

VANGUARD LIFE ASSURANCE COMPANY LIMITED

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ABRIDGED STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	Audited 31-Dec-18 MK'000	Audited 31-Dec-17 MK'000 Restated	Audited 31-Dec-18 MK'000	Audited 31-Dec-17 MK'000 Restated
ASSETS				
Property, equipment and intangible assets	440,450	176,823	440,450	176,823
Investment property	1,749,180	1,603,000	1,749,180	1,603,000
Deferred acquisition cost	117,640	130,099	117,640	130,099
Held for trading investments	673,847	425,631	391,706	234,074
Investment in subsidiary	-	-	250,432	250,432
Inventories	-	-	-	-
Trade and other receivables	1,148,028	741,346	1,491,681	599,702
Cash and cash equivalents	4,361,124	2,559,804	1,762,704	569,829
Total assets	8,490,269	5,636,703	6,203,793	3,563,959
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and premium	1,034,935	429,424	1,034,935	429,424
Revaluation reserves	25,067	24,861	25,067	24,861
Retained earnings	152,906	186,604	(195,707)	209,499
Total equity and reserves	1,212,908	640,889	864,295	663,784
Liabilities				
Life assurance policyholder liabilities	6,726,246	4,399,733	4,116,808	2,066,201
Deferred tax	270,274	226,384	270,274	226,384
Trade and other payables	280,841	369,697	952,416	607,590
Total liabilities	7,277,361	4,995,814	5,339,498	2,900,175
Total equity and liabilities	8,490,269	5,636,703	6,203,793	3,563,959

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
	Audited 31-Dec-18 K'000	Audited 31-Dec-17 K'000 Restated	Audited 31-Dec-18 K'000	Audited 31-Dec-17 K'000 Restated
Gross premium	4,245,571	2,612,618	3,278,052	1,990,833
Reinsurance cost	(110,490)	(76,576)	(110,490)	(76,576)
Net income	4,135,081	2,536,042	3,167,562	1,914,257
Investment and other income	730,610	806,523	520,071	714,055
Total revenue	4,865,691	3,342,565	3,687,633	2,628,312
Gross insurance benefits and commissions	(1,298,203)	(1,139,586)	(840,100)	(867,754)
Reinsurance recoveries	16,160	123,175	16,160	123,175
Operating expenses	(1,217,614)	(884,940)	(1,145,073)	(817,058)
Net benefits, commissions and operation expenses	(2,499,657)	(1,901,351)	(1,969,013)	(1,561,637)
Profit before change in insurance liabilities	2,366,034	1,441,214	1,718,620	1,066,675
Change in insurance contract liabilities	(2,326,513)	(1,552,299)	(2,050,607)	(968,127)
Profit/(Loss) after change in insurance contract liabilities	39,521	(111,085)	(331,987)	98,548
Finance costs	(11,950)	(1,880)	(11,950)	(1,880)
Profit/(Loss) before tax	27,571	(112,965)	(343,937)	96,668
Income tax expense	(61,269)	(251,697)	(61,269)	(251,697)
Profit/(Loss) for the year	(33,698)	(364,662)	(405,206)	(155,029)
Other comprehensive income (net)	206	7,692	206	7,692
Total comprehensive income	(33,492)	(356,970)	(405,000)	(147,337)

ABRIDGED STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	Audited 31-Dec-18 K'000	Audited 31-Dec-17 K'000 Restated	Audited 31-Dec-18 K'000	Audited 31-Dec-17 K'000 Restated
Cash flows from operating activities				
Profit/(Loss) before tax	27,571	(112,965)	(343,937)	96,668
Adjustments for non cash items:	(191,783)	(227,068)	(188,650)	(227,068)
Changes in working capital	1,913,991	1,521,526	1,566,506	464,058
Cash generated from operations	1,749,779	1,181,493	1,033,919	333,658
Income taxes paid	(147,674)	(85,491)	(127,709)	(85,491)
Net cash from operating activities	1,602,105	1,096,002	906,210	248,167
Cash flows used in investing activities	(454,057)	(53,145)	(366,607)	(78,426)
Cash flows from financing activities	653,272	69,428	653,272	69,428
Net (decrease)/increase in cash and cash equivalents	1,801,320	1,112,285	1,192,875	239,169
Cash and cash equivalents at beginning of year	2,559,804	1,447,519	569,829	330,660
Cash and cash equivalents at end of year	4,361,124	2,559,804	1,762,704	569,829

