

Liberty Kenya Holdings Limited

(formerly Cfc Insurance 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 2012.

Group Statement of Financial Position

	31 December 2012 Kshs'000	31 December 2011 Kshs'000
Capital and reserves		
Ordinary share capital	515,270	515,270
Share premium	1,701,239	1,701,239
Revenue and other reserves	2,677,173	1,657,307
Proposed dividend	206,108	-
Equity attributable to owners of parent	5,099,790	3,873,816
Non-controlling interest	321,801	300,781
Total equity	5,421,591	4,174,597
REPRESENTED BY:		
Assets		
Property and equipment	1,097,599	1,056,551
Intangible assets	67,494	119,966
Goodwill	1,254,995	1,254,995
Investment property	710,449	623,553
Investments in associates	61,948	355,400
Financial investments	14,833,362	14,510,876
Receivable arising from reinsurance	224,848	216,266
Receivable arising from direct insurance	662,212	740,559
Reinsurers' share of insurance liabilities	2,040,892	2,117,135
Deferred acquisition costs	95,219	137,510
Other receivables	784,869	300,121
Deferred income tax	49,235	57,548
Tax recoverable	28,885	103,447
Cash and cash equivalents	5,478,339	2,699,606
Total assets	27,390,346	24,293,533
Liabilities		
Insurance contract liabilities	7,538,857	6,689,310
Deposit administration liabilities	10,104,276	9,237,856
Unearned premium reserve	2,325,287	2,242,031
Creditors arising from direct insurance	45,411	72,731
Creditors arising from reinsurance	353,787	475,480
Deferred acquisition income	82,829	77,867
Other payables	910,435	715,969
Current income tax payable	128,077	32,980
Bank overdraft	-	70,091
Borrowings	479,796	504,621
Total liabilities	21,968,755	20,118,936
Net assets	5,421,591	4,174,597

Group Income Statement

	31 December 2012 Kshs'000	31 December 2011 Kshs'000
Income		
Gross earned premium revenue	6,953,842	6,389,035
Less: Outward reinsurance	(2,971,456)	(2,151,102)
Net insurance premium revenue	3,982,386	4,237,933
	3,478,478	2,195,322
Commissions earned	660,441	513,025
Investment income	2,591,896	1,640,630
Administration fees	13,292	13,937
Other income	212,849	27,730
Total income	7,460,864	6,433,255
Claims and policyholder benefits payable	(3,337,436)	(3,379,417)
Change in insurance contract liabilities	(480,031)	(39,214)
Amounts recoverable from reinsurers	708,545	936,137
Net insurance benefits and claims	(3,108,922)	(2,482,494)
Total expenses and commissions	(3,172,745)	(2,940,927)
Commissions payable	(892,089)	(1,003,068)
Finance costs	(95,179)	(74,233)
Other operating expenses	(2,185,477)	(1,863,626)
Result of operating activities	1,179,197	1,009,834
Earnings from associates	23,704	2,381
Profit before taxation	1,202,901	1,012,215
Income tax expense	(316,230)	(61,797)
Profit for the year	886,671	950,418
Attributable to:		
Owners of parent	819,615	919,334
Non-controlling interest	67,056	31,084
	886,671	950,418
Earnings per share basic and diluted(Kshs)	1.72	1.84

Abridged Group Statement of Cashflows

	31 December 2012 Kshs'000	31 December 2011 Kshs'000
Cash flow from operating activities	223,272	(615,002)
Interest received	1,692,278	1,228,388
Income tax paid	(178,541)	(197,803)
Net cash from operating activities	1,737,009	415,583
Cash flows from/(used in) investing activities	1,247,797	(260,332)
Cash flows used in financing activities	(131,824)	(248,776)
Currency translation differences	(4,158)	1,649
Net increase/(decrease) in cash and cash equivalents	2,848,824	(91,876)
Cash and cash equivalents as at 1 January	2,629,515	2,721,391
Cash and cash equivalents as at the end of the year	5,478,339	2,629,515

