Britam

With you every step of the way

2016

Britam Holdings Limited

Annual Report & Financial Statements

Vision

To be the LEADING diversified financial services company in our chosen markets across Africa.

Mission

Providing you with financial security EVERY STEP OF THE WAY.

Brand Position

With YOU every step of the way.

Britam BRAND IDEA

OUR VALUES

Respect

Integrity

Innovation

Customer Focus

Contents

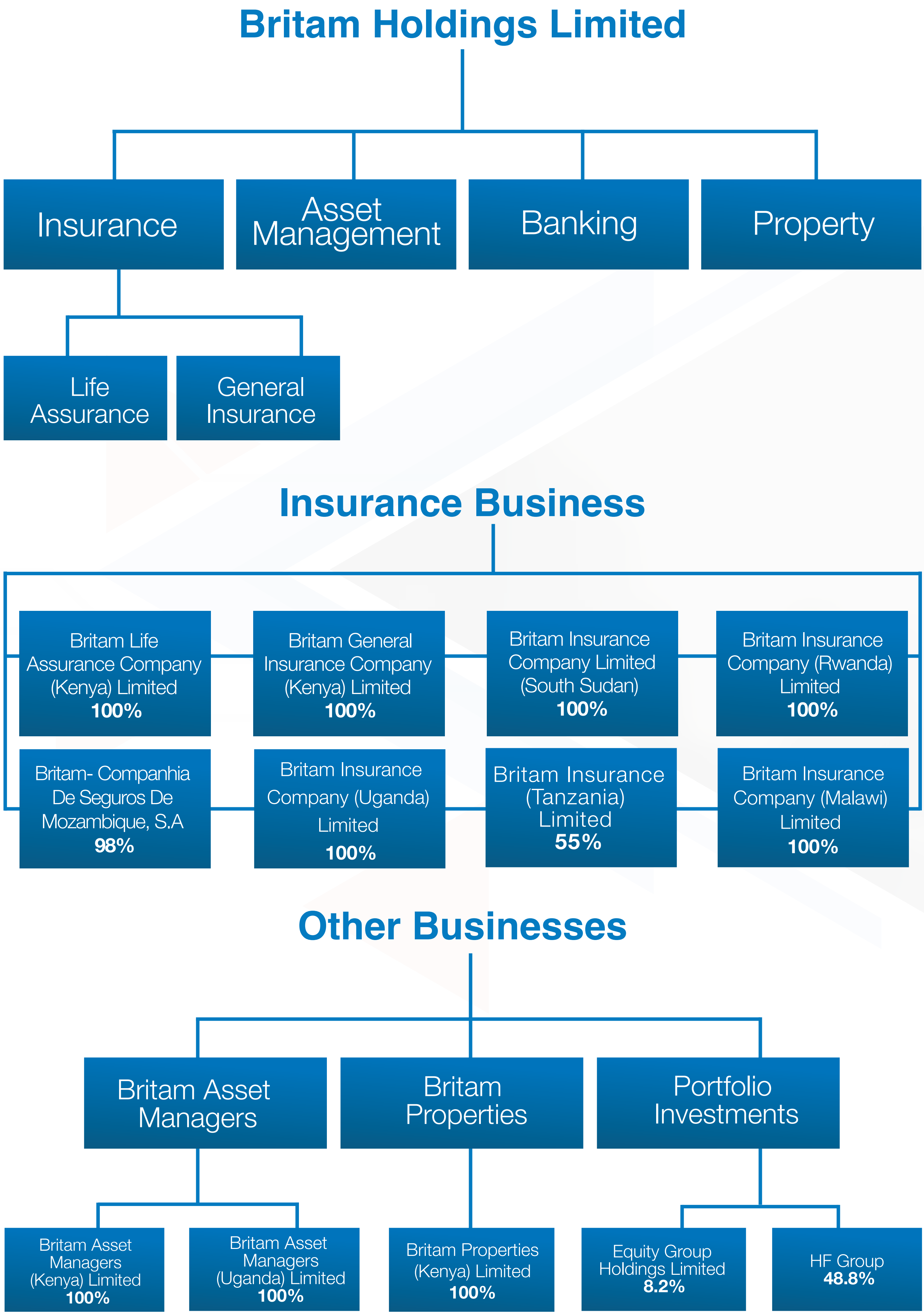
FIVE YEAR FINANCIAL SUMMARY

Summary of Consolidated Statement of Comprehensive Income

	2016 Shs '000	2015 Shs '000	2014 Shs '000	2013 Shs '000	2012 Shs '000
Revenues					
Gross earned premiums	20,291,844	19,605,675	14,045,772	8,847,166	6,849,692
Net earned premiums	17,393,585	16,373,722	11,792,162	7,751,199	5,956,691
Fund management fees	929,234	718,537	696,056	613,511	377,208
Investment income	5,223,975	4,550,017	3,477,271	2,992,190	2,016,570
(Losses)/ gains on financial assets at fair value through profit or loss	(2,412,009)	(2,836,211)	4,102,165	3,355,542	3,032,092
Commissions earned & other income	1,225,429	1,324,922	624,681	417,616	360,823
Total income	**22,360,214**	**20,130,987**	**20,692,335**	**15,130,058**	**11,743,384**
Expenses					
Net insurance benefits and claims	5,001,165	10,614,215	8,023,291	4,902,058	3,669,331
Interest payments/ increase in unit value	1,742,978	495,774	2,035,986	2,204,587	1,608,828
Operating and other expenses	7,094,697	6,716,741	4,616,406	3,210,990	2,286,578
Finance costs	1,177,264	802,155	350,290	-	-
Commissions payable	3,547,258	3,291,904	2,712,987	1,873,285	1,476,086
Total expenses	**18,563,362**	**21,920,789**	**17,738,960**	**12,190,920**	**9,040,823**
Share of profit of the associate	442,281	594,864	259,007	181,685	146,845
Profit/ (loss) before tax	**4,239,133**	**(1,194,938)**	**3,212,382**	**3,120,823**	**2,849,406**
Total comprehensive income/ (loss) for the year	**784,673**	**(3,183,699)**	**6,013,313**	**3,650,561**	**3,652,688**
Earnings per share	**1.26**	**(0.50)**	**1.31**	**1.21**	**1.37**

Summary Statement of Financial Position

	2016 Shs '000	2015 Shs '000	2014 Shs '000	2013 Shs '000	2012 Shs '000
Shareholders' funds	17,877,596	17,674,448	21,439,672	14,752,342	10,843,908
Total assets	83,642,609	77,632,352	72,450,354	46,902,578	35,820,165
Total liabilities	65,765,013	59,957,904	51,010,682	32,150,236	24,976,257


Britam Holdings Limited
Insurance
Asset Management
Banking
Property
Life Assurance
General Insurance
Insurance Business
Britam Life Assurance Company (Kenya) Limited 100%
Britam General Insurance Company (Kenya) Limited 100%
Britam Insurance Company Limited (South Sudan) 100%
Britam Insurance Company (Rwanda) Limited 100%
Britam- Companhia De Seguros De Mozambique, S.A 98%
Britam Insurance Company (Uganda) Limited 100%
Britam Insurance (Tanzania) Limited 55%
Britam Insurance Company (Malawi) Limited 100%
Other Businesses
Britam Asset Managers
Britam Properties
Portfolio Investments
Britam Asset Managers (Kenya) Limited 100%
Britam Asset Managers (Uganda) Limited 100%
Britam Properties (Kenya) Limited 100%
Equity Group Holdings Limited 8.2%
HF Group 48.8%

CHAIRMAN'S STATEMENT

Dear Shareholder,

We have just concluded another successful year for the Company. From a small insurance company established as a branch of the British-American Insurance Company Ltd Bahamas in 1965 offering home service life insurance, Britam has experienced tremendous growth to become a leading diversified financial services group with a geographical footprint in seven African countries offering a wide range of products and services in insurance, asset management, banking and property.

On behalf of the Board of Directors of Britam, I am pleased to present to you the Annual Report and Financial Statements for the year ended 31 December 2016.

Operating Environment

Global

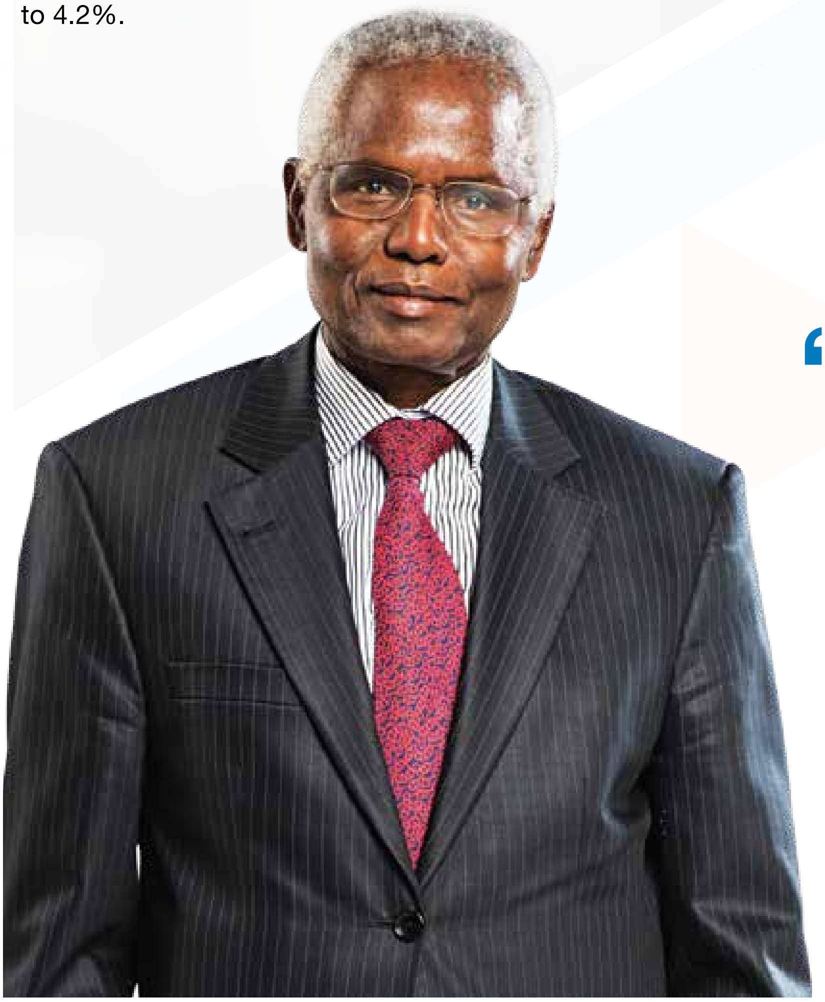
The global economy remained suppressed, at a time when recovery in advanced economies slowed down on account of depressed commodity prices. The unfolding events surrounding United Kingdom's exit from the European Union also added to the subdued global economic growth.

According to the International Monetary Fund (IMF), the 2016 growth forecast for advanced economies has been marked down to 1.6% while that of emerging market and developing economies is expected to strengthen slightly to 4.2%.

Kenya

In Kenya, overall GDP growth was estimated at 5.9% on low oil prices, resulting to a narrowing of the country's current account deficit. Additionally, improvement in the tourism sector, strong remittance and public spending on infrastructure projects further bolstered economic growth.

On the regulatory front, the year saw the passing by parliament of two key legislations for the financial sector. During the year, we witnessed an amendment to the Banking (Amendment) Bill 2015 which set a ceiling and floor on lending and deposit rates respectively. Lending rates are now capped at four percentage points above the Central Bank's Benchmark Rate (CBR). The interest rate capping has forced banks to exercise aversion against persons or entities perceived to be high risk thereby decelerating private sector credit growth. Additionally, the Insurance Act (revised in September 2015) became effective. The act introduced new regulations on determining capital requirements. The new requirements determine prescribed capital requirements and Risk Based Capital for insurance companies. I am happy to report that Britam has fully complied with these regulations.



"We have grown from a branch in 1965 to become a leading diversified financial services Group in seven African countries."

Amb. Dr. Francis K. Muthaura MBS, EGH
Chairman

Regional Countries

Tanzania recorded a GDP growth of 7.0% during the year on stable inflation and a resilient currency bolstered by buoyant foreign reserves. However, tight fiscal and monetary stance weighed on the country's economic performance with overall spending falling below set targets on under-execution of development projects.

In Uganda, political uncertainty following elections held in 2016 and the instability in South Sudan and Congo, key exports markets for the country, adversely impacted GDP growth. Additionally, tightening of monetary policy in response to macroeconomic shocks saw a reduction in lending to the private sector further impacting the country's growth prospects.

Rwanda's stable economic growth was attributed to the "made-in Rwanda initiative." Further, the country's efforts to tame the import bill whilst pursuing an expansionary monetary policy helped stabilise growth.

Mozambique's economic growth slowed down during the year on low commodity prices and drought experienced in the country. Further, undisclosed commercial loans of about USD 1.4 billion dented confidence in the country and derailed its track record of high growth and economic stability.

Malawi recorded improved economic growth brought about by on-going fiscal policy reforms and monetary tightening to tame inflation as well as contain the depreciation of the Kwacha. However, these measures were not sufficient to support economic growth above 2.7% mainly due to adverse weather conditions that affected food production.

South Sudan witnessed civil conflict during the year resulting in political instability.

Thus, despite the global economic trends, GDP growth in the regional economies served by Britam surpassed 5% growth, outperforming Sub-Saharan Africa as a whole, at 4.5% against a global growth of 3.5%.

Strategy

The year also marked an end to the Group's 2012-2016 strategic plan. Key successes of the strategic period include; achieving regional expansion with operations in seven countries in Kenya, Uganda, Rwanda, South Sudan, Tanzania, Malawi and Mozambique; the company also witnessed diversification of the product portfolio beyond, life, general and health insurance, with strong growth of asset management, property and micro-insurance businesses; the company's IT focused business transformation project known as Jawabu led to business automation and operational efficiency, resulting in cost and revenue synergies between businesses. Finally, the strategic plan delivered a platform that will propel the Group to the next phase of growth.

At the tail end of the year, we also launched a new 2016-2020 strategy dubbed "Go for Gold". The new strategy resulted in a new mission, vision, and values. Our new mission is 'Providing you with financial security EVERY STEP OF THE WAY', and the new vision is 'To be the LEADING diversified financial services company in our chosen markets across Africa'. Our values are based on Respect, Integrity, Customer Focus and Innovation.

The "Go for Gold" strategy will steer the Company to a sustainable growth trajectory into the future.

Key Performance Indicators

The Group's gross premium revenues grew to Shs 20.3 billion in 2016, a 3% growth from Shs 19.6 billion in 2015. Profit before tax was Shs 4.2 billion compared to a loss of Shs 1.2 billion in 2015. Total comprehensive income grew to Shs 784.7 million compared to a comprehensive loss of Shs 3.2 billion in 2015.

Dividend

The board of Directors recommend a dividend for the year of Shs 581.5 million (30 cents per share), same as in 2015.

Board and Governance

In May 2016, Mr. Stephen O. Wandera, Principal Executive Director (Business) at Britam Holdings Limited, was appointed to the board. Mr. Wandera brings to the board years of experience having been with the Company since 1993 managing the insurance business.

In June 2016, Mr. Richard K. Langat retired from the board as non-executive Director. I wish to thank Mr. Langat for his considerable contribution to the board.

In June 2016, Mr. Nduva Muli retired from the board as non-executive and independent Director. I wish to thank Mr. Muli for his considerable contribution to the Britam board.

Announcement of International Finance Corporation (IFC) investment in Britam Holdings Limited

In December 2016 Britam entered into a Conditional Share Subscription Agreement in which IFC will subscribe for two hundred and twenty four million one hundred and eighty seven thousand six hundred and ninety seven (224,187,697) ordinary shares in the Company, at a price per share of Shs 15.85. Upon completion of the Subscription, IFC will hold approximately 10.37% of the issued ordinary shares of the Company. The proposed acquisition has received relevant regulatory and shareholders approvals.

IFC is a member of the World Bank Group, and is the largest global development institution focused exclusively on the private sector in developing countries. IFC's decision to invest in Britam, is a testament of trust in the leadership of your Company. It is also a reflection of the confidence in our "Go for Gold" strategy.

CHAIRMAN'S STATEMENT (Continued)

Future Outlook

The regional economy for 2017 is expected to maintain a growth trajectory. Kenya, Uganda, Rwanda and South Sudan are projected to grow at 6% with Tanzania's growth forecasted at 7.2%. Malawi and Mozambique are projected to grow at 5%.

I believe the outlook for the Company is positive as it executes the "Go for Gold" strategy.

Recognition

Once again, Britam was named the Company of the Year during the annual Association of Kenya Insurers (AKI) industry Awards. This was the tenth year in a row for Britam to win this coveted award. This win is a testament to the resilience and business acumen of our Financial Advisors, who over the years have proved to be the best in the industry.

Britam was awarded Super Brand status following a strict selection process by the Super Brands Council and consumers across East Africa. Our brand is well recognized and represented in the region.

The Asset Management Company was recognized at the Think Business Investment Awards 2016 and won fourteen awards for its outstanding achievements during the year.

Acknowledgements

All the milestones we achieved would not have been possible without the support of our esteemed customers, investors, strategic partners, business associates and regulators.

Special thanks to my fellow directors for their wise counsel and to all our staff and financial advisors for their dedication, loyalty and commitment.

And lastly, I would also like to thank our esteemed shareholders for the support and belief in Britam's strategy and exciting future.

Thank you very much.

Amb. Dr. Francis K. Muthaura, MBS, EGH

Chairman

Date: 24 March 2017

TAARIFA YA MWENYEKITI

Mwenye hisa mpendwa,

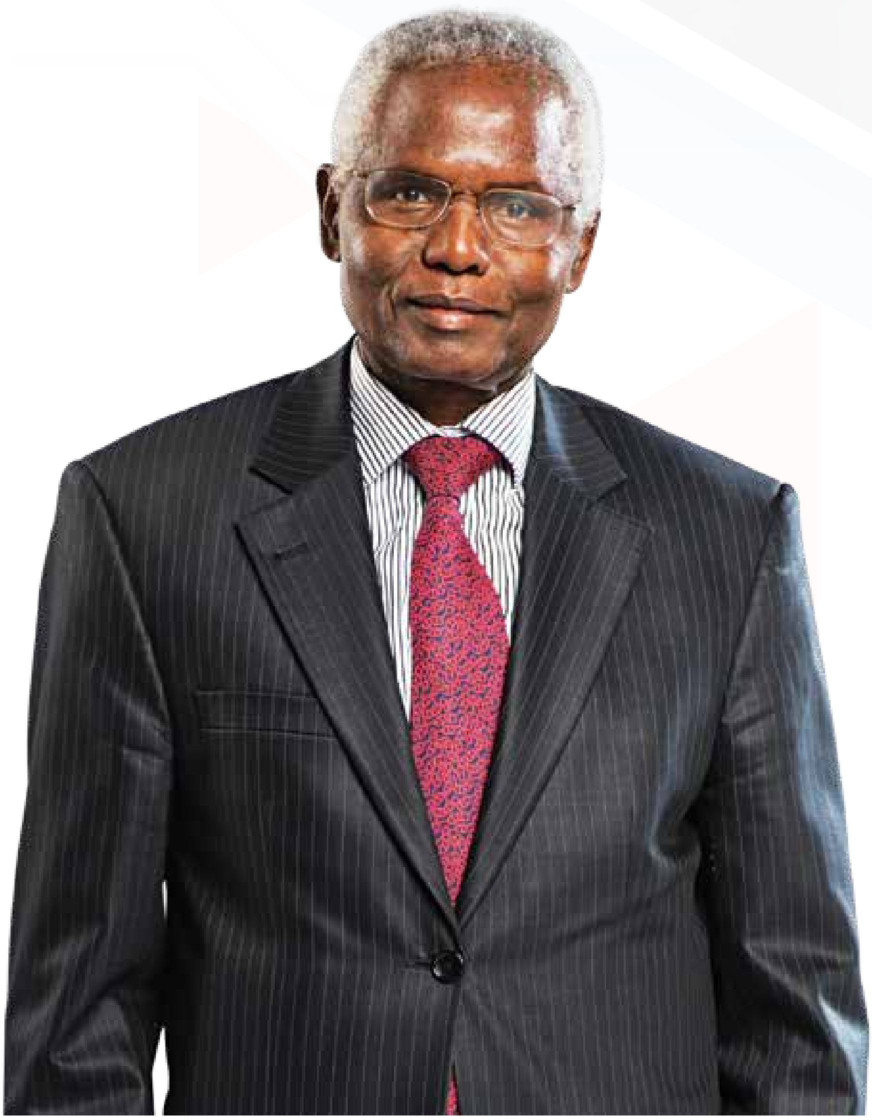
Tumemaliza mwaka mwingine wa mafanikio kwa kampuni. Tangu tulipoanzishwa mnamo 1965, tumepiga hatua kubwa za kimaendeleo na kuibuka kuwa shirika mojawapo linaloongoza kwa utoaji wa huduma tofauti za kifedha katika Afrika ambazo ni bima za maisha na zisizo za maisha, usimamizi wa uzalishaji rasilmali, huduma za benki na usimamizi wa mali na nyumba. Ndiposa nina furaha kuwawasilishia ripoti hii ya mwaka na taarifa za hesabu za mwaka uliomalizika Desemba 31, 2016, kwa niaba ya Halmshauri ya Wakurugenzi.

Mazingira ya utendakazi

Ulimwengu

Kiwango cha ustawi kilibaki chini, hasa katika mataifa yaliyoendelea ambayo yaliathiriwa na kushuka kwa bei za bidhaa. Matukio yaliyofuatia uamuzi wa Uingereza kujiondoa kutoka kwa Jumuia ya Ulaya yalichangia pia kupunguza kiwango cha hali ya uchumi ulimwenguni.

Kwa mujibu wa Shirika la Fedha Ulimwenguni (IMF), kiwango cha ustawi wa uchumi katika nchi zilizoendelea hakitarajiwi kuwa zaidi ya asilimia 1.6, nacho cha masoko ibuka na mataifa yanayoendelea kinatarajiwa kuinuka kiasi hadi asilimia 4.2.



Kenya

Nchini Kenya, ustawi wa kiuchumi ulikadiriwa kuwa asilimia 5.9 kutokana na kushuka kwa bei za mafuta. Ustawi huo wa kiuchumi ulichangiwa pia na kuimarika kwa utalii, malipo kutoka nje na matumizi ya umma katika kugharamia ustawishaji wa muundo msingi.

Wabunge walipitisha sheria mbili muhimu mnamo 2016. Sheria ya Banki ilifanyiwa mabadiliko yaliyoweka viwango vya juu na vya chini vya riba zinazotozwa na banki kwa mikopo ama zifaazo kulipwa kwa akiba. Kutokana na hatua hiyo, banki nyingi zinahofia kutoa mikopo na hivyo kupunguza mikopo kwa sekta ya binafsi. Kadhalika, Sheria ya Bima iliyofanyiwa mabadiliko Septemba 2015 ilianza kutumika. Imeweka kanuni mpya kuhusu pesa za kutendea kazi na mtaji wa kukinga kampuni kutokana na hasara au madhara.

Nchi za kanda

Nchini Tanzania, uchumi ulistawi kwa asilimia saba mnamo 2016 kufuatia juhudi za serikali kuthibiti bei za bidhaa na kuimarika kwa sarafu yake kutokana na akiba tosha ya fedha za kigeni. Lakini usimamizi wa sera za hazina ya serikali na fedha uliathiri matumizi ya jumla kiasi cha kutofikia viwango vilivyowekwa vya utekelezwaji wa miradi ya maendeleo.

Wasiwasi kutokana na shughuli za uchaguzi Uganda mnamo 2016, na misukosuko katika Sudan Kusini na Congo, masoko mawili muhimu kwa kuuza bidhaa na huduma kutoka Kenya, ziliathiri uchumi.

Ustawi wa kiuchumi katika Rwanda uliinuliwa na kampeni ya kuimarisha utumiaji wa bidhaa zilizoundiwa humo, huku kiasi cha pesa kikiongezwa kwa lengo la kuunga mkono ustawi wa sekta ya binafsi.

Kiwango cha ustawi wa kiuchumi katika Msumbiji kilishuka kutokana na bei za chini za bidhaa, ukame na kudidimia kwa imani ya wawekezaji.

Malawi iliimarisha mageuzi ya sera za hazina ya serikali na fedha ili kuzuia mfumuko wa bei na kuhakikisha thamani ya sarafu yake, kwacha, haiteremki.

Ingawa kulikuwa na changamoto za kimataifa na pia soko, kiwango cha jumla cha ustawi wa kiuchumi katika nchi za kanda zinazohudumiwa na Britam kiliimarika kwa zaidi ya asilimi tano kwa mwaka, kiwango kilichokuwa juu ya kile cha mataifa ya Afrika cha asilimia 4.5 na asilimia 3.5 ulimwenguni.

TAARIFA YA MWENYEKITI (Endelezo)

Mkakati

Mwaka uliopita ulishuhudia kukamilika kwa mpango wa mikakati wa kipindi cha 2012 hadi 2016. Mafanikio katika msimu huo yalikuwa ni pamoja na kuenea kwa biashara yetu katika nchi saba tunapohudumu, nazo ni Kenya, Uganda, Rwanda, Sudan Kusini, Tanzania, Malawi na Msumbiji. Tulipanua pia biashara kwa kuongeza huduma zetu mbali na bima kwa kupiga hatua kubwa katika usimamizi wa rasilmali, mali na bima za biashara ndogo. Kadhalika, utendaji kazi uliimarika kwa kuleta pamoja shughuli za teknolojia ya habari na mawasiliano (Project Jawabu), mradi ambao uliunganisha shughuli zetu za hazina, masuala ya wafanya kazi, uagizaji wa huduma na bidhaa, na ukafungua nafasi nyingi za biashara. Mwishowe, mpango huo uliipatia kampuni jukwaa la kufanikisha wimbi lijalo la ustawi, kukuza talanta, kupata pesa za kufanyia biashara na kujihusisha kila mara na uvumbuzi, na kukuza jina la Kampuni.

Tulizindua mpango mpya wa mikakati, 2016-2020, wenye kauli mbiu Go for Gold. Shabaha yetu kuu ni “Kukuhakikishia akiba ya fedha katika kila hatua njiani”. Ruwaza yetu ni “Kuwa kampuni itoayo huduma anuwai za kifedha kwenye masoko yetu teule Afrika”.

Tutaendesha shughuli zetu kwa kuzingatia maadili yafuatayo: Heshima, Uadilifu, Kutilia mkazo huduma kwa wateja na Uvumbuzi.

Mkakati ‘Go for Gold’ umenisisimua sana kwani utaiendesha kampuni kwenye mkondo wa ustawi usio na kikomo.

Vidokezi muhimu vya utendakazi

Mapato ya jumla ya shirika kutokana na mauzo ya bima yalikuwa Shs 20.3 bilioni mnamo 2016, ongezeko la asilimia tatu kutoka Shs19.6 mnamo 2015. Shirika lilipata faida ya Shs 4.2 bilioni kabla ya kodi ikilinganishwa na hasara ya Shs 1.2 bilioni mnamo 2015. Shirika liliandikisha pato la jumla la Shs 784.7 milioni ikilinganishwa na hasara ya jumla ya Shs 3.2 bilioni mnamo 2015.

