

# Liberty Kenya Holdings Limited

## THE BOARD OF DIRECTORS OF LIBERTY KENYA HOLDINGS LIMITED IS PLEASED TO ANNOUNCE THE AUDITED RESULTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

### Consolidated Statement of Financial Position

	31 December 2013 Shs'000	31 December 2012 (Re-stated) Shs'000
<b>Capital and reserves</b>		
Ordinary share capital	515,270	515,270
Share premium	1,185,969	1,701,239
Revenue and other reserves	2,873,612	1,816,694
Proposed dividend	515,270	206,108
<b>Equity attributable to owners of parent</b>	<b>5,090,121</b>	<b>4,239,311</b>
Non-controlling interests	374,761	314,920
<b>Total equity</b>	<b>5,464,882</b>	<b>4,554,231</b>
<b>REPRESENTED BY:</b>		
<b>Assets</b>		
Property and equipment	1,084,901	1,097,599
Intangible assets	51,976	67,494
Goodwill	1,254,995	1,254,995
Investment property	842,200	710,449
Investment in associates	70,041	61,948
Financial investments	15,949,076	14,083,814
Receivable arising from reinsurance	439,166	224,848
Receivable arising from direct insurance	775,189	662,212
Reinsurers' share of insurance liabilities	3,822,104	2,040,892
Deferred acquisition costs	123,273	95,219
Other receivables	461,873	988,818
Deferred income tax	65,037	50,119
Current income tax	59,376	-
Cash and cash equivalents	6,452,983	6,033,693
<b>Total assets</b>	<b>31,452,190</b>	<b>27,372,100</b>
<b>Liabilities</b>		
Insurance contract liabilities	10,320,927	7,523,118
Deposit administration liabilities	11,103,757	10,465,499
Unearned premium reserve	2,664,554	2,325,273
Creditors arising from direct insurance	34,616	45,411
Creditors arising from reinsurance	515,205	354,671
Deferred acquisition income	76,324	82,829
Other liabilities	913,290	1,030,910
Deferred income tax	352,214	340,736
Current income tax	6,421	169,626
Borrowings	-	479,796
<b>Total liabilities</b>	<b>25,987,308</b>	<b>22,817,869</b>
<b>Net assets</b>	<b>5,464,882</b>	<b>4,554,231</b>

### Consolidated Income Statement

	31 December 2013 Shs'000	31 December 2012 (Re-stated) Shs'000
<b>Income</b>		
Gross earned premium revenue	7,397,981	6,953,842
Less: Outward reinsurance	(3,330,854)	(2,971,456)
<b>Net insurance premium revenue</b>	<b>4,067,128</b>	<b>3,982,386</b>
Commissions earned	657,492	660,441
Investment income	2,629,519	3,180,431
Administration fees	15,897	13,292
Other income	8,574	212,849
	<b>3,311,482</b>	<b>4,067,013</b>
<b>Total income</b>	<b>7,378,610</b>	<b>8,049,399</b>
Claims and policyholder benefits payable	(8,088,006)	(3,644,939)
Change in insurance contract liabilities	(490,432)	(833,627)
Amounts recoverable from reinsurers	5,501,597	717,091
<b>Net insurance benefits and claims</b>	<b>(3,076,841)</b>	<b>(3,761,475)</b>
Commissions payable	(833,885)	(892,089)
Finance costs	(25,512)	(95,179)
Other operating expenses	(2,136,123)	(2,150,281)
<b>Total expenses and commissions</b>	<b>(2,995,520)</b>	<b>(3,137,549)</b>
<b>Result of operating activities</b>	<b>1,306,249</b>	<b>1,150,375</b>
Earnings from associates	(7,387)	23,704
<b>Profit before income tax</b>	<b>1,298,862</b>	<b>1,174,079</b>
Income tax expense	(192,942)	(316,230)
<b>Profit for the year</b>	<b>1,105,920</b>	<b>857,849</b>
<b>Attributable to:</b>		
Owners of the parent	1,024,907	801,911
Non-controlling interests	81,013	55,938
	<b>1,105,920</b>	<b>857,849</b>
Basic and diluted earnings per share (Shs)	<b>2.15</b>	<b>1.66</b>

### Abridged Consolidated Statement of Cash flows

	31 December 2013 Shs' 000	31 December 2012 (Re-stated) Shs' 000
<b>Cash generated from operations</b>	<b>1,011,348</b>	<b>5,663</b>
Net interest received	1,869,917	1,692,278
Income tax paid	(376,310)	(178,541)
<b>Net cash generated from operating activities</b>	<b>2,504,955</b>	<b>1,519,400</b>
Cash flows from/(used in) investing activities	(1,376,385)	1,758,132
Cash flows used in financing activities	(707,073)	(131,827)
Currency translation differences	(2,204)	(4,158)
<b>Net increase in cash equivalents</b>	<b>419,290</b>	<b>1,622,147</b>
Cash and cash equivalents at 1 January	6,033,693	2,892,146
<b>Cash and cash equivalents at 31 December</b>	<b>6,452,982</b>	<b>6,033,693</b>

