



UNAUDITED SUMMARY CONSOLIDATED (GROUP) AND COMPANY FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021



SECURING YOUR
LIFETIME EXPERIENCES

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

	30-Jun-21 Unaudited MK'million	30-Jun-20 Unaudited MK'million	31-Dec-20 Audited MK'million	30-Jun-21 Unaudited MK'million	30-Jun-20 Unaudited MK'million	31-Dec-20 Audited MK'million
Revenue	101,728	84,949	182,074	1,566	1,079	2,261
Dividend Income	932	1,405	3,771	2,925	1,208	5,072
Share of profit from associate and Joint Venture companies	143	75	231	143	75	231
Depreciation and amortisation	(2,520)	(2,048)	(4,266)	(28)	(35)	(67)
Finance costs	(658)	(578)	(1,150)	(193)	(197)	(369)
Operating Expenses	(53,082)	(26,423)	(67,858)	-	-	-
Management Expenses	(21,722)	(18,530)	(34,148)	(1,406)	(985)	(2,463)
Long Term policy holders benefits	(13,497)	(27,235)	(52,186)	-	-	-
Profit before income tax	11,324	11,615	26,468	3,007	1,145	4,665
Income tax expense	(4,297)	(3,973)	(7,872)	(108)	(121)	(373)
Profit for the year	7,027	7,642	18,596	2,899	1,024	4,292

Attributable to non-controlling interest	3,033	3,248	8,592	-	-	-
Attributable to shareholders of the parent company	3,994	4,394	10,004	2,899	1,024	4,292
	7,027	7,642	18,596	2,899	1,024	4,292

Other comprehensive income						
Items that will never be reclassified to profit or loss						
Revaluation of property and equipment, net of tax	-	-	-	-	-	-
Items that are or may be reclassified to profit or loss						
Profit/(Loss) on available for sale assets, net of tax	207	(69)	473	-	-	421
Translation difference on foreign subsidiary	(12)	(432)	(542)	-	-	-
Total other comprehensive income for the period	195	(501)	(69)	-	-	421
Total comprehensive income for the period	7,222	7,141	18,527	2,899	1,024	4,713

Attributable to non-controlling interest	3,112	3,000	8,339	-	-	-
Attributable to shareholders of the parent company	4,110	4,141	10,188	2,899	1,024	4,713
	7,222	7,141	18,527	2,899	1,024	4,713

Dividend paid to shareholders of the parent company	(1,179)	(887)	(2,055)	(1,179)	(887)	(2,055)
Earnings per share (Tambala)	383	421	959	-	-	-
Dividend paid per share (Tambala)	113	85	197	113	85	197
Number of shares in issue ('000)	1,043,041	1,043,041	1,043,041	1,043,041	1,043,041	1,043,041

SUMMARY STATEMENTS OF FINANCIAL POSITION

ASSETS	807,749	599,034	701,345	18,589	13,925	16,461
Property and equipment	11,974	9,860	11,718	68	80	86
Intangible assets	5,864	5,163	5,649	15	9	10
Right-of-use assets	4,203	4,727	3,465	96	138	108
Investment in associate companies	1,209	851	968	1,209	851	968
Investment in joint venture companies	108	60	98	108	60	98
Investment in government securities	308,672	240,303	143,146	-	-	-
Investment in subsidiaries	-	-	-	8,763	7,486	7,486
Investment in equity shares	166,568	148,029	163,956	1,602	1,520	1,710
Investment properties	3,460	3,348	3,460	145	134	145
Inventories	285	200	109	-	-	-
Other investments and loans receivable	47,229	36,354	130,971	2	2	2
Trade and other receivables	187,625	111,707	159,267	1,160	947	878
Asset classified as held for sale	232	-	232	232	-	232
Deferred tax asset	569	1,225	1,650	-	-	-
Cash and cash equivalents	69,751	37,207	76,656	5,189	2,698	4,738

LIABILITIES	731,004	534,331	629,426	4,209	3,786	3,802
Trade and other payables	186,940	78,569	120,673	1,328	872	914
Deposits and customer accounts	171,993	122,002	153,146	-	-	-
Unearned Premium Reserve (UPR)	13,765	10,981	11,134	-	-	-
Lease liabilities	5,658	5,755	4,559	131	164	138
Interest-bearing loans and borrowings	9,628	10,811	10,223	2,750	2,750	2,750
Deferred tax liabilities	1,567	3,208	1,735	-	-	-
Long-term policyholders liabilities	341,453	303,005	327,956	-	-	-

EQUITY	76,745	64,703	71,919	14,380	10,139	12,659
Issued share capital	52	52	52	52	52	52
Reserves	42,858	35,227	39,926	14,328	10,087	12,607
Non-controlling interest	33,835	29,424	31,941	-	-	-

TOTAL EQUITY AND LIABILITIES	807,749	599,034	701,345	18,589	13,925	16,461
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SUMMARY STATEMENTS OF CHANGES IN EQUITY