Mgao wa faida

Bodi ya Wakurugenzi inapendekeza Shs 581.5 milioni (2015 Shs 581.5 milioni) ama senti 30 kwa kila hisa (sawa na 2014: senti 30 kwa kila hisa) kulipwa wanahisa wa kampuni. Bodi ya Wakurugenzi na usimamizi.

Bodi ya wakurugenzi na usimamizi

Mnamo Mei 2016, Bw Stephen O. Wandera, Mkurugenzi Mkuu Mtendaji wa Britam Holding Limited, aliteuliwa kujiunga na bodi. Bw Wandera ana ujuzi mwingi, ikitiliwa maanani alijiunga na kampuni mnamo 1993 katika kitengo cha bima.

Mnamo Juni 2016, Bw Richard K. Langat alijiuzulu kutoka kwa bodi kama mkurugenzi asiye mwajiriwa wa kampuni. Ninamshukuru Bw Langat na kwa mchango wale kwenye bodi ya Britam.

Mnamo Juni 2016, Bw Nduva Muli alijiuzulu kutoka kwa bodi kama mkurugenzi asiye mwajiriwa wa kampuni. Ninamshukuru Bw Muli na kwa mchango wale kwenye bodi ya Britam.

International Finance Corporation kuwekeza katika Britam Holdings Limited

Mnamo Desemba 2016, Britam ilifikia mkataba ambapo IFC itanunua hisa 224,187,697 za kawaida za kampuni kwa Shs 15.85 kwa kila hisa. Pindi imalizapo kulipia hisa hizo, IFC itakuwa na karibu asilimia 10.37 ya hisa za kampuni zilizouzwa. Ununuzi huo ulipata kibali cha taasisi zifaazo za kisheria na kuidhinishwa na wenye hisa.

IFC ni mwanachama wa Kundi la Banki ya Dunia, na uamuzi wake kununua hisa za Britam ni ushahidi wa imani waliyo nayo kwa uongozi wa kampuni yetu.

Matarajio

Ubashiri wa 2017 unaonyesha kuwa uchumi katika nchi za kanda utastawi. Inakadiriwa uchumi wa Kenya, Uganda, Rwanda na Sudan Kusini utastawi kwa kiwango cha asilimia sita, huku Tanzania ikitarajiwa kukua kwa asilimia 7.2. Malawi na Msumbiji zinatarajiwa kustawi kwa kiwango cha asilimia tano.

Ushindi

Kwa mara nyingine tena, Britam iliibuka Kampuni Bora ya Mwaka kwenye sherehe za Association of Kenya Insurers kwa mwaka wa 10 mfululizo. Ushindi huo ni ushahidi wa uthabiti na weledi wa kibiashara wa washauri wetu wa huduma za fedha.

Britam ilifikia pia kiwango cha Superbrand kufuatia uteuzi mkali Afrika Mashariki. Jina letu linatambulika kote na kuwakilishwa ipasavyo katika kanda. Kampuni ya Asset Management nayo ilitambuliwa na Think Business na kutunukiwa tuzo 14 za uwekezaji.

Shukrani

Mafanikio yote ya kujivunia tuliyapata kwa ushirika na kuungwa mkono kikamilifu na wateja wetu watukufu, wawekezaji, washirika katika mikakati yetu, washirika katika biashara na vyombo vya kudumisha sheria. Shukrani maalumu ziwaendee wakurugenzi wenzangu na pia wafanya kazi wote na washauri wa kifedha kwa kujitolea, uaminifu na kujituma kazini.

Mwishowe, ninawashukuru wenye hisa wote kwa ushirikiano wao na kwa imani yao kwa Britam.

Balozi Dkt. Francis K. Muthaura, MBS, EGH
Mwenyekiti
Machi 24, 2017

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholder,

I am pleased to report that we managed to navigate through a challenging business operating environment in 2016, and achieved positive performance, driven by strong growth in our insurance and asset management lines of business.

Our Business

The geographical footprint of the Company has grown to become a Pan-African company with operations in seven countries namely, Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi. The group has four business lines namely Insurance, Asset Management, Banking and Property.

Group Financial Performance

Given the macroeconomic and regulated environment that we continue to operate in, the Group's performance for the year was solid and resilient. The Group recorded a growth of 11% in total income to close at Shs 22.4 billion compared to Shs 20.1 billion in 2015. The group posted a profit before tax of Shs 4.2 billion from a loss of Shs 1.2 billion in 2015.

All operating business lines of the Group reported profits. The life business reported profit before tax of Shs 4.5 billion compared to a loss of Shs 84.1 million in 2015. The significant increase in profit before tax was due to decrease in change in actuarial value of policyholder benefits expense by Shs 5.2 billion.

The non-life business recorded profits before tax of Shs 1.0 billion compared to a loss of Shs 92.6 million in 2015. This was mainly due to the General Insurance business in Kenya whose profit before tax of Shs 630.8 million compared to a loss of Shs 269.5 million in 2015. For the Asset Management business, profit before tax increased by 93% to Shs 347.8 million from Shs 179.9 million in 2015.

The regional businesses accounted for 14% of net insurance business revenue, 16% of total income and 7% of Group's assets in 2016.

Our Assets Under Management grew by 21% from Shs 90 billion in 2015 to Shs 109 billion in 2016.

"This year was momentous for the Group as we rolled out our new 2016-2020 "Go for Gold" strategy anchored on five strategic thrusts of profitable growth, customer service, innovation, operational excellence and enabling transformation."

Dr. Benson I. Wairegi, EBS

Group Managing Director

GROUP MANAGING DIRECTOR'S STATEMENT (Continued)

Strategic Focus

The year marked an end to the 2012-2016 strategic period, where we achieved various key milestones that include: regional expansion into Tanzania, Malawi and Mozambique; diversification of our product portfolio beyond life, general and health insurance; growth of Assets Under Management to over Shs100 billion and increased brand equity in the marketplace.

We also rolled out the Enterprise Resource Planning (ERP) system to our regional businesses. The ERP enables us to standardize our finance, human resources and supply chain business processes, and provides management with immediate visibility of transactions and enhanced operational efficiency across the Group.

Last year was momentous for the company as we rolled out our new 2016-2020 'Go for Gold' strategic plan. The 'Go for Gold' strategic plan builds on the success of the 2012-2016 strategic plan and was developed following a thorough review of Britam's operations, strengths and weaknesses as well as market dynamics. This helped determine the best way in which the Company's resources can be deployed to provide a great customer experience and deliver higher returns to our shareholders. The 'Go for Gold' strategy will give us a competitive advantage by enabling the company to provide superior services to our customers.

The strategic plan was developed with input from our directors, management and staff and I would like to thank them all for the hard work that led to the successful unveiling of the strategy.

The 'Go for Gold' strategy is anchored on five strategic thrusts which include:

- Profitable growth – we will strive to be a market leader in all aspects of our business: insurance, asset management and property development.
- Customer Service – customer service is at the core of what we do. We will provide our customers with a seamless experience.
- Innovation – providing products that fulfill our customer's needs. We will embed innovation into our culture and operations.
- Operational Excellence – we will improve our operations and implement robust business processes and controls.
- Enabling transformation – we will leverage on our Information Technology (IT) ecosystem, supported by a high performance proactive culture, right talent and a motivated team.

One of the key strategic initiatives implemented during the year was the Single Distribution which is at the heart of "One Britam" principle. It delivers a 'one-stop shop' by centralizing key distribution channels to generate synergies from scale and enables our Financial Advisors to cross sell and upsell to customers. The 'Go for Gold' strategy will enable a single view of the customer and meet their needs every step of the way.

Human Capital and Performance Management

Our greatest strength and market leadership position across our various business lines is our human capital. We now have over 900 employees and over 3,800 Financial Advisors.

We implemented a matrix organization structure and for the first time gives employees dual reporting relationships - to both a functional manager and a business unit leader. We also invested in leadership, technical and soft skills training for motivated, engaged staff aligned to Group, business unit and individual goals. To deliver our 'Go for Gold' strategy, an organization structure was developed that created new positions which includes; a Group Commercial Director responsible for the implementation of our integrated distribution channels across all lines of business, a Group Chief Operating Officer responsible for the implementation of a seamless and centralized back-office support services & processes and a Chief Actuary & Head of Product Development responsible for innovation and product portfolio.

The Group utilizes the Balanced Scorecard performance management system, to measure business and staff performance on four perspectives which are financial, customer, internal business processes & learning and growth.

Risk Management

The backbone of our Enterprise Risk Management framework is based on "three lines of defense" concept. The first line of defense is the Board and senior management who are accountable and responsible for management of the business by ensuring appropriate internal controls, risk management and governance structures for the business. The second line of defense is an independent risk monitoring by the risk and compliance department. The Risk and Compliance department provides enterprise risk management, compliance management and business continuity management. The third line of defense provides an independent assurance of the Enterprise Risk Management framework.

We also reviewed all potential risks facing the business, developed policies for managing risks, as well as new reporting tools & lines and new methods of risk monitoring & measurement. We are further subjecting the business to international 'stress testing' models on a regular basis to ensure that risks are fully addressed mitigated.

Corporate Social Responsibility

As a responsible and caring corporate citizen, Britam gives back to the community by engaging diverse publics and stakeholders through Corporate Social Responsibility (CSR) activities in order to cultivate goodwill across all its businesses.

The Britam Foundation is the vehicle through which we undertake all CSR activities. The Foundation's focus is on supporting health, education, sports and performing arts initiatives in order to enrich the lives and livelihoods of people within the region in a sustainable manner. For instance, Britam was the title sponsor of the 2016 Annual Kenya National Drama Festival.

Future Prospects

In the coming year, we anticipate that our business will be resilient and will withstand macro-economic headwinds, adopt to an evolving regulatory climate and compete with both traditional and non-traditional competitors. Based on our long standing experience in our markets, we will continue to achieve solid and sustainable growth.

Our vision "to be the leading diversified financial services company in our chosen markets across Africa" is supported by our mission—"providing you with financial security every step of the way". The combination of these strengths makes Britam a partner of choice for our clients.

I am optimistic of the future prospects for Britam and confident that the execution of our 'Go for Gold' strategy will enable the company deliver superior returns to our shareholders.

Acknowledgement

We appreciate the continued support we receive from all our esteemed clients and business partners. We thank them for their support and look forward to working closely with them to help them achieve and exceed their financial security and investment objectives.

I would also like to express my gratitude to the board, management team, staff and financial advisors for their hard work, dedication and commitment to the business during the year. This commitment has gone a long way in ensuring that Britam will continue to prosper for the benefit of all our stakeholders.

Thank you all for your support.

BWairegi

Dr. Benson I. Wairegi, EBS

Group Managing Director

Date: 24 March 2017

TAARIFA YA MENEJA MKURUGENZI WA SHIRIKA

Mwenye hisa mpendwa,

Nina furaha kukuarifu kwamba tulifanikiwa kukabiliana na changamoto tele na kuweza kuwatangazieni matokeo mema ya shughuli za kibiashara za Kampuni yetu kutokana na uthabiti wa biashara zetu za bima na usimamizi wa rasilmali.

Biashara yetu

Kampuni imestawi katika nchi tofauti za Afrika na kuwa na shughuli za biashara katika mataifa saba, nayo ni Kenya, Uganda, Tanzania, Rwanda, Sudan Kusini, Msumbiji na Malawi, ambapo inatoa hasa huduma za bima. Biashara isiyo ya bima, hasa katika Kenya, ni uwekezaji na usimamizi wa mali. Shughuli hii imeendelea kustawi na pia kuibuka kuwa nguzo muhimu katika mikakati yetu na inatarajiwa kuleta matokeo mema katika biashara kama inavyoonyeshwa kwenye taarifa hii.

Utendakazi wa shirika

Hali ya kiuchumi na mazingira ya kufanyia biashara yenye usimamizi mkali zikitiliwa maanani, utendakazi wa shirika mnamo 2016 ulikuwa imara na thabiti. Kima cha mapato ya shirika kiliongezeka kwa asilimia 11 na kufikia Shs 22.4 milioni ikilinganishwa na Shs 20.1 bilioni mnamo 2015. Shirika lilipata faida ya Shs 4.2 bilioni ikilinganishwa na hasara ya Shs 1.2 bilioni iliyoripotiwa 2015. Kundi lina tanzu nne: bima ya maisha, bima ya kawaida, uwekezaji na usimamizi wa mali.

Biashara ya shirika zilipata faida. Biashara ya bima ya maisha ilileta faida ya Shs 4.5 bilioni kabla ya kodi ikilinganishwa na hasara ya Shs 84.1 milioni mnamo 2015. Ongezeko hilo kubwa la faida lilitokana na kupunguzwa kwa matumizi ya thamani ya kutakwimu bima kwa walioandikisha bima kwa Shs 5.2 bilioni. Shughuli za biashara zisizo za bima ziliandikisha faida ya Shs 1.0 bilioni ikilinganishwa na hasara ya Shs 92.6 mnamo 2015 kabla ya kodi. Hii ilitokana hasa na faida za biashara ya bima ya kawaida ya Shs 630.8 milioni ikilinganishwa na hasara ya Shs 269.5 milioni mnamo 2015. Faida ya usimamizi wa biashara iliongezeka kwa asilimia 93 kabla ya kodi hadi Shs 347.8 milioni kutoka Shs 179.9 mnamo 2015.

Biashara katika mataifa mengine zilichangia asilimia 14 ya mapato ya jumla ya shughuli za bima, asilimia 16 ya jumla ya mapato yote na asilimia saba ya rasilmali za shirika mnamo 2016.

Kiwango cha rasilmali zilizokuwa chini ya usimamizi wetu kiliongezeka kwa asilimia 21 kutoka Shs 90 bilioni mnamo 2015 hadi Shs 109 bilioni mnamo 2016.

Msukumo wa kimkakati

2016 ulikuwa ni mwisho wa kuutekeleza mpango wa mikakati wa 2012-2016, msimu ambapo tulipata mafanikio tofauti muhimu yaliyokuwa ni pamoja na: kusambaza biashara yetu hadi Tanzania, Malawi na Msumbiji; kupanua idadi ya huduma zetu mbali na bima ya maisha, ya kawaida na ya afya; kuongeza kiwango cha rasilmali zilizowekezwa chini ya usimamizi wetu na kuimarisha nafasi ya Britam katika soko.

Kadhalika, tulizindua mfumo wa kielektroniki, *Enterprise Resource Planning* (ERP), kupanga na kuendeleza usimamizi wa biashara zetu katika kanda. ERP imetuwezesha kusawazisha taratibu zetu za usimamizi wa fedha na hazina, wafanya kazi na uagizaji wa bidhaa na huduma, kufuatilia moja kwa moja shughuli za kibiashara na kuimarisha uendeshaji wa masuala yote ya shirika.

Tulizindua mpango wa mikakati wa kipindi cha 2016-2020 ambao kauli yake mbiu ni *Go for Gold*. Mpango huo uliandaliwa kufuatia utathmini kamili wa shughuli za Britam na pia masuala muhimu katika soko ili kuimarisha huduma kwa wateja na kuletea wenye hisa mapato zaidi. Kauli mbiu *Go for Gold* itatuweka katika nafasi nzuri ya kuwapa wateja wetu huduma za kiwango cha juu. Mpango huo una nguzo tano muhimu za kimkakati, nazo ni:

- Kustawi na kuongeza faida – Kujitahidi kuongoza miongoni mwa wanaotoa huduma kama zetu: bima, usimamizi wa uwekezaji, ustawishaji wa mali.

- Huduma kwa wateja – Huu ndio msingi wa biashara yetu na tutawapa wateja wetu huduma za hali ya juu na za kutuliza mawazo.

• Uvumbuzi – Kutoa huduma zitakazotosheleza mahitaji ya wateja. Uvumbuzi utakuwa kipengee muhimu cha utamaduni wetu na shughuli za biashara.

• Kiwango cha juu cha utendakazi – Kuimarisha shughuli zetu na kuendeleza taratibu imara za biashara na usimamizi.

• Kuwezesha mabadiliko – Teknolojia ya kielektroniki inayofanikisha mabadiliko, ikizingatia misingi ya utamaduni wa bidii kwa utendakazi wa hali ya juu, talanta zifaazo na wafanya kazi wenye motisha.

Mojawapo ya juhudi muhimu za kimkakati iliyotekelezwa ni kuunganisha utoaji wa huduma, nguzo ya kanuni ya Britam Moja. Lengo lake ni kutoa huduma zote za kampuni katika mahali pamoja kwa kuleta pamoja taratibu zote za utoaji huduma na kuwezesha kila mshauri wetu wa fedha kuuza huduma zote kwa wateja. Mikakati iliundwa kwa mchango wa wakurugenzi wetu, wasimamizi na wafanya kazi. Tunahitaji moyo wa kujituma wa wafanya kazi wetu ili kutimiza ndoto yetu. Ninawashukuru wasimamizi na wafanya kazi kwa juhudi zao. Mkakati wa *Go for Gold* utatewezesha kushughulikia na kutosheleza mahitaji ya wateja katika kila hatua njiani.

Usimamizi wa wafanya kazi na utenda kazi

Nguzo muhimu zaidi katika shughuli za shirika na sababu kuu yake kuongoza katika biashara ni wafanya kazi ambao idadi yao ilikuwa zaidi ya 900 mnamo 2016, na washauri wa kifedha zaidi ya 3,800. Shirika lilitekeleza utaratibu mpya wa ngazi za kikazi na kwa mara ya kwanza, wafanya kazi wamo chini ya usimamizi wa mameneja wa idara zao na pia kiongozi wa kitengo chao cha biashara. Kadhalika, tulitenga pesa na rasilmali kwa mafunzo ya uongozi, utaalamu na kukuza ustadi wa mahusiano miongoni mwa wafanya kazi ili kuwa na watumishi wenye ari na moyo, wanaofanya kazi kikamilifu na kuambatanisha malengo ya shirika na yale ya binafsi.
Ili kufikia lengo letu la *Go for Gold*, utaratibu mpya wa ngazi za kikazi ulibuni nyadhifa mpya ambazo ni pamoja na cheo cha Mkurugenzi wa Kundi wa Biashara mwenye jukumu la kutekeleza taratibu za mseto katika tanzu zote za biashara; Afisa Mkuu Msimamizi wa Shughuli za Kundi ambaye wajibu wake ni kutoa huduma zisizo na kikomo zinazotegemewa na kila mtumishi; na Mtakwimu Mkuu wa Bima na Mkuu wa Uvumbuzi wa Huduma.

Bima ya shirika

Nguzo kuu ya utaratibu wa kukinga shirika kutokana na mambo yasiyotabirika yawezayo kudhuru biashara kote katika kampuni ina kinga tatu muhimu. Kanuni ya kwanza ya kujikinga ni kuwa na wanabodi wasimamizi wakuu ambao wanawajibika ipasavyo katika usimamizi wa biashara kwa kuhakikisha kuna taratibu kamili za usimamizi wa fedha na mali, usimamizi wa dhima na taratibu za uongozi katika biashara. Kinga ya pili ni uchunguzi wa kila mara wa madhara yawezayo kukabili shirika unaofanywa na idara ya bima na ridhaa. Idara hiyo husimamia bima ya maamuzi ya kibiashara na ubunifu, ridhaa na usimamizi wa jinsi ya kuendeleza biashara hata madhara yoyote yakitokea. Kinga ya tatu ni bima huru ya utaratibu huo. Tumechunguza pia athari zote zinazoweza kukumba biashara yetu na kuandaa sera za kukabiliana na athari hizo, ikiwa ni pamoja na vyombo na ngazi za upigaji ripoti na pia mbinu mpya za kukabiliana na kupima hatari hizo. Tunahakikisha biashara yetu inawekwa mara kwa mara katika mitihani ya kimataifa ya kuhimili vishindo ili kuhakikisha kwamba vitisho vyote vinashughulikiwa ipasavyo na hatua zifaazo za kujikinga zinachukuliwa kila mara.

Uwajibikaji wa shirika kwa jamii

Likiwa shirika linalowajibika na kuwajali wengine, Britam hufadhili jamii kwa kushirikiana na watu, makundi na washika dau tofauti kupitia kwa shughuli za kufadhili jamii. Britam Foundation ndicho chombo cha kutekeleza shughuli za kufadhili jamii. Wakfu huo huangazia misaada ya huduma za afya, elimu, michezo na sanaa za uigizaji kwa lengo la kuimarisha maisha na riziki za watu maskini na wahitaji kote ambamo shirika linaendesha biashara na kwa njia endelevu. Britam ilikuwa mdhamini mkuu wa tamasha la 2016 la kila mwaka la kitaifa la uigizaji.

Matarajio

Tunatarajia kwamba mwakani, biashara yetu itahimili mabadiliko ya kiuchumi, sheria muhimu na kushindana na washindani wetu, tukiamini kuwa ujuzi wetu wa muda mrefu sokoni utatuwezesha kuendelea kupata mafanikio thabiti na endelevu. Ndoto yetu kuwa kampuni inayoongoza kutoa huduma anuwai za kifedha kwenye masoko yetu teule ya Afrika, ikizingatia wito kukuhakikishia akiba tosha ya pesa kila hatua njiani. Kwa kuunganisha nguvu hizo zote, Britam inakuwa mshirika asiyeweza kutemwa wa wateja wetu.

Shukrani

Shirika linashukuru wateja watukuka na washirika wetu kibiashara kwa kuendelea kushirikiana nasi. Tunawashukuru wote kwa ushirika huo, huku tukitarajia ushirika zaidi.

Ningependa pia kushukuru halmashauri ya wakurugenzi, wasimamizi, wafanya kazi na washauri wa kifedha kwa bidii yao, kujitolea na kujituma kutenda kazi mnamo 2016. Moyo huo umechangia pakubwa katika kuhakikisha kwamba Britam itaendelea kustawi kwa manufaa ya washika dau wetu wote.

Dkt. Benson I. Wairegi, EBS
Meneja Mkurugenzi wa Shirika
Machi 24, 2017

CORPORATE GOVERNANCE REPORT

Britam Holdings Limited is committed to the highest standards of corporate governance and business ethics and recognises that good corporate governance is key to the enhancement of its business performance. The Group's values and ethics are entrenched in their strategic and business objectives, which are focused on transforming and accelerating growth in value for the benefit of all its stakeholders.

Statement of Compliance

Britam continues to adhere to its continuing obligations as a listed company in compliance with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 as well as other applicable CMA regulations. The Company also abides by the Constitution of Kenya and all applicable laws in all the areas where the Company operates, and to the ethical standards prescribed in the Company's Code of Conduct. The Company is pursuing compliance with the Companies Act 2015 within the next financial year.

The Company also complies with the provisions of its Memorandum and Articles of Association.

Board Charter

The Board is guided by a Board Charter which documents the constitution, roles and responsibilities of the Board. Some of the provisions of the Board Charter are:

- The shareholders shall appoint the Board of Directors, and the appointment shall be recommended by the Nomination & Governance Committee, and approved by the Board as a whole.
- The board's primary responsibilities include determining the company's purpose and value, providing governance, and adopting strategic plans.
- The number of Directors shall not be less than five, and not more than eleven.
- One third of the Directors shall be non-executive and independent and the Chairman of the Board shall always be a non-executive Director.
- The board shall appoint the Chief Executive Officer.
- The roles of the Chairman and Chief Executive Officer shall be separate.
- The board shall ensure that the Company complies with all relevant laws, regulations and codes of business practice, and that it communicates with its shareholders and relevant stakeholders (internal and external) openly and promptly.
- Meetings of the board will be held as frequently as the board considers appropriate, but not less than four times a year.
- Board committees will assist the board and its Directors in discharging the duties and responsibilities, however the board remains accountable.

Board Composition

The Board of Directors is made of eight (8) members comprising an independent non-executive Chairman, two (2) executive Directors, and five (5) non-executive Directors. Further, four (4) members are independent Directors as per the new Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The composition of the Board is as outlined in the Articles of Association of the Company.

Board Changes in the Year

At the Annual General Meeting held on 24 June 2016, Mr. Nduva Muli and Mr. Richard Langat retired by rotation and did not offer themselves for re-election. Mr. Stephen O. Wandera, an executive Director, was appointed to the Board on 23 May 2016.

Board Management

The Board of Directors meets at least once every quarter and operates to a formal schedule. The Chairman is responsible for managing the Board and providing leadership to the Group, while the Group Managing Director is responsible to the Board for strategically overseeing and managing the business units of the Britam Group in accordance with the board instructions.

The Directors are given appropriate and timely information on the key activities of the business, regularly, and on all requests. All information on agenda items is provided prior to meetings as well as through additional presentations to the Board. Board members have open access to management through the Chairman, Group Managing Director and Company Secretary. Directors may seek briefing from management on specific matters as well as seek independent professional advice.

The Directors of the Group are under a fiduciary duty to act honestly. Any business transacted with Britam must be at arm's length and fully disclosed to the Board, which must consider it for approval. A Director must refrain from discussion or voting on matters with actual or potential conflict of interest.

The Company Secretary is responsible for ensuring that meeting procedures are followed and facilitates the induction of new Directors and the improvement and monitoring of corporate governance processes.

Each Director is provided with a comprehensive and tailored induction process covering the Group's business and operations and their legal and regulatory obligations. This encompasses training by independent corporate governance bodies.

Board Activities for the Year

The Board defines the purpose of the Group, its strategic intent, objectives and its values. It holds responsibility for the Group's strategic direction, financial performance, compliance with laws and regulations, as well as ensuring the competent management of the business. It further ensures that procedures and practices are in place to protect the Group's assets and reputation.

In 2016, the Board held a strategy workshop to craft the Company's 2016-2020 Strategic Plan. The Board through the Strategy and Investments Committee continues to review performance against the Strategic Plan.

The Board conducted a board evaluation exercise in March 2016 and later developed an action plan to address issues arising from the evaluation exercise. The Board attended training on risk management and Directors' responsibilities under the Companies Act 2015.

Business Management

The Group's business is conducted to a carefully formulated strategy, annual business plans and budgets that set out clear objectives. Roles and responsibilities are clearly defined with approved authority delegated. Performance against the objectives is reviewed and discussed on a monthly and quarterly basis by management teams in the Group.

The Board recognises that employees form an integral part of the internal control system of the corporate structure. Each year every employee commits to adhere to the code of business conduct.

In order to carry out its responsibilities in an independent and objective manner, the Board seeks professional counsel from among others;

• Actuaries

The Group engages independent and external actuaries to examine the financial soundness of the various entities in the Group. The actuary reports independently and directly to the Board. The following actuaries provided services to the Group as below:-

- Long term business - Mr. P.C. Falconer of QED Actuaries and Consultants.
- Short term business - Lance Moroney of QED Actuaries and Consultants.
- Britam Group employee pension scheme - Mr R. Leiser-Banks of Triangle Actuarial Services.

• Tax Advisors

Deloitte & Touché is the Group's independent tax advisors. It liaises with management to ensure that the Group optimises its tax position and complies with all tax laws and regulations.

