



# 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<br>31-Dec-19<br>K'000 | Group<br>31-Dec-18<br>K'000 | Company<br>31-Dec-19<br>K'000 | Company<br>31-Dec-18<br>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                     |
| <b>Net premiums and investment income</b>                | <b>127,038,919</b>          | <b>159,551,986</b>          | <b>4,189,893</b>              | <b>2,805,657</b>              |
| Fees and commission income                               | 7,156,980                   | 5,245,884                   | -                             | -                             |
| Other income   | 480,638                     | 409,528                     | -                             | 94,815                        |
| <b>Total revenue</b>                                     | <b>134,676,537</b>          | <b>165,207,398</b>          | <b>4,189,893</b>              | <b>2,900,472</b>              |
| 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                     |
| <b>Profit before tax</b>                                 | <b>16,303,227</b>           | <b>25,120,606</b>           | <b>7,419,388</b>              | <b>6,260,962</b>              |
| Tax expense  | (3,835,444)                 | (4,090,168)                 | (591,394)                     | (182,982)                     |
| <b>Profit for the year</b>                               | <b>12,467,783</b>           | <b>21,030,438</b>           | <b>6,827,994</b>              | <b>6,077,980</b>              |

### SUMMARY STATEMENTS OF FINANCIAL POSITION

|   | Group<br>31-Dec-19<br>K'000 | Group<br>31-Dec-18<br>K'000 | Company<br>31-Dec-19<br>K'000 | Company<br>31-Dec-18<br>K'000 |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>ASSETS</b>   |                             |                             |                               |                               |
| 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                     |
| <b>TOTAL ASSETS</b>                                   | <b>476,432,794</b>          | <b>419,679,805</b>          | <b>23,215,392</b>             | <b>18,189,823</b>             |
| <b>EQUITY</b>   |                             |                             |                               |                               |
| 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                  | -                             | -                             |
| <b>TOTAL EQUITY</b>                                   | <b>76,397,276</b>           | <b>66,879,701</b>           | <b>22,728,458</b>             | <b>17,926,722</b>             |
| <b>LIABILITIES</b>                                    |                             |                             |                               |                               |
| 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                   | -                             | -                             |
| <b>TOTAL LIABILITIES</b>                              | <b>400,035,518</b>          | <b>352,800,104</b>          | <b>486,934</b>                | <b>263,101</b>                |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   | <b>476,432,794</b>          | <b>419,679,805</b>          | <b>23,215,392</b>             | <b>18,189,823</b>             |

### SUMMARY STATEMENTS OF CHANGES IN EQUITY

|                               | Group<br>31-Dec-19<br>K'000 | Group<br>31-Dec-18<br>K'000 | Company<br>31-Dec-19<br>K'000 | Company<br>31-Dec-18<br>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)                   |
| <b>At the end of the year</b> | <b>76,397,276</b>           | <b>66,879,701</b>           | <b>22,728,458</b>             | <b>17,926,722</b>             |

### SUMMARY STATEMENTS OF CASH FLOWS

|   | Group<br>31-Dec-19<br>K'000 | Group<br>31-Dec-18<br>K'000 | Company<br>31-Dec-19<br>K'000 | Company<br>31-Dec-18<br>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)                       |
| <b>Cash and cash equivalents at the end of the year</b> | <b>66,463,113</b>           | <b>24,335,887</b>           | <b>2,088,426</b>              | <b>1,951,267</b>              |

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

