



Old Mutual Life Assurance Company (Malawi) Limited

Company registration number 5051

Summary audited financial statements for the year ended 31ST December, 2019

Statement of profit or loss and other comprehensive income

	31-Dec-19 MK'000	31-Dec-18 MK'000
Revenue		
Gross earned premiums	62,634,310	66,525,032
Reinsurance premium	(465,971)	(53,431)
Net earned premium	62,168,339	66,471,601
Investment income	56,499,919	77,236,719
Net premium and investment income	118,668,258	143,708,320
Fees and commission income	2,037,624	904,290
Other income	107,759	105,111
Total revenue	120,813,641	144,717,721
Claims		
Claims and benefits	(54,750,029)	(36,732,605)
Less reinsurance claims	-	16,484
Changes in life assurance and pension fund liabilities	(50,416,348)	(92,334,139)
Net claims incurred	(105,166,377)	(129,050,260)
Expenses		
Commission and other acquisition costs	(465,962)	(236,163)
Operating costs	(5,923,730)	(4,668,255)
Net impairment of financial assets	(238,061)	(55,678)
Total expenses	(6,627,753)	(4,960,096)
Profit before tax expense	9,019,511	10,707,365
Tax expense	(1,094,172)	(1,239,942)
Profit after tax	7,925,339	9,467,423
Other comprehensive income		
Property revaluation gain	55,430	86,226
Policyholder property revaluation gain (shadow accounting)	(55,430)	(86,226)
Total comprehensive income	7,925,339	9,467,423
Earnings per share		
Basic and diluted earnings per share (MK)	2,147,788	2,565,697

Statement of financial position

	31-Dec-19 MK'000	31-Dec-18 MK'000
Assets		
Property and equipment	2,022,605	1,886,239
Intangible assets	22,577	29,836
Investment properties	5,921,300	5,296,300
Right of use assets	210,846	-
Financial assets at fair value through profit or loss	227,766,604	193,034,604
Financial assets at amortised cost	103,477,332	131,183,312
Deferred acquisition costs	432,378	581,381
Insurance and other receivables	5,007,437	3,440,953
Cash and cash equivalents	62,526,175	18,460,537
Total assets	407,387,254	353,913,162
Liabilities		
Life assurance and pension fund liabilities	369,749,610	321,089,845
Lease liabilities	148,409	-
Deferred tax liabilities	2,617,262	2,844,937
Insurance, other payables and provisions	4,433,106	5,264,852
Total liabilities	376,948,387	329,199,634
Equity		
Share capital	37	37
Share premium	2,678,804	2,678,804
Retained earnings	27,760,026	22,034,687
Total equity	30,438,867	24,713,528
Total equity and liabilities	407,387,254	353,913,162

Statement of changes in equity

	31-Dec-19 MK'000	31-Dec-18 MK'000
Opening equity	24,713,528	17,070,165
Adjustment from the adoption of IFRS 9	-	(24,060)
Adjusted opening balance	24,713,528	17,046,105
Profit for the year	7,925,339	9,467,423
Dividends paid	(2,200,000)	(1,800,000)
Closing equity	30,438,867	24,713,528

Statement of cash flows

	31-Dec-19 MK'000	31-Dec-18 MK'000
Cash generated from operations before tax	2,735,781	29,077,401
Income tax paid	(4,564,591)	(3,705,037)
Net cash (used in)/generated from operating activities	(1,828,810)	25,372,364
Cash flows from investing activities		
Purchase of property and equipment	(464,215)	(355,306)
Proceeds from sale of property and equipment	96,236	20,830
Dividends received	5,311,666	4,318,200
Purchase of intangible assets	(2,429)	(29,905)
Proceeds from (purchase of) financial assets at amortised cost	33,893,983	(43,579,025)
Purchase of financial assets at fair value through profit or loss	(4,538,830)	(16,071,871)
Interest received	13,803,002	21,096,100
Net cash generated from/(used in) investing activities	48,099,413	(34,600,977)
Cash flows from financing activities		
Dividends paid	(2,200,000)	(1,800,000)
Purchase of investment property	(4,965)	(12,100)
Net cash used in financing activities	(2,204,965)	(1,812,100)
Net change in cash and cash equivalents	44,065,638	(11,040,713)
Cash and cash equivalents at 1 January	18,460,537	29,501,250
Cash and cash equivalents at 31 December	62,526,175	18,460,537

FINANCIAL REVIEW

Basis of preparation

The Directors have prepared the summary audited financial statements to meet the requirements of the Financial Services Act, 2010. The Directors have considered the requirements of the Financial Services Act, 2010 and believe that the summary statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS). The summary financial statements have been derived from the Annual Financial Statements, which were approved by the board on **12 March 2020**, and are available at the Company's registered office.

