

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS IN MALAWI (ICAM)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

LIST OF ACRONYMS

AGM	Annual General Meeting
ACCA	Association of Chartered Certified Accountants
CPD	Continuous Professional Development
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
ICAM	Institute of Chartered Accountants in Malawi
ID	Identity card
IESBA	International Ethics Standards Board of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
PAEC	Public Accountants Examinations Council
PQ	Professional Qualification
SOCAM	Society of Accountants in Malawi

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

COUNCIL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

1. Incorporation

The Institute was incorporated as a company limited by guarantee on 23 August 2013.

2. Activities of the Institute

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; inter alia:

- 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
- Developing professional qualifications 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 2017 the Institute had 1,514 members (2016: 1,391 members) and 5,979 students (2016: 8,145 students) on its register.

3. Financial performance

The Institute made a surplus for the year of K185 million (2016: K165 million). Total reserves were K1,218 million as at 31 December 2017 (2016: K1,033 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 2017**

5. Council members

The Council members of the Institute during the year were as follows:

<i>Name</i>	Period served
Mr. Henry Chowawa (President)	Jan to Dec 2017
Mr. Joel Mwenelupembe (Vice President)	Jan to Dec 2017
Mrs. Madalo Mwenelupembe (Chairperson - Audit Committee)	Jan to Dec 2017
Mr. Peter Chetama	Jan to Dec 2017
Mr. David Mhango	Jan to Dec 2017
Mr. Moffat Ngalande	Jan to Dec 2017
Mrs. Hilda Singo	Jan to Dec 2017
Mrs. Phyles Kachingwe	Jan to Dec 2017
Mr. Samuel Yakobe	Jan to Dec 2017
The Accountant General (Ex officio)	Jan to Dec 2017
The Auditor General (Ex officio)	Jan to Dec 2017
Mr. Kezzie Mkandawire	July to Dec 2017
Mr. Daniel Jere	Sept to Dec 2017
Mrs. Victoria Munkhondia	Sept to Dec 2017
Mrs. Dalitso Gadama	Jan to Sept 2017
Dr. Francis Gondwe	Jan to Feb 2017

6. Secretary

Dr. Francis Gondwe


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 231(1) of the Companies Act, 2013 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 2 March.....2018 and are signed on its behalf by :



President



Chairperson – Audit Committee

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**STATEMENT OF COUNCIL MEMBERS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Council members are required by the Companies Act 2013, 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 endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour 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 2017 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 in accordance with the International Financial Reporting Standards (IFRS). The auditor's independent report is on pages 4-6.

The financial statements set out on pages 7 to 28 were authorized for issue by the Council on 2 March 2018 and are signed on its behalf by:



President



Chairperson- Audit Committee

**AUDITOR'S REPORT TO THE MEMBERS OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

Opinion

We have audited the financial statements of the Institute of Chartered Accountants in Malawi, which comprise the statement of financial position as at 31 December 2017, and the income statement, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute of Chartered Accountants in Malawi as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and 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 Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Council 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 2013 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.

In preparing the financial statements, the Council is responsible for assessing the Institute'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 Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for overseeing the Institute's financial reporting process.

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.

**AUDITOR'S REPORT TO THE MEMBERS OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

Auditor's responsibilities for the audit of the financial statements – continued

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's 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 Institute'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 Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Institute to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

**AUDITOR'S REPORT TO THE MEMBERS OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI**

Auditor's responsibilities for the audit of the financial statements – continued

We communicate with the Council 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 Council 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.

The engagement partner on the audit resulting in this independent auditor's report is Mrs. Dorothy Ngwira.

