

Pan Africa Insurance Holdings Limited

Audited Group Financial Results for the year ended 31 December 2013

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1 Introduction

The Board of Directors of Pan Africa Insurance Holdings Limited (PAIHL) is pleased to announce the Group's audited results for the year ended 31 December 2013.

2 Key Features

- Profit before tax at KShS. 1,5b is up 82% from KShS. 834m
- Total income up by 8% to KShS. 8,5b
- Shareholders' funds up by 40% to KShS. 3,3b
- Total assets up by 28% to KShS. 21b
- Pan Africa Life Embedded Value (EV) increased by 21% to KShS. 2,67b while Group EV increased by 18% to KShS. 5,3b
- Group Capital Adequacy Requirement (Solvency) covered 3.84 times

3 Accounting policies

The Group's accounting policies comply with International Financial Reporting Standards (IFRS) as well as the Kenyan Companies Act. These policies are consistent with those applied in prior years except for the change to recognise deferred tax on the life fund surplus.

Deferred Tax on life fund surplus

Life insurance companies have not been providing for deferred tax on any undistributed surplus retained in the life fund because tax is only payable upon transfer to shareholders when recommended by the Actuary and the distribution is limited to 30% of the surplus by the Insurance Act. Following further clarification on both IFRS 10 and IAS12, the group has now recognised deferred tax on this surplus.

Consequently, this has led to a prior year adjustment to reflect this change and provide for deferred tax on the surplus in the life fund. The impact on the statement of comprehensive income is: 2013-KShS. 126m, 2012-KShS. 98m and prior years-KShS. 158m.

4. The Economic Environment

According to CBK Monthly Economic Reviews, economic growth remained resilient in 2013, with GDP growing by 5.2%, 4.3% and 4.4% in the first, second and third quarter of 2013 respectively. Key sectors supporting this growth included agriculture, construction, financial intermediation and manufacturing. The NSE share index at 4927 is 19.2% up on the December 2012 closing index of 4133. The overall 12 month inflation rate increased to 7.15% in December 2013 from the December 2012 low of 3.2%. Short term interest rates are on the rise with the 91 and 182 days treasury bills increasing to 9.4% and 10.383% respectively on auctions of the week ending 27th December 2013 compared to the 8.122% and 8.1% at the beginning of the year.

The Kenya Shilling remained stable against the US Dollar to close at KShS. 86.30 in December 2013 compared to KShS. 86.03 in December 2012.

5. Financial Overview

The profit before tax for the Pan Africa Group at KShS. 1,5b is 82% up on the KShS. 834m reported in 2012. All our entities contributed positively towards the improved Group results in 2013.

The Group results are analysed as follows:

	31 Dec 13	31 Dec 12
Operating surplus	908	721
Investment income on shareholders' assets	708	113
Profit before tax	1,516	834
Other comprehensive income	3	(234)
Tax	(266)	600
Net surplus for the period	1,253	600

The Operating surplus at KShS. 808m grew by 12% on the back of good returns from our endowment products and interest on policy loans. We also had good returns from the pilot sales in Rwanda. Our two insurance lines, Individual Life and Corporate business continue to be profitable with good prospects for further growth. Investment income on shareholders' assets grew significantly as a result of unrealised earnings mainly from an unlisted investment.

The Group Embedded Value at KShS. 5.3b realised a growth of 18% for the period.

6. Life Business

The Life business performed well with a profit before tax of KShS. 422m, up by 29% from KShS. 326m in 2012. The total gross premium at KShS. 5.3b is 2% shy of the KShS. 5.4b achieved in 2012 because of fewer bulk annuities in 2013.

During the year, we launched Bima Mkononi which is a life product covering death and disability to be distributed through mobile telephony. The product targets the informal sector that is currently poorly covered by other insurance products.

We have declared a 4% (2012: 5%) bonus for With Profit policies and 10% (2012: 12.5%) Interest declaration on Deposit Administration Schemes.

