



Vanguard Life Assurance  
Company Limited

VANGUARD LIFE ASSURANCE COMPANY LIMITED

# ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2019



Vanguard Life Assurance  
Company Limited

## ABRIDGED STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	Audited 31-Dec-19 MK'000	Audited 31-Dec-18 MK'000	Audited 31-Dec-19 MK'000	Audited 31-Dec-18 MK'000
<b>ASSETS</b>				
Property, equipment and intangible assets	620,586	440,450	616,406	440,450
Investment property	2,013,000	1,749,180	2,013,000	1,749,180
Deferred acquisition cost	255,034	117,640	255,035	117,640
Held for trading investments	1,819,570	673,847	1,115,405	391,706
Investment in subsidiary	-	-	250,432	250,432
Trade and other receivables	1,503,324	1,148,028	905,165	1,491,681
Cash and cash equivalents	5,115,114	4,361,124	2,898,662	1,762,704
<b>Total assets</b>	<b>11,326,628</b>	<b>8,490,269</b>	<b>8,054,105</b>	<b>6,203,793</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital and premium	1,034,934	1,034,935	1,034,935	1,034,935
Revaluation reserves	37,047	25,067	37,047	25,067
Retained earnings	498,108	152,906	169,339	(195,707)
Total equity and reserves	1,570,089	1,212,909	1,241,321	864,296
<b>Liabilities</b>				
Life assurance policyholder liabilities	8,814,350	6,726,246	5,123,094	4,116,808
Deferred tax	354,564	270,274	354,564	270,274
Trade and other payables	587,625	280,841	1,335,125	952,415
Total liabilities	9,756,539	7,277,360	6,812,784	5,339,497
<b>Total equity and liabilities</b>	<b>11,326,628</b>	<b>8,490,269</b>	<b>8,054,105</b>	<b>6,203,793</b>

## ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
	Audited 31-Dec-19 K'000	Audited 31-Dec-18 K'000	Audited 31-Dec-19 K'000	31-Dec-18 K'000
<b>Audited</b>				
Gross premium	4,657,608	4,245,571	3,486,527	3,278,052
Reinsurance cost	(128,553)	(110,490)	(128,553)	(110,490)
Net income	4,529,055	4,135,081	3,357,974	3,167,562
Investment and other income	1,058,765	730,610	802,666	520,071
<b>Total revenue</b>	<b>5,587,820</b>	<b>4,865,691</b>	<b>4,160,640</b>	<b>3,687,633</b>
Gross insurance benefits and commissions	(1,363,110)	(1,298,203)	(1,078,396)	(840,100)
Reinsurance recoveries	35,795	16,160	35,795	16,160
Operating expenses	(1,568,307)	(1,217,614)	(1,523,249)	(1,145,073)
<b>Net benefits, commissions and operation expenses</b>	<b>(2,895,623)</b>	<b>(2,499,657)</b>	<b>(2,565,850)</b>	<b>(1,969,013)</b>
Profit before change in insurance liabilities	2,692,198	2,366,034	1,594,791	1,718,620
Change in insurance contract liabilities	(2,088,105)	(2,326,513)	(1,006,286)	(2,050,607)
<b>Profit/(Loss) after change in insurance contract liabilities</b>	<b>604,093</b>	<b>39,521</b>	<b>588,505</b>	<b>(331,987)</b>
Finance costs	(32,955)	(11,950)	(32,955)	(11,950)
Profit/(Loss) before tax	571,139	27,571	555,550	(343,937)
Income tax expense	(225,938)	(61,269)	(190,504)	(61,269)
<b>Profit/(Loss) for the year</b>	<b>345,201</b>	<b>(33,698)</b>	<b>365,046</b>	<b>(405,206)</b>
Other comprehensive income (net)	11,980	206	11,980	206
<b>Total comprehensive income</b>	<b>357,181</b>	<b>(33,492)</b>	<b>377,026</b>	<b>(405,000)</b>

## ABRIDGED STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	Audited 31-Dec-19 K'000	Audited 31-Dec-18 K'000	Audited 31-Dec-19 K'000	Audited 31-Dec-18 K'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before tax	571,138	27,571	555,550	(343,937)
Adjustments for non cash items:	(264,265)	(191,783)	(211,337)	(188,650)
Changes in working capital	1,775,985	1,913,991	1,722,109	1,566,506
<b>Cash generated from operations</b>	<b>2,082,857</b>	<b>1,749,779</b>	<b>2,066,322</b>	<b>1,033,919</b>
Income taxes paid	(111,453)	(147,674)	(86,225)	(127,709)
<b>Net cash from operating activities</b>	<b>1,971,404</b>	<b>1,602,105</b>	<b>1,980,097</b>	<b>906,210</b>
<b>Cash flows used in investing activities</b>	<b>(1,144,077)</b>	<b>(454,057)</b>	<b>(772,106)</b>	<b>(366,607)</b>
Cash flows from financing activities	(73,338)	653,272	(72,031)	653,272
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>753,990</b>	<b>1,801,320</b>	<b>1,135,959</b>	<b>1,192,876</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,361,124</b>	<b>2,559,804</b>	<b>1,762,704</b>	<b>569,829</b>
<b>Cash and cash equivalents at end of year</b>	<b>5,115,114</b>	<b>4,361,124</b>	<b>2,898,663</b>	<b>1,762,704</b>