Signature in the name of the audit firm: Graham Carr

Signature of engagement partner: D Ngwira

Date: 29/03/2018

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI


STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Figures in thousands of Malawi Kwacha

	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	278,164	228,680
Receivables	7	<u>23,996</u>	<u>20,242</u>
Total non-current assets		<u>302,160</u>	<u>248,922</u>
Current assets			
Inventories	8	47,028	65,863
Receivables	7	115,187	95,378
Cash and cash equivalents	9	<u>972,580</u>	<u>862,673</u>
Total current assets		<u>1,134,795</u>	<u>1,023,914</u>
Total assets		<u>1,436,955</u>	<u>1,272,836</u>
RESERVES AND LIABILITIES			
Reserves			
Special project reserve		1,100,000	700,000
Accumulated surplus		<u>118,185</u>	<u>333,495</u>
Total reserves		<u>1,218,185</u>	<u>1,033,495</u>
Current liabilities			
Payables	10	<u>218,770</u>	<u>239,341</u>
Total current liabilities		<u>218,770</u>	<u>239,341</u>
Total reserves and liabilities		<u>1,436,955</u>	<u>1,272,836</u>

The financial statements were authorized for issue by the Council on 2 March 2018 and were signed on its behalf by:



 President



 Chairperson- Audit Committee

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Figures in thousands of Malawi Kwacha

	Note	2017	2016
Revenue			
Revenue from members	12	729,265	502,771
Revenue from examinations	13	<u>780,925</u>	<u>798,108</u>
Total revenue		<u>1,510,190</u>	<u>1,300,879</u>
Direct expenses			
Members expenses	14	314,861	234,874
Examinations expenses	15	<u>270,320</u>	<u>306,673</u>
Total direct expenses		<u>585,181</u>	<u>541,547</u>
Revenue for specific purposes	16	-	156
Sundry income	17	<u>4,058</u>	<u>4,698</u>
		<u>4,058</u>	<u>4,854</u>
Total revenue for specific purposes and sundry income			
Surplus before operating expenses		<u>929,067</u>	<u>764,186</u>
Operating expenses			
MAB fees	18	129,700	124,491
Administration expenses	19	328,336	273,268
Committee and Council expenses	20	30,233	26,821
Personnel expenses	21	<u>426,105</u>	<u>376,130</u>
Total operating expenses		<u>914,374</u>	<u>800,710</u>
Surplus/(deficit) before financing income and exchange losses		<u>14,693</u>	<u>(36,524)</u>
Financing income			
Exchange losses		(578)	(1,417)
Investment income	22	<u>170,575</u>	<u>202,698</u>
Surplus for the year		<u>184,690</u>	<u>164,757</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in thousands of Malawi Kwacha

	Staff revolving reserve	Special project reserve	Learning materials reserve	Accumulated Surplus	Total
Balance at 1 January 2016	35,000	480,000	70,000	283,738	868,738
Surplus for the year	-	-	-	164,757	164,757
Transfer from staff revolving reserve	(35,000)	-	-	35,000	-
Transfer to special projects reserve	-	220,000	-	(220,000)	-
Transfer from learning materials reserve	-	-	(70,000)	70,000	-
Balance at 31 December 2016	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>333,495</u>	<u>1,033,495</u>
Surplus for the year	-	-	-	184,690	184,690
Transfer to special projects reserve	-	400,000	-	(400,000)	-
Balance at 31 December 2017	<u>-</u>	<u>1,100,000</u>	<u>-</u>	<u>118,185</u>	<u>1,218,185</u>

Please refer to note 4 on page 15 and 16 for a detailed description of the reserves.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in thousands of Malawi Kwacha

	Note	2017	2016
Cash flow from operating activities			
Surplus for the year		184,690	164,757
Adjustment for:-			
Depreciation	6	58,845	48,545
Interest received	22	(170,575)	(202,698)
Profit on disposal		-	(1,472)
		<u>72,960</u>	<u>9,132</u>
Movements in working capital			
Decrease/(increase) in inventories	8	18,835	(7,630)
Increase in receivables	7	(23,563)	(10,575)
(Decrease)/increase in payables	10	(20,571)	44,478
Net cash generated from operating activities		<u>47,661</u>	<u>35,405</u>
Cash flows from investing activities			
Interest received	22	170,575	202,698
Purchase of plant and equipment	6	(108,329)	(92,062)
Proceeds from disposal of equipment		-	4,431
Net cash generated from investing activities		<u>62,246</u>	<u>115,067</u>
Net increase in cash and cash equivalents		109,907	150,472
Cash and cash equivalents at the beginning of the year		<u>862,673</u>	<u>712,201</u>
Cash and cash equivalents at the end of the year	9	<u>972,580</u>	<u>862,673</u>
Additional information			
Net movement in working capital (as defined by legislation)		<u>131,451</u>	<u>113,101</u>

The notes on pages 11 to 28 form part of these financial statements

Auditor's Report - Page 4 to 6

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards and the Companies Act, 2013. These financial statements have also been prepared on the historical cost convention basis. The principal accounting policies adopted are set out below:-

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1 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 2017.