CORPORATE GOVERNANCE REPORT (Continued)

Board Members Attendance

Members	Status	Attendance
Amb. Dr. Francis K. Muthaura (Chairman)	Independent Non-Executive Director	7/7
Dr. Peter K. Munga	Non-Executive Director	5/7
Mr. Jimnah M. Mbaru	Non-Executive Director	4/7
Dr. Benson I. Wairegi	Group Managing Director	7/7
Mrs. Agnes N. Odhiambo	Independent Non-Executive Director	5/7
Mr. Samson K. Kamau	Independent Non-Executive Director	7/7
Mr. W. Andrew Hollas	Independent Non-Executive Director	7/7
Mr. Stephen O. Wandera*	Principal Executive Director	5/5
Mr. Nduva Muli**	Independent Non-Executive Director	5/5
Mr. Richard K. Langat**	Independent Non-Executive Director	3/5

Appointed to the Board on 23 May 2016
***Retired from the Board on 24 June 2016*

Committees of the Board

The Board is responsible for the management of the Group. It has delegated the detailed discussions to five committees, each of which meets at least three times a year with specific terms of reference.

Audit Committee

The Audit Committee consists of four independent Non-Executive Directors and reports to the Board after every Committee meeting.

The Audit Committee ensures integrity of the Group's financial statements, reviews the Group's internal control systems, monitors and reviews effectiveness of the internal audit function, makes recommendations to the board on the appointment of an external auditor and ensures the Group's compliance with legal and regulatory requirements. The internal auditor reports directly to the Audit Committee. The Committee has authority to conduct or authorize investigations and may delegate authority to subcommittees.

The Committee held four meetings during the year and the attendance was as follows:

Members	Status	Attendance
Mrs. Agnes N. Odhiambo (Chairperson)	Independent Non-Executive Director	3/4
Mr. Nduva Muli*	Independent Non-Executive Director	2/2
Mr. W. Andrew Hollas	Independent Non-Executive Director	4/4
Mr. Samson K. Kamau**	Independent Non-Executive Director	1/1

Retired from the Board on 24 June 2016
***Appointed to the committee on 22 August 2016*

Investments and Strategy Committee

The Investments and Strategy Committee makes recommendations to the Board by determining the Group's investment strategy and policy while considering proposed strategic investments. It also maintains an interactive strategic planning, implementation and monitoring process with management.

The Committee held five meetings during the year and the attendance was as follows:

Members	Status	Attendance
Dr. Peter K. Munga (Chairman)	Non-Executive Director	4/5
Mr. Jimnah M. Mbaru	Non-Executive Director	1/5
Mr. Nduva Muli*	Non-Executive Director	3/3
Mr. Samson K. Kamau	Independent Non-Executive Director	5/5

**Retired from the Board on 24 June 2016*

Risk and Compliance Committee

The Committee develops and implements the Group's risk management framework, policies, procedures and standards. It also monitors compliance with laws, regulations and risk policies. Additionally, the committee reviews management's implementation and maintenance of appropriate systems, procedures and Codes of Conduct in accordance with set risk policy guidelines.

The Committee held three meetings during the year and the attendance was as follows:

Members	Status	Attendance
Mr. Samson K.Kamau (Chairman)	Independent Non-Executive Director	3/3
Mrs. Agnes N. Odhiambo	Independent Non-Executive Director	2/3
Mr. Richard K. Langat*	Independent Non-Executive Director	1/1
Mr. Stephen O. Wandera**	Principal Executive Director	1/1

**Retired from the Board on 24 June 2016*
*** Appointed in the committee on 22 August 2016*

Compensation and Human Resource Committee

The Committee ensures an empowered, motivated and productive workforce. It reviews and recommends to the Board remuneration for non-executive directors, senior management and the overall staff remuneration budget, including performance bonuses. It also ensures compliance with the Human Resources Policies.

The Committee held four meetings during the year and the attendance was as follows:

Members	Status	Attendance
Amb. Dr. Francis K. Muthaura (Chairman)	Independent Non-Executive Director	4/4
Dr. Peter K. Munga	Independent Non-Executive Director	4/4
Dr. Benson I. Wairegi	Group Managing Director	4/4

THE BOARD OF DIRECTORS

Mr. Samson K. Kamau (Non-Executive Director)

Mr. Samson K. Kamau was appointed as Director of Britam Holdings Limited in August 2014. He brings on board over 40 years wealth of experience in the Insurance Industry in Sub- Saharan Africa.

Mr. Kamau was until 2014, the chairman of the board of directors of Real Insurance Company Limited, a position he held from 2008. In this period he also served as a director in the boards of Real Insurance Tanzania Limited, Real Insurance Company of Malawi Limited and Real Companhia de Seguros de Moçambique, SA.

Dr. Benson I. Wairegi, EBS (Group Managing Director)

Dr. Wairegi is also a Director of Housing Finance Group, the Chancellor of Kenyatta University and former chairman of the Association of Kenya Insurers.

Dr. Wairegi holds a Honorary Doctorate Degree from Kenyatta University, a Masters of Business Administration Degree and Bachelor of Commerce Degree both from the University of Nairobi and is a Certified Public Accountant.

Amb. Dr. Francis K. Muthaura, MBS, EGH (Non-Executive and Independent Director)

Amb. Dr. Muthaura, is a retired career diplomat and civil servant. He is also chairman of the LAPSSET Corridor Development Authority and a former Head of Public Service and Secretary to the Cabinet, Government of Kenya.

He holds a Bachelor of Arts Degree in Economics and Political Science, and a Post Graduate Diploma in International Relations from the University of Nairobi. He is also a holder of Honorary Doctorate Degree from Kenyatta University and the Kenya Methodist University.

Dr. Peter K. Munga, CBS (Non-Executive Director)

Dr. Munga is a retired Deputy Secretary in the Government of Kenya. He is the Chairman of Equity Group Holdings, Equatorial Nut Processors Ltd and Freshco International Limited.

He holds an Honorary Doctorate in Business Administration (Honoris Causa) from United Graduate College and Seminary. He is a Certified Public Secretary with vast experience in both public and private sector management.

Mr. Jimnah M. Mbaru, EBS (Non-Executive Director)

Mr. Mbaru is the Chairman of Dyer and Blair Investment Bank Limited, a director of the Nairobi Securities Exchange and Sanlam Africa Core Real Estate Investors Limited. He is a former chairman of the African Stock Exchanges and the National Economic and Social Council.

Mr. Mbaru holds a Master of Business Administration from IMD in Lausanne, Switzerland, a Bachelor of Commerce degree and a Bachelor of Laws degree both from the University of Nairobi. He is a fellow of the Kenya Institute of Management.

Mr. W. Andrew Hollas (Non-Executive and Independent Director)

Mr. Hollas is a former Pricewaterhouse Coopers (PwC) Senior Partner and was responsible for PwC East, Central and West Africa operations.

Mr. Hollas holds a Bachelor of Arts in Economics from the University of Newcastle upon Tyne. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the UK Institute of Directors, a member of the Institute of Certified Public Accountants of Kenya and a Kenya College of Insurance Certified Fund Trustee.

Mrs. Agnes N. Odhiambo (Non-Executive and Independent Director)

Mrs. Odhiambo is the Controller of Budget for the Government of Kenya and a board member of the Kenya Women Microfinance Bank. She is the former Chief Executive Officer/ Secretary to the Constituencies Development Fund Board.

Mrs. Odhiambo holds a Master of Business Administration degree and a Bachelor of Commerce degree both from the University of Nairobi and is a Certified Public Accountant of Kenya.

Mr. Stephen O. Wandera (Executive Director)

Mr. Wandera is a Principal Executive Director (Business) of Britam Holdings Ltd. He is a Fellow of the Chartered Insurance Institute (FCII) and also a past chairman of Association of Kenya Insurers (AKI) and Director of the Insurance Institute of Kenya (IIK).

Mr. Wandera holds a Master's Degree in Business Administration and a Bachelor of Arts Degree, both from the University of Nairobi. He is also a fellow of the Chartered Insurance Institute (FCII). Mr. Wandera is a past Chairman of the Association of Kenya Insurers and a former Governor of the Kenya Private Sector Alliance (KEPSA).

CORPORATE GOVERNANCE REPORT (Continued)

Nomination and Governance Committee

The Committee reviews proposals for the appointment of new Directors and ensures the Group adheres to the Corporate Governance Guidelines. The Committee held four meetings during the year and the attendance was as follows:

Members	Status	Attendance
Amb. Dr. Francis K. Muthaura (Chairman)	Independent Non-Executive Director	3/4
Dr. Peter K. Munga	Non-Executive Director	3/4
Mr. Jimnah M. Mbaru	Non-Executive Director	3/4
Dr. Benson I. Wairegi	Group Managing Director	4/4

Directors' Remuneration Report

This report is in compliance with the Board Charter, Capital Markets Authority Code of Corporate Governance Guidelines on Director's remuneration and Companies Act 2015.

Directors remuneration is based on the demands made on them and compares favourably with relevant competitors for such skills. Directors' remuneration is reviewed regularly and is benchmarked against best practice to ensure that the reward packages are competitively structured and sufficient to attract and retain Directors.

Non-Executive Directors are paid a quarterly fee and sitting allowances for every board and committee meeting attended. Additionally, the Chairman is paid a monthly honorarium. Directors are also given medical covers at rates similar to Britam staff. However, Directors are not eligible for pension benefits and do not participate in any of the Company's performance schemes.

Executive Directors are paid as per negotiated employment contracts and are eligible for staff benefits. They also participate in the Company's performance schemes.

The Directors' fees and allowances in 2016 was Shs 61,507,000 and is further detailed in Note 53 (vi).

Directors' Shareholding

No.	Names	Roles	Shares
1.	Amb. Dr. Francis K. Muthaura	Chairman	-
2.	Dr.Benson I. Wairegi	Group Managing Director	100,408,400
3.	Mr. Jimnah M. Mbaru	Director	194,800,100
4.	Dr. Peter K. Munga	Director	75,000,000
5.	Mrs. Agnes N. Odhiambo	Director	-
6.	Mr. Samson K. Kamau	Director	-
7.	Mr. W. Andrew Hollas	Director	-
8.	Mr. Stephen O. Wandera	Director	50,000

Share Capital

The authorised and issued share capital of Britam consists of only ordinary shares as disclosed on Note 18 in the financial statements. The holders of the ordinary shares are entitled to attend the Company's General Meetings in person or through proxies.

Shareholders Rights

The rights and restrictions attaching to the shares are set out in the Articles which can only be amended at the Company's General Meetings. All shareholders are entitled to receive the annual report and financial statements and such distributions from the Company as may lawfully be declared. All shareholders are entitled to attend, speak and vote at the General Meetings including the appointment of proxies. On a poll shareholders are entitled to one vote for each share held. There are no shares carrying special rights.

Distribution of Shareholding

The tables below provides details of the number of shareholders and shares held within each of the bands/ranges stated in the register of members as at 31 December 2016.

Shareholder Volume Analysis

No.	Shareholding	Number of shareholders	Shares held	Percentage
1	1 to 500	2,281	645,063	0.03%
2	501 to 5000	18,123	43,477,707	2.24%
3	5001 to 10000	2,671	20,919,900	1.08%
4	10001 to 100000	2,210	55,086,316	2.84%
5	100001 to 1000000	176	51,412,179	2.65%
6	1000001 and above	53	1,766,874,673	91.16%
	Grand totals	**25,514**	**1,938,415,838**	**100.00%**

Top Ten Shareholders

No.	Names	Shares held	Percentage
1	Plum LLP	452,504,000	23.34%
2	Equity Holdings Limited	405,000,000	20.89%
3	Mr. Jimnah M. Mbaru	194,800,100	10.05%
4	Dr. Benson I. Wairegi	100,408,400	5.18%
5	Kenya Commercial Bank Nominees A/C 915B	96,959,585	5.00%
6	Dr. Peter K. Munga	75,000,000	3.87%
7	Dr. James N. Mwangi	75,000,000	3.87%
8	Co-op Bank Custody A/C 4012	60,000,000	3.10%
9	Filimbi Limited	58,453,600	3.02%
10	Standard Chartered Nominees Non-Resd. A/C Ke10085	39,349,800	2.03%
11	Others	380,940,353	19.65%
	Grand totals	**1,938,415,838**	**100.00%**

Return Summary

Investor Pool	Records	Shares held	Percentage
Local institutions	795	1,240,960,756	65.03%
Local individuals	24,605	597,362,961	31.30%
Foreign investors	107	70,020,121	3.67%
Grand totals	**25,517**	**1,938,415,838**	**100.00%**

CORPORATE GOVERNANCE REPORT (Continued)

OPERATIONS GOVERNANCE

Governance of Information Technology

Information security governance is the responsibility of the board of Directors and senior executives. It is an integral and transparent part of enterprise governance and is aligned with the IT governance framework.

Whilst senior executives have the responsibility to consider and respond to the concerns and sensitivities raised by information security, the boards of Directors have made information security an intrinsic part of governance; integrated with processes they already have in place to govern other critical organizational resources.

To exercise effective enterprise and information security governance, the board and senior executives have a clear understanding of what to expect from the enterprise's information security programme. They know how to direct the implementation of an information security programme, how to evaluate their own status with regard to the existing security programme and how to decide the strategy and objectives of an effective security programme.

INVESTOR RELATIONS

Communication with Shareholders

We maintained active dialogue with our shareholders throughout the year through a planned programme of investor relations activities. We also respond to daily queries from shareholders and analysts through our Investor Relations team and have a section of our website which is dedicated to shareholders and analysts: www.britam.com/investor-relations.

Our registrars, Image Registrars, also have a team of people to answer shareholder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances. All of our financial results presentations are available on our website.

Our Annual General Meeting and Roadshows

Our annual general meeting is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A summary presentation of financial results is given before the Chairman deals with the formal business of the meeting. All shareholders present can question the Board during the meeting.

We hold meetings with major institutional investors, individual shareholder groups and financial analysts to discuss the business performance and strategy. These are attended by the appropriate mix of senior management and Investor Relations team. This is usually done after announcement of half-year and full-year results.

GOVERNANCE AUDIT FOR THE YEAR 2016

STATEMENT OF THE RESPONSIBILITIES OF THE DIRECTORS

The Board of Directors is the cornerstone of Corporate Governance. The codification of the fiduciary duties of Directors in the Companies Act, 2015 ("the Act") set out the Kenya Government's commitment in ensuring that companies are well governed and shareholder' investments are properly managed. The Act not only confirmed the common law duties of Directors but went further and made Directors personally liable for breach of some of the duties stipulated in the Act.

The Code of Corporate Governance Practices for Issuers of securities in Kenya has also emphasised not only the importance of good Corporate Governance but also the role of the Board in ensuring that listed Companies are well governed and that in as much as possible, shareholders are assured of a return on investments. The Code provides the minimum standards required from Shareholders, Directors, Chief Executive Officers and Management of listed companies so as to promote high standards of conduct as well as to ensure that they exercise their duties and responsibilities with clarity, assurance and effectiveness.

In general, Directors are required to act in good faith and more specifically they have a duty to promote the success of the Company for the benefit of its members. Directors also have a duty to exercise reasonable care, skill and diligence and to ensure that conflicts of interest are avoided or where they occur, that there is a process for managing them.

The Board of Directors of Britam Holdings Limited is committed to the highest standards of good Corporate Governance and strives for continuous improvement by seeking to identify any loopholes and gaps in the Company's governance structures and processes. It is on this premise that the Board commissioned a Governance Audit with the aim of ensuring that all processes that are necessary for directing and controlling the Company are in place.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on 24 March 2017.

Amb. Dr. Francis K. Muthaura, MBS, EGH	Dr. Benson I. Wairegi, EBS
Chairman	Group Managing Director
24 March 2017	

CORPORATE GOVERNANCE REPORT (Continued)

REPORT OF THE INDEPENDENT GOVERNANCE AUDITORS

In compliance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (hereinafter referred to as "***the Code***") the Board requested us, Dorion Associates, to conduct a Governance Audit (hereinafter referred to as "***the Audit***").

Being the inaugural Audit, we endeavoured to lay the groundwork for the establishment of an on-going governance compliance programme in order to ensure that the Board's goals, structure and operations are consistent with the latest developments in Corporate Governance. We also considered that the Code and the Companies Act, 2015 (hereinafter referred to as "***the Act***") are relatively new and Companies are in the process of implementing their provisions. The structure of the report, findings and recommendations therefore focussed on providing a baseline.

SCOPE OF THE AUDIT

The scope of the Audit was derived from the Code, the Act and the Governance Audit Tool developed by the Institute of Certified Public Secretaries of Kenya. More specifically, the Audit covered the following areas: Leadership and strategic management; Transparency and disclosure; Compliance with laws and regulations; Communication with stakeholders; Board independence and governance; Board systems and procedures; Consistent shareholder and stakeholders' value enhancement; and Corporate Social Responsibility and investment.

OUR RESPONSIBILITY

Our responsibility was to express an opinion on the Governance policies, practices, structures and documentation based on our Audit. We conducted our Audit in accordance with the guidelines issued by the Institute of Certified Public Secretaries of Kenya. The Audit involved obtaining audit evidence on a sample basis about the Governance policies, practices, structures and documentation of the Company. We believe that the audit evidence we obtained was sufficient and appropriate to provide a basis for our opinion.

OPINION

The Board of Directors has done tremendous work in putting in place governance structures and processes for the whole Group. It is our opinion that the Board is proactive in ensuring that the Company is well governed, and that a sound Corporate Governance Framework is in place, and in this regard we issue an unqualified opinion.

Catherine Musakali
For: Dorion Associates

Date: 24 March 2017

Britam Holdings Group Managing Director Dr. Benson I. Wairegi, CEO Britam Life Assurance Ambrose Dabani, Principal Executive Director (Business) Stephen O. Wandera and Head of FA Network Joseph Gathogo, celebrate the overall Company of the Year award.

Britam Corporate Communication Manager Francis Muriuki and Britam Assistant Marketing Manager Paul Sagati, with the Superbrands award.

ENTERPRISE RISK MANAGEMENT REPORT

We are in the second full year of implementation of our Enterprise Risk Management program across all the group entities. The framework is benchmarked against international best practice and is aligned with the regulatory developments in the insurance industries as well as in the capital markets in all the seven countries we operate in. The backbone of the framework is the "three lines of defense" concept.

The 3 Lines of Defense

The first line of defense is business unit managers, who define and manage processes, people and technology, and take ownership of the risks the units take, including identifying and assessing risk.

The second line of defense are risk and control specialist groups which support the first line of defense managers in their ownership of risk and controls by establishing and communicating common risk management taxonomies, assessment methodologies, and standards and practices.

The third line of defense comprises internal and external auditors, who validate managers' risk and control assessments, including testing them where appropriate. They also provide senior management and the board with independent assurance of the design and operating effectiveness of the organization's risk management activities

In establishing strong lines of defense we seek to develop a more risk-intelligent culture where:

- we are capable of quickly identifying and reacting to risk,
- we are able to more efficiently deploy scarce resources to manage risk on a prioritized basis, and
- we have greater internal risk transparency.

Risk Management Framework

As part of our group strategy we have set bold targets for the next five years, around growth, profitability and capital adequacy for each of our regulated businesses. The board has also articulated how much risk the business units are permitted to take through a formal risk appetite statement and framework.

The risk framework has additionally built a risk assessment structure into all business planning at every management level, which ensures all assumptions or unknowns are captured from the start of every project and in all businesses, and monitored every month.

To support achievement of these objectives the risk department has put in place a robust monitoring and reporting mechanism around key financial and operational risks that enables each business unit to be more responsive and agile in the face of uncertainty and volatility.

Britam Group Risk Assessment Framework

Counterparty Risk - The risk that a counterparty will fail to meet its agreed obligations.

Market Risk - The risk that market movements - including in interest or exchange rates, equity or real estate prices – cause fluctuations in asset values, liabilities, or income from assets.

Insurance Risk - The uncertainty due to differences between the actual and expected amount of claims and benefits.

Operational Risk - The risk of loss from inadequate or failed internal processes, people, or systems, or from external events.

Legal Risks - Any potential loss from legal disputes or settlements, instituted by customers, counter parties, employees, shareholders, the authorities or third parties against the company.

Compliance risk - The risk of non-compliance with laws, regulations and standards, which relate to markets, pricing, taxes and regulations, and of new laws or regulations that require changes in business practices that may lead to financial loss.

Liquidity Risk - The risk a company may fail to meet its liabilities as and when they fall due.

Concentration Risk - The risk posed by any single or group of exposures that have the potential to produce losses large enough to threaten the ability of the company to continue operating.

Strategic Risk - The potential for loss as a result of inaction, ineffective strategies, or poor implementation of strategies.

Reputational risk - The potential that negative publicity, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from a failure to effectively manage any or all of the other risk types.

Our framework will contribute to fewer surprises and losses, lower risk transfer costs, and increased likelihood that the organization's objectives will be achieved.

Risk Management Programme - Achievements 2016

- Full implementation of the Financial Risk Management framework.
- Developed and rolled out the Operational Risk Management framework.
- Developed the Scenario and Stress Testing framework.
- Developed the framework for the capture and tracking of operational losses.
- Developed and rolled out the Business Continuity Program.
- Fully adopted and embedded the risk-based capital regime.
- Deepened compliance risk management particularly around Anti-Money Laundering Surveillance.
- Set-up of an independent Fraud and Forensic unit to drive the strategic initiative around proactive fraud management.
- Successfully aligned the 2017 business plans for the group to the Board approved risk appetite limits and ensured prudent capital management was central to the business plan discussions.

Anti-money laundering framework

Britam recognizes the offence of money laundering as dealing or interacting with the proceeds of crime.

- The anti-money laundering regime forms part of the governance oversight responsibility of the Board of Directors.
- The Group has appointed the Risk and Compliance Manager to be the Money Laundering Reporting Officer (MLRO).
- It has deployed World Check One to verify identities against global blacklists and terror lists, and is working to connect to the national database to enable the Group to confirm identities.
- Britam staff profile every new customer through customer due diligence (CDD) and the know your customer (KYC) process.
- Where necessary, due diligence is undertaken into existing clients. Where a client is unable to comply with the verification requirements, a decision will be made after three months to terminate the business relationship and consider making a suspicious transaction report to the MLRO.
- Britam conducts detailed due diligence where it knows or suspects a business relationship is with a ‘politically exposed person’ (PEP).
- All suspicious transactions, and all cash transactions of more than $10,000 (approximately Shs. 1,030,000), even where not suspicious, are reported to the MLRO and a record maintained of all reported transactions.
- A staff member who knowingly or negligently assists another to obtain, retain or invest in the proceeds of crime, tips off or warns a person that they are under suspicion of money laundering, or fails to report their suspicion of money laundering, will be considered as having committed a money laundering related offence.
- All staff classified as being “relevant staff” shall undergo a rigorous certification process to ensure they are equipped to identify and prevent money laundering situations.

Whistleblowing policy

- The Whistleblowing Policy is intended to reassure employees that if they raise any concerns in good faith and in the reasonable belief that they are, they will be protected from reprisals or victimization.
- Employees have the option of reporting concerns through the Whistleblowing service managed by an independent professional firm that guarantees anonymity.
- The Chairman of the Audit committee shall receive, retain, investigate and act on complaints and concerns of employees regarding all matters that might constitute a violation of the Group’s policies.
- All employees of the Group, including contractors working for the company, are covered by this policy.
- If an employee raises a concern under this policy, they will not be at risk of losing their job or suffer retribution as a result. The company will not tolerate harassment or victimization of anyone raising a genuine concern.
- If the company is not able to resolve the concern without revealing the employees identity (for instance, in giving evidence in court), the matter will be discussed with the employee regarding the way forward.

Britam
With you every step of the way

EXECUTIVE MANAGEMENT TEAM

Dr. Benson I. Wairegi
Group Managing Director

Gladys M. Karuri
Principal Executive Director - Finance, Strategy & Operations

Stephen O. Wandera
Principal Executive Director - Business

Muthoga Ngera
Director Marketing & Corporate Affairs

Nancy K. Kiruki
Director, Legal & Company Secretary

James Maitho
Director Human Resources

Steve B. Magati
Group Internal Audit

Betty Mwangi
Group Commercial Director

Jack W. Maina
Group Chief Operating Officer

Kennedy B. Aosa
Director International Insurance Business

Kenneth Kaniu
CEO Britam Asset Managers (Kenya) Limited

Ambrose Dabani
CEO & Principal Officer - Britam Life Assurance Company (Kenya) Limited

EXECUTIVE MANAGEMENT TEAM (Continued)

Margaret Kathanga
CEO & Principal Officer - Britam General Insurance Company (Kenya) Limited

Charles Muyodi
General Manager Microinsurance Business

Benson Kamau
General Manager, Britam Properties (Kenya) Limited

Edward Kuria
Chief of Staff

Carol Misiko
Chief Risk & Compliance Officer

Jude Anyiko
Group Chief Investment Officer

Susan Kariuki
Chief Actuary & Head of Product Development

George Sithole
CEO & Principal Officer
Mozambique

Antoine Uwamungu
CEO & Principal Officer
Rwanda

Stephen Lokonyo
CEO & Principal Officer
Tanzania

Grant Mwenechanya
CEO & Principal Officer
Malawi

Allan Mafabi
CEO & Principal Officer
Uganda

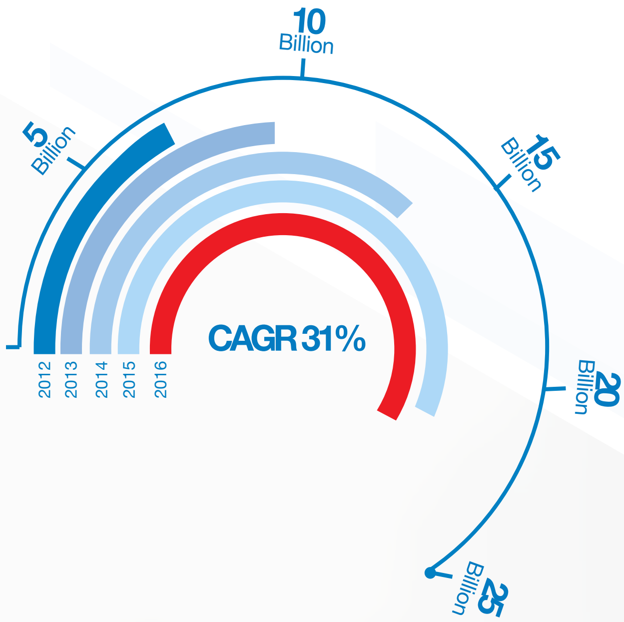
John Githinji
CEO & Principal Officer
South Sudan

FINANCIAL REVIEW

Gross Earned Premiums and Fund Management Fees

The insurance business recorded a revenue growth of 6% while fund management fees grew by 29%. The regional businesses contributed Shs 2.4 billion (2015: Shs 2.5 billion) to insurance business revenue, which accounted for 14% (2015: 15%) of the total insurance business revenue. The regional businesses account for 16% (2015: 18%) of the total income.

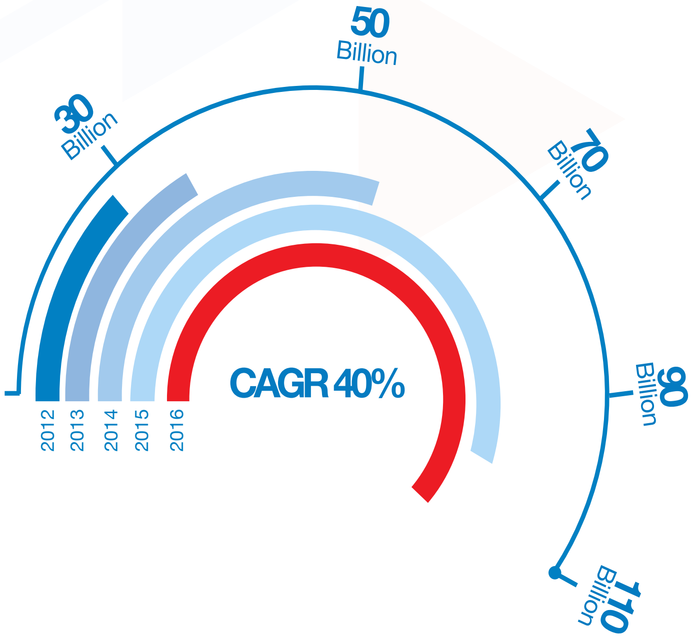
Gross Earned Premiums and Fund Management Fees



The Group's performance in 2016 was encouraging. Majority of the business units reported growth from 2015.