7. Dividends

The Directors will be recommending a dividend of KShS. 4.5 (2012: KShS. 3) per share to be approved by the AGM in May 2014.

8. Looking ahead

Our focus this year will be to improve efficiency and contain costs. We will also continue to pursue our strategy of diversifying our distribution channels, specifically bancassurance and mobile telephony. We also expect that the new life administration system will be fully implemented by the end of quarter 1.

For and on behalf of the Board

Dr JPN Simba OGM, MS (Chairman)

Mr TM Gitogo (Chief Executive)

Directors
JPN Simba, MM Dawes*, TB Gamedze*, TM Gitogo, JN Gitoho, S Muchuna, BC Patel, TA Wiley*, JP Wrench*

*South African

MEMBER OF THE Sanlam Group

Pan Africa Insurance Holdings Limited - Group

Audited Group Financial Results for the year ended 31 December 2013

Statement of Comprehensive Income

	31 Dec 2013	31 Dec 2012
Gross written premium	KShS.000	Restated KShS.000
Outward reinsurance premium	5,324,099	5,440,654
Net written reinsurance premium	(222,272)	(315,020)
Net written premium	5,101,827	5,125,634
Investment income	1,534,084	1,244,574
Fair value gains	1,168,709	879,863
Fee and commissions earned	52,680	75,866
Other operating income (including property)	685,054	594,904
Other revenue	3,440,577	2,795,207
Total income	8,542,354	7,920,841
Reinsurers' share of claims	(2,258,375)	(1,674,761)
Net change in contract liabilities	115,711	174,333
Net claims and policyholders benefits	(5,274,338)	(4,020,967)
Commission payable	(68,775)	(40,210)
Operating and other expenses	(724,477)	(669,678)
Income tax expense	(960,408)	(856,582)
Profit before tax	(7,027,998)	(7,087,865)
Profit before share of profit of associate	1,514,356	832,976
Share of profit of associate	2,088	1,670
Profit for the year after tax	1,516,444	834,646
Other comprehensive income net of tax	(266,012)	(234,406)
Other comprehensive income	1,250,432	600,240
Total profit and other comprehensive income	2,747	600,240
Profit attributable to:		
Equity holders	1,253,179	600,240
Earnings per share		
Basic	13.05	6.25
Diluted	13.05	6.25
Shares used in calculating earnings per share	96,000	96,000

Group Statement of Financial Position

	31 Dec 2013	31 Dec 2012
CAPITAL AND RESERVES		
Share capital	480,000	480,000
Share premium	124,431	124,431
Statutory reserve	1,274,251	852,157
Retained earnings	1,459,761	916,676
Total capital and reserves	3,338,443	2,373,264
ASSETS		
Inangible assets	123,459	104,142
Property and equipment	114,749	96,646
Investment properties	922,282	820,000
Investment in associate	15,919	13,831
Deferred tax	28,050	-
Financial instruments:		
Loans	1,006,619	964,427
Held to maturity financial assets	5,536,053	4,078,995
Available for sale financial assets	8,181,718	3,827
Fair value through profit or loss financial assets	5,038,609	5,038,609
Reinsurance assets	101,809	197,348
Land and development (inventory)	145,709	106,280
Insurance receivables	159,290	186,773
Income tax receivables	31,143	53,784
Receivable and other financial assets	102,610	355,851
Deposits in financial institutions	4,505,266	4,169,370
Cash and bank balances	182,831	283,639
Total assets	21,157,597	16,473,522
LIABILITIES		
Insurance contract liabilities	6,868,452	5,221,365
Market linked insurance liabilities	8,009,684	6,880,701
Payable under deposit administration contracts	1,355,921	1,071,633
Deferred tax	382,275	255,647
Provisions	56,418	41,676
Current tax liability	9,972	38,399
Insurance payables	343,199	255,377
Payables and other changes	733,143	535,460
Total liabilities	17,819,064	14,100,258

