



OLDMUTUAL

# OLD MUTUAL UNIT TRUST COMPANY (MALAWI) LIMITED

Registration number 10006

## SUMMARY AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Figures in thousands of Malawi Kwacha)

### SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31-Dec-19	31-Dec-18
Fee and commission income	676 037	751 587
Other income	26 488	24 698
Total income	702 525	776 285
Operating expenses	(889 465)	(806 936)
Loss before income tax	(186 940)	(30 651)
Income tax (charge)/credit	(5 389)	17 393
Loss for the year	(192 329)	(13 258)

### SUMMARY STATEMENT OF FINANCIAL POSITION ASSETS

	31-Dec-19	31-Dec-18
<b>Non-current assets</b>		
Equipment	30 216	36 538
Investments	76 592	71 367
Deferred tax	7 579	12 968
Total non-current assets	114 387	120 873

### Current assets

Tax recoverable	8 170	18 569
Trade and other receivables	94 937	84 489
Amounts due from Unit Trust Funds	310 235	395 835
Investments at fair value	41 166	35 649
Cash and cash equivalents	64 542	246 094
Total current assets	519 050	780 636

**Total assets** 633 437 901 509

### EQUITY AND LIABILITIES

	31-Dec-19	31-Dec-18
<b>EQUITY</b>		
Share capital	650,000	550,000
Accumulated deficit	(618 822)	(426 493)
Total equity	31 178	123 507

### Current liabilities

Amounts due to group companies	527 256	512 859
Trade and other payables	75 003	265 143
Total current liabilities	602 259	778 002

**Total equity and liabilities** 633 437 901 509

### SUMMARY STATEMENT OF CASH FLOWS

Net cash used in operating activities	(381 737)	(117 172)
Net cash generated by investing activities	100 185	151 477
Net cash generated by financing activities	100 000	-
Net (decrease)/increase in cash and cash equivalents	(181 552)	34 305
Cash and cash equivalents at 1 January	246 094	211 789
Cash and cash equivalents at 31 December	64 542	246 094

### SUMMARY STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated deficit	Total
At 1 January 2019	550 000	(426 493)	123 507
Loss for the year	-	(192 329)	(192 329)
Transaction with the owner of the company Issue of Shares	100 000	-	100 000
<b>At 31 December 2019</b>	<b>650 000</b>	<b>(618 822)</b>	<b>31 178</b>
	Share capital	Accumulated deficit	Total
At 1 January 2018	550 000	(412 904)	137 096
Adjustment on initial application of IFRS 9	-	(331)	(331)
At 1 January as restated	550 000	(413 235)	136 765
Loss for the year	-	(13 258)	(13 258)
<b>At 31 December 2018</b>	<b>550 000</b>	<b>(426 493)</b>	<b>123 507</b>

### BASIS OF PREPARATION

The Directors have prepared the summary financial statements to meet the requirements of the Financial Services Act, 2010 of Malawi. 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.

### REVIEW OF THE YEAR

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.

The business had a 10% decline in income as a direct result of a drop in funds under management coupled with a decline in money market rates. Some one-off operating and project costs also affected performance resulting in a loss after tax of MK192m (2018: MK13m loss).

### 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

  
Edith Jiya  
Chairperson  
23 April 2020

  
James Mhura  
Managing Director

### INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF OLD MUTUAL UNIT TRUST COMPANY (MALAWI) LIMITED

#### 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 Unit Trust 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 Unit Trust 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 27 March 2020. That report also includes a paragraph on material uncertainty relating to going concern highlighting that the Company incurred a loss of K192 million (2018: K13 million) and had accumulated losses of K619 million (2018: K426 million). The Company's current liabilities of K602 million (2018: K778 million) exceeded its current assets of K519 million (2018: K781 million) by K83 million (2018: assets exceeded liabilities by K3 million). These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern.

#### 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

23 April 2020





# OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

## SUMMARY AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2019

(Thousands of Kwacha)

### Statements of Comprehensive Income

	Money Market Fund		Balanced Fund	
	2019	2018	2019	2018
Investment income	1,487,534	2,368,693	1,281,283	1,141,643
Other income	1,544	5,325	0	3,082
<b>Total income</b>	<b>1,489,078</b>	<b>2,374,018</b>	<b>1,281,283</b>	<b>1,144,725</b>
Expenses	507,498	570,830	260,125	188,372
<b>Profit for the year</b>	<b>981,580</b>	<b>1,803,188</b>	<b>1,021,158</b>	<b>956,353</b>

### Statements of Financial Position

	Money Market Fund		Balanced Fund	
	2019	2018	2019	2018
<b>ASSETS</b>				
Investment in quoted shares	-	-	2,960,079	2,176,017
Investment in fixed deposits	7,034,217	5,421,850	1,728,627	1,777,124
Investment in treasury bills	5,984,457	6,760,046	2,012,122	2,817,189
Government stocks	-	-	1,265,369	360,584
Loans to Public body	555,118	558,732	701,862	403,175
Cash and bank equivalents	52,867	254,885	85,932	55,941
Accrued Interest	-	-	-	13,857
Accrued dividends	-	-	56	162
<b>Total Assets</b>	<b>13,626,659</b>	<b>12,995,513</b>	<b>8,754,047</b>	<b>7,604,049</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Unit holder's funds	13,503,186	12,809,515	8,650,122	7,487,189
<b>Liabilities</b>				
Accrued expenses	66,188	68,119	38,958	27,902
Distributions payable	57,285	117,879	64,967	88,958
<b>Total Liabilities</b>	<b>123,473</b>	<b>185,998</b>	<b>103,925</b>	<b>116,860</b>
<b>Total equity and liabilities</b>	<b>13,626,659</b>	<b>12,995,513</b>	<b>8,754,047</b>	<b>7,604,049</b>