Fund management fee increased by 29% to Shs 929.2 million (2015: Shs 718.5 million). The increase is attributable to the tremendous growth in Assets Under Management (AUM) by 20% to Shs 108.9 billion from Shs 90.5 billion in 2015. The revenue growth was distributed across all fund management products.

Asset Under Management



Investments and Investment Income

Dividends and interest income increased by 35% from Shs 3.1 billion in 2015 to Shs 4.2 billion. Income from investment property- which comprises rental income, fair value movements in investment property and investment in property funds- decreased by 18% to Shs 991.1 million from Shs 1.2 billion in 2015. While a significant increase was recorded in the fair valuation of the investment properties, a loss of value was reported in the valuation of investment in property funds.

The Group's investment in equities returned fair value losses amounting to Shs 1.9 billion compared to Shs 2.0 billion in 2015 and fair value losses on disposal of shares of Shs 44.7 million (2015: Shs 17.1 million). These have been accounted for in the consolidated statement profit or loss. In addition, revaluation losses of Shs 1.1 billion (2015: Shs 1.5 billion) and fair value losses on disposal of shares of Shs 268.3 million (2015: Shs 281.0 million) were recognised in the statement of comprehensive income. The fair value losses were due to the bearish market experienced in the equities market of the Nairobi Securities Exchange.

Investment in the associate accounts for Shs 442.3 million in the Group profit before tax, a decline of 26% from Shs 594.9 million in 2015. In light of the various market circumstances impacting the associate's performance and resultantly its value, an impairment of Shs 838.5 million (2015: Nil) has been recorded in the Group's results.

Net Insurance Benefits and Claims

Net insurance benefits declined by 53%. The main driver was the change in valuation methodology of long term insurance business liabilities to ensure compliance with requirements of the Insurance Act as amended by the Finance Act 2015 and as required by the Insurance Regulatory Authority (IRA).

The Group adopted the Gross Premium Valuation (GPV) methodology which is a change from the previously applied Net Premium Valuation (NPV). This change resulted in a reduction of the net insurance benefits and claims by Shs 5.2 billion. Besides the change in valuation methodology, net insurance benefits and claims dropped by 3% as a result of better claims management and improved focus on underwriting quality.

Operating Expenses

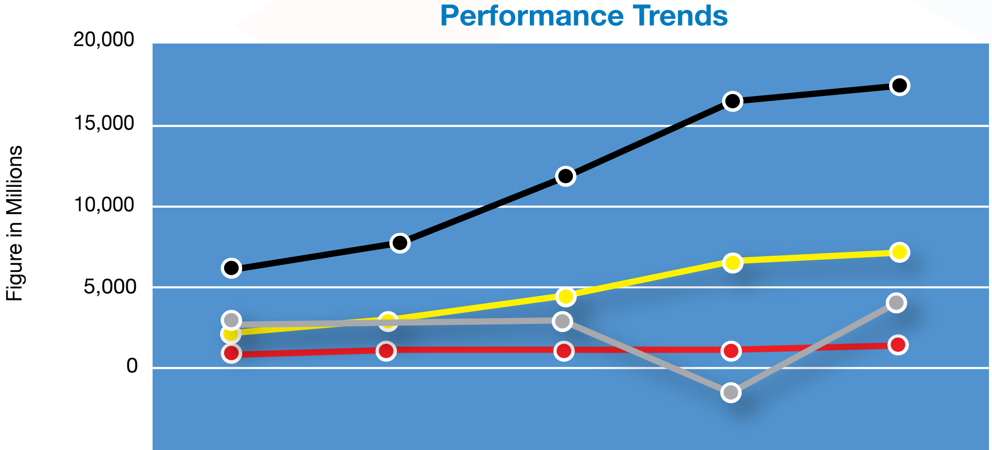
Operating expenses increased by 6% from 2015. The main expense categories were; employee costs, business acquisition costs and office rent. The growth recorded in employee costs was a result of additional hires to drive various new customer service and sales initiatives in our strategy. Other passive costs that accounted for the increased costs were depreciation on property and equipment and amortisation of intangible assets mainly for the IT system implemented over the last 2 years.

Cost-to-income ratio is a key focus of the 2016-2020 strategy with efforts and structures being set up to ensure the strategic costs imperatives are achieved. The realisation of cost savings from the new structure, process automations and re-engineering is expected in subsequent years.

Profitability

The Group reported a profit before tax of Shs 4.2 billion compared to a loss before tax of Shs 1.2 billion last year and a total comprehensive income of Shs 784.7 million compared to the total comprehensive loss of Shs 3.2 billion in 2015. The main contributor to the difference between the reported profit before tax and the total comprehensive income in 2016 is the loss resulting from disposal or revaluation of the strategic investment in Equity Bank Limited which is marked to market.

Performance Trends



	2012	2013	2014	2015	2016
NEP	5,957	7,751	11,792	16,374	17,394
Fund mgnt fees	377	614	696	719	929
PBT	2,849	3,120	3,212	-1,195	4,239
OPEX	2,287	3,211	4,616	6,717	7,095

FINANCIAL REVIEW (Continued)

Segment Performance

The business is organised into life assurance, general insurance, asset management, property and portfolio investments in banking.

Life Insurance Business

The life insurance business registered sustained growth in 2016, with gross earned premiums growing by 19% to Shs 8.8 billion compared to Shs 7.4 billion in 2015. The rise was driven by the steady growth in ordinary life policies by 20%, and a 94% rise in pension contributions. This growth was driven by our existing network of over 3,800 Financial Advisors and roll out of the Financial Advisors' portal, equipping Financial Advisors to serve customers conveniently.

The profits before tax was Shs 4.5 billion compared to a loss of Shs 84.1 million in 2015. The significant increase in profit before tax was due to decrease in change in actuarial value of policyholder benefits expense by Shs 5.2 billion.

General Insurance Business

The non-life business, gross earned premiums decreased by 6%, from Shs 12.22 billion in 2015, to Shs 11.48 billion in 2016. The decrease was a result of the Group adopting a new credit policy to mitigate the risk of collection of premiums and minimize losses that was not fully adopted by the markets we operate in. Subsequently, we engaged our markets and they are now in support of our policy.

The profits before tax was Shs 1.0 billion compared to a loss of Shs 92.6 million in 2015. This was mainly due to the General insurance business in Kenya profit before tax of Shs 630.8 million compared to a loss of Shs 269.5 million in 2015.

The regional businesses contributed significantly to the performance, with a combined profit before tax of Shs 467.0 million compared to Shs 176.9 million in 2015.

Asset Management Business

The Asset Management business recorded a 21% growth in Assets Under Management from Shs 90.4 billion in 2015 to Shs 109 billion in 2016. This was mainly due to new institutional business from large pension funds. Fund management revenues grew by 48% to Shs 1.0 billion compared to Shs 718.5 million in 2015. Profit before tax increased by 93% to Shs 347.8 million from Shs 179.9 million in 2015.

Property Business

Britam Tower, the iconic 31 storey building located in Upper Hill, Nairobi, will be completed in second quarter 2017, offering the city's highest level of Grade A office accommodation, in an energy efficient and sustainable building.

The real estate team is now in place and is at advanced planning stages for the development of the Group's land bank, across shopping malls, serviced apartments, mixed use facilities, master-planned communities and Class A office space. These developments will create synergies for the group across the value chain.

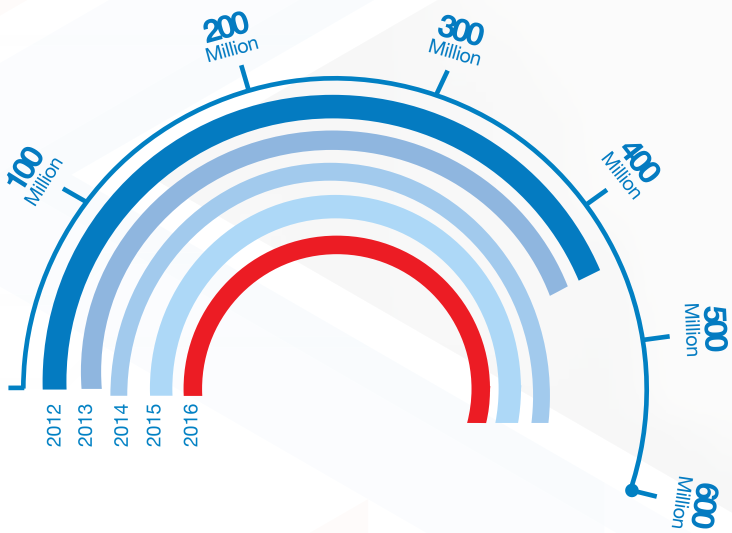
Dividend

In line with our dividend policy which aims at paying a consistent and progressive sustainable distribution each year from the realised earnings made during the year, the Board of Directors recommends the payment of a dividend of 30 cents (2015: 30 cents) per share amounting to Shs 581.5 million (2015: Shs 581.5 million) after taking into consideration the following factors:

- the statutory capital provisions and solvency margins of the Insurance Act Cap 487 for each of the life and non-life insurance businesses and in particular the introduction of risk based capital regulations;
- the provisions of the Capital Markets Licensing Requirements General Regulations 2002 for the Asset Management business;
- the opportunities for the profitable investment of retained profits to achieve earnings growth and capital expenditure projections; and
- the level of debt to equity ratio.

The dividend paid over the last 5 years conforms to this policy and is shown below.

Dividends



Capital Adequacy and Solvency Margins

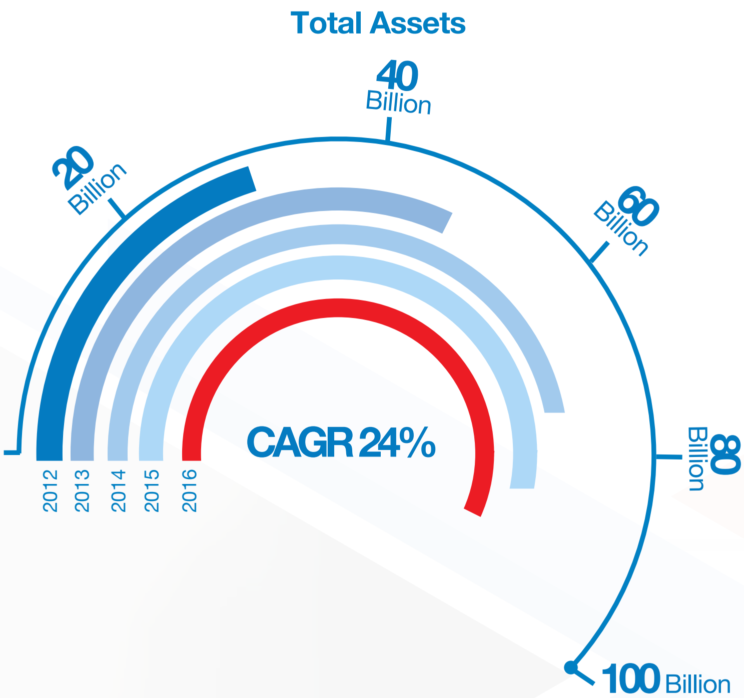
The Group ensures that its available resources are allocated in a way that is capital efficient, meets the Group's risk appetite and ensures that optimal returns are made while ensuring compliance with various regulations that govern most of its businesses; out of its 11 entities, 10 are regulated.

During the year, there was a change in regulatory capital requirements for Kenya insurance businesses from the prescribed rules based solvency regime to the new risk based capital regime which sets solvency capital as a function of actual assets invested. Management is confident that it will be able to comply with these new capital requirements. Details of these are disclosed in Note 4 (e).

FINANCIAL REVIEW (Continued)

Consolidated Statement of Financial Position

The business recorded an 8% increase in total assets, with regional businesses accounting for 7% (2015: 8%) of the Group's total assets. Additionally, shareholder's funds grew marginally at 1%.



Outlook

The Group completed the development of its 2016–2020 strategic plan, dubbed "Go for Gold" formally launched on 1 December 2016. The strategy seeks to deliver an ambitious but sustainable profitable growth and ensure diversification in markets and products. This strategy is anchored on five pillars: profitable growth, innovation, customer service, operational excellence and enabling transformation. To achieve these, the Group is undergoing a transformational change supported by a high performance culture, an information technology ecosystem and best talents.

The Group is focusing on attaining a structure that is cost efficient. Having come from an expansion phase, going into the future, investments in human talent and information technology coupled with its flagship Jawabu project, are expected to realise benefits.

The growth in our core business line is paramount to our existence. In line with this, an initiative dubbed "Single Distribution" was launched in December 2016. This seeks to ensure our cherished financial advisors base is utilised more efficiently through involving them in selling of all the products offered by the various lines of business. Appropriate reward structures have been developed to align to this new model.

The control environment continues to improve. Management continues to uphold high standards of reporting while ensuring application of accounting standards and regulatory requirements is appropriately done.

The 2017 strategies for each of the business units is promising. The Group leans forward in delivering quality financial services in the insurance industry.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call: 0703 094 000 or buyonline.britam.com

STRATEGY REPORT

Britam's strategic journey

Britam has grown over the last 50 years, from strength to strength, on accout of focus on a comprehensive strategy formulation and execution process founded on the Balanced Scorecard framework. Britam is the only company in Africa to have been inducted into the Palladium Hall of Fame for its excellence in strategy execution.

The Group has grown from a branch established in 1965 as a branch of the British-American Insurance Company Ltd Bahamas, to a leading diversified financial services company listed on the Nairobi Securities Exchange. The group now has interests across the Eastern and Southern Africa region, with operations in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi. The group offers a wide range of financial products and services in insurance, asset management, banking and property.

Britam's previous strategic period 2012-2016 focused on local and regional expansion, IT-enabled business transformation (Project Jawabu) and implementation of our property development strategy.

Some of the key successes during this period are:

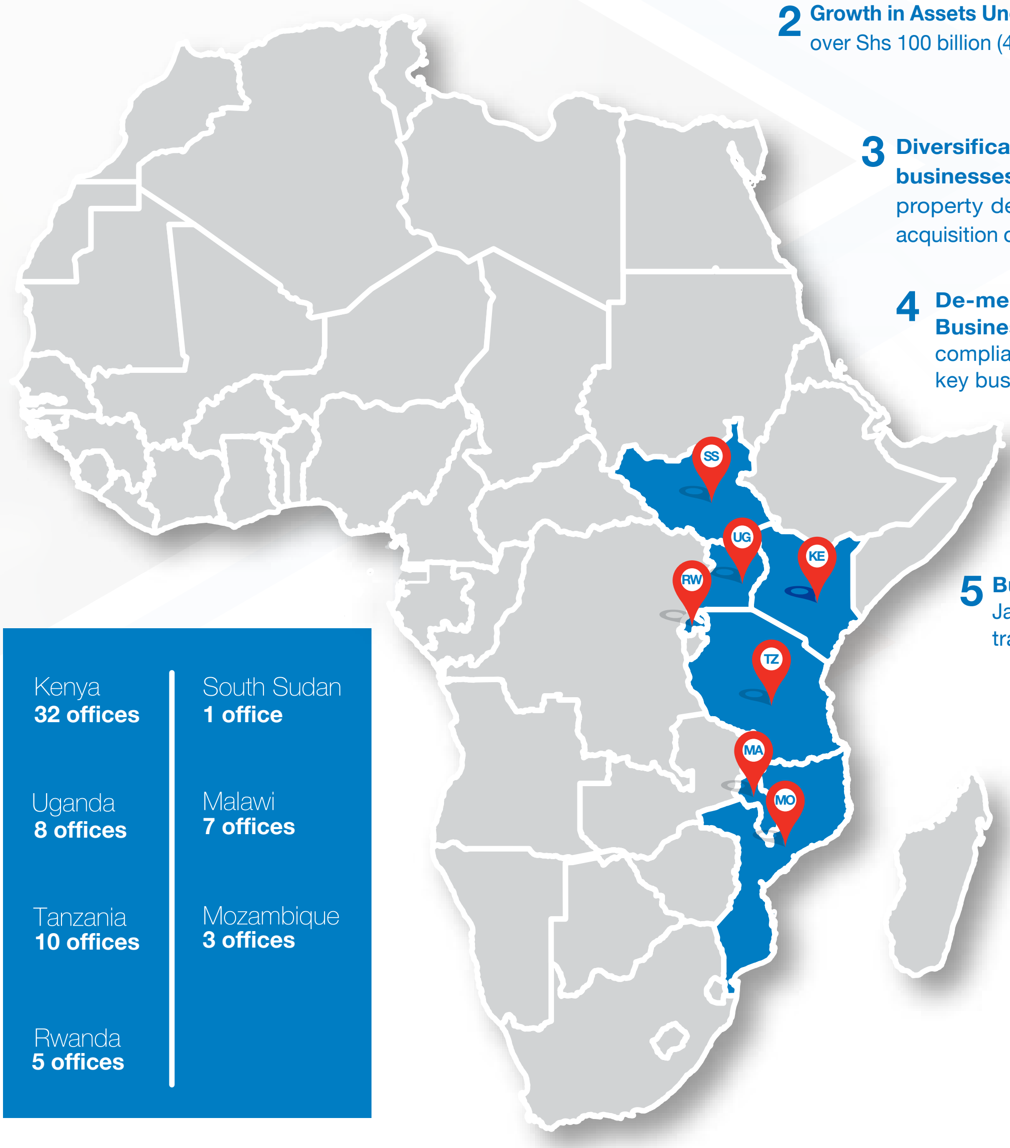
1 **Growing of Britam's Pan-African footprint** across 7 countries in Africa.

2 **Growth in Assets Under Management (AUM)** to over Shs 100 billion (4th in market share) in 2016.

3 **Diversification into property & banking businesses** through establishment of our property development company and the acquisition of significant stakes in HF Group.

4 **De-merger of Life and General Insurance Businesses** which enhanced both regulatory compliance and increased focus on each of our key business units.

5 **Business automation** through Project Jawabu – full IT enabled business process transformation.



Kenya **32 offices**	South Sudan **1 office**
Uganda **8 offices**	Malawi **7 offices**
Tanzania **10 offices**	Mozambique **3 offices**
Rwanda **5 offices**	

The board of directors and Dr. David Norton (4th left), the co-creator of the Balance Score Card strategy together with his team, at the strategy board retreat.

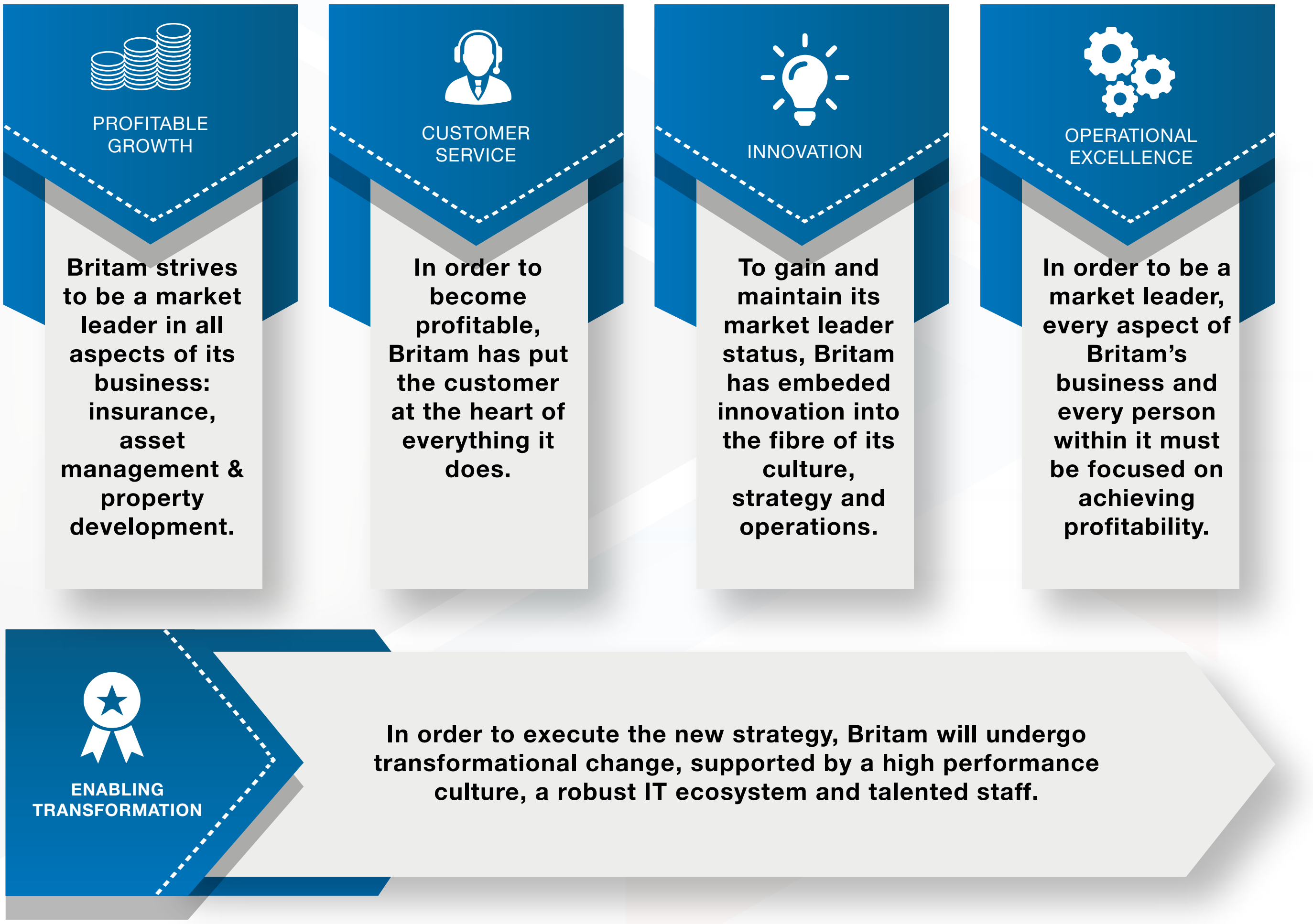
STRATEGY REPORT (Continued)

Our new ‘Go for Gold’ Britam 2020 Strategy

During the year, June to August, Britam undertook a rigorous and collaborative process of refreshing its five-year strategy, with the support of international consultants, including Dr. Kaplan and Dr. Norton form Harvard Business School (founders of the Balanced Scorecard framework).

The Group’s new ambitious five-year strategy (2016-2020) dubbed “Go for Gold” encapsulates its refreshed vision “To be the leading diversified financial services company in our chosen markets across Africa” and mission “Providing you with financial security every step of the way”. The group aims at providing clients with an unmatched service offering, ensuring first class solutions that help them to secure their future.

Britam’s strategy is founded on five key strategic pillars which articulate key focus areas over the current strategic period 2016-2020. The five key strategic pillars: profitable growth, customer service, innovation, operational excellence and enabling transformation are explained in the diagram below.



Britam strongly believes that its key competitive strength lie in the disciplined approach to strategy execution. The Group is committed to delivering value to its shareholders, customers and partners. To achieve this, the Group has adopted the internationally renowned Palladium Execution Premium Process (XPP) for strategy execution and has implemented an Office of Strategy Management (OSM) to oversee the execution, communication, cascading and monitoring of its Group and individual business unit strategies.

The detailed strategy implementation plan is broken down into three key phases, namely:

- Phase 1: Consolidation (2016-2017)
- Phase 2: Disruptive Innovation (2017-2018)
- Phase 3: Exponential Growth (2018-2020)

Our business model and footprint

Britam has adopted a customer-centric business model to ensure the seamless delivery of one-stop shop financial services to our customers across all our channels by reorganizing internal structures, systems and processes to ensure a “single view of the customer”.

The Group is dedicated to delivering the most-friendly and convenient customer service through investment in a wide range service delivery channels including:

- Customer Connect: A new self-service customer portal that allows existing customers easy and convenient access to their account information, statements, online payments, transfers, among others.
- Britam Marketplace: The new online marketplace will allow customers to access products by the click of a button.
- Contact Centre: Roll out a 24-hour contact centre which will allow customers to obtain tailored support services on any of our products and services including general inquiries, quotations, among others.
- Service Centres: The Group is implementing world-class service centres across its branch network which will allow its customers get localised service and support across the country.
- Partner Portals: Our partners are critical in the delivery of services to customers. This is why the Group has invested in developing seamless integrated systems which will allow customers to be served promptly.

FOOTPRINT AS AT 31 DECEMBER 2016

Operating in **7 countries** across Africa

900+ Employees across Africa

Branches across the region

66

Total assets **Shs. 83.6** Billion

3800+ Financial advisors

Market capitalisation on NSE **Shs. 19.3** Billion

SUSTAINABILITY REPORT

Corporate Social Responsibility Statement

Britam's core responsibility to its various stakeholders is to work closely with them to pursue the enhancement and fulfilment of corporate values through sound business practices in order to promote a sustainable society.

Britam views Corporate Social Responsibility (CSR) not just as a goodwill gesture but a prerequisite for good corporate leadership and governance. The Group's long term strategy is to engage in strategic CSR which it believes will benefit its stakeholders and also reinforce its corporate strategy while leveraging on its key focus areas of the business.

The Britam Foundation

Britam Foundation is a non-profit charity established by the Group in 2014 as the vehicle through which it will carry out Corporate Social Responsibility activities. The Foundation is a focal part integral to building Britam's brand image serving to 'soften' and expand the brand reach beyond its existing clientele.

In 2016, the Foundation undertook the following activities:

Britam was the title sponsor of the 2016 Kenya National Drama Festival hosted by the Ministry of Education, Science, and Technology at the Meru School.

Britam was the main sponsor of the Britam Kenya Open Tennis tournament. The Shs 9 million sponsorship supports the development of talent among young players.

Britam Holdings Principal Executive Director (Busines) Mr Stephen O. Wandera, (Centre) and Nairobi County Deputy Governor Jonathan Mueke, cut a tape to mark the opening of new classrooms at Kibera Olympic Primary School funded by Britam.

Britam was the main sponsor of the 2016 "Britam Kenya Guineas" race day, held at the Ngong Racecourse.

Britam, in support of Beyond Zero Campaign spearheaded by First Lady Margaret Kenyatta, has cumulatively given Shs 20 million. Last year, the company donated a fully kitted mobile clinic to Lamu County.

Project Jawabu

Jawabu, Britam's IT enabled business transformation program, is key to delivering our business strategy. Jawabu is transforming Britam into a digital enterprise with world class customer service, efficient operations and new distribution channels. The project delivered several significant milestones in 2016. We successfully rolled out our state of the art Enterprise Resource planning (ERP) system to all of our 6 regional subsidiaries in a record 6 months. Centralising our Finance, HR and Supply chain processes in the ERP has allowed us to standardize our business processes, increase management visibility and enhance operational efficiency across the Group.