The adoption of these new and revised Standards did not have a significant 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.

IAS 7 Statement of Cash flows

Issued in January 2016. The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

IAS 12 Income Taxes

Issued in January 2016. Amended to clarify when a deferred tax asset should be recognized for unrealized losses. Effective for annual periods beginning on or after 1 January 2017.

3.2 Standards and Interpretations in issue not yet adopted

IFRS 9 Financial Instruments (as revised in 2014)

Issued in July 2014, the IASB finalized 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,

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2017

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

3.2 Standards and Interpretations in issue not yet adopted – continued

<i>IFRS 9 Financial Instruments (as revised in 2014)</i>	b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 <i>Financial Instruments: Recognition and Measurement</i> upon its effective date. Effective for annual periods beginning on or after 1 January 2018.
<i>IFRS 15 Revenue from Contracts with Customers</i>	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.
<i>IFRS 16 Leases</i>	Issued in January 2017. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Effective for annual reporting periods beginning on or after 1 January 2019.
<i>IAS 7 Statement of Cash flows</i>	Issued in January 2017. The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.
<i>IAS 12 Income Taxes</i>	Issued in January 2017. Amended to clarify when a deferred tax asset should be recognized for unrealized losses. Effective for annual periods beginning on or after 1 January 2017.
<i>IAS 40 Investment Property</i>	Issued in December 2017. Amendments to paragraph 57 to reinforce the principle for transfers into, or out of, investment property in IAS 40; to specify that such a transfer should only be made when there has been a change in use of the property. Effective for annual periods beginning on or after 1 January 2018.
<i>IFRIC 22 Foreign Currency Transactions</i>	Issued in December 2016 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 INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2017

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

3.2 Standards and Interpretations in issue not yet adopted – continued

*IFRIC 22 Foreign
Currency Transactions*

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. Effective for annual periods beginning on or after 1 January 2018.

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.

4 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.

4.1 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 transactions. 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 the income statement.

4.2 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 INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2017

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Property, plant and equipment – continued

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 -10 years
Examination furniture	5 years
Furniture and fixtures	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 the income statement unless it is included in the carrying amount of another asset.

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.

4.3 Impairment of non-financial assets

The carrying amounts of the Institute's assets are reviewed at each reporting period's closing date to determine whether there is any indication of impairment. If such indication exists, the 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 income statement.

At each reporting period's 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.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Impairment of non-financial assets – continued

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.

4.4 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.

Revenue 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.

4.5 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. This is accounted for using the effective interest method.

4.6 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.

The construction of the office building commenced in 2017 and K88 million had been spent by 31 December 2017. (refer to note 6)

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 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.

4.8 Learning materials reserve

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

4.9 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 income statement.

Payables

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

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2017

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments – continued

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.

4.10 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 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 Old Mutual Life Assurance Company (Malawi) Limited. 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.

4.11 Inventories

Inventories are stated at the lower of cost and net realisable 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 an average costing basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.12 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 INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2017**

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Provisions - continued

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.

5 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.

5.1 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 assets and liabilities within the next financial year are discussed below:

5.1.1 Useful lives and residual values of tangible assets

Property, plant and equipment are depreciated based on their estimated useful lives and their estimated residual values. 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.

5.1.2 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.

