

# AUDITED SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016



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

	GROUP			SEPARATE	
	31-Dec-16 Audited Mk'million	31-Dec-15 Audited Mk'million	31-Dec-14 Audited Mk'million	31-Dec-16 Audited Mk'million	31-Dec-15 Audited Mk'million
<b>SUMMARY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>					
<b>Gross Revenue</b>	99,798	79,724		3,883	2,968
Share of profit from associated companies	28	11		-	-
Operating Expenses	(41,793)	(33,598)		-	-
Management Expenses	(26,518)	(23,341)		(1,767)	(1,231)
<b>Profit before future policy holders benefits</b>	31,515	22,796		2,116	1,737
Long-term policy holders benefits	(24,238)	(15,498)		-	-
<b>Profit before income tax</b>	7,277	7,298		2,116	1,737
Income tax expense	(4,542)	(1,810)		(141)	(427)
<b>Profit for the year</b>	2,735	5,488		1,975	1,310
Attributable to non-controlling interest	1,477	2,953		-	-
Attributable to shareholders of the parent company	1,258	2,535		1,975	1,310
<b>Other Comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Revaluation of property and equipment, net of tax	84	-	-	-	-
<b>Items that are or may be reclassified to profit or loss</b>					
Loss on available for sale assets, net of tax	(179)			(134)	(94)
Translation difference on foreign subsidiary	248	(536)		-	-
<b>Total Other comprehensive income for the year</b>	153	(536)		134	(94)
<b>Total comprehensive income for the year</b>	2,888	4,952		1,841	1,216
Attributable to:					
Attributable to non-controlling interest	1,559	2,683		-	-
Attributable to shareholders of the parent company	1,329	2,269		1,841	1,216
	2,888	4,952		1,841	1,216
Dividend Paid to shareholders of the parent company	(626)	(939)		(626)	(939)
Earnings per share (Tambala)	121	243			
Dividend paid per share (Tambala)	60	90		60	90
Number of shares in issue ('000)	1,043,041	1,043,041		1,043,041	1,043,041
<b>SUMMARY STATEMENTS OF FINANCIAL POSITION</b>					
<b>ASSETS EMPLOYED</b>	295,786	247,059	206,436	6,686	5,638
Property and equipment	13,501	12,576	7,867	84	128
Investment properties	7,452	6,795	6,006	51	47
Inventories	258	204	197	-	-
Other investments and loans receivable	188,512	147,829	127,522	2,973	3,062
Trade and other receivables	46,810	32,880	34,332	3,174	753
Deferred tax assets	499	783	669		
Cash and cash equivalents	38,754	45,992	29,843	404	1,648
<b>LIABILITIES</b>	263,688	215,212	177,434	662	829
Trade and other payables	46,259	35,431	29,494	630	645
Deposits and customer accounts	63,803	60,889	48,314	-	-
Unearned Premium Reserve (UPR)	10,512	8,407	8,031		
Interest-bearing loans and borrowings	3,837	3,006	5,409	32	184
Deferred tax liabilities	2,749	977	1,212		
Long-term policyholders liabilities	136,528	106,502	84,974	-	-
<b>EQUITY</b>	32,098	31,847	29,002	6,024	4,809
Issued share capital	52	52	52	52	52
Reserves	18,743	18,020	16,118	5,972	4,757
Non-controlling Interest	13,303	13,775	12,832	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	295,786	247,059	206,436	6,686	5,638
<b>SUMMARY STATEMENTS OF CHANGES IN EQUITY</b>					
<b>Balance at beginning of the year</b>	31,847	29,003		4,809	4,532
Net profit for the year	2,735	5,488		1,975	1,310
Other Comprehensive Income	153	(536)		(134)	(94)
<b>Total Comprehensive Income</b>	34,735	33,955		6,650	5,748
Dividend Paid	(2,731)	(2,806)		(626)	(939)
Other transactions with owners of company	94	698			
<b>Balance at end of the year</b>	32,098	31,847		6,024	4,809
<b>SUMMARY STATEMENT OF CASH FLOWS</b>					
<b>Operating Activities</b>					
Cash Receipts from customers	60,787	72,242		1,356	473
Cash payments to clients, employees and suppliers	(45,363)	(36,506)		(1,860)	(1,157)
Income taxes paid	(3,354)	(3,393)		(126)	(80)
Cash flows from/(to) operating activities	12,070	32,343		(630)	(764)
Cash flows to/(from) investing activities	(17,594)	(9,493)		193	1,888
Cash flows to financing activities	(1,956)	(6,612)		(808)	(989)
Net (decrease) increase in cash and cash equivalents	(7,480)	16,238		(1,245)	135
Cash and cash equivalents as at 1 January	45,992	29,843		1,648	1,493
Effects of changes in exchange rates and control	242	(89)		1	20
<b>Cash and cash equivalents at 31 December</b>	38,754	45,992		404	1,648

## PRESS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

### BASIS OF PREPARATION NOTE TO THE SUMMARY FINANCIAL STATEMENTS

The Directors have prepared the summary consolidated and separate financial statements to meet the requirements of the Malawi Stock Exchange. The Directors have considered the Malawi Stock Exchange requirements and believe that the summary statements of financial position, summary statements of profit or loss and other comprehensive income, summary statements of changes in equity and summary statements of 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 financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards.

### PRESS STATEMENT COMMENTARY

We are pleased to report on the audited summary consolidated and separate results of NICO Holdings PLC and its subsidiary and associate companies for the year ended 31 December 2016.