### Statements of Cash flows

	Money Market Fund		Balanced Fund	
	2019	2018	2019	2018
Net cash flow from operating activities	(570,023)	(665,490)	(273,060)	(191,445)
Net cash flows from investing activities	1,247,804	5,202,573	(401,882)	48,734
Net cash flows from financing activities	(287,909)	(6,911,541)	141,775	1,967,717
Movement in cash and cash equivalents	389,872	(2,374,458)	(533,167)	1,825,006
Cash and cash equivalents at beginning of the year	8,917,172	11,291,630	3,461,247	1,636,241
<b>Cash and cash equivalents at end of the year</b>	<b>9,307,044</b>	<b>8,917,172</b>	<b>2,928,080</b>	<b>3,461,247</b>

### Statement of changes in net assets attributable to unit holders

	Money Market Fund		Balanced Fund	
	2019	2018	2019	2018
Opening Balance	12,809,515	17,917,868	7,487,189	4,563,119
Creations during the year	9,364,451	7,872,063	2,279,656	3,075,419
Units liquidated	(8,669,139)	(12,975,103)	(2,008,281)	(957,117)
Profit for the year	981,580	1,803,188	1,021,158	956,353
distributions	(983,221)	(1,808,501)	(129,600)	(150,585)
<b>At end of the year</b>	<b>13,503,186</b>	<b>12,809,515</b>	<b>8,650,122</b>	<b>7,487,189</b>
<b>Closing prices (tambala)</b>				
Balanced fund A	688.76	627.87		
Balanced fund B	687.86	623.24		
Balanced fund C	687.05	621.95		
Money market fund A	100	100		
Money market fund B	100	100		
Money market fund C	100	100		
<b>Average return</b>				
Balanced fund A	13.2%	18.5%		
Balanced fund B	12.1%	16.5%		
Balanced fund C	11.5%	15.6%		
Money market fund A	7.5%	12.0%		
Money market fund B	7.3%	11.7%		
Money market fund C	7.0%	11.5%		
Money market fund M	5.3%	8.9%		

### BASIS OF PREPARATION

Old Mutual Unit Trust Company "the Management Company" has prepared the summary financial statements to meet the requirements of the Financial Services Act, 2010 of Malawi and believe that the summary statements of financial position, profit or loss and other comprehensive income, changes in assets attributable to unit holders and cash flows are to meet the requirements of the users of the summary financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and measurement and recognition requirements of the International Financial Reporting Standards. The summary financial statements have been derived from the annual financial statements which were approved by the Trustee on 24th April, 2020 and are available at the Management Company's registered office.

### REVIEW OF THE YEAR

#### Business Activities

Old Mutual Unit Trust Money Market and Balanced Funds are managed by Old Mutual Unit Trust Company (Malawi) Limited and the Trusteeship is administered by Standard Bank plc. The Money Market Fund is for short to medium term investments and the Balanced Fund for medium to long term investments.

#### Financial Performance

The funds achieved total revenues of MK2.8bn (2018:MK3.5bn) representing a 21% drop on last year. This is attributed to lower money market rates and a subdued equity performance than in the corresponding period. Funds under management grew by 9% to MK22.4bn from MK20.6bn in 2018 despite the tough economic conditions that prevailed during the year which resulted in a negative net client cash flow. A total profit of MK2bn was available for distribution in 2019 (2018:MK2.8bn).


#### 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.

#### 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 Trustee and the Management Company will continue to monitor the events, and to take necessary precautionary and mitigating measures. The Management Company and the Trustee have taken adequate actions to protect staff and have implemented appropriate business continuity plans that will allow the funds to continue to serve and engage all its stakeholders during the Covid 19 pandemic.

  
FOR AND ON BEHALF OF  
STANDARD BANK PLC,  
TRUSTEE  
24 April, 2020

  
FOR AND ON BEHALF OF  
OLD MUTUAL UNIT TRUST COMPANY MALAWI LIMITED,  
FUND MANAGER

### INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE UNIT HOLDERS OF OLD MUTUAL MONEY MARKET AND BALANCED FUNDS

#### Opinion

The summary financial statements, which comprise the summary statements of financial position as at 31 December 2019, the summary statements of profit or loss and other comprehensive income, summary statements of changes in net assets attributable to unit holders, summary statements of cash flows for the year then ended and related notes, are derived from the audited financial statements of Old Mutual Unit Trust Money Market and Balanced Funds 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 Unit Trust Money Market and Balanced Funds, and the basis described on the basis of preparation paragraph.

#### Other Matter

We have not audited the Review of the year commentaries included in the accompanying summary financial statements and accordingly do not express any opinion thereon.

#### 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 our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to that 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 27 April 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 for the current year.

#### Trustee's Responsibility for the summary financial statements

The Trustee is 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  
Madalo Mwenelupembe  
Partner  
Blantyre, Malawi  
29 April 2020