STATEMENT OF CHANGES IN EQUITY

	Share capital and premium MK '000	Revaluation reserve MK '000	Retained earnings MK '000 Restated	Total equity MK '000
GROUP				
Balance at 1 January 2017	346,424	17,169	551,266	914,859
Additional Capital	83,000	-	-	83,000
Total comprehensive income for the year	-	7,692	(364,661)	(356,969)
Balance at 31 December 2017	429,424	24,861	186,605	640,890
Additional Capital	605,511	-	-	605,511
Total comprehensive income for the year	-	206	(33,698)	(33,492)
Balance at 31 December 2018	1,034,935	25,067	152,907	1,212,909
COMPANY				
Balance at 1 January 2017	346,424	17,169	364,528	728,121
Dividend paid	83,000	-	-	83,000
Total comprehensive income for the year	-	7,692	(155,028)	(147,337)
Balance at 31 December 2017	429,424	24,861	209,500	663,785
Additional Capital	605,511	-	-	605,511
Total comprehensive income for the year	-	206	(405,206)	(405,000)
Balance at 31 December 2018	1,034,935	25,067	(195,706)	864,296

VANGUARD LIFE ASSURANCE COMPANY LIMITED

ABRIDGED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

We have the pleasure to publish the audited consolidated financial results of the Company for the year ended 31 December 2018.

THE COMPANY

Following the issuance of a directive separation of life business from pension business by the Reserve Bank of Malawi, Vanguard Life Assurance Company incorporated a wholly owned subsidiary, Vanguard Pension Services Company in 2015. The directors have consolidated the financial statements to include Vanguard Pension Services Company's performance. During the year, members of the Company injected MK605 million in order to comply with the minimum capital requirements.

ECONOMIC HIGHLIGHTS

"The economy recorded remarkable improvement with average inflation at 9.2% a decline from 11.5% in 2017. During the year, the Malawi Kwacha marginally depreciated against the US dollar. The stock market remained bullish for a second consecutive year with the Malawi All Share Index (MASI) experiencing a positive return of 34.19% compared to 62.14% in 2017. The dividend yield for the bourse closed at 1.86% in 2018 from 2.9% in 2017. During the year, the average Treasury bill yield decreased to 14.28% from 19.73% in 2017. The Monetary Policy rate was maintained at 16% during the year.

PERFORMANCE OVERVIEW

The Company maintained its growth trend during the year as its financial position remarkably moved from MK3.6 billion as at 31st December 2017 to MK6.2 billion as at 31st December 2018 representing a growth of 74% (Group : 51%). The favorable movement in the financial position of the Company was mainly due to significant growth in total revenue by 40% (Group: 46%) from MK2.628 billion to MK3.687 billion compared to average inflation of 9.2% as at December 2018. Gross premium income increased by 65% (Group: 65%) to MK3.27 billion from MK1.98 billion in 2017.

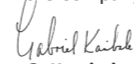
The Company has registered a loss after tax of MK405 million compared to a loss of MK155 million registered in 2017. The loss arose mainly on account of the significant increase in insurance liabilities occasioned by growth of business coupled with the related expenses in driving the growth. The separation exercise also resulted in decrease in assets available for investment income for the company. 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 2019. Annual inflation is forecasted to average 8.5 percent at the close of 2019. 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 2019 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

2 April 2019

ACTUARY'S CERTIFICATE

I hereby certify that, to the best of my knowledge and belief, that as at 31 December 2018, 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the shareholders of Vanguard Life Assurance Company Limited

Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2018, the summary statement of comprehensive income, summary statement of cash flows and summary statement of changes in equity 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 2018.

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 2 April 2019. 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 2018.

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 International Financial Reporting Standards and in compliance with the Companies Act 2013 and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

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.

Ernst & Young
Chartered Accountants (Malawi)
Chiwemi Chihana
Registered Practicing Accountant
2 May 2019