

FDH FINANCIAL HOLDINGS LIMITED

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

FIRST DISCOUNT HOUSE LIMITED

SUMMARY OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF COMPREHENSIVE INCOME

	Group 31-DEC-14 K'000	Group 31-DEC-13 K'000	Company 31-DEC-14 K'000	Company 31-DEC-13 K'000
Interest income	10,376,576	9,148,204	-	-
Interest expenses	(6,118,155)	(7,303,620)	-	-
Net interest income	4,258,421	1,844,584	-	-
Non-interest income	8,604,506	4,626,572	148,011	44
Dividend income	-	-	396,500	706,000
Total income	12,862,927	6,471,156	544,511	706,044
Operating expenses	(6,524,650)	(3,997,738)	(152,298)	(4,433)
Profit before provision for impaired loans and advances	6,338,277	2,473,418	392,213	701,611
Net charge on impaired loans and advances	(412,789)	(1,707,645)	-	-
Profit before tax	5,925,488	765,773	392,213	701,611
Taxation	(1,818,293)	(262,953)	(39,650)	(70,600)
Profit after tax	4,107,195	502,820	352,563	631,011

The Group had no other comprehensive income and no minority interest

STATEMENT OF FINANCIAL POSITION

	Group 31-DEC-14 K'000	Group 31-DEC-13 K'000	Company 31-DEC-14 K'000	Company 31-DEC-13 K'000
Liabilities, Capital and Reserves				
Liabilities				
Shareholders' loan	1,675,000	1,675,000	1,675,000	500,000
Liabilities to customers	49,514,823	39,533,879	-	-
Other liabilities	1,614,340	942,641	39,295	12,677
Deferred tax liability	85,763	119,039	-	-
Income tax payable	917,158	-	-	-
Total liabilities	53,807,084	42,270,559	1,714,295	512,677
Capital and Reserves	6,760,402	2,971,173	1,061,569	987,322
Total liabilities, capital and reserves	60,567,486	45,241,732	2,775,864	1,499,999
Assets				
Cash and Bank balances	15,246,704	13,041,925	101,078	177
Treasury Bills, Promissory Notes and Commercial Paper	19,884,818	10,117,364	-	-
Bills on buy back and Loans	21,013,361	18,558,514	-	-
Investments	15,000	-	1,499,675	1,499,675
Related Party Loan	-	-	1,175,000	-
Other assets	1,413,440	947,187	-	1
Property plant and equipment	2,836,940	2,313,094	111	146
Deferred tax asset	21,125	17,982	-	-
Goodwill	131,784	131,784	-	-
Income tax assets	4,314	113,882	-	-
Total assets	60,567,486	45,241,732	2,775,864	1,499,999

STATEMENT OF CHANGES IN EQUITY

	Group 31-DEC-14 K'000	Group 31-DEC-13 K'000	Company 31-DEC-14 K'000	Company 31-DEC-13 K'000
At the beginning of the period	2,971,173	2,656,457	987,322	385,111
Profit for the period	4,107,195	502,820	352,563	631,011
Dividends paid	(317,966)	(188,104)	(278,316)	(28,800)
At the end of the period	6,760,402	2,971,173	1,061,569	987,322

STATEMENT OF CASHFLOWS

	Group 31-DEC-14 K'000	Group 31-DEC-13 K'000	Company 31-DEC-14 K'000	Company 31-DEC-13 K'000
Cash generated from operations before taxation	11,987,058	9,604,263	22,367	(380,929)
Income tax paid	(827,986)	(731,015)	(39,650)	(70,585)
Cash flows generated from operating activities	11,159,072	8,873,248	(17,283)	(451,514)
Net cash used in investing activities	(1,080,432)	(715,268)	396,500	(19,000)
Net cash generated (used in)/from in financing activities	(317,966)	1,646,200	(317,966)	469,378
Net increase/(decrease) in cash and cash equivalents	9,760,674	9,804,180	100,901	(1,136)
Cash and cash equivalents at the beginning of the year	16,353,248	6,549,068	177	1,313
Cash and cash equivalents at the end of the year	26,113,922	16,353,248	101,078	177
Cash and Cash equivalent comprise:				
Cash and funds with Reserve Bank of Malawi	15,246,704	13,041,925	101,078	177
Malawi Government Treasury Bills (Maturing within 3 months)	10,867,218	3,311,323	-	-
	26,113,922	16,353,248	101,078	177

REVIEW OF THE YEAR

The Directors present the summarized consolidated financial statements for FDH Financial Holdings Limited for the year ended 31 December 2014.

Performance

The Board is pleased to announce consolidated profit after tax of MK4.1 billion from MK501 million in 2013. FDH Group in 2014 operated in a tough economic environment characterized by high inflation, continued depreciation of the Malawi Kwacha against major trading currencies, high interest rates and without budgetary support from the donors. The Group's growth strategies together with the momentum built over the past years resulted in the group delivering a satisfactory profit after tax on the back of a major balance sheet clean up exercise in 2013 and 2014. The Return on equity (ROE) increased to 61% from 17% in 2013 and the group recorded earnings per share of 2,164 tambala from 265 tambala in 2013.

All key performance indicators improved and all subsidiaries showed growth in earnings. This performance was achieved through strong revenue growth, cost containment, an improved credit loss ratio while strengthening the balance sheet and investing for sustainable growth.

Outlook

Based on this sound balance sheet, the group has made significant advances in building a platform that allows the businesses to grow sustainably going forward, and position it to face the challenging economic environment expected in the year ahead, which will worsen due to the current floods that have damaged crops and caused serious infrastructure damage.