5.1.3 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in thousands of Malawi Kwacha

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Motor vehicles	Furniture and fixtures	Office equipment	Examinations furniture	*Work in progress	Total
Cost							
As at 01.01.17	18,932	193,554	18,292	91,563	44,452	6,173	372,966
Additions	-	-	898	19,574	5,750	82,107	108,329
As at 31.12.17	<u>18,932</u>	<u>193,554</u>	<u>19,190</u>	<u>111,137</u>	<u>50,202</u>	<u>88,280</u>	<u>481,295</u>
Depreciation							
As at 01.01.17	822	50,631	6,395	59,295	27,143	-	144,286
Charge for the year	274	34,840	1,886	12,092	9,753	-	58,845
As at 31.12.17	<u>1,096</u>	<u>85,471</u>	<u>8,281</u>	<u>71,387</u>	<u>36,896</u>	<u>-</u>	<u>203,131</u>
Carrying amount							
As at 31.12.17	<u>17,836</u>	<u>108,083</u>	<u>10,909</u>	<u>39,750</u>	<u>13,306</u>	<u>88,280</u>	<u>278,164</u>
Cost							
As at 01.01.16	18,932	158,010	16,613	69,449	44,452	-	307,456
Additions	-	59,831	1,785	24,273	-	6,173	92,062
Disposals	-	(24,287)	(106)	(2,159)	-	-	(26,552)
As at 31.12.16	<u>18,932</u>	<u>193,554</u>	<u>18,292</u>	<u>91,563</u>	<u>44,452</u>	<u>6,173</u>	<u>372,966</u>
Depreciation							
As at 01.01.16	548	42,635	4,858	53,041	18,253	-	119,335
Charge for the year	274	29,854	1,643	7,884	8,890	-	48,545
Disposals	-	(21,858)	(106)	(1,630)	-	-	(23,594)
As at 31.12.16	<u>822</u>	<u>50,631</u>	<u>6,395</u>	<u>59,295</u>	<u>27,143</u>	<u>-</u>	<u>144,286</u>
Carrying amount							
As at 31.12.16	<u>18,110</u>	<u>142,923</u>	<u>11,897</u>	<u>32,268</u>	<u>17,309</u>	<u>6,173</u>	<u>228,680</u>

*WIP includes expenditure related to ICAM's building project on plot No. BE 31 along Masauko Chipembere Road in Blantyre.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in thousands of Malawi Kwacha

	2017	2016
7 RECEIVABLES		
Trade receivables	26,557	28,396
Provision for doubtful receivables	<u>(3,571)</u>	<u>(538)</u>
	22,986	27,858
Staff loans and advances repayable within 1 year	24,051	12,356
Prepayments and other receivables	<u>68,150</u>	<u>55,164</u>
	115,187	95,378
Staff loans repayable after 1 year	<u>23,996</u>	<u>20,242</u>
Total receivables	<u>139,183</u>	<u>115,620</u>
8 INVENTORIES		
Study manuals	<u>47,028</u>	<u>65,863</u>
9 CASH AND CASH EQUIVALENTS		
Deposit accounts	3,712	3,441
Current accounts	110,388	43,404
Cash on hand	<u>101</u>	<u>82</u>
	114,201	46,927
Investment in term deposits (Note 9.1)	<u>858,379</u>	<u>815,746</u>
Total cash and cash equivalents as disclosed in the statement of cash flows	<u>972,580</u>	<u>862,673</u>
9.1 INVESTMENTS IN TERM DEPOSITS		
Alliance Capital Limited	143,082	168,576
CDH Asset Management	178,168	176,314
First Discount House	160,046	132,502
NBM Capital Markets	418	64,296
NICO Asset Managers	137,833	115,160
ECOBANK	102,008	-
Old Mutual Investment Group Limited	<u>136,824</u>	<u>158,898</u>
Total investments in term deposits	<u>858,379</u>	<u>815,746</u>

The investments earned interest at an average rate of 15% (2016: 25%). The investments were all maturing within 3 months as at year end.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Figures in thousands of Malawi Kwacha

