



# NICO HOLDINGS LIMITED

(Registration number 1377)  
("Nico" or "the Company")

## CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

GROUP INCOME STATEMENT	12 Months ended 31/12/04 (audited) MK'000	12 Months ended 31/12/03 (audited) MK'000
	<b>Gross revenue</b>	
Insurance business	2,076,691	1,686,027
Banking business	1,152,709	1,166,964
Investments and other income	1,442,453	1,462,014
Total gross revenue	4,671,853	4,315,005
<b>Net Income</b>		
Insurance business	255,693	150,722
Banking business	39,228	58,323
Investment and other income	1,039,493	1,221,362
Profit before exceptional items and transfers to Life reserves	1,334,414	1,430,407
Exceptional items	-	56,405
Transfer to Life reserves	(779,698)	(738,621)
Profit before income tax	554,716	748,191
Income tax expense	(115,205)	(116,683)
Profit after taxation	439,511	631,508
Profit attributable to Minority interest	(37,222)	(71,421)
Profit for the year attributable to shareholders	402,289	560,087
Dividend Paid	(162,500)	(120,000)
Retained Profit	239,789	440,087
Earnings per share (Tambala)	39.00	54.00
Dividend paid per share (Tambala)	15.58	11.50

GROUP BALANCE SHEET	MK'000	MK'000
<b>ASSETS EMPLOYED</b>	<b>12,635,388</b>	<b>10,685,952</b>
Goodwill	-	4,302
Property and equipment	1,047,986	784,211
Investment properties	909,422	591,218
Other investments and loans receivable	1,496,139	1,066,694
Trade receivables	1,102,470	926,652
Advances to customers	1,340,558	804,315
Other receivables	478,365	305,219
Short term investments	4,892,998	4,567,664
Cash and cash equivalents	1,367,449	1,635,677
<b>LIABILITIES</b>	<b>(6,328,734)</b>	<b>(5,811,144)</b>
General insurance funds	(353,834)	(175,438)
Bank overdrafts	(49,839)	(111,991)
Interest-bearing loans and borrowings	(7,159)	(11,767)
Trade payables	(945,415)	(832,429)
Deposits and customer accounts	(4,660,534)	(4,368,079)
Other payables	(283,326)	(278,637)
Income tax payable	(28,627)	(32,803)
<b>NET ASSETS</b>	<b>6,306,654</b>	<b>4,874,808</b>
<b>FINANCED BY</b>		
Ordinary Shareholders funds	1,702,580	1,430,218
Issued share capital	52,152	52,152
Reserves	1,650,428	1,378,066
Minority interests	211,237	195,737
Life assurance and pension fund	4,251,140	3,157,319
Interest-bearing loans and borrowings	80,098	35,716
Deferred tax liabilities	61,599	55,818
<b>TOTAL FUNDS</b>	<b>6,306,654</b>	<b>4,874,808</b>

GROUP STATEMENT OF CASH FLOWS	MK'000	MK'000
Operating activities		
Cash receipts from customers	3,112,502	1,584,189
Cash payments to clients, employees and suppliers	(3,613,321)	(1,349,326)
Income taxes paid	(123,404)	(68,522)
Cash flows from operating activities	(624,223)	166,341
Cash flows from investing activities	603,217	793,612
Cash flows from financing activities	(185,070)	(105,279)
Net increase in cash and cash equivalents	(206,076)	854,674
Cash and cash equivalents at 1 January	1,523,686	669,012
<b>Cash and cash equivalents at 31 December</b>	<b>1,317,610</b>	<b>1,523,686</b>
<b>ADDITIONAL STATUTORY INFORMATION</b>		
Increase/(decrease) in Net Working capital	603,119	829,357

### OVERVIEW

2004 was a challenging year. The economic performance of the country continued to be characterized by weak economic fundamentals as experienced in the year before.

However, despite these challenges NICO managed to register gross revenue of MK4.7 billion up on last year of MK4.3 billion by 8%. Investment income was affected both by reduction in interest rates during the year and delayed collection of premiums due to general liquidity problems. The overall result was a profit of MK555 million being 26% down on last year of MK748 million.

### BANKING

Our operations were converted to a fully-fledged Commercial Bank on 1st July, 2004. However, despite performing strongly in the six months to December, the results were affected by a high expense ratio as a result of heavy promotional and delivery systems expenditure. We believe however, this to be a good investment. The results were also affected by the loss of income from our farming customers due to changes made in the handling of Tobacco dollars by the authorities. It is, however, pleasing to note that this policy change has since been reversed.

Having completed the conversion exercise, the bank is not only consolidating but is also quickly developing new products. With a network of branches spread in all major centers of the country and a comprehensive automated delivery system, the bank has an infrastructure which is probably unequalled in the market. The potential for growth is great and the opportunities are immense.

### GENERAL INSURANCE

General insurance performed very strongly during a very difficult period. This was in line with the company's strategic plans of focused underwriting, appropriate product pricing, improved delivery systems and, vigorous implementation of credit control policy. The result was a profit in excess of both the corresponding year and budget.

During the year the company acquired the business of CGU Insurance albeit that the actual completion of the transaction was after the accounting date.

The results of our operations in Zambia were affected by low premium growth arising from loss of "fronting" business and commission income thereon, high expense ratio and a high market debtors' ratio. Premium collection continued to be a serious problem for the whole market and in line with our strict provisioning policy, large provisions had to be made. The result was a profit, fifty percent down on previous year.

### LIFE INSURANCE.

Performance was better than both corresponding period and budget. This was because of improved delivery systems, aggressive sales drive and improved premium collection. In respect of individual business, it is pleasing to note the improved quality of the policies being sold. All these are benefiting the policyholders in terms of returns.

Investment income was affected by low interest rates, and low income from some projects which have not yet matured. Nevertheless, the future earning potential of these projects is great.

### EARNINGS

Overall Group performance was satisfactory considering the harsh operating macro-economic conditions. Earnings per share was 39 tambala (2003: 54 tambala).

### REGIONAL GROWTH STRATEGY

During the year, and in line with our regional growth strategy, we made two market entries in Uganda and Tanzania through acquisitions. We acquired 100% equity stake in Imperial Insurance Company Limited of Uganda and 67% equity stake of the same company in Tanzania. The completion of these two transactions took much longer than we had expected. We took over management control of Imperial Insurance Company Limited in Uganda in October, 2004 while Tanzania had to wait until March, 2005. We are excited about these investments which we believe will add great value to the Group. Management's biggest challenge is to unlock the potential and make a success of these investments. We have the necessary resources and we have no doubt that they will rise to the challenge.

### PROSPECTS

2005 will be a year of consolidation. Our Corporate strategy is to create both dynamic and responsive sustainable competitive advantage. We believe that as a Group we have both the necessary expertise and capacity. We will focus on improving further our service delivery systems by way of automation. We will continue to improve our human capital resource by way of training and exposure. And by no means least, we will continue to foster our relationships and alliances with our clients and all stakeholders. The potential in all our core business units and the prospects of these businesses motivate us not to sit on our laurels.

### DIVIDEND

An interim dividend of MK62.5 million or 6 Tambala per share was paid in 2004. The company will pay a further dividend of MK50 million or 5 Tambala per share bringing the total dividend for 2004 to MK112.5 million or 11 Tambala per share (2003: MK150 million or 14 Tambala per share.)

G.A. JAFFU - CHAIRMAN

F.L. MLUSU - MANAGING DIRECTOR

30th April 2005  
Registered office:  
NICO House  
3 Stewart Street  
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