-
Past due 0 - 30 days	349	2,040
Past due 31 - 120 days	33,951	13,366
Past due 121 - 360 days	6,890	6,712
	<u>54,533</u>	<u>22,118</u>

The Institute established an allowance for impairment losses that represents its estimates of incurred losses in its receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Impairment

The movement in the allowance for impairment in respect of receivables during the year was as follows:

Provision for bad debts within the year	<u>(2,931)</u>	<u>(4,021)</u>
Balance as at 31 December	<u>(2,931)</u>	<u>(4,021)</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

Figures in thousands of Malawi Kwacha

14 FINANCIAL RISK MANAGEMENT - CONTINUED

14.4 Market risk

Market risk is the risk that the Institute's income or the value of its holdings of financial instruments would be affected by changes in market fundamentals such as foreign exchange rate and interest rates.

The Institute has no exposure to foreign exchange rates as it transacts in the local currency.

The Institute has adopted a policy of investing its excess liquidity in various deposit accounts. In investing excess liquidity the Institute endeavors to invest in most rewarding investment opportunity. Falling interest rate however pose a significant risk towards the interest income which has always been a significant stream of income.

As the Institute has significant interest- bearing assets, the Institute's income and operating cash flows are substantially dependent on changes in market interest rates. Movements in interest rates are likely to have a significant impact on one of the Institute's investment income line. The Institute manages this risk by investing in investments which have highest earning potential. Refer note 11 for applicable interest rates.

The Council members will continue to explore how best to optimize from investments.

	2015	2014
Interest income	<u>131,576</u>	<u>105,780</u>

Interest expense on financial liabilities: -

The Institute does not have any financial liabilities that necessitate payment of interest expense.

15 CAPITAL COMMITMENTS

There were non contractual capital commitments of K546 million as at 31 December 2015 (2014: K390 million).

16 EVENTS AFTER THE REPORTING PERIOD

There were no events after 31 December, 2015 except exchange rate movement (2014: Knil).

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

Figures in thousands of Malawi Kwacha

17 INCOME TAX

The Institute is exempt from income tax in terms of paragraph B(iii) of the First Schedule to the Taxation Act.

18 EXCHANGE RATES AND INFLATION

National inflation and exchange rates as at 31 December are as follows:

	2015	2014
National inflation rates. <i>Source: National Statistics Office</i>	24.9%	24.2%

The mid exchange rate of the Malawi Kwacha to the United states Dollar was

664	465
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At the date of approval of the accounts the rates had moved as discussed below:-

Kwacha/US Dollar

686	542
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