	2017	2016
10 PAYABLES		
Trade payables	28,520	47,962
Provisions	32,945	39,550
Subscriptions paid in advance	19,905	1,130
Pending membership applications	30,673	25,538
ICAEW scholarship	10,553	10,117
Accruals and other payables (Note 11)	<u>96,174</u>	<u>115,044</u>
Total payables	<u>218,770</u>	<u>239,341</u>
11 ACCRUALS AND OTHER PAYABLES		
Amounts owing to students	21,806	19,388
Annual merit award	35,050	29,051
MAB fees	21,949	25,595
Marking and remarking fees	26,270	25,700
Other accruals	<u>26,149</u>	<u>15,310</u>
Total accruals and other payables	<u>96,174</u>	<u>115,044</u>
12 REVENUE FROM MEMBERS		
Annual subscriptions	222,508	155,336
Membership applications	21,473	13,372
Revenue from the Institute's activities		
- Advertising	5,800	6,500
- Lake conference		
(i) Revenue from partners	41,356	23,500
(ii) Revenue from participants	317,938	226,383
- Other CPD activities	103,161	65,946
Dinner dance	10,955	5,850
Sale of handbooks	<u>6,074</u>	<u>5,884</u>
Total revenue from members	<u>729,265</u>	<u>502,771</u>
13 REVENUE FROM EXAMINATIONS		
ACCA examinations handling	8,374	20,716
Annual subscriptions from students	74,996	71,391
Certifying statements and transcripts	2,453	2,404
Examinations fees	489,990	519,051
Identity card replacement	1,849	2,821
Registration and exemptions	108,824	119,092
Student manuals	<u>94,439</u>	<u>62,633</u>
Total revenue from examinations	<u>780,925</u>	<u>798,108</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Figures in thousands of Malawi Kwacha

	2017	2016
14 MEMBERS EXPENSES		
Cost of handbooks	4,779	3,954
Expenses from Institute activities		
- Lake conference expenses	211,159	161,548
- Other CPD activities	66,296	41,177
Dinner dance expenses	9,567	4,526
Members' magazines	16,830	16,213
Members social events	5,295	5,184
Postage and delivery	<u>935</u>	<u>2,272</u>
Total members expenses	<u>314,861</u>	<u>234,874</u>
15 EXAMINATION EXPENSES		
Examination and assessors fees	20,412	28,832
Examination supervision	6,428	9,767
Hire of examination halls	8,715	7,478
ICAEW exam expenses	45,975	50,058
ID production	3,145	6,447
Invigilation fees	6,354	6,289
Marking fees	26,887	32,949
Moderation fees	12,206	10,485
Postage and delivery	18,103	30,005
PQ subsidy -ICAEW manuals	13,320	5,416
Printing and stationery	10,860	25,536
Prize giving ceremony	135	-
Re-marking fees	368	735
Research and test development	-	4,281
Student magazine	21,858	24,945
Student manuals	59,041	40,411
Syllabus review and pilot papers	9,098	9,251
Training of examiners and assessors	7,415	8,481
Training of markers	<u>-</u>	<u>5,307</u>
Total examination expenses	<u>270,320</u>	<u>306,673</u>
16 REVENUE FOR SPECIFIC PURPOSES		
Donations	<u>-</u>	<u>156</u>
17 SUNDRY INCOME		
Miscellaneous income	4,058	3,226
Profit on sale of asset	<u>-</u>	<u>1,472</u>
Total sundry income	<u>4,058</u>	<u>4,698</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	2017	2016
18 MAB FEES		
Portion of members fees	29,023	18,385
Portion of students fees	<u>100,677</u>	<u>106,106</u>
Total MAB fees	<u>129,700</u>	<u>124,491</u>

