

Sanlam Kenya Plc Results

Audited Financial Statements for the period ended 31 December 2019

MESSAGE FROM THE DIRECTORS

The Board of Directors of Sanlam Kenya Plc announces the Group's financial results for the year ended 31st December 2019.

Financial performance 2019

In 2019, the Group reported an improvement in operating results, posting a pre-tax profit of Kes 550 million compared to a prior year's loss before tax of Kshs. 2.1 billion. The profit after tax attributable to the shareholders grew to Kshs. 114 million compared to a prior year's loss after tax of Kshs. 1.98 billion. Total income at Kshs. 8.9 billion was a 50% improvement compared to the previous year's, while net benefits, claims and expenses increased by 5%. Gross premium income improved by 10% as a result of growth in the short-term insurance business, while investment performance improved to Kshs. 2.7 billion compared to Kshs. 187 million that included the impact of impaired assets in 2019.

The improved performance reflects progress made by the Group's insurance subsidiaries. Long term insurance business reported a profit after tax of Kshs. 636 million compared to a prior year's loss after tax of Kshs. 627 million, while the short-term insurance business delivered a 30% growth in gross written premiums. Total capital and reserves improved by 9% to Kshs. 1.74 billion.

The business retains a positive outlook for the year 2020. Revenue and earnings from the Group's insurance business are expected to improve while investment return is expected to reflect positive results from improved asset management. The Group will continue investing in its customer value proposition through various product and process innovations.

Dividends

The Board of Directors will not be recommending the payment of dividends for the year ended 31 December 2019 (2018: Nil) at the forthcoming Annual General Meeting scheduled for Thursday 7th May 2020.

The Group Statement of Financial Position, Comprehensive Income, Statement of Changes in Equity and Abridged Cashflow Statement are an extract of the Group's Financial Statements as audited by PricewaterhouseCoopers LLP and have received an unqualified opinion dated 19th February 2020.

The financial statements below were approved by the Group's Board of Directors on 19th February 2020 and signed on its behalf by;



Dr. JPN Simba, EGH, MBS, OGW
(Chairman)



Dr. P Tumbo
(Group Chief Executive Officer)

GROUP STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Income		
Gross premium income	6,991,588	6,345,825
Outward reinsurance premium	(1,345,042)	(974,017)
Net written premium	5,646,546	5,371,808
Fees and commission income	325,064	268,010
Investment income	2,350,289	2,183,767
Fair value gains/(losses)	422,177	(1,983,581)
Impairment of financial assets	2,624	(12,795)
Other operating revenue	152,379	86,214
Total income	8,899,079	5,913,423
Claims and expenses		
Gross benefits and claims paid	(5,532,435)	(5,544,822)
Reinsurers' share of claims	433,730	660,314
Net change in investment and contract liabilities	262,282	(239,674)
Net claims and policyholders benefits	(4,836,423)	(5,124,182)
Fee and commission expense	(993,691)	(715,134)
Cost of sales - Inventory	(20,653)	(11,697)
Other operating and administrative expenses	(2,040,589)	(2,000,047)
Finance costs	(457,637)	(191,863)
Total benefits, claims and other expenses	(8,348,993)	(8,042,923)
Profit/(loss) before share of profit of an associate	550,086	(2,129,500)
Share of loss of an associate	-	314
Profit/(loss) before tax	550,086	(2,129,186)
Income tax (expense)/credit	(435,687)	149,760
Profit/(loss) for the year after tax	114,399	(1,979,426)
Other comprehensive income;		
Other comprehensive income net of tax	-	-
Total comprehensive income/(loss) for the year	114,399	(1,979,426)

GROUP STATEMENT OF COMPREHENSIVE INCOME (continued)

Profit/(loss) attributable to:		
Equity holders of the parent	113,334	(2,017,061)
Non controlling interest	1,065	37,635
<i>Earnings Per Share</i>		
<i>Basic</i>	0.79	(14.01)
<i>Diluted</i>	0.79	(14.01)
Shares used for calculating earnings per share	144,000,000	144,000,000

