

# AUDITED CONSOLIDATED AND SEPARATE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

(Registration Number 1377)  
("Nico" or "The Company")



	CONSOLIDATED		SEPARATE	
	31-Dec-14 Audited Mk'million	31-Dec-13 Audited Mk'million	31-Dec-14 Audited Mk'million	31-Dec-13 Audited Mk'million
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>				
<b>Gross Revenue</b>	75,347	65,245	2,948	3,348
Operating Expenses	(28,921)	(25,120)	(34)	(25)
Management Expenses	(20,829)	(17,070)	(1,169)	(1,148)
<b>Profit before future policy holders benefits</b>	25,597	23,055	1,745	2,175
Future policy holders benefits	(15,210)	(11,413)		
<b>Profit before income tax expense</b>	10,387	11,642	1,745	2,175
Income tax expense	(3,052)	(2,539)	87	(430)
<b>Profit for the year</b>	7,335	9,103	1,832	1,745
Attributable to non-controlling interest	3,969	3,387		
Attributable to shareholders of the parent company	3,366	5,716	1,832	1,745
	7,335	9,103	1,832	1,745
<b>Other Comprehensive Income</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Revaluation surplus of property and equipment, net of tax		108		
<b>Items that are or may be reclassified to profit or loss</b>				
Loss on available for sale assets	(7)	(271)	(137)	(256)
Deferred tax on available for sale assets	41	75	41	75
Fair value on available for sale assets		506		
Translation difference	(408)	(296)		
<b>Total other comprehensive income for the year net of tax</b>	(374)	122	(96)	(181)
<b>Total comprehensive income for the year</b>	6,961	9,224	1,736	1,564
Attributable to non-controlling interest	3,885	3,162		
Attributable to shareholders of the parent company	3,076	6,062	1,832	1,745
	6,961	9,224	1,832	1,745
<b>Dividend Paid</b>				
Earnings per share (Tambala)	(1,596)	(563)	(1,596)	(563)
Dividend paid per share (Tambala)	323	548		
Dividend paid per share (Tambala)	153	54	153	54
Number of shares in issue ('000)	1,043,041	1,043,041	1,043,041	1,043,041
<b>STATEMENTS OF FINANCIAL POSITION</b>				
<b>ASSETS EMPLOYED</b>				
Property and equipment	209,103	171,588	5,658	5,970
Investment properties	7,867	8,074	160	128
Inventories	6,006	5,010	43	39
Other investments and loans receivable	197	215		
Trade and other receivables	127,553	108,618	2,943	3,965
Deferred tax assets	37,001	23,455	657	188
Cash and cash equivalents	636	1,285	362	339
	29,843	24,931	1,493	1,311
<b>LIABILITIES</b>				
Life assurance and pension fund	179,709	146,401	943	1,395
General insurance funds	87,780	65,971		
Bank overdrafts	8,031	6,162		
Interest-bearing loans and borrowings	24	24		
Trade and other payables	5,409	1,435	169	195
Deferred tax liabilities	28,857	24,776	774	1,200
Deposits and customer accounts	1,294	853		
	48,314	47,180		
<b>EQUITY</b>				
Issued share capital	29,394	25,187	4,715	4,575
Reserves	52	52	52	52
Non-controlling Interest	16,318	14,152	4,663	4,523
<b>TOTAL EQUITY AND LIABILITIES</b>	13,024	10,983		
	209,103	171,588	5,658	5,970
<b>STATEMENT OF CHANGES IN EQUITY</b>				
Balance at the beginning of the year	25,187	15,797	4,515	4,575
Net profit for the year	7,335	9,103	1,832	1,745
Other comprehensive income	(373)	122	(96)	(181)
<b>Total Comprehensive income</b>	6,962	9,225	1,736	1,564
Dividends paid	(3,788)	(867)	(1,596)	(563)
Other transactions with owners of company	1,033	1,032		
<b>Balance as at the end of the year</b>	29,394	25,187	4,715	4,575
<b>STATEMENT OF CASH FLOWS</b>				
<b>Operating Activities</b>				
Cash receipts from customers	53,347	45,548	1,017	1,125
Cash payments to clients, employees and suppliers	(34,666)	(27,192)	(1,389)	(1,270)
Income taxes paid	(3,541)	(2,322)	(364)	(250)
Cash flows from/(to) operating activities	15,140	16,034	(736)	(395)
Cash flows to/(from) investing activities	(1,895)	(3,515)	2,565	1,668
Cash flows to financing activities	(7,388)	(9,380)	(1,649)	(546)
Net increase in cash and cash equivalents	5,857	3,139	180	727
Cash and cash equivalents as at 1 January	24,907	21,685	1,311	559
Effects of changes in exchange rates and control	(945)	83	3	25
Cash and cash equivalents at 31 December	29,819	24,907	1,494	1,311
<b>ADDITIONAL STATUTORY INFORMATION</b>				
Increase/(decrease) in net working capital	34,295	5,533	1,171	(76)

## OVERVIEW

We are pleased to report on the audited consolidated and separate results of NICO Holdings Limited for the year ended 31 December 2014. We operated in challenging and diverse markets, and we have registered growth in revenue although we experienced a decline in profitability.