The Group also enhanced functionality of the Financial Advisor portal increasing efficiency of its tied agents enabling them serve clients better. The Group implemented a customer portal offering convenient self service capabilities to its clients including the ability to generate online statements and make online payments. So far, the Group transitioned its Marine insurance products to an online market place offering clients a convenient end-to-end digital channel to shop, pay, service and renew marine policies. The online marine product has been well received and has laid the ground work for rolling out additional digital products.

Britam's investment in digital channels was designed to not only improve customer experience but also contribute to the well-being of communities in which the Group operates by reducing environmental footprint by going paperless and eliminating the need for customers and agents to travel to Britam offices. A deliberate effort has been made to adopt cloud computing in a bid to reduce carbon footprint.

Going forward the Group's digital transformation journey will focus on enhancing customer and intermediary experience. We are investing in a wall-to-wall Customer Relationship Management (CRM) system to provide a 360 degree view of our clients, online portals and mobile apps to offer self-service and business intelligence systems. We are also investing in our people to ensure we have the internal capacity to fully leverage our new digital capabilities.

THE IT ECOSYSTEM

7
connected countries

70MB
internet link capacity

80+
connected servers (physical & virtual)

Over 3500
user support base

40+
IT resources supporting the ecosystem

Over 6000
interconnected devices

70+
databases

66
office locations across the network

50+
applications

300+
switches, routers and access points.

> We have transformed our marine insurance product to the online market place

SUSTAINABILITY REPORT (Continued)

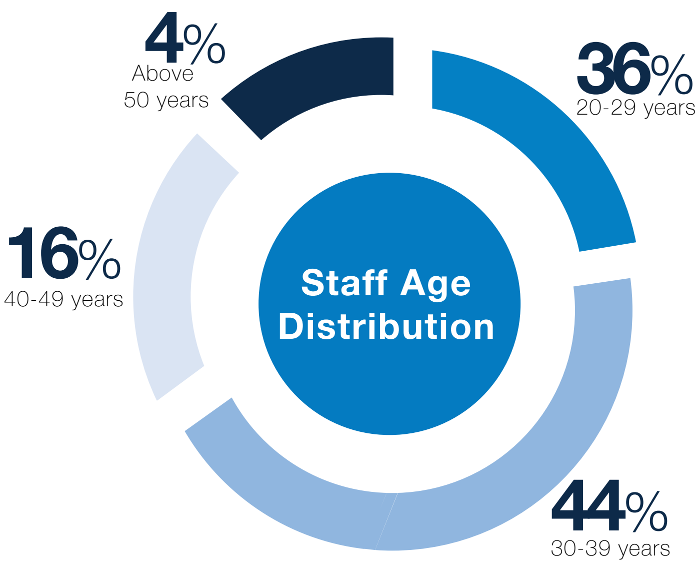
Our People, Our Pride

Our people vision is “To Transform Britam into an Employer of Choice, with loyal, motivated, engaged Staff and Financial Advisors.” We pride ourselves on creating the most dynamic and energetic organisation thanks to our people.

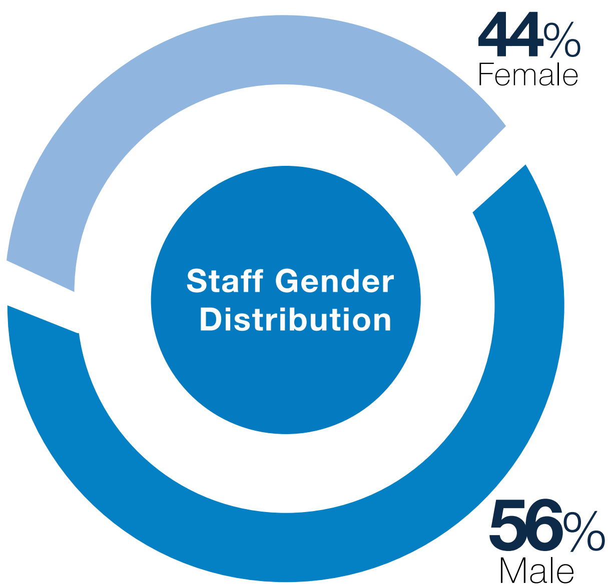
Our people mission is to “Create a Lifetime of Opportunities” for all our staff and financial advisors through ensuring we have the best people in the right place at the right time, in the right numbers to support our current and future business objectives. We see ourselves as providing opportunities to our staff to be wildly successful in their careers within the framework of available business opportunities.

Britam Employee Benefits

- Staff Loans - Car, Mortgage and Plot
- Medical- In and Out-patient covers
- Pension Benefit
- Group Personal Accident and Group Life covers
- Performance Based Bonuses
- Flexi-time Work Schedule
- Long Service Awards
- Staff Mobility to Britam Entities in other Countries



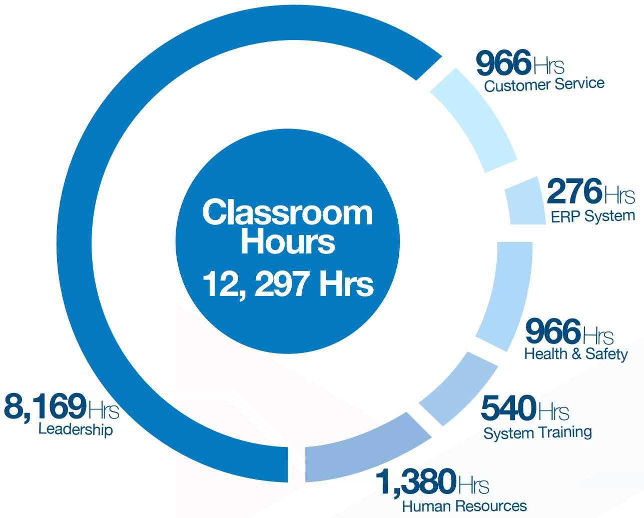
36% of staff between the ages of 20-29 years, 44% between the ages 31-39 years. Britam has a young and dynamic staff complement and close to 80% of its work force is under 40 years. The Group has adopted best practices to create a friendly yet challenging work environment, support and encourage work-life balance to help manage the young and dynamic staff.

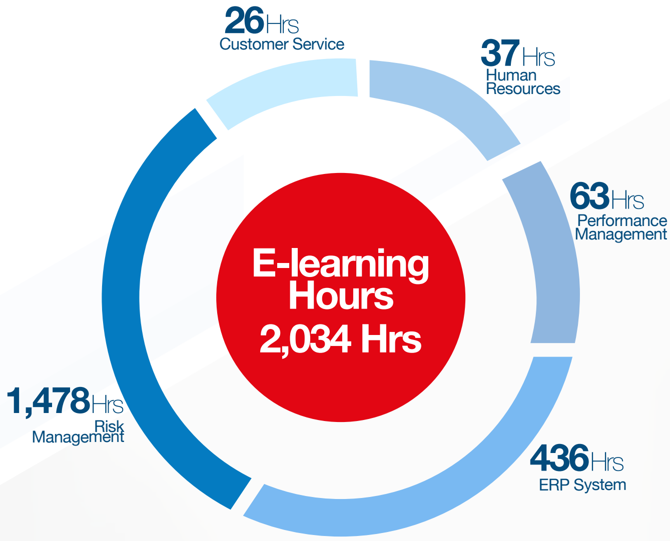


Britam is an equal opportunity employer and is committed to ensuring equal gender representation. The staff gender balance distribution is currently at 56% (male) and 44% (female). Efforts are in place towards the achievement of a 50:50 gender representation.

Britam has invested in continuous training in a bid to develop and retain exceptional talent. In 2016, staff underwent more than 14,000 hours of training delivered through e-learning or facilitator led trainings. Some of the trainings staff went through include Leadership, Customer Service, Risk Management, Performance Management, Enterprise Resource Planning (ERP) and Health & Safety.

The charts below shows a breakdown of the training hours.





The number of Financial Advisors grew to over 3,800 at the close of 2016. Britam's Financial Advisors cemented their exellence in the industry, by winning the 2016 Overall AKI Company of The Year Award. Britam has won the award for the 10th year running.

Britam staff attending the "All White" Christmas party.

FINANCIAL REPORT

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting their annual report together with the audited financial statements of Britam Holdings Limited ("the Company") and its subsidiaries (together "the Group" or "Britam Group") for the year ended 31 December 2016, which disclose the state of financial affairs of the Company and the Group. In accordance with Section 42 of the sixth schedule transitional and savings provisions of the Companies Act, 2015, this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if this repeal had not taken effect.

INCORPORATION AND CHANGE OF NAME

The Company is a public limited company domiciled in Kenya. Operating under certificate of incorporation number C. 5/2012. Refer to Note 1 for details of incorporation and name changes.

PRINCIPAL ACTIVITIES

Britam Group is a diversified financial services group. Currently consisting of 11 entities as listed under Note 1, the Group carries out activities in insurance, investment management, property businesses and private equity.

RESULTS AND DIVIDEND

Profit after tax of Shs 2,480,204,000 (2015: Loss after tax of Shs 1,009,458,000) has been added to the retained earnings.

The Directors recommend the payment of a dividend of Shs 581,525,000 (2015: Shs 581,525,000).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, the effects of changes in debt and equity market prices, and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. These policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsures. Investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit and risk and compliance functions help to ensure that these policies are followed. Group's risk management objectives and policies are detailed in Note 4.

DIRECTORS

The Directors who held office during the year and to the date of this report were:

1. Amb. Dr. Francis K. Muthaura, MBS EGH	- Chairman
2. Dr. Benson I. Wairegi, EBS	- Group Managing Director
3. Mr. Jimnah M. Mbaru, EBS	
4. Dr. Peter K. Munga, CBS	
5. Mrs. Agnes N. Odhiambo	
6. Mr. Samson K. Kamau	
7. Mr. W. Andrew Hollas	
8. Mr. Stephen O. Wandera	- Appointed 23 May 2016
9. Mr. Nduva Muli	- Retired 24 June 2016
10. Mr. Richard Langat	- Retired 24 June 2016

AUDITOR

The Company auditors, Deloitte & Touche, will continue in office in accordance with Section 719(2) of the Companies Act 2015.

Nancy Kiruki
Company and Board Secretary
24 March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the operating results of the Group for that year. It also requires the Directors to ensure that the Company and its subsidiaries keep proper accounting records that are sufficient to show and explain the transactions of the Company and its subsidiaries, and which disclose, with reasonable accuracy at any time, the financial position of the Group and Company. They are also responsible for safeguarding the assets of the Group.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the preparation and presentation of these annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and Company and of their operating results.

The Directors also accept responsibility for:

- designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company and its subsidiaries ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company and its subsidiaries' ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The Board of Directors has the authority to amend these financial statements after issue if deemed necessary.

The financial statements were approved by the Board of Directors on 24 March 2017 and signed on its behalf by:

Amb. Dr. Francis K. Muthaura, MBS, EGH
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

24 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITAM HOLDINGS LIMITED

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of Britam Holdings and its subsidiaries, ('the Group') set out on pages 53 to 143, which comprise the consolidated and company statements of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. Our audit opinion has been expressed in the first section of this report and, therefore, we do not provide a separate opinion on these key audit matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITAM HOLDINGS LIMITED (Continued)

Key Audit Matters (Continued)

Key audit matter	*How our audit addressed the key audit matter*
Determination of insurance contract liabilities Significant judgement is required by the Directors in relation to the recognition and valuation of insurance contract liabilities for group companies that operate life and non-life insurance business. Accordingly, the recognition and valuation of insurance contract liabilities is considered a key audit matter in our audit of the consolidated financial statements. As at 31 December 2016, these insurance contract liabilities amounted to Shs 18.7 billion (2015 – Shs 21.8 billion) as disclosed in Note 40 to the consolidated financial statements. The Group determines its liabilities under insurance contracts based on valuation basis prescribed in the Insurance Act in conjunction with the provisions of IFRS 4: Insurance Contracts. In the determination of insurance contract liabilities under the Life business, the basis applied contains prudent margins for adverse experience in mortality rates, expenses, persistency rates and discount rates while the determination of insurance contract liabilities for the non-life business involves application of historical claims experience and other factors. The inputs with the most significant impact on these valuations are discount rates and mortality rates that are used in the determination of insurance contract liabilities for the Life Business. In case of non life Business, estimates of the liability for reported claims are determined on the basis of the best information available at the time the records for the year are closed while estimates of the liability for claims incurred but not reported (IBNR) are determined on the basis of prevailing claims report and settlement patterns. The liabilities are calculated by the group's in-house Actuarial team and reviewed for adequacy by the appointed external Actuary.	We assessed the competence, capabilities and objectivity of the group's internal and independent Actuaries and verified their qualifications. In addition, we discussed the scope of their work and reviewed the terms of engagement for the external Actuary to determine that there were no matters that affected their objectivity or imposed scope limitations upon them. We confirmed that the approaches used were consistent with IFRS and industry norms. We made use of our independent internal actuarial specialists to evaluate Directors' and the Group Actuaries' judgements and, in particular we examined: • The models used by Directors and their independent actuary; and • The significant assumptions applied, including discount rates and mortality rates. On the significant assumptions, our independent internal actuarial experts compared these inputs to market data and entity-specific historical information to confirm the appropriateness of the judgements applied. We performed a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the values and assessed the appropriateness of the group's disclosures relating to these sensitivities. In addition, we compared the data inputs underpinning the insurance contract liabilities to the underlying accounting records to provide comfort on the accuracy, reliability and completeness thereof. Based on the procedures performed, we found that the models used were appropriate and that the carrying value of insurance contract liabilities at 31 December 2016 was reasonably determined. The disclosures to the consolidated financial statements pertaining to the insurance contract liabilities were found to be appropriate and comprehensive.

Other Information

The Directors are responsible for the other information, which comprises the information included in the report of Directors and the financial highlights which were obtained prior to the date of our report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have no issue to report in this regard.

Responsibilities of the Directors for the Consolidated and Company Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as Directors determine are necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Company's and the Group's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITAM HOLDINGS LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 162 of the Kenyan Companies Act, we report to you, based on our audit, that:

- We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;

- In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books of account; and

- The company's statement of financial position is in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is ***FCPA J W Wangai– P/No 1118.***

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya

24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December 2016 Shs'000	2015 Shs'000
Revenue			
Gross earned premiums	6	20,291,844	19,605,675
Less: Reinsurance premium ceded	6	(2,898,259)	(3,231,953)
Net earned premiums	**6**	**17,393,585**	**16,373,722**
Fund management fees	6	929,234	718,537
Net income from investment property	7	991,129	1,211,502
Interest and dividend income	8	4,232,846	3,128,572
Net realised gains on financial assets at fair value through profit or loss	9	32,718	209,944
Net unrealised fair value losses on financial assets	10	(2,444,727)	(2,836,211)
Commissions earned	11	718,839	735,788
Other income	12	506,590	589,133
Total income		**22,360,214**	**20,130,987**
Expenses			
Insurance claims and loss adjustment expenses	13	8,987,829	10,250,558
Amount recoverable from reinsurers	13	(1,201,053)	(2,405,947)
Change in actuarial value of policyholders benefits	13	(2,785,611)	2,769,604
Net insurance benefits and claims		**5,001,165**	**10,614,215**
Interest payments/ increase in unit value	14	1,742,978	495,774
Operating and other expenses	15 (i)	7,094,697	6,716,741
Finance costs	16	1,177,264	802,155
Commissions expense	17	3,547,258	3,291,904
Total expenses		**18,563,362**	**21,920,789**
Profit/ (loss) before share of the profit of the associate		3,796,852	(1,789,802)
Share of profit of the associates accounted for using the equity method	25 (i)	442,281	594,864
Profit/ (loss) before tax		**4,239,133**	**(1,194,938)**
Income tax (expense)/ credit	26	(1,758,929)	185,480
Profit/ (loss) for the year		**2,480,204**	**(1,009,458)**
Profit/ (loss) attributable to:			
- Owners of the parent		2,436,776	(962,189)
- Non-controlling interests	27 (iii)	43,428	(47,269)
Earnings/ (loss) per share for profit attributable to the owners of the parent during the year			
- Basic and diluted (Shs per share)	21	1.26	(0.5)

The notes on pages 63 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2016 Shs'000	2015 Shs'000
Profit/ (loss) for the year		**2,480,204**	**(1,009,458)**
Other comprehensive income/ (loss) items, net of tax:			
Items that will not be reclassified to profit or loss			
Gain/ (loss) on revaluation of land and buildings	26	678	(13,520)
Losses on revaluation of financial assets at fair value through other comprehensive income	26	(1,121,998)	(1,471,299)
Loss on disposal of financial assets at fair value through other comprehensive income	26	(268,287)	(281,044)
Re-measurement of the net defined benefit asset	26	(62,543)	20,024
Total items that will not be reclassified to profit or loss		**(1,452,150)**	**(1,745,839)**
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive loss from the associate accounted for using the equity method	26	(6,495)	(4,879)
Currency translation losses	26	(236,886)	(423,523)
Total items that may be subsequently reclassified to profit or loss		**(243,381)**	**(428,402)**
Total other comprehensive loss		**(1,695,531)**	**(2,174,241)**
Total other comprehensive income/ (loss) for the year		**784,673**	**(3,183,699)**
Attributable to:			
- Owners of the parent		741,245	(3,137,751)
- Non-controlling interests	27 (iii)	43,428	(45,948)

Items in the statement above are disclosed net of tax.

The notes on pages 63 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 Shs'000	2015 Shs'000
CAPITAL EMPLOYED			
Share capital	18 (i)	193,841	193,841
Share premium	18 (i)	4,263,412	4,263,412
Other reserves	19	11,874,244	10,424,977
Retained earnings	20	897,351	2,221,480
Proposed dividend	22	581,525	581,525
Shareholders' funds		**17,810,373**	**17,685,235**
Non-controlling interests	**27 (iii)**	**67,223**	**(10,787)**
Total equity		**17,877,596**	**17,674,448**
Assets			
Property and equipment	23	1,691,591	1,749,457
Intangible assets	24	1,989,351	1,751,804
Investment in associates	25 (i)	6,308,503	6,821,327
Goodwill	27 (i)	1,558,433	1,558,433
Deferred income tax asset	37	388,120	370,302
Retirement benefit asset	49	168,841	174,593
Investment property	28 (i)	4,890,775	3,602,438
Investment in property funds	28 (ii)	8,616,740	5,938,567
Financial assets at fair value through other comprehensive income	29	4,325,082	7,012,499
Financial assets at fair value through profit or loss	30	18,397,260	17,312,366
Government securities and corporate bonds at amortised cost	31	18,640,422	15,910,936
Mortgage loans and receivables	32	1,179,022	994,281
Loans and receivables to policyholders	33	834,382	614,663
Receivables arising out of reinsurance arrangements	34 (i)	1,104,021	804,445
Receivables arising out of direct insurance arrangements	34 (iii)	2,389,703	2,291,319
Reinsurers' share of insurance liabilities	35	2,679,371	3,444,336
Deferred acquisition costs	36	458,201	540,225
Other receivables	38	1,813,158	1,652,812
Current income tax recoverable	26	196,567	273,488
Restricted cash	39 (ii)	46,049	46,808
Cash and cash equivalents	39 (i)	5,967,017	4,767,253
Total assets		**83,642,609**	**77,632,352**
Liabilities			
Deferred income tax liability	37	3,394,778	2,094,584
Insurance contract liabilities	40	18,744,957	21,786,744
Payable under deposit administration contracts	44	21,839,735	14,964,027
Liabilities under investment contracts	45	4,910,059	5,486,194
Unearned premium	46	4,360,351	5,261,170
Payables arising from reinsurance arrangements	34 (ii)	544,754	800,263
Payables arising from direct insurance arrangements	34 (iv)	11,708	6,007
Borrowings	16	9,379,826	6,968,161
Other payables	47	2,443,573	2,553,317
Current income tax	26	135,272	37,437
Total liabilities		**65,765,013**	**59,957,904**
Net assets		**17,877,596**	**17,674,448**

The financial statements on pages 53 to 143 were authorised and approved for issue by the board of Directors on 24 March 2017 and signed on its behalf by:

Amb. Dr. Francis K. Muthaura, MBS, EGH
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000	Non-controlling interests Shs'000	Total equity Shs'000
Start of the year Comprehensive income		193,841	4,263,412	12,883,266	3,478,012	581,525	**21,400,056**	39,616	**21,439,672**
Loss for the year		-	-	-	(962,189)	-	**(962,189)**	(47,269)	**(1,009,458)**
Other comprehensive income, net of tax		-	-	(2,175,562)	-	-	**(2,175,562)**	1,321	**(2,174,241)**
Total comprehensive income for the year		**-**	**-**	**(2,175,562)**	**(962,189)**		**(3,137,751)**	**(45,948)**	**(3,183,699)**
Transfer to other reserves	19	-	-	(282,727)	282,727	-	**-**	-	**-**
Transactions with owners									
Purchase of non-controlling interest of 1% in Britam General Insurance (Kenya) Limited	27 (i)	-	-	-	4,455	-	**4,455**	(4,455)	**-**
Dividends:								-	**-**
- Final for 2014	22	-	-	-	-	(581,525)	**(581,525)**	-	**(581,525)**
- Proposed final for 2015	22	-	-	-	(581,525)	581,525	**-**	-	**-**
Total transactions with owners of the parent recognised directly in equity		**-**	**-**	**(282,727)**	**(294,343)**	**-**	**(577,070)**	**(4,455)**	**(581,525)**
At end of year		**193,841**	**4,263,412**	**10,424,977**	**2,221,480**	**581,525**	**17,685,235**	**(10,787)**	**17,674,448**

The notes on pages 63 to 143 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Year ended 31 December 2016	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000	Non-controlling interests Shs'000	Total equity Shs'000
Start of the year Comprehensive income		193,841	4,263,412	10,424,977	2,221,480	581,525	**17,685,235**	(10,787)	**17,674,448**
Profit for the year		-	-	3,127,080	(690,304)	-	**2,436,776**	43,428	**2,480,204**
Other comprehensive loss, net of tax		-	-	(1,695,531)	-	-	**(1,695,531)**	-	**(1,695,531)**
Total comprehensive income for the year		**-**	**-**	**1,431,549**	**(690,304)**	**-**	**741,245**	**43,428**	**784,673**
Transfer to other reserves	19	-	-	17,718	(17,718)	-	**-**	-	**-**
Transactions with owners									
Purchase of non-controlling interest of 35% in Britam Insurance Company Limited (Malawi)	27(iii)	-	-	-	(34,582)	-	**(34,582)**	34,582	**-**
Dividends:									
- Final for 2015	22	-	-	-	-	(581,525)	**(581,525)**	-	**(581,525)**
- Proposed final for 2016	22	-	-	-	(581,525)	581,525	**-**	-	**-**
Total transactions with owners of the parent recognised directly in equity		**-**	**-**	**17,718**	**(633,825)**	**-**	**(616,107)**	**34,582**	**(581,525)**
At end of year		**193,841**	**4,263,412**	**11,874,244**	**897,351**	**581,525**	**17,810,373**	**67,223**	**17,877,596**

The notes on pages 63 to 143 are an integral part of these financial statements.

Britam
With you every step of the way

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2016 Shs'000	2015 Shs'000
Operating activities			
Cash generated from operations	48	5,229,955	5,393,968
Income tax paid	26	(212,568)	(467,465)
Net cash generated from operating activities		**5,017,387**	**4,926,503**
Investing activities			
Purchase of property and equipment	23	(354,708)	(434,624)
Purchase of intangible assets	24	(480,897)	(903,558)
Investment in associate	25	-	(1,946,667)
Purchase of Real Insurance Company Limited	27	-	(14,625)
Purchase of investment property	28 (i)	(763,776)	(549,795)
Purchase in property funds	28 (ii)	(2,268,034)	(1,419,422)
Proceeds from disposal of fixed assets		46,374	2,009
Proceeds of disposal of quoted shares at fair value through other comprehensive income		2,799,261	857,904
Purchase of quoted shares at fair value through other comprehensive income	29	(1,563,126)	-
Purchase of quoted shares at fair value through profit or loss	30 (i)	(941,026)	(538,916)
Proceeds of disposal of quoted ordinary shares at fair value through profit or loss		661,694	923,815
Purchase of unquoted ordinary shares at fair value through profit or loss	30 (ii)	(54)	(3,952)
Net investment in unit trusts at fair value through profit or loss		(860,689)	1,139,295
Net investment in government securities at fair value through profit or loss		(1,520,596)	(286,839)
Net investment in government securities at amortised cost		(3,160,941)	(5,154,049)
Net investment in corporate bond held at amortised cost		417,650	(471,187)
Mortgage loans advanced	32	(298,368)	(196,727)
Mortgage loans repayments	32	207,016	152,011
Policy loans advanced	33	(851,501)	(509,863)
Policy loans repayments	33	582,108	419,419
Dividends received from associate	25	108,687	277,403
Dividends received from equity investments at fair value through profit or loss	8	468,834	245,462
Dividends received from equity investments at fair value through other comprehensive income	8	332,777	413,015
Rent and interest received		2,968,804	1,973,308
Net cash used in investing activities		**(4,470,511)**	**(6,026,583)**
Financing activities			
Dividends paid	22	(581,525)	(581,525)
Borrowing	16	2,176,064	400,000
Interest paid	16	(941,651)	(792,329)
Net cash generated from/ (used in) financing activities		**652,888**	**(973,854)**
Net increase/ (decrease) in cash and cash equivalents		1,199,764	(2,073,934)
At start of year		4,767,253	6,841,187
At end of year	**39 (i)**	**5,967,017**	**4,767,253**

The notes on pages 63 to 143 are an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2016 Shs'000	2015 Shs'000
Revenue			
Net (loss)/ income from investment property funds	7	(33,550)	201,776
Interest and dividend income	8	917,419	2,568,470
Net unrealised fair value losses	10	(1,101,879)	(824,235)
Other income/ (expenses)	12	39,261	(174)
Total income		**(178,749)**	**1,945,837**
Expenses			
Operating and other expenses	15 (i)	583,196	417,764
Finance costs	16	932,610	802,155
Total expenses		**1,515,806**	**1,219,919**
(Loss)/ profit before share of the profit of the associate		(1,694,555)	725,918
Share of profit of the associates accounted for using the equity method	25 (i)	176,568	96,641
(Loss)/ profit before tax		**(1,517,987)**	**822,559**
Income tax (charge)/ credit	26	(22,011)	162,591
(Loss)/ profit for the year		**(1,539,998)**	**985,150**
Other comprehensive income/ (loss) items, net of tax:			
Items that will not be reclassified to profit or loss			
Losses on revaluation of financial assets at fair value through other comprehensive income	29	(979,672)	(1,542,954)
Loss on disposal of financial assets at fair value through other comprehensive income	26	(268,287)	(281,044)
Capital gains tax write back	37	-	287,800
Total items that will not be reclassified to profit or loss		**(1,247,959)**	**(1,536,198)**
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive loss from the associate accounted for using the equity method	25 (i)	(3,163)	(1,044)
Total items that may be subsequently reclassified to profit or loss		**(3,163)**	**(1,044)**
Total other comprehensive loss		**(1,251,122)**	**(1,537,242)**
Total comprehensive loss for the year		**(2,791,120)**	**(552,092)**