Economic Review

The macro-economic environment for 2019 was generally stable except for the second half of the year following the fragile political environment in the aftermath of the May 2019 general elections. The Malawi Stock Exchange (MSE) returned a mere 4.38% in 2019 compared to 34.19% in prior year, and money market yields were very muted. Headline inflation averaged 9.4% in 2019 from 9.2% in previous year, anchored by a stable Kwacha and fuel prices. Food inflation was the major driver for the marginal inflation increase.

Performance Review

The Directors report a profit after tax of **MK7.9 billion** for the year ended 31 December 2019, which was 17% below the prior year profit of **MK9.5 billion**. This is mainly due to low investment gains compared to what was achieved in 2018 following the equity return of 4.38% on Malawi Stock Exchange against the registered return of 34.19% in the prior year. Total revenue declined by 17% from **MK144.7 billion** in 2018 to **MK120.8 billion** in 2019 due to decrease in investment and premium income. Investment income declined by 27% from **MK77.2 billion** in 2018 to **MK56.5 billion** in 2019 due to low equity returns compared to prior year.

Claims and benefits grew by 49% from **MK36.7 billion** in 2018 to **MK54.8 billion** in 2019 largely due to pension transfers for Segregated Funds. Changes in life assurance and pension fund liabilities declined by 45% from **MK92.3 billion** in 2018 to **M K50.4 billion** in 2019 in response to decrease in premiums and investment income.

Operating costs increased by 26% from **MK4.7 billion** in 2018 to **MK5.9 billion** in 2019. The increase is mainly due to expenses for prior year being depressed with an expense provision booked in 2017 and reversed in 2018 after it was confirmed that it was no longer required. Excluding the reversal operating costs would have been 9% below the prior year.

Earnings per share for the year decreased to **MK2,147,788** in 2019 from **MK2,565,697** in 2018.

Economic Outlook

The earlier positive economic prospects for 2020 have already been dampened by the Covid-19 pandemic, which has negatively impacted economies and financial markets across the world. The IMF revised the 2020 Gross Domestic Product (GDP) growth projection for Malawi from the initial 5.0% to 1% because of the pandemic. The prevailing political situation may magnify the downside risk on economic growth and the resultant investment outcomes.

While it is not presently possible to fully quantify the extent of the adverse impacts arising from these risks, the Board will continue to monitor the events, and to take the necessary precautionary and mitigating measures. The business has taken adequate actions to protect its staff and has implemented appropriate business continuity plans that will allow it to continue to serve and engage all its stakeholders during the Covid 19 pandemic. We are also part of private sector efforts that are supporting our healthcare system by providing some of the necessary health interventions, including medical equipment.

By order of the board

Old Mutual Life Assurance Company (Malawi) Limited



Director
Date 20 April 2020



Director

Actuary's certificate For the year ended 31 December 2019

I hereby certify that to the best of my knowledge and belief, based on an actuarial valuation of liabilities and accounts provided to me by the Company, the liabilities under unexpired life policies issued by the Old Mutual Life Assurance Company (Malawi) Limited do not exceed the amount of the life insurance fund as at 31 December 2019.

Andrew Gladwin
Appointed Actuary, OMLAC(Malawi) BBusSc (Hons),FASSA,FIA

12 March 2020

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2019, and the summary statement of profit or loss and other comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, are derived from the audited financial statements of Old Mutual Life Assurance Company (Malawi) Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of Old Mutual Life Assurance Company (Malawi) Limited, and the basis described on the basis of preparation paragraph.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 March 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the basis described on the basis of preparation paragraph.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised) Engagements to Report on Summary Financial Statements.

Deloitte.

Chartered Accountants

Christopher Kapenda

Partner

21 April 2020