Compared to the same period last year, gross revenue grew by 15% from MK 65.2 billion in 2013 to MK 75.3 billion in 2014. Profit before finance costs and transfer of policyholders' future benefits grew by 11% from MK 23.1 billion in 2013 to MK 25.6 billion in 2014. Profit before tax declined by 11% from MK 11.6 billion in 2013 to MK 10.3 billion in 2014. Profit before tax from ordinary activities has grown by 7%. The non-ordinary activities in 2013 relate to sale of investments. Profit after tax declined by 19% from MK 9.1 billion in 2013 to MK 7.3 billion in 2014.

## GENERAL INSURANCE BUSINESSES

We achieved premium growth of 30% over the same period last year, with the Malawi business registering the highest growth. Credit control continued to improve in the Malawi operation, making available adequate cash resources for utilisation in operational and investment activities. The winding up of SFG Insurance (Zimbabwe) is ongoing. Overall, performance of the business was satisfactory though profitability growth was affected by high debtors impairment costs in some of our foreign businesses, however we do not expect this to recur.

## LIFE INSURANCE AND PENSIONS BUSINESSES

We continued to consolidate gains that we have made in the life business in Malawi, so as to ensure that we provide quality service to our clients. Our company in Mozambique registered satisfactory growth of revenue, and made significant inroads in the market. The Malawi business experienced growth in claims emanating from increased pensions payroll and maturities, and these were considered normal for the size of the business. Overall, the performance of the businesses was satisfactory.

## BANKING BUSINESS

The performance of the banking business for the year 2014 was significantly better than 2013. This was due to management's effort in the year to address the challenges that existed in the business. The major challenge the bank is facing and managing is the non performing loan book. This is a reflection of high interest rates and general deterioration of the economic situation in the Malawi market for the past twenty four months. It is encouraging that the bank is registering significant growth in assets and profitability despite the adverse economic conditions it is operating in.

## INVESTMENT PORTFOLIO

The investment environment was characterized by falling interest rates and marginal growth on the stock and property markets, as compared to the previous year. Despite elevated inflation levels and fluctuation of exchange rates and fluctuation of market liquidity, the investment portfolio registered higher investment income for the Group compared to the same period last year.

## STRATEGIC ALLIANCES

We finalized a strategic relationship with Sanlam Emerging Markets (Proprietary) Limited (SEM) to provide the group's insurance businesses with access to technical and management resources. This relationship started with SEM, which has extensive insurance operations in Africa, acquiring a 49% shareholding in NICO Life Insurance Limited in 2010.

SEM acquired 49% of NICO's shareholding in our General Insurance businesses in Malawi, Zambia and Uganda in 2013, and 49% of NICO's shareholding in NIKO Insurance Tanzania Limited in 2014. NICO has started leveraging on this relationship for the benefit of its clients. In terms of our plan, the next stage of the transaction with SEM, was to ensure that the general insurance companies were adequately capitalized. In this regard, US\$2 million of fresh capital has been injected into NIKO Insurance Uganda and US\$5 million has been injected into NIKO Insurance Tanzania. Following these capital injections, NICO has diluted its shareholding in both Uganda and Tanzania to 20% with SEM becoming the majority shareholder. In the same vein, SEM has acquired in 2015 a shareholding in NICO Mozambique Vida, and this has resulted in NICO diluting its shareholding to 34%. Similarly, a further US\$2.4 million will be injected into NICO Mozambique Vida in 2015 and NICO will follow its rights so that it maintains its 34% holding. SEM will now lead in the management of all general and life insurance companies. We believe the above decisions and actions will enable our companies to be strong and proceed to achieve planned growth.

## OUTLOOK

We anticipate a satisfactory performance across all our businesses in the current year.

## DIVIDEND

After taking cognisance of future investment and capital requirements, the Board of Directors will be recommending for consideration at the June 2015 annual general meeting, a proposal to pay a final dividend of 50 tambala per share (MK 522 million) (2013 - 70 tambala per share MK 730 million).

**A.S. Osman**

**CHAIRMAN**  
27 March, 2015

**F.L. Mlusu**

**MANAGING DIRECTOR**

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NICO HOLDINGS LIMITED.

The accompanying summary consolidated and separate financial statements, which comprise the summary statements of financial position as at December 31, 2014, the summary statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of NICO Holdings Limited for the year ended December 31, 2014.

We expressed an unqualified audit opinion on those financial statements in our report dated 27 March 2015. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Malawi Companies Act, 1984. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of NICO Holdings Limited.

## Management's Responsibility for the Summary Consolidated and Separate Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the International Financial Reporting Standards.

## Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

## Opinion

In our opinion, the summary financial statements derived from the audited financial statements of NICO Holdings Limited for the year ended December 31, 2014 are consistent, in all material respects, with those financial statements, in accordance with the International Financial Reporting Standards and in the manner required by the Malawi Companies Act, 1984.



**Certified Public Accountants and Business Advisors**  
**BLANTYRE, MALAWI**  
27th March 2015