### Consolidated Statement of Comprehensive Income

	31 December 2013 Shs'000	31 December 2012 (Re-stated) Shs'000
<b>Profit for the year</b>	<b>1,105,920</b>	<b>857,849</b>
Other comprehensive income/(loss) for the year	<b>32,011</b>	<b>(108,208)</b>
Items that can be reclassified into profit or loss:		
Foreign currency	5,229	1,784
Recognition of deferred income tax on revaluation	(11,587)	(164,203)
Gain on revaluation of land and building	38,369	54,211
<b>Items that cannot be reclassified into profit or loss:</b>	<b>26,782</b>	<b>(109,992)</b>
<b>Total comprehensive income for the year</b>	<b>1,137,931</b>	<b>749,641</b>
<b>Total comprehensive income attributable to:</b>		
Owners of parent	1,056,918	684,528
Non-controlling interests	81,013	65,113
<b>Total comprehensive income for the year</b>	<b>1,137,931</b>	<b>749,641</b>

### Abridged Consolidated Statement of Changes in Equity

	Share Capital Shs'000	Share Premium Shs'000	Revenue and other reserves Shs'000	Proposed dividend Shs'000	Non-controlling interest Shs'000	Total Shs'000
<b>As at 1st January 2013 (Re-stated)</b>	<b>515,270</b>	<b>1,701,239</b>	<b>1,816,694</b>	<b>206,108</b>	<b>314,920</b>	<b>4,554,231</b>
Net profit for the year	-	-	1,024,907	-	81,013	1,105,920
Other comprehensive income	-	-	32,011	-	-	32,011
Dividend paid to non-controlling interests	-	-	-	-	(21,172)	(21,172)
Dividend paid to controlling interests	-	-	-	(206,108)	-	(206,108)
Proposed dividend controlling interests	-	(515,270)	-	515,270	-	-
<b>As at 31st December 2013</b>	<b>515,270</b>	<b>1,185,969</b>	<b>2,873,612</b>	<b>515,270</b>	<b>374,761</b>	<b>5,464,882</b>

### Message from the Directors

The Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Abridged Consolidated Statement of Cash Flows and Abridged Consolidated Statement of Changes in Equity are extracts from the Financial Statements of Liberty Kenya Holdings Limited which were audited by PricewaterhouseCoopers, Certified Public Accountants, and received an unqualified opinion. The above Financial statements were approved by the Board of Directors on 9 April 2014 and signed on its behalf by:

S A Mboya  
Chairman

M L du Toit  
Managing Director

G R May  
Director

C Kioni  
Company Secretary

### HIGHLIGHTS

Liberty Kenya's performance in 2013 was reassuringly sound across our main business activities with good underlying momentum in areas of targeted growth and investment. 2013 operating results showed marked improvement as we continued to grow selectively and built on our underwriting profitability. The two operating companies, CFC Life Assurance Company Limited and Heritage Insurance Company Kenya Limited, continued to show strong performance as a consequence of sound underwriting and claims management, improvements to distribution channels, introduction of differentiated products, identification of new alternative distribution channels, process re-engineering, management of costs and use of new and enhanced technology to drive improvements in service delivery and value proposition to our customers and intermediaries.

Key achievements for the year under review were:

- Profit after tax up 29% whilst Comprehensive Income up 52%.
- Gross earned premium revenue at Shs 7.4 Billion up 7.2% from Shs 6.9 Billion.
- Investment income at Shs 2.6 Billion mainly due to restatement of 2012 figures arising from the change in accounting policy for Financial Assets.
- Net insurance benefits and claims contained to Shs 3.1 Billion, down 18% from Shs 3.8 Billion.
- The Total Asset base of the Group is up by 15% from Shs 27.4 Billion to Shs 31.5 Billion.
- Both CFC Life and Heritage show strong solvency levels at 1.46x and 3.9x respectively.
- Three life and one short term products launched during the year.

Re-statement of Prior Years' Financial Statements

The financial statements for 2012 have been restated mainly on account of the following accounting policy changes:

#### Insurance contract liabilities, Payable under Deposit administration contracts and Financial assets

Liberty Kenya Group changed the accounting basis of valuation of the policyholders insurance liabilities from the Net Premium Valuation (NPV) basis to Gross Premium Valuation (GPV) to align this to the Group's accounting policies and to match the movements in policyholder liabilities with the fair value movements in corresponding financial assets at fair value through profit or loss.

The impact of this policy change has been account for retrospectively in line with IAS 8 Accounting policies, changes in accounting estimates.

#### Deferred tax on life fund surplus

During the year Liberty Kenya Holdings adopted the Group policy to recognise deferred income tax on the undistributed portion of the life fund surplus.

#### Annual General Meeting (AGM) and Dividend

The date of the AGM will be announced shortly. The Directors recommend a dividend per share of Shs 1 (2012: Shs 0.40) by way of a scrip dividend with the option to elect cash. This proposal is subject to shareholder and Capital Markets Authority approval, which is in the process of being sought.