The notes on pages 63 to 143 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016 Shs'000	2015 Shs'000
CAPITAL EMPLOYED			
Share capital	18 (i)	193,841	193,841
Share premium	18 (i)	4,263,412	4,263,412
Other reserves	19	2,011,516	3,262,638
Retained earnings	20	2,215,237	4,336,760
Proposed dividend	22	581,525	581,525
Shareholders' funds		**9,265,531**	**12,638,176**
REPRESENTED BY:			
Assets			
Property and equipment	23	43,708	41,030
Intangible assets	24	144,057	93,989
Investment in associate	25 (i)	2,518,386	2,666,746
Investment in subsidiary companies	27 (ii)	7,307,383	6,875,849
Investment in property funds	28 (ii)	737,493	471,421
Quoted ordinary shares at fair value through other comprehensive income	29	2,939,016	6,283,112
Quoted ordinary shares at fair value through profit or loss	30	2,472,707	3,296,942
Receivables from related parties	53	169,176	354,649
Other receivables	38	1,207,110	1,046,609
Cash and cash equivalents	39 (i)	1,388,214	88,024
Total assets		**18,927,250**	**21,218,371**
Liabilities			
Borrowings	16	8,139,108	6,968,161
Amounts due to related parties	53	1,133,951	1,438,866
Other payables	47	388,660	173,168
Total liabilities		**9,661,719**	**8,580,195**
Net assets		**9,265,531**	**12,638,176**

The financial statements on pages 53 to 143 were authorised and approved for issue by the board of Directors on 24 March 2017 and signed on its behalf by:

Amb. Dr. Francis K. Muthaura, MBS, EGH
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015	Notes	Share capital Shs'000	Share Premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Equity Shs'000
At start of year Comprehensive income		193,841	4,263,412	4,799,880	3,933,135	581,525	**13,771,793**
Profit for the year		-	-	-	985,150	-	**985,150**
Fair value gains on financial assets at fair value through other comprehensive income		-	-	(1,537,242)	-	-	**(1,537,242)**
Total comprehensive income for the year		**-**	**-**	**(1,537,242)**	**985,150**	**-**	**(552,092)**
Transactions with owners							
Dividends:							
- Final for 2014 paid	22	-	-	-	-	(581,525)	**(581,525)**
- Proposed final for 2015	22	-	-	-	(581,525)	581,525	-
Total transactions with owners		**-**	**-**	**-**	**(581,525)**	**-**	**(581,525)**
At end of year		**193,841**	**4,263,412**	**3,262,638**	**4,336,760**	**581,525**	**12,638,176**

Year ended 31 December 2016	Notes	Share capital Shs'000	Share Premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Equity Shs'000
At start of year Comprehensive income		193,841	4,263,412	3,262,638	4,336,760	581,525	**12,638,176**
Loss for the year					(1,539,998)		**(1,539,998)**
Associate share of fair value gains on financial assets at fair value through other comprehensive income	25 (i)	-	-	(3,163)	-	-	**(3,163)**
Loss on disposal of financial assets at fair value through other comprehensive income	26	-	-	(268,287)	-	-	**(268,287)**
Fair value loss on financial assets at fair value through other comprehensive income	29	-	-	(979,672)	-		**(979,672)**
Total comprehensive income for the year		**-**	**-**	**(1,251,122)**	**(1,539,998)**	**-**	**(2,791,120)**
Transactions with owners							
Dividends:							
- Final for 2015 paid	22	-	-	-	-	(581,525)	**(581,525)**
- Proposed final for 2016	22	-	-	-	(581,525)	581,525	**-**
Total transactions with owners		**-**	**-**	**-**	**(581,525)**	**-**	**(581,525)**
At end of year		**193,841**	**4,263,412**	**2,011,516**	**2,215,237**	**581,525**	**9,265,531**

The notes on pages 63 to 143 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2016 Shs'000	2015 Shs'000
Operating activities			
Cash generated from operations	48	(576,194)	(201,810)
Income tax paid		(22,011)	(23,711)
Net cash generated from operating activities		**(598,205)**	**(225,521)**
Investing activities			
Purchase of property and equipment	23	(17,733)	(14,072)
Purchase of intangible assets	24	(67,426)	(44,472)
Investment in subsidiaries	27 (ii)	(431,534)	(2,735,237)
Investment in associates	25	-	(2,666,746)
Purchase of Real Insurance	27	-	(14,626)
Net investment in property funds	28 (ii)	(299,622)	124,598
Disposal of investment property		-	670,000
Proceeds from disposal of quoted shares at fair value through other comprehensive income		2,096,137	1,393,200
Purchase of quoted shares at fair value through other comprehensive Income	29	-	(448,725)
Dividends received from associate	25	44,121	45,058
Dividends received from Subsidiaries	8	352,000	2,038,298
Dividends received from equity investments at fair value through profit or loss	8	166,404	148,362
Dividends received from equity investments at fair value through profit or loss	8	295,829	325,857
Rent and interest received		103,395	27,684
Net cash used in investing activities		**2,241,571**	**(1,150,821)**
Financing activities			
Dividends paid	22	(581,525)	(581,525)
Intercompany loan settlement		-	200,000
Bank loan proceeds	16	1,180,000	400,000
Interest paid	16	(941,651)	(792,329)
Net cash used in financing activities		**(343,176)**	**(773,854)**
Net increase/ (decrease) in cash and cash equivalents		1,300,190	(2,150,196)
At start of year		88,024	2,238,220
At end of year	**39(i)**	**1,388,214**	**88,024**

The notes on pages 63 to 143 are an integral part of these financial statements.

1. General information

Britam Holdings Limited is incorporated in Kenya under the Companies Act as a public limited company, and is domiciled in Kenya. The Company was first incorporated in Kenya on 26 July 1995 under the name British- American Financial Services Limited, changed its name to Britak Investments Company Limited on 25 September 2003 and again to British-American Investments Company (Kenya) Limited on 5 May 2006 all under certificate number C 66029. On 29 February 2012.The Company changed its status from a private liability limited company to a public limited company after listing in 2011 on the Nairobi Securities Exchange. British-American Investments Company (Kenya) Limited then became Britam Holdings Limited on 5 August 2015.

The address of its registered office is:

Britam Centre
Junction of Mara and Ragati Roads
P.O. Box 30375 - 00100
Upper Hill
Nairobi

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

For the Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

The Company acts as an investment company and a holding company for insurance, investment management and property businesses in Kenya, Uganda, Rwanda, South Sudan, Tanzania, Malawi and Mozambique.

The Group comprises eleven entities: Britam Holdings Limited which is the parent company; Britam Life Assurance Company (Kenya) Limited, Britam General Insurance Company (Kenya) Limited, Britam Asset Managers (Kenya) Limited, Britam Properties (Kenya) Limited, Britam Insurance Company (Uganda) Limited, Britam Insurance Company (Rwanda) Limited, Britam Insurance Company Limited (South Sudan), Britam Insurance (Tanzania) Limited, Britam Insurance Company Limited (Malawi) and Britam - Companhia De Seguros De Mozambique S.A. The Group also has a 48.82% stake in HF Group in Kenya, which is accounted for as an associate.

The principal accounting policies adopted in the preparation of these financial statements are set out below and relate to both the Company's and the Group's activities. These policies have been consistently applied to all years presented, unless otherwise stated.

2. Summary of significant accounting policies

a. Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

Apart from certain items that are carried at revalued and fair valued amounts, as explained in the accounting policies below, the financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern and presented in Kenyan Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Directors to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b. Accounting standards and disclosures

i. Adoption of new and/or revised standards and amendments to existing standards

During the current year, the Group has adopted all of the new and revised standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016. The adoption of these new and revised standards has not resulted in material changes to the Group's accounting policies. Details of the new and revised accounting standards effective in the current year and their impact to the Group's financial statements is detailed in Note 54 (i).

ii. New and revised standards effective in future periods

Disclosure and assessment of the new and revised accounting standards effective in future periods is detailed in Note 54 (ii).

iii. Changes in accounting estimates

During the year, the Group adopted the Gross Premium Valuation (GPV) methodology in the valuation of its long term insurance liabilities. Details of this change has been disclosed under Note 43 (i).

NOTES

2. Summary of significant accounting policies (Continued)

c. Consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiaries acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Realised gains or losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries and also includes the Group's share of the results of the associate company as disclosed in note 25 to the financial statements, all made up to 31 December

Investments in subsidiary companies in the company's books are carried at cost less provision for impairment.

ii. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv. Investments in associate companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

When the Group increases its stake in an existing associate continuing to have significant influence but not gaining control, the cost of acquiring the additional stake (including any directly attributable costs) is added to the carrying value of the associate and goodwill arising

2. Summary of significant accounting policies (Continued)

c. Consolidation (Continued)

iv. Investments in associate companies (Continued)

on the purchase of the additional stake is calculated using fair value information at the date the additional interest is acquired (any negative goodwill is recognised in profit or loss).

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

d. Insurance contracts

i. Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. See accounting policy for these contracts under Note 2 (h). Insurance contracts and investment contracts are classified into two main categories depending on the duration of risk and as per the provisions of the Insurance Act.

Long term insurance business

Includes insurance business of all or any of the following classes, namely, life assurance business (ordinary life and Group life), superannuating business, industrial life assurance business and bond investment business and business incidental to any such class of business.

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for term dependent upon human life. Superannuating business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuating, Group life and permanent health insurance policy.

General insurance business

This is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above.

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of motor vehicles, inclusive of third party risks but exclusive of transit risks. Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class. It also includes business of effecting and carrying out contracts of insurance against risk of persons insured incurring medical expenses.

2. Summary of significant accounting policies (Continued)

d. Insurance contracts (Continued)

i. Classification (Continued)

General insurance business (Continued)

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business, damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

ii. Recognition and measurement

- Premium income

For long term insurance business, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. For general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the un expired terms of policies in force at the financial reporting date, and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

- Claims

For long term insurance business, benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in-force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at each financial reporting date using the assumptions established at inception of the contracts.

For general insurance business, claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the financial reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported (“IBNR”). Outstanding claims are not discounted.

- Commissions earned and payable and deferred acquisition costs (“DAC”)

Commissions earned and payable are recognised in the period in which relevant premiums are written. A proportion of commissions’ payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

- Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss as part of claims incurred.

- Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsures, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

2. Summary of significant accounting policies (Continued))

d. Insurance contracts (Continued)

ii. Recognition and measurement (Continued)

- Reinsurance contracts held (Continued)

Amounts recoverable from or due to reinsures are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 2 (m) (iv).

- Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets. These processes are described in Note 2 (m) (iv).

- Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

e. Functional currency and translation of foreign currencies

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The consolidated financial statements are presented in 'Kenyan Shillings (Shs) rounded to the nearest thousand, which is the Group's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets through other comprehensive income, are included in other comprehensive income.

iii. Hyper-inflation

One of the subsidiaries of the Company (Britam Insurance Company Limited (South Sudan)) operates in a hyper-inflationary economy. This has been assessed in accordance with the provisions of IAS 29. The information in the current and comparative periods for the subsidiary are restated to the currency units at the end of current reporting period to reflect the change in purchasing power. The financial statements for the subsidiary are prepared in a current cost method. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the South Sudan Bureau of Statistics office. The base year used is 2015 and the factors used to restate the financial statements at 31 December 2016 are a conversion factor of 740.48 to one USD (2015: 210.16) and a CPI of 3.52 (2015:1.00).

2. Summary of significant accounting policies (Continued)

e. Functional currency and translation of foreign currencies (continued)

iv. Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable
- approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

f. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Board.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

g. Revenue recognition

i. Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under Note (d) above.

ii. Commissions

Commissions receivable are recognised as income in the period in which they are earned.

iii. Rendering of services

Revenue arising from asset management and other related services offered by the Group are recognised in the accounting period in which the services are rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

These services comprise the activity of trading financial assets in order to reproduce the contractual returns that the Group's customers expect to receive from their investments. Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts. For practical purposes, the Group recognises these fees on a straight-line basis over the estimated life of the contract. Certain upfront payments received for asset management services ('front-end fees') are deferred and amortised in proportion to the stage of completion of the service for which they were paid.

The Group charges its customers for asset management and other related services using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis; and
- Regular fees are charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

iv. Interest income

Interest income for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within 'investment income' (Note 8) in the profit or loss using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

v. Dividend income

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for equity securities.

2. Summary of significant accounting policies (Continued)

g. Revenue recognition (Continued)

vi. Rental income

Rental income is recognized as income in the period in which it is earned. All investment income is stated net of investment expenses.

vii. Realised/ unrealised gains and losses

Realised/ unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

h. Investment contracts

The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for a number of retirement benefit schemes

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets (these contracts are also known as unit-linked investment contracts) and are designated at inception as at fair value through profit or loss. The Group designates these investment contracts to be measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (i.e. the fair value received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit on day 1. The Group has not recognised any profit on initial measurement of these investment contracts because the difference is attributed to the prepayment liability recognised for the future investment management services that the Group will render to each contract holder.

The Group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the financial reporting date by the unit value for the same date.

When the investment contract has an embedded put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable. For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period if the holder has the option to redeem the instrument earlier than maturity.

The Group re-estimates at each reporting date the expected future cash flows and recalculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognised as income or expense in the statement of profit or loss.

i. Property and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance outlays are charged to the statement of profit or loss during the financial period in which they are incurred.

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives and charged to profit or loss, as follows:

NOTES

2. Summary of significant accounting policies (Continued)

i. Property and equipment (Continued)

Buildings	40 years
Leasehold improvements	10 years
Motor vehicles	5 years
Computer equipment	5 years
Furniture, fittings and office equipment	5 years

Property and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amounts and are taken into account in determining operating profit. Buildings are revalued on an annual basis with the change credited/debited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserves.

On disposal of revalued assets, amounts in the revaluation reserve relating to that asset may be transferred to retained earnings.

j. Intangible assets

i. Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to use or sell the software product;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available;
- The expenditure attributable to the software product during its development can be reliable measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The amortisation process commences when the asset is deemed to be in the location and condition for it to be capable of operating in the manner intended by management. Computer software development costs recognised as assets are amortised over their estimated finite useful lives, which does not exceed seven years. The amortisation is charged to the statement of profit or loss.

ii. Goodwill

Goodwill arises on the acquisition of subsidiaries and associates. It represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense through statement of profit or loss and is not subsequently reversed.

k. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Any noted reversals are recognised through statement of profit or loss.

l. Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and which are not occupied by the Group are classified as investment property.

Investment property is treated as a long term investment and is carried at fair value, representing open market

2. Summary of significant accounting policies (Continued)

l. Investment property (Continued)

value determined annually by external valuers. Changes in fair values are included in investment income in profit or loss. Land held under operating lease is classified and accounted for as investment property if and only if the property meets the definition of an investment property.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Properties under construction and development sites with projected use as investment properties are valued at projected fair values taking into account current market conditions, outstanding investment costs and a risk loading according to the progress of the project.

m. Financial instruments

As at 1 January 2013 the Group's management adopted IFRS 9 phase 1; classification and measurement of financial assets and liabilities. The Group's financial assets are now classified and measured as follows; at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. The classification of the assets to the three categories is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

i. Classification of financial assets

- Classification of financial assets at amortised cost

The Group measures a financial asset at amortised cost if both of the following conditions are met;

- The financial asset is held within the Group with an objective to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds the following assets at amortised costs; part of its government securities portfolio, part of its corporate bonds portfolio, direct insurance and reinsurance receivables, other receivables, mortgage loans, loans and receivables to policyholders, investment in liquid funds and receivables deposits with financial institutions and cash and bank balances.

- Classification of financial assets at fair value through other comprehensive income.

The Group measures financial assets at fair value through other comprehensive income if both of the following conditions are met;

- The financial asset is held within the Group with an objective to both collect contractual cash flows and sell the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group holds part of its quoted ordinary shares portfolio in this category.

- Classification of financial assets at fair value through profit or loss

The Group measures financial assets at fair value through profit or loss unless as a financial asset is measured at amortised cost or at fair value through other comprehensive income. However the Group, may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Group may at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Group holds the following assets in this category; part of its government securities portfolio, part of its corporate bonds portfolio, part of its quoted ordinary shares portfolio and the unit trusts.

ii. Classification of financial liabilities

The Group classifies financial liabilities in two categories; at amortised cost and at fair value through profit or loss.

- Classification of financial liabilities at amortised cost

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies.
- Financial guarantee contracts.
- Contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

The Group holds the following liabilities in this category; creditors arising from reinsurance arrangements, other payables and bank overdraft.

- Classification of financial liabilities at fair value through profit or loss

The Group, at initial recognition irrevocably designates a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

A group of financial liabilities or financial assets is managed and its performance i.e evaluated on a fair value basis, in accordance with documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The Group holds the following liabilities in this category; payables under deposit administration contracts and liabilities under investment contracts.

2. Summary of significant accounting policies (Continued)

m. Financial instruments (Continued)

The table below show how financial assets and liabilities are classified:

Group

At 31 December 2016	At amortised cost Shs' 000	At fair value through profit or loss Shs' 000	At fair value through other comprehensive income Shs' 000	Total Shs' 000
Financial assets				
Quoted ordinary share	-	7,504,001	4,325,082	**11,829,083**
Government securities	17,190,127	4,234,671	-	**21,424,798**
Corporate bonds	1,450,295	-	-	**1,450,295**
Unit trusts	-	6,649,003	-	**6,649,003**
Investment in property funds	-	8,616,740	-	**8,616,740**
Other receivables	1,813,158	-	-	**1,813,158**
Investment in liquid funds	1,042,825	-	-	**1,042,825**
Mortgage loans and receivables	1,179,022	-	-	**1,179,022**
Loans and receivables to policyholders	834,382	-	-	**834,382**
Receivables arising out of reinsurance arrangements	1,104,021	-	-	**1,104,021**
Receivables arising out of direct insurance arrangements	2,389,703		-	**2,389,703**
Restricted cash	46,049	-	-	**46,049**
Deposits with financial institutions	3,623,196	-	-	**3,623,196**
Cash and bank balances	1,300,996	-	-	**1,300,996**
Total financial assets	**31,973,774**	**27,004,415**	**4,325,082**	**63,303,271**
Financial liabilities				
Payable under deposit administration contracts	-	21,839,735	-	**21,839,735**
Liabilities under investment contracts	-	4,910,059	-	4,910,059
Borrowings	9,379,826	-		9,379,826
Creditors arising from reinsurance arrangements	544,754	-	-	544,754
Creditors arising out of direct insurance arrangements	11,708	-	-	11,708
Other payables	2,443,573	-	-	2,443,573
Total financial liabilities	**12,379,861**	**26,749,794**	**-**	**39,129,655**

Company

Financial assets				
Quoted ordinary shares	-	2,472,706	2,939,016	**5,411,722**
Investment in property funds	-	737,493	-	**737,493**
Other receivables	1,207,111	-	-	**1,207,111**
Investment in liquid funds	937,055	-	-	**937,055**
Amounts due from related parties	169,176	-	-	**169,176**
Deposits with financial institutions	401,282	-	-	**401,282**
Cash and bank balances	49,877	-	-	**49,877**
Total financial assets	**2,764,501**	**3,210,199**	**2,939,016**	**8,913,716**
Financial liabilities				
Borrowings	8,139,108	-	-	**8,139,108**
Amounts due to related parties	1,133,951	-	-	**1,133,951**
Other payables	388,660	-		388,660
Total financial liabilities	**9,661,719**	**-**	**-**	**9,661,719**

2. Summary of significant accounting policies (Continued)

m. Financial instruments (Continued)

Group

At 31 December 2015	At amortised cost Shs' 000	At fair value through profit or loss Shs' 000	At fair value through other comprehensive income Shs' 000	Total Shs' 000
Financial assets				
Quoted ordinary shares	-	9,143,190	7,012,499	**16,155,689**
Government securities	14,042,036	2,629,930	-	**16,671,966**
Corporate bonds	1,868,900	-	-	**1,868,900**
Unit trusts	-	5,529,452	-	**5,529,452**
Investment in property funds	-	5,938,567	-	**5,938,567**
Mortgage loans and receivables	994,281	-	-	**994,281**
Loans and receivables to policyholders	614,663	-	-	**614,663**
Receivables arising out of reinsurance arrangements	804,445	-	-	**804,445**
Receivables arising out of direct insurance arrangements	2,291,319	-	-	**2,291,319**
Restricted cash	46,808	-	-	**46,808**
Other receivables	1,652,812	-	-	**1,652,812**
Deposits with financial institutions	3,128,619	-	-	**3,128,619**
Cash and bank balances	1,548,634	-	-	**1,548,634**
Total financial assets	**26,992,517**	**23,241,139**	**7,012,499**	**57,246,155**
Financial liabilities				
Payable under deposit administration contracts	-	14,964,027	-	**14,964,027**
Liabilities under investment contracts	-	5,486,194	-	**5,486,194**
Borrowings	6,968,161	-	-	**6,968,161**
Creditors arising from reinsurance arrangements	800,263	-	-	**800,263**
Creditors arising out of direct insurance arrangements	6,007	-	-	**6,007**
Other payables	2,553,317	-	-	**2,553,317**
Total financial liabilities	**10,327,748**	**20,450,221**	**-**	**30,777,969**

Company

	At amortised cost Shs' 000	At fair value through profit or loss Shs' 000	At fair value through other comprehensive income Shs' 000	Total Shs' 000
Financial assets				
Quoted ordinary shares	-	3,296,942	6,283,112	**9,580,054**
Investment in property funds	-	471,422	-	**471,422**
Amounts due from related parties	354,649	-	-	**354,649**
Other receivables	1,046,609	-	-	**1,046,609**
Cash and bank balances	88,024	-	-	**88,024**
Total financial assets	**1,489,282**	**3,768,364**	**6,283,112**	**11,540,758**
Financial liabilities				
Borrowings	6,968,161	-	-	**6,968,161**
Amounts due to related parties	1,438,866	-	-	**1,438,866**
Other payables	173,168	-	-	**173,168**
Total financial liabilities	**8,580,195**	**-**	**-**	**8,580,195**

2. Summary of significant accounting policies (Continued)

m. Financial instruments (Continued)

iii. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present unrealized and realized fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as long as they represent a return on investment.

The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

iv. Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as default or delinquency in interest or principal repayments;
- The company granting to the borrower, for economic Legal reasons relating to the borrower's financial difficulty, a concession that the company would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company including:

- Adverse changes in the payment status of borrowers in the Company; or
- National or local economic conditions that correlate with defaults on the assets in the company

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant

2. Summary of significant accounting policies (Continued)

m. Financial instruments (Continued)

iv. Impairment of financial assets (Continued)

to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the company and historical loss experience for assets with credit risk characteristics similar to those in the company.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement. Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

v. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

n. Investment in property funds

A property fund invests primarily in property investments with an aim of realising gains from either rental income or realised and unrealised income from selling the property or property revaluations. Fair value gains on the property funds are consequently a direct product of the share of ownership in the fund and the unrealised gains from the underlying investment property.

o. Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

p. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

q. Employee benefits

The Group originally established a contributory final salary defined benefit plan covering substantially all its employees, including agents. The plan was funded under a single Trust, and the principal asset held by the Trustees was a deposit administration policy issued by the Group. Members now contribute 7.5% of pensionable earnings.

Effective January 1, 2006, the Group established a defined contribution section as a supplementary scheme to the existing plan. Existing members were given the irrevocable option of either (a) remaining in the defined benefit section and continuing to accrue benefits, or (b) participating in the defined contribution section with effect from January 1, 2006, and relinquishing prior defined benefit entitlement in return for a "conversion value" transferred from the defined benefit section into the defined contribution section. In October 2010, the two sections were separated into two independent plans, each with its own Trust Deed and Rules, and each holding a separate deposit administration policy issued by the Group. The actuarial results presented relate only to the defined benefit plan

The defined benefit plan provides a retirement benefit on attaining age 60 based on 2% of final average pensionable earnings for each year of service while a member of the plan. Similarly-calculated benefits are provided on withdrawal, death in service and disability. Group contributions to the plan are normally determined as those required to provide all promised benefits over the long term.

Plan liabilities and costs are established by independent actuaries using the Projected Unit Credit Method. The plan is fully valued at least every two years.

2. Summary of significant accounting policies (Continued)

q. Employee benefits (Continued)

Actuarial gains and losses re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period to which they apply.

The significant risks to which the Group is exposed through the operation of its defined benefit plan are asset mismatching risk, funding risk and pensioner longevity risk:

Asset mismatching occurs because investment earnings on the plan's principal asset derive from the declared rate on the deposit administration policy; this rate is declared annually by the Group based on the investment performance for the year of the pooled funds supporting its deposit administration portfolio. The liabilities are long-term in nature, comprising the expected future outflow of benefits, and the discount rate used to value them is based on the yield on low-risk or risk-free bonds for a term commensurate with their duration (10 to 11 years). Consequently, as long-term yields rise and fall, the present value of the liabilities will fall and rise, but the change in value of the assets will only reflect the one-year declared rate.

Pensioner longevity risk reflects the fact that the liabilities for pensions in payment are based on assumptions as to the future mortality of present and future pensioners and their contingent beneficiaries. A longer emerging life expectancy than that implied by the mortality tables currently in use will create a plan deficit over time. The plan's pensioner population is too small to develop plan-specific mortality assumptions.

The Group provides;

- Annual paid leave, the cost of which is expensed as earned.
- Incentive bonus: Staff are entitled to a bonus which is based on pre-set performance parameters on an annual basis. The full cost of the bonus is expensed in the year in which it is earned.

r. Income tax

i. Current income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

s. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies (Continued)

t. Dividends

Dividends payable to the Group's shareholders are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

u. Share capital

Ordinary shares are classified as share capital in equity. Any premium received over and above the par value of the shares is classified as share premium in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds net of tax.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

v. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Executive Management Board that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8, the Group has the following business segments: Long term insurance business, Short term insurance business, Asset Management, Property and Corporate and Other.

w. Comparative statements

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. Particularly, the statements of financial position for the previous year have been reconstructed to: -

i. Meaningfully and consistently present the Group's investments in investment property and investment in property funds;

ii. Better present the financial assets held at fair value through profit or loss and those held at fair value through other comprehensive income as now presented in Note 29 and Note 30;

iii. Condense related items previously separately presented as reflected under Note 39 (i) into cash and cash equivalents; and

iv. Expound to reflect the effect and appropriate presentation of the restricted cash.

The above changes have not resulted in changes in net assets as reflected in the prior year.

The consolidated statement of cash flows for the previous year has been reconstructed to reflect the effect of the restricted cash and specifically to conform to changes in presentation in the current year.

3. Critical accounting estimates, judgements and assumptions

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognised in the financial statements include:

- Valuation models and estimations

The carrying value of the insurance technical liabilities have been valued based on various models. Assumptions have been made for various items including mortality, interest and inflation rates. The details of these are set out in Note 43 (ii).

The fair value of financial instruments that are unquoted (not traded in an active market) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the statement of financial position date. The details of these are set out in Note 4 (f).

- Classification of financial instruments

Financial assets have been classified as per the accounting policy detailed in Note 2 (m).

Investment property has been determined using the Group's accounting policy. Whether land and building meet criteria to be classified as investment property is as disclosed in Note 2 (l).

3. Critical accounting estimates, judgements and assumptions (Continued)

- Impairment of assets

Management assesses the carrying value of the Group's assets on an annual basis.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 27 (i).

In the current year, the results of the impairment assessment tests performed on the investment in the associate resulted in recognition of an impairment as detailed in Note 25 (iii). No impairment was deemed necessary in the prior year.