The year 2015 is expected to be more challenging. The GDP growth will be negatively affected by impact of natural disasters that have befallen the country apart from the harsh economic environment occasioned by the absence of development partners budgetary support, and an ever changing regulatory environment. It is expected that Government will continue focusing on consolidating macroeconomic stability and improving governance, as already demonstrated in the mid-term budget review, reforming the Public Service through the Public Service Reform Commission, while strengthening the enabling environment for private sector investment for sustained and inclusive growth.

We are indebted to our esteemed clients, shareholders, management, staff, the Government of Malawi, the Governor and staff of the Reserve Bank of Malawi and all other stakeholders for their unwavering support in 2014 and look forward to the same in 2015.

T.F. MPINGANJIRA
DIRECTOR
10 February 2015

MR M. MIKWAMBA
DIRECTOR

www.fdh.co.mw

AUDITORS REPORT TO THE MEMBERS OF FDH FINANCIAL HOLDINGS LIMITED

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at 31 December 2014 and the summarized consolidated statement of comprehensive income, the summarized consolidated statement of changes in equity and the summarized consolidated statements of cash flows for the year then ended, are derived from the audited financial statement of FDH Financial Holdings Limited for the year ended 31 December 2014. We expressed an unmodified opinion on those financial statements in our report dated 10 February 2015. Those financial statements, and the summarized financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited financial statement of FDH Financial Holdings Limited.

Directors' Responsibility for the Summarized Consolidated Financial Statements

The directors are responsible for the preparation of the summarized financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 1984.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summarized financial statements derived from the audited financial statements of FDH Financial Holdings Limited for the year ended 31 December 2014 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), and the Companies Act, 1984.

Deloitte

Public Accountants
10 February 2015
Blantyre, Malawi

STATEMENT OF COMPREHENSIVE INCOME

	31-Dec-14 Audited K'00	31-Dec-13 Audited K'000
Income		
Total income	1,635,160	1,127,190
Operating expenses	(520,183)	(406,152)
Profit before tax	1,114,977	721,038
Income tax expense	(338,445)	(219,956)
Profit for the year	776,532	501,082
Basic earnings per share (tambala)	129	84

STATEMENT OF FINANCIAL POSITION

	31-Dec-14 Audited K'00	31-Dec-13 Audited K'000
Assets		
Cash & cash equivalents	438,971	53,539
Treasury Bills, Promissory Notes and Commercial Paper	8,933,986	3,590,719
Loans and bills on buy back	2,110,269	4,316,688
Other Assets	161,993	143,029
Plant and equipment	54,073	66,708
Deferred tax	20,251	17,978
Total assets	11,719,543	8,188,661

EQUITY AND LIABILITIES

	31-Dec-14 Audited K'00	31-Dec-13 Audited K'000
Shareholders' equity	968,984	588,952
Bills on buyback and repurchase agreements	10,558,655	7,424,243
Other liabilities	83,536	101,207
Taxation payable	108,368	74,259
Total liabilities	10,750,559	7,599,709

Total equity and liabilities

	11,719,543	8,188,661
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STATEMENT OF CHANGES IN EQUITY

	31-Dec-14 Audited K'00	31-Dec-13 Audited K'000
At the beginning of the year	588,952	509,870
Dividend paid	(396,500)	(422,000)
Profit for the year	776,532	501,082
At the end of the year	968,984	588,952

STATEMENT OF CASHFLOWS

	31-Dec-14 Audited K'00	31-Dec-13 Audited K'000
Cash generated from operating activities	3,096,772	1,197,250
Tax paid	(306,604)	(228,089)
Net cash generated from operating activities	2,790,168	969,161
Net cash used in investing activities	(8,236)	(32,211)
Net cash used in financing activities	(396,500)	(422,000)
Net decrease in cash and cash equivalent	2,385,432	514,950
Cash and cash equivalent at the beginning of the year	903,539	388,589
Cash and cash equivalent at the end of the year	3,288,971	903,539

Cash and cash equivalent comprise:

Bank balances and cash	438,971	53,539
Malawi Government treasury bills (Maturing within 3 months)	2,850,000	850,000
	3,288,971	903,539

Review of year

The Directors present the summarized audited financial results for First Discount House Limited for the year ended 31 December 2014.

Performance

The Board is pleased to announce profit after tax for the year of MK777 million up from MK501 million in December 2013 representing 55% growth. Earnings per share jumped from 84 tambala to MK1.29 tambala while total income grew by 45% over the same period last year. Total operating costs, which grew by 28% were well contained.

The operating environment was affected by a lot of factors, including an uncertain economic and business operating environment, a slowdown in economic activity, high interest rates and changes in the USD/MWK exchange rate. Notwithstanding these challenges First Discount House Limited delivered strong financial performance during the year.

Outlook

The year 2015 is expected to be more challenging. The GDP growth will be negatively affected by impact of natural disasters that have befallen the country apart from the harsh economic environment occasioned by the absence of development partners budgetary support, and an ever changing regulatory environment. It is expected that Government will continue focusing on consolidating macroeconomic stability and improving governance, as already demonstrated in the mid-term budget review, reforming the Public Service through the Public Service Reform Commission, while strengthening the enabling environment for private sector investment for sustained and inclusive growth.

We are indebted to our esteemed clients, shareholders, management, staff, the Government of Malawi, the Governor and staff of the Reserve Bank of Malawi and all other stakeholders for their continued unwavering support.

MCHIWALO M. MIKWAMBA
DIRECTOR
10 February 2015

AUDITORS REPORT TO THE MEMBERS OF FIRST DISCOUNT HOUSE LIMITED

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