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

19 ADMINISTRATION EXPENSES		
AGM expenses	2,597	2,118
Auditor's remuneration	6,497	7,280
Auditor's remuneration (prior year under-provision)	-	882
Bad debts - write offs	3,571	1,890
Bank charges	2,711	2,119
Casual labour	105	1,302
Corporate social responsibility	1,123	1,381
Depreciation	58,844	48,545
Genset expenses	25	-
Hennox Mazengela - award	1,500	1,500
Insurance	19,515	14,321
Legal expenses	3,733	200
Marketing	45,121	30,295
Motor vehicle fuel	10,622	10,036
Motor vehicle repairs and maintenance	9,719	7,851
Office cleaning expenses	4,567	3,571
Office supplies	532	275
Printing and stationery	8,070	6,176
Recruitment	6,272	720
Rent	30,676	27,728
Repairs and maintenance	8,274	5,888
Security	14,223	13,365
Stock write off	2,258	1,880
Strategic planning	6,540	7,890
Subscriptions	12,027	12,726
Telephone and internet	10,309	7,196
Travelling	54,230	51,503
Uniforms	79	-
Utilities	<u>4,596</u>	<u>4,630</u>
Total administration expenses	<u>328,336</u>	<u>273,268</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
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	2017	2016
20 COUNCIL AND COMMITTEE EXPENSES		
Committee meetings	17,513	16,262
Council expenses	<u>12,720</u>	<u>10,559</u>
Total council and committee expenses	<u>30,233</u>	<u>26,821</u>
21 PERSONNEL EXPENSES		
Air time for staff	5,907	5,504
Annual merit award	-	29,051
Fringe benefits tax	12,522	11,319
Fuel allowance	6,497	5,098
Gratuity	11,862	8,520
Leave grant	624	336
Medical expenses	9,456	5,930
Pension	53,165	40,792
Salaries and wages	290,966	232,626
School fees allowance	4,410	5,169
Staff training	8,776	15,145
Staff welfare	5,684	4,417
Subsistence allowance	1,944	3,878
Team building	11,383	6,020
Tevet levy	<u>2,909</u>	<u>2,325</u>
Total personnel expenses	<u>426,105</u>	<u>376,130</u>
22 INVESTMENT INCOME		
Bank interest - call and current accounts	579	418
Interest on short term investments	167,049	199,479
Interest on staff loans	<u>2,947</u>	<u>2,801</u>
Total investment income	<u>170,575</u>	<u>202,698</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Figures in thousands of Malawi Kwacha

23 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 the Institute's risk management policies in their specified areas.

The Institute's risk management policies are established to identify and analyse 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.

23.1 Fair value measurements

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

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.

23.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet 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.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Figures in thousands of Malawi Kwacha

23 FINANCIAL RISK MANAGEMENT – CONTINUED

23.3 Credit risk

The Institute does not provide any services on credit except advertisement in the ICAM and Student Magazine and student manual distribution. The Council does not expect any losses from non-performance by these advertisers and distributors. 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	2017	2016
Receivables		
Receivables	22,986	27,858
Staff loans and advances	48,047	32,598
Prepayments and other receivables	<u>68,150</u>	<u>55,164</u>
	<u>139,183</u>	<u>115,620</u>
The ageing of receivables at the statement of financial position date was:-		
Not past due	3,437	1,100
Past due 0 - 30 days	345	608
Past due 31 - 120 days	12,753	15,762
Past due 121 - 360 days	<u>6,451</u>	<u>10,388</u>
	<u>22,986</u>	<u>27,858</u>

The Institute established an allowance for impairment losses that represents its estimates of incurred losses in its receivables. The main component of this allowance is 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:

Balance as at 01.01.17	538	2,931
Write offs	(538)	(2,931)
Additions	<u>(3,571)</u>	<u>(538)</u>
Balance as at 31.12.17	<u>(3,571)</u>	<u>(538)</u>

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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23 FINANCIAL RISK MANAGEMENT - CONTINUED

23.4 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 limited exposure to foreign exchange rates as it mainly 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 endeavours to invest in most rewarding investment opportunities. Falling interest rates, 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. Indicated below is interest earned from short term investments;

	2017	2016
Interest income	<u>170,575</u>	<u>202,698</u>

Interest expense on financial liabilities: -

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

24 CAPITAL COMMITMENTS

There were non contractual capital commitments of K468 million (2016: K546 million) and a contractual commitment of K942 million as at 31 December 2017 (2016: Nil).

25 EVENTS AFTER THE REPORTING PERIOD

There are no events subsequent to year end requiring disclosures in or adjustment to the financial statements.

26 INCOME TAX

Due to the nature of its business, the Institute is exempt from income tax in terms of paragraph b (iii) of the First Schedule to the Taxation Act.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Figures in thousands of Malawi Kwacha

27 EXCHANGE RATES AND INFLATION

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

	2017	2016
National inflation rates. <i>Source: National Statistics Office</i>	7.1%	24.9%
The mid exchange rate of the Malawi Kwacha to the United States Dollar (National Bank of Malawi) was:	<u>726</u>	<u>725</u>
At the date of approval of the financial statements the rates had moved as discussed below:-		
Kwacha/US Dollar	<u>726</u>	<u>726</u>