Balance as at the beginning of the period	71,919	58,488	58,488	12,659	10,002	10,002
Net profit for the period	7,027	7,642	18,596	2,899	1,024	4,292
Other comprehensive income	195	(501)	(69)	-	-	420
Dividends paid	(3,604)	(926)	(5,096)	(1,178)	(887)	(2,055)
Other transactions with owners of company	1,208	-	-	-	-	-
Balance as at the end of the period	76,745	64,703	71,919	14,380	10,139	12,659

SUMMARY STATEMENTS OF CASH FLOWS

Cash receipts from customers	116,865	80,210	168,697	1,155	934	1,918
Cash payments to clients, employees and suppliers	(126,052)	(46,931)	(90,003)	(1,633)	(1,259)	(2,339)
Income taxes paid	(4,496)	(5,100)	(9,899)	(341)	(251)	(319)
Cash flows from operating activities	(13,683)	28,179	68,795	(819)	(576)	(740)
Cash flows from investing activities	10,231	(39,949)	(34,319)	1,998	1,332	5,344
Cash flows from financing activities	(3,551)	(1,170)	(8,046)	(744)	(609)	(2,430)
Net increase/(decrease) in cash and cash equivalents	(7,003)	(12,940)	26,430	435	147	2,174
Cash and cash equivalents at 1 January	76,656	50,332	50,332	4,738	2,551	2,551
Effects of changes in exchange rates	98	(185)	(106)	16	-	13
Cash and cash equivalents at the end of the period	69,751	37,207	76,656	5,189	2,698	4,738

OVERVIEW

The Directors are pleased to report on the unaudited consolidated results of NICO Holdings PLC , its subsidiaries, joint venture and associate company for the half year ended 30 June 2021.

NATURE OF ACTIVITIES

The core businesses of NICO Group are: General Insurance, Life Insurance, Pensions Administration, Banking and Asset Management. NICO Group also owns substantial investments in property, listed and unlisted equity investments across various industries in the Malawi economy. The Group carries out its business through subsidiaries in Malawi and Zambia, a joint venture company in Malawi and an associate company in Mozambique.

As part of the growth and diversification strategy for the NICO Group, a new company, NICO Capital Limited, was established as the ninth subsidiary of the Group. NICO Capital is a corporate finance advisory company licensed by the Reserve Bank of Malawi and became operational on 1st July 2021.

GROUP RESULTS

Gross revenue for the half year ended 30 June 2021 increased by 19% to MK 102.7 billion compared to MK 86.35 billion for the same period in 2020. The Group's profit after tax before other comprehensive income was MK7.0 billion, 8% lower than the MK7.64 billion profit recorded for the same period in 2020. The Group's profitability was affected by an increase in COVID-19 related claims in the life insurance business and the delay to resolve a reinsurance dispute on a large claim in the general insurance business in Malawi. Total profit and other comprehensive income of MK7.2 billion was 1% above the MK7.1 billion recorded for same period in 2020. Other comprehensive income was positive in the period compared to a loss reported in 2020 due to translation losses on consolidation of NICO Zambia. A strong performance of the banking business anchored performance of the Group despite the challenging operating environment.

SEGMENTAL PERFORMANCE

General Insurance

The general insurance business registered 14% growth in gross written premiums during the six months to MK 19.84 billion (June 2020: MK 17.44 billion). The general insurance business recorded a loss after tax of MK859.93 million for the six months period (June 2020: MK 102.3 million profit). The loss was driven by the delay to resolve a reinsurance dispute on a MK1.8 billion large claim incurred by the Malawi subsidiary.

Life Insurance

NICO Life Insurance registered 17% growth in premium income in the year to MK 27.0 billion (2020: MK 23.0 billion). However, the business registered MK 2.4 billion in profit after tax representing a decrease of 29% on prior year profit of MK 3.4 billion.

Life Insurance (continued)

The profitability was affected by an increase in claims, largely driven by the COVID-19 pandemic. Death claims increased from MK865 million in the first half of 2020 to MK3.4 billion in the first half of 2021 representing a jump of 290%. Most of these claims were related to the COVID-19 pandemic. The business is committed to continue keeping its promises and supporting its clients in these tough times by expeditiously paying out all legitimate claims. Investment income was below prior year due to lower valuation surpluses from equity investments listed on the Malawi Stock Exchange. Migration to a new core operating system was successfully done in July 2021. It is expected that the new system will lead to enhanced operational efficiency and improved customer service.

The associate company in Mozambique registered satisfactory growth in revenue and profit.

Pension Administration

The business registered 17% growth of revenue in the six months to MK1.4 billion (2020: MK 1.2 billion) driven by increase in pension funds under management. The business registered profit after tax of MK 159.6 million in the six months period which was 32% lower than MK233.3 million in the same period last year, due to increase in operational costs. A new core system was rolled out in June 2021. The new system which is also customer interactive will bring about operational efficiencies that will lead to significantly improved customer experience and will enable the business to introduce other innovative products on the market. This initiative is in keeping with the NICO tradition of ensuring that our customers are happy at all times.