Group Statement of Changes in Equity

	31 Dec 2013	31 Dec 2012
Share capital and share premium	604,431	604,431
Opening reserves	1,768,833	1,360,593
Income attributable to shareholders	1,253,179	600,240
Dividends paid	(288,000)	(192,000)
Balance at end of the year	3,338,443	2,373,264

Abridged Statement of Cash Flows

	31 Dec 2013	31 Dec 2012
Cash flow from operating activities	2,665,915	3,111,093
Cash utilised in investing activities	(2,118,577)	(1,507,082)
Cash utilised in financing activities	(312,250)	(192,000)
Net increase in cash resources	235,088	1,412,011
Cash resources at the beginning of the year	4,453,009	3,040,998
Cash resources at the end of the year	4,688,097	4,453,009

Pan Africa Life Assurance Limited

Audited Financial Results for the year ended 31 December 2013

Statement of Comprehensive Income

	31 Dec 2013	31 Dec 2012
INCOME		
Gross written premium	5,324,099	5,440,654
Outward reinsurance premium	(222,272)	(315,020)
Net written reinsurance premium	5,101,827	5,125,634
Investment income	1,385,030	1,112,869
Fair value gains	620,688	879,863
Fee and commissions earned	52,680	75,866
Other operating income	8,959	23,974
Total income	7,169,184	7,218,206
OUTGO		
Gross benefits and claims paid	(2,258,374)	(1,674,761)
Reinsurers' share of claims	115,711	174,333
Net change in contract liabilities	(3,131,674)	(4,020,967)
Net claims and policyholders benefits	(5,274,337)	(5,521,395)
Commission payable	(716,930)	(669,678)
Operating and other expenses	(755,824)	(700,364)
Total outgo	(6,747,091)	(6,891,437)
Income tax expense	422,093	326,769
Profit for the year after tax	(126,628)	(101,984)
Other comprehensive income net of tax	295,465	224,785
Total profit and other comprehensive income	295,465	224,785

Amounts Payable Under Deposit Administration Contracts

	31 Dec 2013	31 Dec 2012
At 01 January	1,071,633	681,547
Pension fund deposits received	246,262	335,753
Surrenders and annuities paid	(115,486)	(147,683)
Interest payable to policyholders	174,230	212,839
Management charges	(20,718)	(10,823)
At 31 December	1,355,921	1,071,633

Statement of Financial Position

	31 Dec 2013	31 Dec 2012
CAPITAL AND RESERVES		
Share capital	200,000	200,000
Share premium	30,260	30,260
Statutory and other reserve	871,453	575,988
Total capital and reserves	1,101,713	806,248
ASSETS		
Inangible assets	123,062	104,143
Property and equipment	105,929	88,200
Investment properties	922,282	820,000
Investments in equities	2,837,517	1,494,142
Government securities	9,855,636	7,608,104
Tax recoverable	19,427	15,958
Loans	347,939	359,954
Receivables arising out of reinsurance arrangements	101,810	197,348
Receivables arising out of direct insurance arrangements	159,290	186,773
Other receivables	218,459	285,950
Deposits in financial institutions	3,775,612	3,272,863
Cash and bank balances	166,223	253,114
Total assets	18,623,186	14,686,549
LIABILITIES		
Insurance contract liabilities	6,868,452	5,221,365
Market linked insurance liabilities	8,009,684	6,880,701
Payable under deposit administration contracts	1,355,921	1,071,633
Deferred tax	382,275	255,647
Insurance payables	343,198	255,376
Other payables	501,943	395,579
Total liabilities	17,521,473	13,880,301

KEY RATIOS

	31 Dec 2013	31 Dec 2012
Capital adequacy ratio (capital available/required minimum capital)	133%	133%
Claims ratio (claims incurred/net written premium)	42%	29%
Expense ratio (total management expenses/gross written premium)	14%	13%
Retention ratio (net written premium/gross written premium)	96%	94%
Commission ratio (gross commission/gross written premium)	13%	12%
Solvency ratio (factual solvency/required solvency)	140%	116%