Group Statement of Comprehensive Income

	31 December 2012 Kshs'000	31 December 2011 Kshs'000
Profit for the year	886,671	950,418
Other comprehensive income/(loss) for the year	397,231	(1,434,738)
Exchange gain/(loss) on translation of foreign operations	18,951	(38,782)
Gain/(loss) on fair valuation of available-for-sale investments	305,495	(1,508,151)
Impairment loss on available-for-sale investments	18,259	94,348
Gains on property revaluations	54,209	-
Share of associate's fair value reserve	317	17,847
Total comprehensive income/(loss)	1,283,902	(484,320)
Total comprehensive income attributable to:		
Owners of parent	1,226,402	(513,652)
Non-controlling interest	57,500	29,332
Total comprehensive income for the year	1,283,902	(484,320)

Abridged Group Statement of Changes in Equity

	Share capital Kshs'000	Share premium Kshs'000	Revenue and other reserves Kshs'000	Proposed dividend Kshs'000	Non-controlling interest Kshs'000	Total Kshs'000
As at 1 January 2012	515,270	1,701,239	1,657,307	-	300,781	4,174,597
Net profit for the year	-	-	819,615	-	67,056	886,671
Other comprehensive income	-	-	406,359	-	(9,128)	397,231
Dividend paid to non-controlling interests	-	-	-	-	(36,908)	(36,908)
Proposed dividend	-	-	(206,108)	206,108	-	-
As at 31 December 2012	515,270	1,701,239	2,677,173	206,108	321,801	5,421,591

Introduction

The operating companies within the Group comprise Heritage Insurance Company Kenya Limited, its Tanzanian subsidiary and associate ("Heritage") and Cfc Life Assurance Company Limited ("Cfc Life"). The two companies underwrite Short Term and Long Term insurance business respectively.

Financial Overview

- Profit before tax at Kshs 1.2 billion is up 19% from Kshs 1 billion.
- Gross earned premium revenue at Kshs 6.9 billion is up 9% from Kshs 6.3 billion.
- Total income at Kshs 7.5 billion up 16% from Kshs 6.4 billion.
- Net insurance benefits and claims at Kshs 3.1 billion up 16% from Kshs 2.5 billion.
- Completed the separation and transfer of the Short and Long Term businesses.

Earnings from associates are up significantly in line with the performance of the associates during the year. The Group is currently in the process of restructuring its operations in Tanzania to ensure increased efficiencies and maximization of shareholder value.

Short Term Business

- 2012 saw continued improvement in Heritage's underwriting performance, particularly in the medical and motor classes of business. This is as a result of the Company maintaining strict discipline in its ratings, notwithstanding fierce competition and rate cutting prevailing in the market.
- Claims ratios have been managed downward in all classes of business.
- Heritage completed the transfer of its Long Term Business to Cfc Life during the year, in accordance with the requirements of the Insurance Regulatory Authority that long term and short-term- businesses should be separated – the impact of this was that profitability of the Long Term portfolio was significantly reduced but this was compensated by the much improved performance of the Short Term business, most notably the Medical portfolio.
- In 2013 the Company expects to implement new IT systems which should lead to greater efficiencies, improved customer experience and management information for the years to come.

Long Term Business

- The Long Term business of Cfc Life performed well, returning a profit after tax of Kshs 331 million compared to Kshs 315 million for the prior year.
- Despite the challenging business environment the company registered a 13.6% growth in life premiums while pension contributions remained level at Kshs 1.6 billion.
- In 2013 the Company will introduce a number of new and relevant products to its current and new target markets and will embark on technology initiatives that will enhance efficiencies and reduce costs.
- The Company's assets increased by 35% to Kshs 18 billion as a result of good investment performance and the transfer of Long-Term business from Heritage.

Proposed Dividend

The Directors propose a first and final dividend of Kshs 0.40 per share totaling Kshs 206,108,146 (2011: Nil). The dividend is subject to shareholders' approval and payment will be subject to withholding tax.

Annual General Meeting

Full notice of the Annual General Meeting, the date, an abridged set of the financial statements and venue for the meeting will be published in two daily papers.

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 14 March 2013 and signed on its behalf by:

S Mboya
Chairman

M L du Toit
Managing Director

G R May
Director

C Kioni
Company Secretary



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