Banking

NBS Bank plc continues to perform well on its five-year strategy that is aimed at accelerating digital transformation, building a strong balance sheet, and enhancing efficiencies across the Bank. The Bank's deposits grew by 13% to MK 174.3 billion as at 30 June 2021 from MK153.9 billion at 31 December 2020. Net interest income grew by 10% to MK 14.6 billion (June 2020: MK 13.3 billion) and non-funded income grew by 36% to MK 6.1 billion (June 2020: MK 4.5 billion). Profit after tax grew by 55% to MK 4.4 billion (June 2020: MK 2.8 billion).

Asset Management

NICO Asset Managers Limited is one of the leading portfolio managers in Malawi. The business registered growth in assets under management of 5% in the six months to 30 June 2021 of MK 713 billion from MK 681 billion at 31 December 2020. The business also registered a 30% growth in revenue during the same period to MK 6.7 billion (June 2020: MK 5.2 billion) driven by increase in interest income on invested funds. However, profit after tax decreased by 25% to MK 0.9 billion (June 2020: MK 1.2 billion) as a result of low volume of transactions and delay in commencement of projects on which fee income would have been earned.

Segmental Contribution to Group Profit After Tax

	30-Jun-2021 MK' Million (6 months)	30-Jun-2020 MK' Million (6 months)	31-Dec-2020 MK' Million (12 months)
Life insurance	2,414	3,397	8,847
Pension administration	160	234	425
General insurance	(860)	102	1,083
Banking	4,395	2,844	7,050
Asset management	894	1,197	2,053
Holding company	2,899	1,024	4,292
Other segments	49	52	86
Total segment profit	9,951	8,850	23,836
Elimination of dividend income from group companies	(2,924)	(1,208)	(5,240)
Total	7,027	7,642	18,596

INVESTMENT INCOME AND SURPLUSES

Group investment income from the investment portfolio was satisfactory driven largely by general improvement in the capital market returns. However, the investment income was below the previous corresponding period due to lower performance of the real estate portfolio which was lower by 14%. The real estate portfolio was affected by the impact of COVID-19 pandemic on the real estate market segment. The Group continues to benefit from the size and diversified nature of its investment portfolio.

STRATEGIC ALLIANCES

The Group continued to benefit from the strategic partnerships with Sanlam Emerging Markets (SEM), Africap LLC, Botswana Insurance Holding Ltd (BIHL) and Rabo Bank of the Netherlands.

STRATEGIC ALLIANCES (continued)

Our partners continue to provide technical expertise in insurance, banking and other services including training of our staff. Eris Properties of South Africa our joint partner in Eris Properties (Malawi) continued to provide support to Eris Properties (Malawi) on our property management and development activities.

COMMUNITY RESPONSIBILITIES

The Group contributed a total of MK136.5 million to various corporate social responsibility initiatives during the period. As the COVID-19 pandemic continues to impact our communities in various ways, the Group's focus was on supporting the Government's intervention and relief efforts in fighting the disease.

MK100 million was contributed towards the construction of four classroom blocks at Mbayani Full Primary School in Blantyre. The school is the most congested in Malawi with 7,400 pupils and with only 32 classroom blocks. In addition, MK8 million went towards procuring gadgets for underprivileged students in various tertiary institutions to help them access online learning. MK10 million was donated to the Private Citizens COVID Response Initiative as well as MK14 million towards setting up of a Government COVID-19 Call Centre. A further MK2.5 million was contributed towards a mentorship programme for underprivileged girls across the country.

OUTLOOK

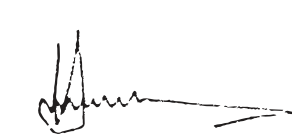
World real GDP growth for 2021 is forecast at 6%, and Sub-Saharan Africa at 3.4%. The improved outlook globally is largely a result of lifting of restrictions in many western and other developed economies following successful vaccination programs. The Malawi economy is forecast to grow by about 3.8% in 2021. The Group anticipates that inflationary pressure will arise from the gradual depreciation of the kwacha against major currencies and rising fuel prices. Despite these pressures inflation is expected to remain within single digits. The COVID-19 pandemic remains the single biggest threat to growth prospects. The third wave of COVID-19 has seen a sharp increase in new cases resulting in restrictions being re-introduced which in turn have affected business activity in several sectors. The availability of vaccines and improved uptake may result in economic activity picking up in the second half of the year.

Despite the challenges mentioned above, the Group is well positioned to manage the risks appropriately and expects to report satisfactory performance for the rest of the year.

DIVIDEND

After taking consideration of future investment and capital requirements, the Board of directors resolved to pay an interim dividend of MK0.75 per share (MK782 Million), (2020: MK0.67 per share, MK699 Million). The interim dividend will be paid on 1st October 2021 and the register of members will be closed end of day of 24th September 2021 to 27th September 2021.

In addition, in commemoration of the 50th Anniversary of NICO's existence, the Board of directors resolved to pay a special dividend of MK0.50 per share (MK521 million). The special dividend will be paid on 4th November 2021 and the register of members will be closed end of day 22nd October 2021 to 25th October 2021.


Gaffar Hassam
Board Chairman


Vizenge Kumwenda
Group Managing Director



General Insurance | Life Insurance | Banking | Asset Management | Pensions | Properties | Technology