## STATEMENT OF CHANGES IN EQUITY

	GROUP			
	Share capital and premium MK '000	Revaluation reserve MK '000	Retained earnings MK '000	Total equity MK '000
<b>Balance at 1 January 2018</b>	<b>429,424</b>	<b>24,861</b>	<b>186,605</b>	<b>640,890</b>
Additional Capital	605,511	-	-	605,511
Profit for the year	-	-	(33,698)	(33,698)
Other comprehensive income	-	206	-	206
<b>Balance at 31 December 2018</b>	<b>1,034,935</b>	<b>25,067</b>	<b>152,907</b>	<b>1,212,909</b>
Profit for the year	-	-	345,201	345,201
Other comprehensive income	-	11,980	-	11,980
<b>Balance at 31 December 2019</b>	<b>1,034,935</b>	<b>37,047</b>	<b>498,108</b>	<b>1,570,089</b>
<b>COMPANY</b>				
Balance at 1 January 2018	429,424	24,861	209,500	663,785
Additional Capital	605,511	-	-	605,511
Profit for the year	-	-	(405,206)	(405,206)
Other comprehensive income	-	206	-	206
<b>Balance at 31 December 2018</b>	<b>1,034,935</b>	<b>25,067</b>	<b>(195,706)</b>	<b>864,296</b>
Profit for the year	-	-	365,045	365,045
Other comprehensive income	-	11,980	-	11,980
<b>Balance at 31 December 2019</b>	<b>1,034,935</b>	<b>37,047</b>	<b>169,340</b>	<b>1,241,321</b>

## VANGUARD LIFE ASSURANCE COMPANY LIMITED

### ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

We have the pleasure to publish the audited consolidated financial results of the Company for the year ended 31 December 2019.

#### ECONOMIC HIGHLIGHTS

During the year headline inflation edged up to inflation of 9.38% compared to an average inflation of 9.21% recorded in 2018. The Malawi Kwacha marginally depreciated against the US dollar in 2019 compared to 2018 by 0.71%. The stock market remained bullish with the Malawi All Share Index (MASI) experiencing a positive return of 4.38% in 2019 (2018:34.19%). During the year, the all-type Treasury bill yield for the year 2019 decreased to 9.69% from 14.28% recorded in 2018. The Monetary Policy rate was maintained at 13.5% during the year.

#### PERFORMANCE OVERVIEW

The Company is still on its growth path as during the year its financial position remarkably moved from MK6.2 billion as at 31st December 2018 to MK8.05 billion as at 31st December 2019 representing a growth of 30% (Group: 33%). Gross premium income increased by 7% (Group: 10%) to MK3.5 billion from MK3.27 billion in 2018. Despite of challenges and rising competition, your Company performed well vis-à-vis the industry.

The group and company has posted a profit after tax of MK345 million and MK365 million for FY2019 – an increase of 1146% and 190% from loss position of MK33 million and M344 million for FY2018 respectively. The performance of the Company improved in the period under review in terms of profitability. Vanguard Life Assurance's ability to finance new business growth clearly demonstrates that the Company is on the right track in terms of its desire to enhance stakeholder value.


#### OUTLOOK


The real GDP growth is expected to move up to 4.5 percent in 2020. Annual inflation is forecasted to average 8.5 percent at the close of 2020. The Malawi Kwacha is expected to remain stable subject to major fundamentals not shifting.

Building on the growth achieved in the previous years, the Company is well positioned for growth in 2020 and beyond. The Company's focus is to nurture and continue to search for profitable business opportunities in order to enhance the business portfolio.

#### APPRECIATION

We would like to extend our gratitude to Vanguard Life Assurance's various stakeholders, business partners and shareholders for their devotion and commitment. We want to thank staff and fellow Board members for their active support and resilience in implementing cost reduction measures that have enabled the Company to grow increasingly strong.

  
G. Kambale  
Chairman

  
N. Mupfurutsa  
Managing Director

30 March 2020

#### ACTUARY'S CERTIFICATE

I hereby certify that, to the best of my knowledge and belief, that as at 31 December 2019, the value of assets in respect of all classes of Life and Pension business carried out by Vanguard Life Assurance Company Limited exceeds the amount of liabilities.

Louis van As  
FASSA, FIA  
For and on behalf of  
Independent Actuaries & Consultants



#### REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF VANGUARD LIFE ASSURANCE COMPANY LIMITED



Building a better  
working world

#### Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2019, the summary statements of comprehensive income, summary statements of changes in equity and summary statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Vanguard Life Assurance Company 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, in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2013.

#### 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 and requirements of the Companies Act, 2013. 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 31 March 2020. That report also includes communication of other key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the year ended 31 December 2019.

#### 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 framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the summarized consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Ernst & Young  
Chartered Accountants (Malawi)  
Chiwemi Chihana  
Registered Practicing Accountant  
30-Apr-20