The Group is exposed to credit risk in relation to various assets including loans. Details of these are included in Note 4 (b).

- Income taxes

Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Property, plant and equipment

Critical estimates are made by management in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2 (i) above.

- Retirement benefit liability

The present value of the retirement benefit obligations attributable to the defined benefits scheme depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The assumptions used in determining the net cost (income) for pensions are disclosed in Note 49.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

4. Risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including underwriting risk, liquidity risk, credit risk and the effects of changes in debt and equity market prices, foreign exchange risk and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

The Group's risk management policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit function helps to monitor that these policies are followed.

a. Insurance risk - Group

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The following tables disclose the concentration of insurance risk by the class of business in which the contract holder operates analysed by the maximum insured loss limit included in the terms of the policy (gross and net of reinsurance).

4. Risk management objectives and policies (Continued)

a. Insurance risk - Group (Continued)

Year ended 31 December 2016

	Class of business	Shs Millions	Maximum insured loss 0 – 15 Shs'000	15 - 250 Shs'000	Over 250 Shs'000	Total Shs'000
General Insurance business – Sum assured	Motor	Gross	23,081,693	64,110,464	4,509,250	91,701,407
		Net	23,152,868	63,803,887	4,281,546	91,238,301
	Fire	Gross	13,807,408	104,222,783	336,822,081	454,852,272
		Net	5,331,610	82,911,274	49,410,657	137,653,541
	Personal accident	Gross	4,608,404	41,023,084	73,705,604	119,337,092
		Net	5,030,030	22,280,634	32,689,899	60,000,563
	Other	Gross	9,124,849	116,522,938	206,829,913	332,477,700
		Net	3,196,223	84,959,636	85,710,811	173,866,670
Long term business	Ordinary life	Gross	182,103,820	2,611,730	-	184,715,550
		Net	162,556,757	-	-	162,556,757
	Group life	Gross	219,394,439	24,187,204	60,786,847	304,368,490
		Net	203,882,171	5,477,671	46,527,427	255,887,269
Total		**Gross**	**452,120,613**	**352,678,203**	**682,653,695**	**1,487,452,511**
		Net	**403,149,659**	**259,433,102**	**218,620,340**	**881,203,101**

Year ended 31 December 2015

	Class of business	Shs Millions	Maximum insured loss 0 – 15 Shs'000	15 - 250 Shs'000	Over 250 Shs'000	Total Shs'000
General Insurance business – Sum assured	Motor	Gross	21,807,422	1,378,867	-	23,186,289
		Net	21,532,483	1,078,329	-	22,610,812
	Fire	Gross	11,692,146	32,084,932	80,169,708	123,946,786
		Net	11,505,396	22,855,274	-	34,360,670
	Personal accident	Gross	15,100,288	2,308,570	428,270	17,837,128
		Net	11,860,638	1,262,318	-	13,122,956
	Other	Gross	7,309,599	22,690,789	52,309,343	82,309,731
		Net	7,339,874	15,176,069	1,734,005	24,249,948
Long term business	Ordinary life	Gross	161,312,164	2,950,631	-	164,262,795
		Net	154,846,347	-	-	154,846,347
	Group life	Gross	394,944,059	2,185,209	-	397,129,268
		Net	319,843,786	-	-	319,843,786
Total		**Gross**	**612,165,678**	**63,598,998**	**132,907,321**	**808,671,997**
		Net	**526,928,524**	**40,371,990**	**1,734,005**	**569,034,519**

A 10% change in the Group's claims experience would result in a Shs 50,890,682 change in the Group's profit for the year (2015: Shs 106,142,150).

NOTES

4. Risk management objectives and policies (Continued)

b. Credit risk - Group and Company

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Group by failing to pay amounts in full when due. Credit risk is an important risk for the Group's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise from;

- Investment balances;
- Reinsurers' share of insurance liabilities;
- Mortgage loans and receivables;
- Loans and receivables to policy holders;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders; and
- Amounts due from insurance intermediaries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review. The exposure to any one borrower is further restricted by sub-limits. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. None of the Group's credit risk counter parties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating. The Group classifies counterparties without an external credit rating as below:

Group 1 - New customers/related parties.

Group 2 - Existing customers/related parties with no defaults in the past.

Group 3 - Existing customers/related parties with some defaults in the past and the defaults having been fully recovered.

4. Risk management objectives and policies (Continued)

b. Credit risk - Group and Company (Continued)

Maximum exposure to credit risk before collateral held

Company 2016 Shs'000	Company 2015 Shs'000	Assets	Credit rating	Group 2016 Shs'000	Group 2015 Shs'000
-	-	Government securities at fair value through profit or loss	B+	4,234,671	2,629,930
-	-	Government securities held at amortised cost	B+	17,190,127	14,042,036
-	-	Receivables arising out of reinsurance arrangements	AA-	1,104,021	804,445
-	-	Corporate bonds at amortised cost	Group 2	1,450,295	1,868,900
-	-	Unit trusts	Group 2	6,649,003	5,529,452
737,493	471,421	Investments in property funds	Group 2	8,616,740	5,938,567
-	-	Mortgage loans and receivables	Group 2	1,179,022	994,281
-	-	Loans and receivables to policy holders	Group 2	834,382	614,663
-	-	Receivables out of direct insurance arrangements	Group 2	2,389,703	2,291,319
-	-	Reinsurers' share of insurance contract liabilities	Group 2	2,679,371	3,444,336
169,176	354,649	Receivables from related parties	Group 2	-	-
1,206,936	1,043,369	Other receivables (excluding prepayments)	Group 2	1,732,590	1,570,401
401,282	-	Deposits with financial institutions	Group 2	3,623,196	3,218,619
-	-	Restricted cash	Group 2	46,049	46,808
937,055	-	Investment in liquid funds	Group 2	1,042,825	-
49,877	88,024	Cash and bank balances (excluding cash in hand)	Group 2	1,299,635	1,547,364
3,501,819	**1,957,463**	**Total**		**54,071,630**	**44,541,121**

The above table represents a worst case scenario of credit risk exposure to the Group and the Company at 31 December 2016 and 2015, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position. Other receivables balance shown in the table is less prepaid amounts while the cash and bank balances are less cash in hand balances.

As shown above, 40% of the total maximum exposure is derived from government securities (2015: 37%) and 12% to the unit trusts (2015: 12%). In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

Mortgage loans are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees. Policy loans are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to Shs 2,730,252,000 (2015: 2,676,000,000) while the surrender values of the policies with loans amounted to Shs: 3,259,002,544 (2015: Shs 2,811,224,000). In case of default the collateral would be realised thereby reducing the Group's credit risk.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from mortgage loans and debt securities based on the following:

a. The Group exercises stringent controls over the granting of new loans.
b. 91% (2015: 91%) of the mortgages portfolio are neither past due nor impaired.
c. 100% (2015: 100%) of the mortgages portfolio are backed by collateral.
d. 94% (2015: 90%) of the investments in debt securities are government securities.

NOTES

4. Risk management objectives and policies (Continued)

b. Credit risk - Group and Company (Continued)

The credit quality for the receivables that are past due but not impaired, can be classified as below:

	2016 Shs'000	2015 Shs'000
Receivables from direct insurance arrangements		
Counterparties without external credit rating - Group 2	2,389,703	2,291,319
Total	**2,389,703**	**2,291,319**

Group

Mortgage loans past due but not impaired

Loans and advances less than 180 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired as at the reporting date were as follows:

		2016 Shs 000	2015 Shs 000
Past due up to 30 days	Group 1	2,925	2,396
Past due 31 – 60 days	Group 1	2,201	2,193
Past due 61 – 180 days	Group 1	53,771	34,505
Total		**58,897**	**39,094**

Mortgage loans individually impaired

Mortgage loans are considered impaired if they fall in arrears for more than six months or other information becomes available which indicates that the borrower will not be able to meet their obligation.

Impaired mortgage loans of Shs 47,039,540 as at 31 December 2016 (2015: Shs 48,801,136) were secured by collateral of Shs 522,971,684 (2015: Shs 831,175,686).

As at 31 December 2016 and 31 December 2015, there are no repossessed collateral and there were no renegotiated loans.

Receivables from direct insurance arrangements

Receivables from direct insurance arrangements are summarised as follows:

		2016 Shs '000	2015 Shs '000
Past due but not impaired	Group 2	2,389,703	2,291,319
Impaired	Group 2	458,400	639,220
Gross		**2,848,103**	**2,930,539**
Movements in the provision account			
At 1 January		639,220	71,343
(Decrease)/ increase		(180,820)	567,877
At 31 December		**458,400**	**639,220**
Net receivable		**2,389,703**	**2,291,319**

Receivables from direct insurance arrangements less than 180 days past due are not considered impaired, unless other information is available to indicate the contrary.

4. Risk management objectives and policies (Continued)

b. Credit risk - Group and Company (Continued)

The amounts for receivables from direct insurance arrangements that were past due but not impaired were as follows:

	2016 Shs '000	2015 Shs '000
Past due 1 – 60 days	1,104,334	1,496,759
Past due 61 – 90 days	426,641	447,843
Past due 91 - 180 days	858,728	346,717
Over 180 days	458,400	639,220
Provision for bad debt	(458,400)	(639,220)
Total	**2,389,703**	**2,291,319**

These receivables from direct insurance arrangements are unsecured.

Receivables from direct insurance arrangements individually impaired

Receivables from direct insurance arrangements are considered impaired if they fall in arrears for more than 180 days or other information becomes available that indicates that the debt may not be collected.

The total gross amount of impaired receivables is owed by brokers. Other than the above, there are no other financial assets that are either past due or impaired.

The other financial assets as included in the maximum exposure to credit risk table are neither past due nor impaired.

c. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities as they fall due.

The Group is exposed to daily calls on its available cash resources from maturing policies, claims and calls on cash settled contingencies. The investments and treasury department monitors liquidity on a daily basis.

The tables overleaf presents the cash flows payable by the Group under liabilities by the remaining contractual maturities (other than insurance and investment contract liabilities which are based on expected maturities) at the reporting date. All figures are in thousands of Kenya Shs and are presented undiscounted.

NOTES

4. Risk management objectives and policies (Continued)

c. Liquidity risk (Continued)

Group

31 December 2016	Carrying values Shs '000	0-4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Over 5 Years Shs '000	Total Shs '000
Liabilities						
Insurance contract liabilities	18,744,957	1,749,626	3,202,633	5,377,780	39,650,096	49,980,135
Amounts payable under deposit administration contracts	21,839,735	1,046,071	2,092,142	22,084,985	61,160,824	86,384,022
Liabilities under investment contracts	4,910,059	139,602	388,273	2,144,041	1,229,340	3,901,256
Creditors arising from direct insurance arrangements	11,708	11,708	-	-	-	11,708
Creditors arising out of reinsurance arrangements	544,754	544,754	-	-	-	544,754
Borrowings:						
- Britam 2014 medium term note	6,000,000	-	-	6,000,000	-	6,000,000
- Bank loan	1,780,000	-	-	1,780,000	-	1,780,000
- Other borrowings	996,064	-	-	996,064	-	996,064
Interest payable	603,762	359,103	634,654	1,560,000	-	2,553,757
Other payables	2,443,573	800,237	1,643,338	-	-	2,443,575
Total financial liabilities	**57,874,612**	**4,651,101**	**7,961,040**	**39,942,870**	**102,040,260**	**154,595,271**

31 December 2015	Carrying values Shs '000	0-4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Over 5 Years Shs '000	Total Shs '000
Liabilities						
Insurance contract liabilities	21,786,744	5,878,940	2,637,385	1,225,804	38,368,881	48,111,010
Amounts payable under deposit administration contracts	14,964,027	997,602	1,995,204	13,545,612	28,641,179	45,179,597
Liabilities under investment Contracts	5,486,194	224,418	592,949	4,232,387	3,046,649	8,096,403
Creditors arising from direct insurance arrangements	6,007	6,007	-	-	-	6,007
Creditors arising out of reinsurance arrangements	800,263	800,263	-	-	-	800,263
Borrowings:						
- Britam 2014 medium term note	6,000,000	-	-	6,000,000	-	6,000,000
- Bank loan	600,000	21,759	665,528	-	-	687,287
- Interest payable	368,161	368,161	390,000	3,022,841	-	3,781,002
Other payables	2,553,317	783,945	1,769,372	-	-	2,553,317
Total financial liabilities	**52,564,713**	**9,081,095**	**8,050,438**	**28,026,644**	**70,056,709**	**115,214,886**

4. Risk management objectives and policies (Continued)

c. Liquidity risk (Continued)

Company

At 31 December 2016	Carrying values Shs '000	0 – 4 Months Shs '000	5 -12 Months Shs '000	1-5 Years Shs '000	Totals Shs '000
Liabilities					
Britam 2014 medium term note	6,000,000	-	-	6,000,000	6,000,000
Bank loan	1,780,000	-	1,780,000	-	1,780,000
Interest payable	359,108	451,447	583,253	1,560,000	2,594,700
Other payables	388,660	388,660	-	-	388,660
Total financial liabilities	**8,527,768**	**840,107**	**2,363,253**	**7,560,000**	**10,763,360**

At 31 December 2015	Carrying values Shs '000	0 – 4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Totals Shs '000
Liabilities					
Britam 2014 medium term note	6,000,000	-	-	6,000,000	6,000,000
Bank loan	600,000	21,759	665,528	-	687,287
Interest payable	368,161	368,161	390,000	3,022,841	3,781,002
Other payables	173,168	140,817	32,351	-	173,168
Total financial liabilities	**7,141,329**	**530,737**	**1,087,879**	**9,022,841**	**10,641,457**

Financial liabilities are at maturity dates other than insurance contract liabilities which are based on expected maturity dates.

d. Market risk

i. Price risk

The Group is exposed to equity securities price risk because of investments in quoted shares classified either as either at fair value through profit or loss or fair value through other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

Management considers a movement of 15% on the Nairobi Securities Exchange (NSE) adequate due to the relative stability of the NSE over the years.

At 31 December 2016, if the Nairobi Securities Exchange (NSE) prices had changed by 15% (2015: 15%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation to the index, consolidated post tax profit for the year would have been Shs 745,571,871 (2015: Shs 1,312,888,740) higher/lower, and the equity would have been Shs 1,257,643,285 (2015: Shs 1,349,038,000) higher/lower. The Company's post tax profit for the year would have been Shs. 370,905,926 (2015: Shs 494,541,235) higher/lower, and the Company's equity would have been Shs. 370,905,926 (2015: Shs 494,541,235) higher/lower.

Similarly a change in the price by 15% (2015: 15%) of equities held at fair value through other comprehensive income would affect the Group's reserves and other shareholder funds for the year by Shs 648,762,218 (2015: Shs 1,051,874,891), these equities would have been Shs 648,762,218 (2015: Shs 1,051,874,891) higher/lower. In the Company a change in the price by 15% (2015: 15%)of other equities held at fair value through other comprehensive income would affect the Company's reserves and other shareholder funds for the year Shs 440,852,449 (2015: Shs 942,466,745), these equities would have been Shs 440,852,449 (2015: Shs 942,466,745) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2016, the group held shares in Equity Bank Limited amounting to Shs 9,076,864,290 (2015: Shs 13,322,713,360) or 11% (2015: 17%) of the total assets.

NOTES

4. Risk management objectives and policies (Continued)

d. Market Risk (Continued)

ii. Cash flow and fair value interest rate risk

The Group is exposed to cash flow and interest rate risk as a result of holding interest bearing assets which comprise of quoted corporate bonds, mortgages, staff loans; inter-company loans, investment in liquid funds, government securities, fixed deposits with financial institutions and policy loans are all at fixed rate. Other assets; cash and interest earning bank balances are at floating rate. The Group also has borrowings at fixed rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing.

The Group manages its cash flow interest rate risk by ensuring that only minimum amounts necessary for running the business operations are kept as cash and bank balances.

At 31 December 2016, if interest rates on government securities classified as financial assets at fair value through profit and loss had been 1% higher/lower with all other variables held constant, post tax profit for the year would have been Shs 110,951,301 (2014: Shs 70,544,619) higher/lower mainly as a result of increase or decrease in the fair value of the government securities.The Company did not have a material exposure to interest rate risk in 2016 and 2015.

iii. Foreign exchange risk

Group

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Ugandan shilling UGX, Rwanda Franc RWF, South Sudan pound SSP, Malawi Kwacha (MWK), Mozambique Metical (MZN), US dollar USD and the UK pound GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Directors have set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The percentages applied for each of the currencies below has been selected based on the stability of the currencies in the various economies.

At 31 December 2016, if the UGX had strengthened/weakened by 5% (2015: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,201,559 (2015: Shs 1,395,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated Net assets.

At 31 December 2016, if the RWF had strengthened/weakened by 5% (2015: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 908,318 (2015: Shs 5,496,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RWF denominated trade receivables and payables.

At 31 December 2016, if the TZS had strengthened/weakened by 5% (2015: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 12,293 (2015: Shs 3,715,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of TZS denominated trade receivables and payables.

At 31 December 2016, if the MWK had strengthened/weakened by 5% (2015: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 178,658 (2015: Shs 1,973,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MWK denominated trade receivables and payables.

At 31 December 2016, if the MZN had strengthened/weakened by 20% (2015: 20%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 6,054,000 (2015: Shs 5,020,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MZN denominated trade receivables and payables.

At 31 December 2016, if the SSP had strengthened/weakened by 100% (2015: 100%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 232,733,000 (2015: Shs 432,840,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of SSP denominated net assets.

The Group had no material exposure to the USD, Euro and GBP.

Company

The Company did not have material exposure to foreign exchange risk.

e.Capital management

The Group's objectives when managing capital, which is a broader concept than 'equity' on the statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business;
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk; and
- To have sufficient capital to enable the Group subsidiaries comply with the capital requirements set by the various regulatory statutory acts in individual countries.

4. Risk management objectives and policies (Continued)

e. Capital management (Continued)

The Group's capital comprises share capital as disclosed on Note 18 (i) and the regulatory capital held in subsidiary companies. Management of each subsidiary monitors regulatory capital while the Business Planning Committee has the responsibility of allocating resources efficiently as well as ensuring these are aligned to the Groups risk appetite.

In addition to the capital requirements, the Group's insurance subsidiaries are subject to solvency requirements by Insurance Regulatory Authority in the case of Kenya and other regulatory bodies as disclosed in Note 53 for the other subsidiaries. These solvency requirements involve application of a formula that limits various assets by distribution of investment exposure to any single counter party, nature of asset etc and are established and revised from time to time by the regulatory body.

The status of the capital requirements as at 31 December are set out below for each regulated subsidiary.

i. Britam General Insurance Company (Kenya) Limited

	2016		2015	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Shs'000	Shs'000	Shs'000	Shs'000
Capital at 31 December	600,000	2,668,000	300,000	2,350,000
Solvency margin	1,349,640	2,307,263	947,541	1,252,989

ii. Britam Insurance Company (Uganda) Limited

	UGX '000	UGX'000	UGX'000	UGX '000
Short-term capital	4,000,000	14,360,000	4,000,000	12,060,000
Solvency	3,209,462	5,496,145	2,177,645	3,266,898

iii. Britam Insurance Company Limited (South Sudan)

	SSPS'000	SSPS'000	SSPS'000	SSPS'000
Capital at 31 December	14,220	14,220	14,220	14,220

iv. Britam Insurance Company (Rwanda) Limited

	Rwfs'000	Rwfs'000	Rwfs'000	Rwfs'000
Capital at 31 December	1,000,000	3,031,896	1,000,000	3,031,896
Solvency	500,000	613,456	500,000	589,109

v. Britam Insurance Company Limited (Malawi)

	Mwks'000	Mwks'000	Mwks'000	Mwks'000
Capital at 31 December	750,000	2,160,000	750,000	450,989

vi. Britam - Companhia De Seguros De Mozambique S.A.

	Mzns'000	Mzns'000	Mzns'000	Mzns'000
Capital at 31 December	33,000	51,060	33,000	51,060

NOTES

4. Risk management objectives and policies (Continued)

e. Capital management (Continued)

vii. Britam Insurance (Tanzania) Limited	2016		2015	
	Regulatory requirement TShs'000	Maintained by the Company TShs'000	Regulatory requirement TShs'000	Maintained by the Company TShs'000
Capital at 31 December	1,815,001	6,875,001	1,815,001	1,815,001
Solvency	2,731,227	1,946,271	3,084,950	(1,784,328)

The entity's minimum capital of TShs 6,875,001,000 is much higher than the regulatory requirement of TShs 1,815,0011,000. However the entity had not met the required technical solvency margin as at 31 December 2015 and 31 December 2016. The solvency position however improved by TShs 3,730,599,000 owing to an exercise of rebalancing its mix of admissible assets particularly through better management of receivables coupled with the injection of additional capital of TShs 5,060,000,000. These initiatives are continuing and should result in the technical solvency being higher than the regulatory requirements.

viii. Britam Life Assurance Company (Kenya) Limited	2016		2015	
	Regulatory requirement Shs'000	Maintained by the Company Shs'000	Regulatory requirement Shs'000	Maintained by the Company Shs '000
Capital at 31 December	150,000	880,000	150,000	880,000
Solvency margin	4,836,848	4,769,245	1,980,960	2,098,144

The entity was at 99% of the required technical solvency margin as at 31 December 2016. This has been occasioned by the move from the prescribed rules based solvency regime (which set required capital at a flat rate of 5% of admitted liabilities) to the new risk based capital regime which sets solvency capital as a function of actual assets invested in. The company has embarked on an asset liability matching exercise with a view to working towards rebalancing its mix of investment assets. This will optimize solvency capital requirements and restore the company solvency levels to the prescribed rates.

ix. Britam Asset Managers Limited	2016		2015	
	Regulatory requirement Shs'000	Maintained by the Company Shs'000	Regulatory requirement Shs'000	Maintained by the Company Shs '000
Capital at 31 December	10,000	696,412	10,000	578,267
Working capital at 31 December	28,691	233,230	22,890	100,130

The Group's asset management subsidiary, Britam Asset Managers Limited, files the required information with the Capital Markets Authority on a quarterly basis.

The Capital Markets Authority requires that the Company maintain a working capital which should not fall below the higher of 20% of the required minimum share capital of Shs 10 million or 3 times the average monthly operating costs. The amount reflected above is thus computed based on 3 times the average monthly operating costs.

f. Fair value estimation

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value.

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Risk management objectives and policies (Continued)

f. Fair value estimation (Continued)

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 December 2016 and 2015:

Group

2016 Assets	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	7,504,001	-	-	7,504,001
- Unquoted ordinary shares	-	-	9,585	9,585
- Government securities	-	4,234,671	-	4,234,671
- Unit trust	-	6,649,003	-	6,649,003
Quoted ordinary shares at fair value through other comprehensive income	4,325,082	-	-	4,325,082
Property and equipment – Building (Note 23)		602,707		602,707
Investment in property funds		8,616,740		8,616,740
Investment property		4,890,775		4,890,775
Total assets	**11,829,083**	**24,993,896**	**9,585**	**36,832,564**
Liabilities				
Liabilities under investment contracts	-	4,910,059	-	4,910,059
Total liabilities	**-**	**4,910,059**	**-**	**4,910,059**

2015 Assets	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	9,143,190	-	-	9,143,190
- Unquoted ordinary shares	-	-	9,794	9,794
- Government securities	-	2,629,930	-	2,629,930
- Unit trust	-	5,529,452	-	5,529,452
Quoted ordinary shares at fair value through other comprehensive income	7,012,499	-	-	7,012,499
Property and equipment – building (Note 23)	-	602,029	-	602,029
Investment in property funds	-	5,938,567	-	5,938,567
Investment property	-	3,602,438	-	3,602,438
Total assets	**16,155,689**	**18,302,416**	**9,794**	**34,467,899**
Liabilities				
Liabilities under investment contracts	-	5,486,194	-	5,486,194
Total liabilities	**-**	**5,486,194**	**-**	**5,486,194**

There were no transfers between Levels 1, 2 and 3 during the year.

4. Risk management objectives and policies (Continued)

f. Fair value estimation (Continued)

Company

2016 Assets	Level 1 Shs'000	Level 2 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss			
Quoted ordinary shares	2,472,706	-	2,472,706
Investment in property funds	-	737,493	737,493
Quoted ordinary shares at fair value through other comprehensive income	2,939,016	-	2,939,016
Total assets	**5,411,722**	**737,493**	**6,149,215**

2015 Assets	Level 1 Shs'000	Level 2 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss			
Quoted ordinary shares	3,296,942	-	3,296,942
Investment in property funds	-	471,422	471,422
Quoted ordinary shares at fair value through other comprehensive income	6,283,112	-	6,283,112
Total assets	**9,580,054**	**471,422**	**10,051,476**

There were no transfers between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

Instruments included in Level 1 comprise primarily NSE equity investments classified as at fair value through profit or loss or at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market (for example, government bonds and investments in unit trusts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of government securities is based on a yield curve which is based on trades of equivalent bonds in the Nairobi stock exchange.
- The fair value of unit trusts is based on the computed net share in each fund which is based on applying the market value of underlying investments to units held.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group had Level 3 financial instruments (unquoted stock) amounting to Shs 9,585,000 as at 31 December 2016 (2015: 9,794,000). The unlisted equity investment relates to UgandaRe and TanRe that are held by Britam Insurance Company (Uganda) Limited and Britam Insurance Company (Tanzania) Limited respectively carried at cost. These shares are not quoted in an active market and their fair value cannot be reliably measured. As such, the investment is measured at cost less accumulated impairment. The relationship between the subsidiaries and the investee entities is at arm's length. The subsidiaries do not intend to dispose of this investment in the foreseeable future.

4. Risk management objectives and policies (Continued)

f. Fair value estimation (Continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December.

Level 3 unquoted stock

	Group 2016 Shs '000	Group 2015 Shs '000
At start of year	9,794	5,842
Additions	55	3,952
Translation loss	(264)	-
At end of year	**9,585**	**9,794**

There were no transfers in and out of level 3.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. For the unquoted ordinary shares carried by the Group in December 2016 and 2015, the fair values approximated their cost. The Group uses its judgment to select a variety of methods such as discounted cash flow analysis and comparable company analysis and make assumptions that are mainly based on market conditions existing at the financial reporting date. The key source of estimation uncertainty is the discount rate.

The table here below shows the fair value amounts of assets and liabilities being carried at amortised cost:

Group	Fair value Level	2016 Carrying amounts at amortised Shs '000	2016 Fair value Shs '000	2015 Carrying amounts at amortised Shs '000	2015 Fair value Shs '000
Assets					
Government securities	Level 2	17,190,127	16,738,404	14,042,036	11,677,578
Mortgage loans and receivables	Level 2	1,179,022	1,179,022	994,281	994,281
Loans and receivables to policy holders	Level 2	834,382	834,382	614,663	614,663
Other receivables	Level 2	1,813,158	1,813,158	1,652,812	1,652,812
Corporate bonds	Level 2	1,450,295	1,450,295	1,868,900	1,868,900
Investments in liquid funds	Level 2	1,042,825	1,042,825	-	-
Restricted cash	Level 1	46,049	46,049	46,808	46,808
Deposits with financial institutions	Level 1	3,623,196	3,623,196	3,218,619	3,218,619
Cash and bank balances	Level 1	1,300,996	1,300,996	1,548,634	1,548,634
Total assets		**28,480,050**	**28,028,327**	**23,986,753**	**21,622,295**
Liabilities					
Borrowings					
- Britam medium 2015 term note	Level 2	6,000,000	6,000,000	6,000,000	6,000,000
- Bank loan	Level 2	1,780,000	1,780,000	600,000	600,000
- Other borrowings	Level 2	996,064	996,064	-	-
- Interest payable	Level 2	603,762	603,762	368,161	368,161
Other payables	Level 2	2,443,573	2,443,573	2,553,317	2,553,317
Total liabilities		**11,823,399**	**11,823,399**	**9,521,478**	**9,521,478**

The fair value of the Group's other financial assets and liabilities other than government securities approximate the respective carrying amounts due to the generally short periods to contractual reprising or maturity dates. Refer to Note 4 (b) for the collateral amounts for mortgage loans and receivables and loans and receivables to policy holder.