GROUP STATEMENT OF FINANCIAL POSITION

	31 Dec 2019	2018
	KShs. '000	KShs. 000
Assets		
Property and equipment	735,457	232,514
Right-of-use assets	94,907	-
Investment property	2,518,680	3,440,700
Intangible assets	76,972	98,721
Investment in associate	17,779	17,779
Deferred income tax	153,655	236,551
Financial assets		
Equity securities at fair value through profit or loss	1,933,402	2,579,271
Government securities		
- At fair value through P&L	18,681,638	15,167,215
Corporate bonds		
- At fair value through P&L	53,695	1,254,774
- At amortized cost	-	14,746
Loans	379,766	504,851
Deferred acquisition costs	123,773	151,292
Reinsurance share of insurance contract liabilities	751,534	819,376
Inventory	89,564	109,189
Current income tax	68,624	52,341
Insurance receivables	938,571	843,841
Receivables and other financial assets	319,297	449,362
Deposits with financial institutions	544,763	2,275,478
Cash and bank balances	650,529	403,629
Non-current assets held for sale	900,000	450,000
Total Assets	29,032,606	29,101,630
Capital and reserves		
Issued share capital	720,000	720,000
Statutory fund	1,312,284	676,720
Retained earnings	(591,199)	(68,620)
Shareholder's funds	1,441,085	1,328,100
Non-controlling interests	293,937	258,938
Total Capital and Reserves	1,735,022	1,587,038
Liabilities		
Borrowings	2,763,210	3,497,432
Insurance contract liabilities	14,532,693	14,816,647
Investment contract liabilities	5,073,450	5,340,462
Payables under deposit administration contracts	1,131,718	1,107,372
Unearned premium	1,265,707	899,653
Deferred income tax	649,620	360,397
Provisions	34,619	51,925
Current income tax	11,185	47,322
Insurance payables	972,237	688,646
Lease liabilities	85,643	-
Payables and other charges	777,502	704,736
Total Liabilities	27,297,584	27,514,592
Total Equity and Liabilities	29,032,606	29,101,630

GROUP STATEMENT OF CHANGES IN EQUITY

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Issued share capital	720,000	720,000
Statutory fund	1,312,284	676,720
Retained earning	(591,199)	(68,620)
Shareholders' funds	1,441,085	1,328,100
Non controlling interest	293,937	258,938
Balance at end of the year	1,735,022	1,587,038

ABRIDGED CASH FLOW STATEMENT

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Cash flows from operating activities	(1,804,652)	(3,041,100)
Cash from investing activities	1,403,186	904,170
Cash flows from financing activities	(1,082,349)	2,274,828
Net (decrease)/increase in cash resources	(1,483,815)	137,896
Cash resources at the beginning of the year	2,679,107	2,541,211
Cash resources at the end of the year	1,195,292	2,679,107

GROUP EMBEDDED VALUE

The embedded value represents an estimate of the value of the Group. It excludes the value attributable to minority interests and goodwill attributable to future new business.

The embedded value comprises:

- The value of the shareholders' equity net of the cost of the Capital Adequacy Requirement (CAR); and
- The value of the in-force business.

The value of the in-force is the present value of future profits arising from business in force at the valuation date, discounted at the risk discount rate.

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Embedded Value Results		
Shareholders' equity, excluding goodwill	580,089	313,239
Fair Value Adjustments to Net Assets	-	-
Net value of in-force	822,170	1,832,062
Gross value in-force	2,112,758	3,316,110
Tax provision	(633,827)	(994,832)
Cost of CAR	(656,761)	(489,216)
Embedded value at end of period	1,402,259	2,145,301

Embedded value earnings

Embedded value at end of period	(1,402,258)	2,145,301
Embedded value at beginning of period	(2,145,301)	(4,442,742)
Change in embedded value	(743,043)	(2,297,441)
Dividends paid	-	-
Embedded value earnings	(743,043)	(2,297,441)

These earnings can be analysed as follows:

Adjustment to fair value of subsidiary	151,064	(84,178)
Roll forward	430,314	(513,460)
Investment return on free assets	9,001	(861,587)
Expected return on life business in force	421,313	348,127
Change over the period	(1,324,421)	(1,699,803)
Value of new business	(69,140)	(90,202)
Change in assumptions and methodology	(413,895)	39,126
Experience variations	(321,607)	(100,905)
Decrease in NAV for other subsidiaries & associates	(519,779)	(1,547,822)
Total earnings	(743,043)	(2,297,441)

Value of new business

Value at point of sale (gross of tax)	(41,463)	(78,285)
Tax on value at point of sale	12,439	23,486
Cost of CAR at point of sale	(40,116)	(35,403)
Value of new business	(69,140)	(90,202)

Sanlam Kenya Plc Results

Audited Financial Statements for the period ended 31 December 2019

SANLAM LIFE INSURANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Income		
Gross written premium	4,387,293	4,310,928
Outward reinsurance premium	(435,837)	(374,427)
Net written premium	3,951,456	3,936,501
Fees and commission income	132,801	122,546
Investment income	2,204,772	2,083,059
Fair value gains/(losses)	450,475	(1,116,902)
Impairment of financial assets	2,624	(3,333)
Other operating revenue	61,537	1,192
Total Income	6,803,665	5,023,063
Benefits and claims		
Gross benefits and claims paid	(4,183,259)	(4,310,768)
Reinsurers' share of claims	111,066	159,399
Gross change in contract liabilities	276,591	(243,808)
Change in contract liabilities ceded to reinsurers	(14,308)	4,134
Net claims and policyholders benefits	(3,809,910)	(4,391,043)
Commission payable	(673,595)	(486,259)
Operating and other expenses	(1,258,870)	(924,790)
Finance costs	(97,213)	(73,600)
Total benefits, claims and other expenses	(5,839,588)	(5,875,692)
Profit/(loss) for the year before tax	964,077	(852,629)
Income tax (expense)/credit	(328,513)	225,969
Profit for the year after tax	635,564	(626,660)
Other comprehensive income		
Total other comprehensive income for the period	-	-
Total comprehensive income/(loss) for the year	635,564	(626,660)

