



OLDMUTUAL

OLD MUTUAL (MALAWI) LIMITED

Company registration number 5050

SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

SUMMARY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group 31-Dec-19 K'000	Group 31-Dec-18 K'000	Company 31-Dec-19 K'000	Company 31-Dec-18 K'000
Net earned premiums	62,168,339	66,471,601	-	-
Investment income	64,870,580	93,080,385	4,189,893	2,805,657
Net premiums and investment income	127,038,919	159,551,986	4,189,893	2,805,657
Fees and commission income	7,156,980	5,245,884	-	-
Other income	480,638	409,528	-	94,815
Total revenue	134,676,537	165,207,398	4,189,893	2,900,472
Net claims incurred	(105,166,377)	(129,050,260)	-	-
Total expenses	(14,858,233)	(12,237,231)	(1,080,977)	(1,62,944)
Net finance costs	(603,604)	(384,339)	-	-
Share of profit of equity accounted investees net of tax	2,254,904	1,585,038	4,310,472	3,523,434
Profit before tax	16,303,227	25,120,606	7,419,388	6,260,962
Tax expense	(3,835,444)	(4,090,168)	(591,394)	(182,982)
Profit for the year	12,467,783	21,030,438	6,827,994	6,077,980

SUMMARY STATEMENTS OF FINANCIAL POSITION

	Group 31-Dec-19 K'000	Group 31-Dec-18 K'000	Company 31-Dec-19 K'000	Company 31-Dec-18 K'000
ASSETS				
Property and equipment	2,902,647	2,604,068	59,250	-
Intangible assets	23,079	30,627	-	-
Investment properties	65,774,823	59,503,020	-	-
Right Of Use asset	210,846	-	-	-
Financial assets at fair value through profit or loss	215,556,797	187,608,466	4,260,481	2,852,937
Financial assets at amortized cost	104,061,977	131,650,521	-	-
Deferred acquisition costs	432,378	581,381	-	-
Investment in Subsidiaries	-	-	3,010,019	3,081,067
Investment in associate companies	3,313,665	1,473,358	13,656,387	9,914,855
Deferred tax asset	4,375,843	4,159,161	130,544	108,233
Insurance, trade and other receivables	9,988,751	5,599,496	-	-
Income tax recoverable	2,744,276	1,848,162	10,285	281,464
Cash and cash equivalents	67,047,712	24,621,545	2,088,426	1,951,267
TOTAL ASSETS	476,432,794	419,679,805	23,215,392	18,189,823
EQUITY				
Share capital and premium	171,838	171,838	171,838	171,838
Accumulated reserves	57,229,572	49,301,242	22,556,620	17,754,884
Non-controlling interest	18,995,866	17,406,621	-	-
TOTAL EQUITY	76,397,276	66,879,701	22,728,458	17,926,722
LIABILITIES				
Individual life assurance and group fund liabilities	369,749,610	321,089,845	-	-
Deferred tax liabilities	10,656,181	10,294,608	-	-
Bank overdraft	584,599	285,658	-	-
Insurance, trade and other payables	14,319,399	16,377,660	486,934	263,101
Lease Liabilities	148,409	-	-	-
Borrowings	4,577,320	4,752,333	-	-
TOTAL LIABILITIES	400,035,518	352,800,104	486,934	263,101
TOTAL EQUITY AND LIABILITIES	476,432,794	419,679,805	23,215,392	18,189,823

SUMMARY STATEMENTS OF CHANGES IN EQUITY

	Group 31-Dec-19 K'000	Group 31-Dec-18 K'000	Company 31-Dec-19 K'000	Company 31-Dec-18 K'000
At the beginning of the year	66,879,701	49,033,947	17,926,722	13,950,346
IFRS 9 Transition adjustment	-	(188,647)	-	(1,408)
Adjusted Balance 1 January	66,879,701	48,845,300	17,926,722	13,948,938
Total comprehensive income	12,467,783	21,030,438	6,827,994	6,077,980
Dividends paid	(2,950,208)	(2,996,037)	(2,026,258)	(2,100,196)
At the end of the year	76,397,276	66,879,701	22,728,458	17,926,722

SUMMARY STATEMENTS OF CASH FLOWS

	Group 31-Dec-19 K'000	Group 31-Dec-18 K'000	Company 31-Dec-19 K'000	Company 31-Dec-18 K'000
Cash flows from operating activities	2,806,635	37,434,502	2,114,751	2,242,024
Finance costs paid	(813,516)	(918,125)	-	-
Income tax paid	(5,228,618)	(6,799,190)	(342,526)	(283,023)
Net cash (used in)/generated from operating activities	(3,235,499)	29,717,187	1,772,225	1,959,001
Net cash generated from/ (used in) investing activities	48,487,946	(34,958,193)	391,192	374,331
Net cash used in financing activities	(3,125,221)	(2,804,150)	(2,026,258)	(2,100,196)
Net increase/(decrease) in cash and cash equivalents	42,127,226	(8,045,156)	137,159	233,136
Cash and cash equivalents at 1 January	24,335,887	32,384,368	1,951,267	1,719,539
IFRS 9 impairment loss on transition	-	(3,325)	-	(1,408)
Cash and cash equivalents at the end of the year	66,463,113	24,335,887	2,088,426	1,951,267

The Directors present the summarized audited consolidated and separate financial statements of Old Mutual (Malawi) Limited for the year ended 31 December 2019.

BASIS OF PREPARATION

The directors have prepared the summary consolidated and separate 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 consolidated and separate 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 summary consolidated and separate financial statements. The amounts in the summary consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards. The summary consolidated and separate 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 group profit after tax of **K12.5 billion** for the year ended 31 December 2019 compared to **K21.0 billion** reported in 2018. Further compared to the previous year, the group realized lower investment returns due to the lower performance of the equity markets. Returns on the MSE increased by only 4.38% in 2019, compared to a return of 34.19% in 2018. The asset management companies and the property business performed better than during the prior year. Operating expenses increased by 22%, from **K12.2 billion** in 2018 to **K14.9 billion** for the year ended 31 December 2019. Prior year expenses were affected by reversal of an expense provision no longer required. Excluding the reversal of the expense provision, operating expenses would have been 6% above the prior year outturn due to inflationary factors.

Profit after tax from the life business for the year ended 31 December 2019 declined by 17% due to low investment gains compared to what was achieved in 2018 following the MSE equity return of 4.38% against the registered return of 34.19% in the prior year. Profit after tax from the property management business grew by 12% above the prior year outturn on the back of increased rental income and a reduction in property management expenses compared to the previous period. The profit after tax for asset management was 4% above the prior year.

Total assets increased by 14%, from a total of **K419.7 billion** in 2018 to **K476.4 billion** in 2019. Financial assets at fair value increased by 15% from K187.6 billion in 2018 to K215.6 billion in 2019. This was due to an increase in the average price of the underlying financial instruments as well as additional investments that were made during the year.

Total liabilities increased by 13%, from **K352.8 billion** in 2018 to **K400.0 billion** in 2019. This was largely due to individual life assurance and group fund liabilities which increased by 15%, from **K321.1 billion** in 2018 to **K369.7 billion** in 2019, mainly from transfer of benefits from funds that were acquired during the year.

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 (Malawi) Limited

 Edith Jiya
 Group Chief Executive Officer

Dr Ronald Mangani
 Director

24th April 2020

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF OLD MUTUAL (MALAWI) LIMITED

Opinion

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

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

Summary financial statements

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

The audited consolidated and separate financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 27 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 consolidated and separate 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 consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate 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
 27th April 2020