### PERFORMANCE OVERVIEW

Gross revenue for the year was MK99.7 billion compared to MK79.7 billion for 2015. Profit before transfer of policyholders' future benefits was MK31.5 billion compared to MK22.7 billion for 2015. Profit before tax was MK7.27 billion compared to MK7.29 billion for 2015. Profit after tax was MK2.7 billion compared to MK5.4 billion for 2015. The decline in the group's profitability in the current year is due to the loss MK4.3 billion recorded by one of our subsidiaries, NBS Bank.

### GENERAL INSURANCE BUSINESSES

We achieved premium growth of 30% in the year, largely driven by growth from our Malawi business. Claims expenses in both the Malawi and Zambia operations were satisfactory. Overall, the performance of the businesses was satisfactory and they registered a growth in profit before tax of 36% in the current year.

### LIFE INSURANCE AND PENSIONS BUSINESS

We achieved premium growth of 10% over the same period last year. The business experienced growth in claims benefits payment arising from increased pension payroll, refund of pension contributions and death benefits. Overall, the performance of the business was satisfactory and it registered growth in profit before tax after policyholders' benefits of 44% in the current year.

### BANKING BUSINESS

The performance of the banking business for the year 2016 was lower than 2015. This was due to lower interest income that the bank earned as a result of lower loans and advances balances. In addition the bank embarked on a major clean-up exercise of its legacy balances that have resulted in increased operational costs. The clean-up exercise, a task that was bigger than originally anticipated, also resulted in a reduction in interest income due to deliberate reduction of the loan book.

The bank's capital ratios as at 31 December 2016 were below the minimum required by regulation. In order to address this, the bank is currently undergoing a rights issue that will raise MK11.8 billion and will be completed by 30<sup>th</sup> June 2017. The rights issue will ensure that the capital problem at the bank is resolved. NICO Holdings PLC is following its rights.

The bank has entered into a technical services arrangement with Rabo Bank of the Netherlands. This will ensure that the bank accesses top quality support from a bank of World repute. The bank is also undergoing a staff restructuring exercise. The Bank also implemented a new T24 core banking system in 2016, whose benefits have started being experienced in 2017. These initiatives are aimed at ensuring that the bank is able to offer better service to its clientele.

Despite pockets of legacy challenges yet to be resolved, we see 2017 as a year that the bank will commence the journey to reclaim its position in the market.

### ASSOCIATE COMPANIES

The performance of the associate companies in Tanzania, Uganda and Mozambique continue to improve, and it is encouraging to note that all businesses registered significant growth in revenue. The performance of the businesses was satisfactory, and they all registered growth in profitability in the year.

### INVESTMENT PORTFOLIO

The investment environment was characterized by high money market rates and fluctuating liquidity levels. The stock market contracted due to the poor performance of the listed companies. Despite this, the Group registered higher and satisfactory investment income compared to the same period last year as a result of the size, diversity and resilience of the investment portfolio.

### STRATEGIC ALLIANCES

The tripartite relationship between NICO Group on one hand, and Sanlam Emerging Markets (SEM) and Botswana Insurance Holdings Ltd (BIHL) on the other is working well for our businesses. We have received support from both SEM and BIHL. This has been in the areas of general management, training, strategy formulation and implementation, actuarial services, product development just to mention a few. All this is for the benefit of our clients. Strategic partnership remains one critical pillar for doing business for the NICO Group.

In 2017, NICO Holdings PLC plans to go into partnership with an International Property Management and Development company, a strategic move that will enable NICO Asset Managers to offer better services to its existing clients and also those that plan to invest in quality property assets.

### OUTLOOK

We are pleased to report that recovery of the bank's business has started but it will be gradual, and the same is the situation in Zambia. Subject to this and based on the positive outlook of the business environment in Malawi, we expect the group to register improved performance compared to last year.

### DIVIDEND

NICO Holdings PLC paid an interim dividend of MK417 million (40 tambala per share) for the year ended 31 December 2016 in the month of April 2017. However, as a result of capital commitments to follow our rights in the recapitalisation of NBS Bank, the Board of Directors have resolved not to pay a final dividend for the year ended 31 December 2016.

A.S. Osman  
CHAIRMAN

V.M. Kumwenda  
MANAGING DIRECTOR

19<sup>th</sup> June, 2017

### Independent Auditor's Report on the Summary Consolidated and Separate Financial Statements

#### To the shareholders of NICO Holdings Limited

#### Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31st December 2016, and the summary statements of profit or loss and other comprehensive income, summary statements of changes in equity and summary statements of cash flows for the year then ended, and basis of preparation note, are derived from the audited consolidated and separate financial statements of NICO Holdings Limited for the year ended 31 December 2016.

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, in accordance with the basis of preparation note.

#### Other matter

We have not audited the press statement commentary for the year ended 31 December 2016 included in the accompanying summary consolidated and separate financial statements and accordingly do not express any opinion thereon.

#### Summary Consolidated and Separate 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 our report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and our report thereon.

#### The Audited Consolidated and Separate Financial Statements and Our Report Thereon

We expressed unmodified audit opinions on the audited consolidated and separate financial statements in our reports dated 23 June 2017. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period.

#### Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis of preparation note.

#### 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 (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

### KPMG

Gordon Tembo  
Chartered Accountant (Malawi)

Blantyre, Malawi  
23rd June 2017