STATEMENT OF FINANCIAL POSITION

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Assets		
Intangible assets	67,170	83,670
Property and equipment	179,260	150,510
Right-of-use assets	87,056	-
Investment properties	2,965,000	2,924,000
Deferred acquisition costs	26,316	71,958
Financial assets		
Equity securities at fair value through profit or loss	1,508,425	2,157,370
Government securities:		
- At fair value through profit or loss	17,781,630	14,322,898
Corporate bonds at fair value through profit or loss	53,695	1,254,774
Policy loans	250,548	309,745
Mortgage loans	88,101	99,780
Reinsurers' share of insurance contract liabilities	143,397	157,706
Current income tax	-	4,946
Insurance receivables	164,878	235,288
Other receivables	215,144	208,004
Deposits with financial institutions	418,399	1,644,626
Cash and bank balances	368,032	248,900
Non-current assets held for sale	410,000	450,000
Total Assets	24,727,051	24,324,175

STATEMENT OF FINANCIAL POSITION (continued)

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Equity and liabilities		
Capital and reserves		
Share capital	843,138	843,138
Share premium	30,260	30,260
Statutory fund	1,312,284	676,720
Retained earnings	560,253	560,253
Total capital and reserves	2,745,935	2,110,371
Liabilities		
Insurance contract liabilities	13,585,017	13,594,596
Investment contract liabilities	5,073,450	5,340,462
Payable under deposit administration contracts	1,131,719	1,107,372
Deferred income tax	649,620	360,397
Current income tax	244	-
Insurance payables	845,706	662,404
Other payables	619,313	428,521
Lease liabilities	76,047	-
Borrowings	-	720,052
Total Liabilities	21,981,116	22,213,804
Total equity and liabilities	24,727,051	24,324,175

KEY RATIOS

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Capital adequacy ratio (capital available/required minimum capital)	168%	103%
Claims ratio (claims incurred/net written premium)	103%	105%
Expense ratio (total management expenses/gross written premium)	27%	21%
Retention ratio (net written premium/gross written premium)	90%	91%
Commission ratio (gross commission/gross written premium)	15%	11%

SANLAM GENERAL INSURANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Income		
Gross written premium	2,859,045	2,202,961
Gross earned premium	2,604,295	2,034,897
Less: Reinsurance premium ceded to reinsurers	(909,205)	(599,590)
Net earned premium	1,695,090	1,435,307
Investment income	145,973	162,155
Fair value (loss) on financial assets at fair value through profit or loss	(31,188)	-
Commissions earned	192,263	145,464
Net impairment losses on financial assets	-	(9,462)
Total income	2,002,138	1,733,464
Benefits and claims		
Claims and policyholder benefits	(1,026,513)	(733,139)
Operating and other expenses	(632,488)	(577,828)
Commissions payable	(320,095)	(228,875)
Total benefits, claims and other expenses	(1,979,096)	(1,539,842)
Profit before income tax	23,042	193,622
Income tax expense	(18,624)	(77,955)
Profit for the year	4,418	115,667
Other comprehensive income:		
Net gains on available for sale financial assets	-	-
Total comprehensive income for the year	4,418	115,667

STATEMENT OF FINANCIAL POSITION

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Equity		
Share capital	1,028,998	1,028,998
Share premium	100,362	100,362
Accumulated losses	(84,828)	(89,246)
Total equity	1,044,532	1,040,114
Assets		
Property and equipment	89,105	59,996
Right-of-use assets	69,900	-
Intangible assets	9,802	15,051
Deferred income tax	144,140	135,982
Investment property	-	516,700
Held for sale investment property	490,000	-
Quoted equity investments - fair value through profit or loss	754	568
Receivables arising out of reinsurance arrangements	344,055	294,127
Receivables arising out of direct insurance arrangements	429,638	314,426
Reinsurers' share of insurance contract liabilities	608,138	661,670
Other receivables	54,037	171,182
Deferred acquisitions cost	97,457	79,334
Government securities available for sale	900,008	844,317
Secured loans to employees	501	2,050
Current income tax asset	22,726	-
Corporate bonds held to maturity	-	14,746
Deposits with financial institutions	98,024	273,728
Cash and bank balances	155,341	144,829
Total assets	3,513,626	3,528,706
Liabilities		
Insurance contract liabilities	947,676	1,222,051
Unearned premium reserve	1,265,707	899,653
Creditors arising from reinsurance arrangements	126,531	26,242
Current income tax payable	-	41,272
Other payables	50,768	299,374
Lease liabilities	78,412	-
Total Liabilities	2,469,094	2,488,592
Net Assets	1,044,532	1,040,114

KEY RATIOS

	31 Dec 2019	31 Dec 2018
	KShs '000	KShs '000
Capital adequacy ratio (capital available/required minimum capital)	110%	122%
Claims ratio (claims incurred/net written premium)	61%	51%
Expense ratio (total management expenses/gross written premium)	22%	26%
Retention ratio (net written premium/gross written premium)	65%	73%
Commission ratio (gross commission/gross written premium)	11%	10%