NOTES

5. Segmental information

Group

The Executive Management Committee, which serves as the chief operating decision-maker, has determined the operating segments based on the reports they review and that they use to make strategic decisions. All operating segments used by Executive Management Committee meet the definition of a reportable segment under IFRS 8.

The Group is organised on a business line basis into five operating segments. Lines of business are based on the distinct nature of products being offered and their significance/contribution to the Group's revenue and/or profit. These segments distribute their products through various forms of brokers, agencies and direct marketing programmes.

These segments and their respective operations are as follows:

Long term insurance business

The products of this line of business provide protection to the Group's customers against the risk of death, disability, critical illness and other accidents. All contracts in this segment offer fixed and guaranteed benefits over the contractual term. Revenue from this segment is derived primarily from insurance premium, investment income, net realised gains on financial assets and net fair value gains on financial assets at fair value through profit or loss.

Life insurance offers an extensive range of products that serve the wide array of insurance needs of its customers including: unit linked products, education plans, whole life plans and other conventional products. It also provides group life and critical illness products, disability products, individual pension plans, umbrella pension plans and corporate pension plans.

Short term insurance business

The products of this line of business provide protection to customers' assets (particularly their properties, both for personal and commercial business.) All contracts in this segment are over a short contractual term. Revenue in this segment is derived primarily from insurance premiums, investment income, net realised gains on financial assets, and net fair value gains on financial assets at fair value through profit or loss.

Asset management

The asset management products include: discretionary/segregated portfolio management services, wealth management services as well as Unit Trust Funds.

Property

The property business is inclusive of purchase and sale of property. It also includes buying of land, developing it and selling it off to third parties or even renting it out.

Most of the contracts are long term in nature. The major sources of income will be from sale of property, rent income and from property revaluation.

Corporate and other

Includes corporate operations, after allocations to operating segments. Corporate operations consist primarily of:

- Corporate-level income and expenses;
- Returns from investments not allocated to any operating segments, including debt-financed investment portfolios.

5. Segmental information (Continued)

The segment information provided to the Executive Management Committee for the reportable segments for the year ended 31 December 2016 is as follows:

a. Profit per segment

2016	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Gross revenue	8,814,058	11,477,786	1,006,301	18,291	-	21,316,436
Insurance premium ceded to reinsurers	(348,876)	(2,549,383)	-	-	-	(2,898,259)
Net revenue	8,465,182	8,928,403	1,006,301	18,291	-	18,418,177
Net income from investment property	612,935	-	(37,859)	482,582	(33,550)	1,024,108
Interest and dividend income	2,614,668	1,118,307	31,845	-	917,419	4,682,239
Net realised gains on financial assets	18,577	14,141	-	-	-	32,718
Net unrealised fair value gains on financial assets at fair value through profit or loss	(1,194,566)	(123,901)	(24,381)	-	(1,101,879)	(2,444,727)
Commissions earned	122,828	596,011	-	-	-	718,839
Other operating income	20,794	481,904	-	-	39,261	541,959
Net income	**10,660,418**	**11,014,865**	**975,906**	**500,873**	**(178,749)**	**22,973,313**
Insurance claims and loss adjustment expenses	2,902,502	6,085,327	-	-	-	8,987,829
Insurance claims recovered from reinsurers	(85,337)	(1,115,716)	-	-	-	(1,201,053)
Change in actuarial value of policyholders benefits	(2,785,611)	-	-	-	-	(2,785,611)
Net insurance benefits and claims	31,554	4,969,611	-	-	-	5,001,165
Interest payments/ increase in unit value	1,742,978	-	-	-	-	1,742,978
Acquisition expenses	2,019,107	1,450,297	77,854	-	-	3,547,258
Finance costs	-	-	-	244,654	932,610	1,177,264
Expenses	2,591,452	3,547,430	550,212	74,828	583,196	7,347,118
Net expenses	**6,385,091**	**9,967,338**	**628,066**	**319,482**	**1,515,806**	**18,815,783**
Reportable segment profit	**4,275,327**	**1,047,527**	**347,840**	**181,391**	**(1,694,555)**	**4,157,530**
Share of profit of associates	265,713	-	-	-	176,568	442,281
Segment profit before tax	**4,541,040**	**1,047,527**	**347,840**	**181,391**	**(1,517,987)**	**4,599,811**
Tax expense	(1,412,553)	(262,026)	(150,969)	88,630	(22,011)	(1,758,929)
Segment profit after tax	**3,128,487**	**785,501**	**196,871**	**270,021**	**(1,539,998)**	**2,840,882**

The reconciliation of the segment profit after tax for all segments to the consolidated income statements is shown in Note 5 (b).

NOTES

5. Segmental information (Continued)

a. Profit per segment (Continued)

2015	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Gross revenue	7,386,957	12,218,718	732,533	-	-	20,338,208
Insurance premium ceded to reinsurers	(285,798)	(2,946,155)	-	-	-	(3,231,953)
Net revenue	7,101,159	9,272,563	732,533	-	-	17,106,255
Net income from investment property	971,921	-	15,187	70,000	201,776	1,258,884
Interest and dividend income	1,869,643	797,159	19,563	-	2,568,470	5,254,835
Net realised gains on financial assets	197,520	9,108	3,316	-	-	209,944
Net unrealised fair value gains on financial assets at fair value through profit or loss	(1,860,067)	(129,374)	(22,535)	-	(824,235)	(2,836,211)
Commissions earned	103,002	632,786	-	-		735,788
Other operating income	24,046	565,261	-	-	(174)	589,133
Net income	**8,407,224**	**11,147,503**	**748,064**	**70,000**	**1,945,837**	**22,318,628**
Insurance claims and loss adjustment expenses	1,987,016	8,263,543	-	-	-	10,250,559
Insurance claims recovered from reinsurers	(11,633)	(2,394,314)	-	-	-	(2,405,947)
Change in actuarial value of policyholders benefits	2,769,604	-	-	-	-	2,769,604
Net insurance benefits and claims	4,744,987	5,869,229	-	-	-	10,614,216
Interest payments/ increase in unit value	495,774	-	-	-	-	495,774
Acquisition expenses	1,711,521	1,505,767	74,616	-	-	3,291,904
Finance costs	-	-	-	-	802,155	802,155
Expenses	2,035,616	3,866,743	493,544	34,841	417,764	6,848,508
Net expenses	**8,987,898**	**11,241,739**	**568,160**	**34,841**	**1,219,919**	**22,052,557**
Reportable segment profit	**(580,674)**	**(94,236)**	**179,904**	**35,159**	**725,918**	**266,071**
Share of profit of associates	498,223	-	-	-	96,641	594,864
Segment profit before tax	**(82,451)**	**(94,236)**	**179,904**	**35,159**	**822,559**	**860,935**
Tax expense	(11,611)	102,829	(63,412)	(4,917)	162,591	185,480
Segment profit after tax	**(94,062)**	**8,593**	**116,492**	**30,242**	**985,150**	**1,046,415**

The revenue from external parties reported to the Executive Management Committee is measured in a manner consistent with that in the income statement. The Executive Management Committee assesses the performance of the operating segments based on the profit before tax as detailed above.

5. Segmental information (Continued)

b. Reconciliation of segments profit after tax to the consolidated income statement

	2016 Shs'000	2015 Shs'000
Total profit as per segmental reporting	**2,840,882**	**1,046,415**
Income from intra-segmental adjustments		
Intercompany loan interest income	(217,603)	(87,966)
Rental income from related parties	(32,301)	(29,806)
Management fees from related parties	(95,358)	(13,996)
Dividend from subsidiaries	(360,000)	(2,038,298)
Property and equipment revaluation adjustment (on part of building occupied by related parties)	(678)	(17,575)
Other income/ mark up	(2,517)	-
Total adjustments on income	**(708,457)**	**(2,187,641)**
Expenses from intra-segmental adjustments		
Intercompany loan interest expense	217,603	87,966
Margin up charge	2,517	-
Management fees expense from related parties	95,358	13,996
Rental income to related parties	32,301	29,806
Total adjustments on expenses	**347,779**	**131,768**
Profit as per the consolidated income statement	**2,480,204**	**(1,009,458)**

c. Other segment reporting disclosures

2016	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Depreciation and amortisation	359,191	129,195	32,966	64	32,192	553,608
Investments in associates	3,790,117	-	-	-	2,518,386	6,308,503
Additions to non-current assets	224,501	458,604	67,236	105	85,159	835,605
Total assets	**52,902,022**	**16,344,802**	**1,055,048**	**1,605,154**	**11,735,584**	**83,642,609**
Total liabilities	**44,159,041**	**11,671,129**	**358,636**	**1,280,108**	**8,296,098**	**65,765,013**

2015	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Managment Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Depreciation and amortisation	216,521	100,927	10,362	25	9,665	337,500
Investments in associates	4,154,582	-	-	-	2,666,745	6,821,327
Additions to non-current assets	774,753	310,116	194,769	-	58,544	1,338,182
Total assets	**45,628,362**	**17,141,149**	**842,053**	**300,995**	**13,719,793**	**77,632,352**
Total liabilities	**39,619,195**	**13,375,765**	**292,513**	**295,970**	**6,374,461**	**59,957,904**

The amounts provided to the Executive Management Committee with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

NOTES

5. Segmental information (Continued)

d. Income by geographical segments

The entity is domiciled in Kenya. The results of its revenue from external customers are as follows:

	2016 Shs'000	2015 Shs'000
Kenya	17,674,485	16,357,710
Uganda	837,689	620,416
South Sudan	464,232	743,775
Rwanda	379,388	346,427
Tanzania	1,068,881	1,072,034
Malawi	552,654	638,153
Mozambique	339,107	559,693
Total	**21,316,436**	**20,338,208**

Revenues are allocated based on the country in which the insurance and other contracts are issued. Management considers its external customers to be the individual policyholders and investors; as such the Group is not reliant on any individual customer. No individual customer accounts for more than 10% of the Group's revenue.

e. The total of all assets are allocated as follows:

	2016 Shs'000	2015 Shs'000
Kenya	77,577,531	71,403,227
Uganda	1,439,718	1,410,853
South Sudan	841,462	804,925
Rwanda	441,374	530,508
Tanzania	1,924,727	2,057,316
Malawi	889,395	538,370
Mozambique	528,402	887,153
Total	**83,642,609**	**77,632,352**

f. The total of non-current assets

Other than financial instruments, deferred tax assets, post-employment benefits and risks arising under insurance contracts are allocated as follows:

	2016 Shs'000	2015 Shs'000
Kenya	5,464,009	5,496,581
Uganda	153,067	126,952
South Sudan	24,187	9,464
Rwanda	52,638	56,008
Tanzania	88,229	65,159
Malawi	121,871	74,457
Mozambique	26,475	44,784
Total	**5,930,476**	**5,873,405**

6. Gross revenue – Premium income and fund management fees - Group

The gross revenue of the Group can be analysed between the main classes of business as shown below:

	2016 Gross Revenue Shs'000	2016 Reinsurance ceded Shs'000	2016 Net Revenue Shs'000	2015 Gross Revenue Shs'000	2015 Reinsurance ceded Shs'000	2015 Net Revenue Shs'000
Insurance business premium						
Long term insurance business						
- Ordinary life	7,102,247	(68,408)	7,033,839	6,007,958	(59,724)	5,948,234
- Group life	1,714,969	(281,382)	1,433,587	1,378,999	(226,074)	1,152,925
Total long term business	**8,817,216**	**(349,790)**	**8,467,426**	**7,386,957**	**(285,798)**	**7,101,159**
Short term insurance business						
- Engineering	533,504	(434,773)	98,731	554,297	(416,751)	137,546
- Fire	1,150,694	(733,557)	417,137	1,207,373	(696,117)	511,256
- Marine	488,637	(371,911)	116,726	433,597	(296,598)	136,999
- Motor	4,193,030	(152,518)	4,040,512	5,045,645	(254,571)	4,791,074
- Personal accident and medical	3,644,883	(648,126)	2,996,757	3,648,829	(1,030,389)	2,618,440
- Micro insurance	609,187	-	609,187	515,490	(39,488)	476,002
- Theft	271,627	(18,459)	253,168	272,142	(11,755)	260,387
- Liability	191,791	(98,806)	92,985	172,385	(98,823)	73,562
- Workmen's compensation	267,252	(19,250)	248,002	265,918	(48,697)	217,221
- Other	124,023	(71,069)	52,954	103,042	(52,966)	50,076
Total short term business	**11,474,628**	**(2,548,469)**	**8,926,159**	**12,218,718**	**(2,946,155)**	**9,272,563**
Total insurance revenue	**20,291,844**	**(2,898,259)**	**17,393,585**	**19,605,675**	**(3,231,953)**	**16,373,722**
Asset management business						
Fund management fees						
- Unit trust funds	269,000	-	269,000	220,405	-	220,405
- Discretionary & wealth management	183,684	-	183,684	258,824	-	258,824
- Alternative investments	331,653	-	331,653	239,308	-	239,308
Property management business						
- Management fees	18,291	-	18,291	-	-	-
Other	126,606	-	126,606	-	-	-
Total asset & property management business	**929,234**	**-**	**929,234**	**718,537**	**-**	**718,537**
Gross revenue	**21,221,078**	**(2,898,259)**	**18,322,819**	**20,324,212**	**(3,231,953)**	**17,092,259**

7. Net income from investment property

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Gross rental income	127,139	99,093	-	-
Less: Investment property operating expenses	(70,711)	(32,845)	-	-
Net rental income	56,428	66,248	-	-
Fair value gain on investment properties (Note 28 (i))	749,126	246,078	-	98,000
Revaluation of property funds (Note 28 (ii))	185,575	899,176	(33,550)	103,776
Total investment income	**991,129**	**1,211,502**	**(33,550)**	**201,776**

8. Interest and dividend income

Interest from government securities at fair value through profit or loss	485,262	223,726	-	-
Interest from government securities at amortised cost	1,769,737	1,168,137	-	-
Interest from corporate bonds at amortised cost	161,904	220,713	-	-
Interest from investments in liquid funds	264,859	85,935	103,186	55,953
Interest from deposits with financial institutions	501,070	484,675	-	-
Mortgage loan interest income	248,403	286,909	-	-
Dividend from subsidiaries	-	-	352,000	2,038,298
Dividends from quoted ordinary shares at fair value through profit or loss	468,834	245,462	166,404	148,362
Dividends from quoted ordinary shares at fair value through other comprehensive income	332,777	413,015	295,829	325,857
Total interest and dividend income	**4,232,846**	**3,128,572**	**917,419**	**2,568,470**

9. Net realised gains on financial assets at fair value through profit or loss

Realised gains on government securities at fair value through profit or loss	66,772	27,454	-	-
Realised loss on quoted ordinary shares at fair value through profit or loss	(44,655)	(17,075)	-	-
Realised gains on unit trusts	10,601	199,565	-	-
Total net realised gains	**32,718**	**209,944**	**-**	**-**

10. Net unrealised fair value (losses)/ gains on financial assets

Fair value loss on quoted ordinary shares fair value through profit or loss (Note 30 (i))	(1,871,866)	(2,008,649)	(824,235)	(824,235)
Fair value gain/ (loss) on unit trusts (Note 30 (iii))	248,261	(647,984)	-	-
Fair value gain/ (loss) on government securities at fair value through profit or loss (Note 30 (iv))	17,373	(179,578)	-	-
Fair value losses on financial assets through profit or loss	**(1,606,232)**	**(2,836,211)**	**(824,235)**	**(824,235)**
Impairment of investment in associate (Note 25 (iii))	(838,495)	-	(277,644)	-
Total net unrealised fair value losses	**(2,444,727)**	**(2,836,211)**	**(1,101,879)**	**(824,235)**

11. Commissions earned- Group

Long term insurance business	122,828	103,012
Short term insurance business	596,011	632,776
Total commissions earned	**718,839**	**735,788**

12. Other income/ (expenses)

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Fee income				
- arising on long term insurance contracts	7,479	18,695	-	-
- arising on deposit administration contracts	37,222	79,498	-	-
Short-term facultative payables adjustments	74,869	16,012	-	-
Currency exchange gains	371,722	468,770	-	-
Gain on disposal of property and equipment	15,298	6,158	-	-
Miscellaneous income	-	-	39,261	(174)
Total other income	**506,590**	**589,133**	**39,261**	**(174)**

The currency exchange gains recognised in other income arose from significant changes in the exchange rate of the South Sudanese Pound at the end of December 2016. The weakening of the pound resulted in a currency exchange gain as most of the assets of the entity are in foreign currencies.

13. Insurance claims and loss adjustment expenses - Group

	2016			2015		
	Long-term business Shs'000	Short-term business Shs'000	Total Shs'000	Long-term business Shs'000	Short-term business Shs'000	Total Shs'000
Insurance contracts with fixed and guaranteed terms						
- death, maturity and surrender benefits	2,106,971	-	2,106,971	1,309,475	-	1,309,475
- bonuses	795,531	-	795,531	677,541	-	677,541
Claims payable by principal class of business:						
- Engineering	-	157,252	157,252	-	495,139	495,139
- Fire	-	197,028	197,028	-	1,090,953	1,090,953
- Marine	-	29,523	29,523	-	182,864	182,864
- Motor	-	2,838,160	2,838,160	-	3,502,998	3,502,998
- Personal accident and medical	-	2,192,129	2,192,129	-	2,169,814	2,169,814
- Micro Insurance	-	340,711	340,711	-	415,877	415,877
- Theft	-	222,120	222,120	-	101,237	101,237
- Liability	-	41,774	41,774	-	66,159	66,159
- Workmen's Compensation	-	32,789	32,789	-	150,671	150,671
- Other	-	33,841	33,841	-	87,830	87,830
Total insurance claims and loss adjustment expenses	**2,902,502**	**6,085,327**	**8,987,829**	**1,987,016**	**8,263,542**	**10,250,558**
Change in actuarial value of policy holders' liabilities (Note 43 (iii))	(2,785,611)	-	(2,785,611)	2,769,604	-	2,769,604
Less: Reinsurers' share	(85,337)	(1,115,716)	(1,201,053)	(11,633)	(2,394,314)	(2,405,947)
Total long term and short term	**31,554**	**4,969,611**	**5,001,165**	**4,744,987**	**5,869,228**	**10,614,215**

14. Interest payments/ increase in unit value - Group

This represents current year interest due to holders of deposit administration contracts and fair value gains or losses on contracts with unit linked policyholders, as shown in Notes 44 and 45. They are investment linked contracts since they are calculated based on the performance of the underlying investment contracts. They are not insurance contracts since the insurer is not obliged to pay any other amount apart from the value of the underlying investments.

	2016 Shs'000	2015 Shs'000
Long term business		
Interest on deposit administration contract (Note 44)	1,472,793	1,005,159
Fair value gain/ (loss) on investment contracts (Note 45)	270,185	(509,385)
Total interest payments/ increase in unit value	**1,742,978**	**495,774**

15 (i) Operating and other expenses (by nature)

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Staff costs (Note 15 (ii))	3,059,694	2,368,004	85,784	60,428
Auditor's remuneration	26,401	23,756	394	337
Depreciation on property and equipment (Note 23)	347,664	296,356	13,666	8,964
Amortisation of intangible assets (Note 24)	205,944	41,144	18,526	701
Provision for bad debt (Note 34 (iii))	(180,820)	567,877	-	-
Information technology (ICT) costs	387,838	422,697	44,226	18,376
Directors remuneration (Note 53 (vi))	61,507	66,859	12,908	10,408
Directors expenses	31,863	22,625	4,038	19,528
Repairs and maintenance expenditure	106,200	25,442	8,553	4,893
General office management expenses	1,032,621	1,040,725	213,612	168,176
Professional fees	225,580	62,356	60,955	26,614
Training and development	102,750	239,083	10,233	14,296
Premium tax, levies and duty	289,834	237,373	22,011	383
Sales, marketing and brand management	1,029,089	1,073,798	45,568	68,558
Office rent and service charge	368,532	228,646	42,722	16,102
Total operating and other expenses	**7,094,697**	**6,716,741**	**583,196**	**417,764**

(ii) Staff costs - Group

Staff costs include the following:		
Salaries and wages	2,791,830	1,949,376
Retirement benefits costs	-	
- Defined contribution scheme	244,212	372,950
- Defined benefit scheme (Note 49)	(20,069)	(8,877)
- Social security benefits costs	43,721	54,555
Total staff costs	**3,059,694**	**2,368,004**

The number of persons employed by the Group at the year-end was 928 (2015: 880).

16. Borrowings

The total borrowings include a bank loan of Shs 1,780,000,000 (2015: Shs 600,000,000) at a fixed interest rate of 14% per annum and a 5 year medium term note (MTN) at fixed interest rate of 13% per annum. The bank loan is a secured short-term loan in nature and as such causes minimal exposure to interest rate changes. The loan is part of the Group's short-term draw-down facility with a bank which has been secured with quoted ordinary shares valued at Shs 4,739,935,000 (2015:Shs 3,719,914,000). Other borrowings are at a rate of 15% and repayable within 1 year. The Company issued the 5 year medium term note in August 2015. The total value of the bond issued is Shs 6,000,000,000. The effective interest rate is 13% annually payable semi-annually. The Notes were issued in denominations of Kenya Shillings one hundred thousand.

16. Borrowings (Continued)

The Notes are listed on the Fixed Income Securities Market Segment (FISMS) on the Nairobi Securities Exchange. The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank pari passu in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application. The borrowings are carried at amortised cost and their fair value approximates their carrying amounts. Here below is a table showing the amount of interest payable for each of the borrowings;

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Loan details				
Principal opening Balance:				
- Britam 2014 (MTN) 5 year corporate bond	6,000,000	6,000,000	6,000,000	6,000,000
- Bank loan	600,000	200,000	600,000	200,000
Additions				
- Bank loan	1,180,000	400,000	1,180,000	400,000
- Other borrowings	996,064	-	-	-
Accrued Interest				
Britam 2014 (MTN) 5 year corporate bond	355,516	355,528	355,516	355,528
- Bank loan	3,592	12,633	3,592	12,633
- Other borrowings	244,654	-	-	-
Balance at 31 December	**9,379,826**	**6,968,161**	**8,139,108**	**6,968,161**
Interest paid				
- Britam 2014 (MTN) 5 year corporate bond	780,000	780,000	780,000	780,000
- Bank loan	161,651	12,329	161,651	12,329
Total interest paid	**941,651**	**792,329**	**941,651**	**792,329**
Interest expense				
- Britam 2014 (MTN) 5 year corporate bond	780,000	780,000	780,000	780,000
- Bank loan	152,610	22,155	152,610	22,155
- Other borrowings	244,654	-	-	-
Total finance cost	**1,177,264**	**802,155**	**932,610**	**802,155**

17. Commissions expense - Group

	2016 Shs'000	2015 Shs'000
Long term insurance business		
- Ordinary life	1,716,453	1,590,652
- Group life	137,212	69,555
- Deposit administration	165,442	51,314
Total long term insurance business	**2,019,107**	**1,711,521**
Short term insurance business		
- Engineering	74,039	69,155
- Fire	188,282	236,932
- Marine	70,997	67,290
- Motor	427,074	501,395
- Personal accident and medical	497,059	416,050
- Micro Insurance	69,190	66,753
- Theft	37,204	35,853
- Other	86,452	112,339
Total short term insurance business	**1,450,297**	**1,505,767**
Asset management business		
- Unit trust funds	24,705	34,564
- Discretionary & Wealth management	53,149	40,052
Total asset management business	77,854	74,616
Total commissions payable	**3,547,258**	**3,291,904**

NOTES

18. (i) Share capital and Share premium

	Number of shares Thousands	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
31 December 2015,1 January 2016 and 31 December 2016	1,938,416	193,841	4,263,412	**4,457,253**

Ordinary shares

The total number of authorised shares is 2,150 million with par value of 10 cents per share (2015: 2,150 million with par value of 10 cents). The number of shares issued is 1,938 million with par value of 10 cents per share (2015: 1,938 million with par value of 10 cents per share. All shares issued are fully paid and carry equal rights.

(ii) Material information on the possible changes to the Company's shareholding

On 30 December 2016, Britam Holdings Limited entered into a Conditional Share Subscription Agreement in which International Finance Corporation (IFC) will subscribe for two hundred and twenty four million one hundred and eighty seven thousand six hundred and ninety seven (224,187,697) ordinary shares in the Company, at a price per share of Shs 15.85. Upon completion of the Subscription, IFC will hold approximately 10.37% of the issued ordinary shares of the Company. The proposed acquisition is subject to the relevant regulatory and shareholders approvals and will only be completed once all the approvals have been received. The transaction was approved in a special general meeting of the shareholders on 24 March 2017.

19. Other reserves

Other reserves include;

- Fair value reserves; arising from revaluation of financial assets carried at fair value through other comprehensive income. They are not distributable reserves.

- Currency translation reserves; arise from currency translation for the different countries in which the Group operates in. They are not distributable reserves.

- Revaluation reserves; arises on revaluation of the building that is part of the Group's property and equipment. This reserve is not distributable.

- General reserves; represent undistributed retained earnings for the long term business and statutory reserves for the Group's Ugandan subsidiary. The reserves for the long term business represent accumulated surpluses from the life fund whose distribution is subject to the restrictions imposed by the Kenyan Insurance Act. The Insurance Act limits the amounts of surpluses of the life business available for distribution to shareholders to 30% of the accumulated surplus of the life business. A transfer to or from retain earnings is recorded each year to ensure that only amounts available for distribution to shareholders are held in the retained earnings. The statutory reserve represents amounts set up in accordance with the Ugandan Insurance Act, which requires the following amounts to be appropriated from earnings; a contingency reserve calculated at the higher of 2% of gross premium and 15% of net profits and a capital reserve calculated at 5% of net profits of Britam Insurance Company (Uganda) Limited. The reserve is available for distribution to the extent that the minimum amounts required by the Uganda Insurance Act are met.

- Other reserves (Company); arising from revaluation of financial assets carried at fair value through other comprehensive income and share of other comprehensive income from the associate.

19. Other reserves (Continued)

Group	Fair value reserve Shs '000	Revaluation reserve Shs '000	Foreign currency translation Shs '000	General reserves Shs '000	Total Shs '000
Balance at 1 January 2016	**8,777,295**	**284,650**	**(614,891)**	**1,977,923**	**10,424,977**
Revaluation gain on building (Note 26)	-	678	-	-	678
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 26)	(979,672)	-	-	(142,326)	(1,121,998)
Loss on disposal of financial assets at fair value through comprehensive income (Note 26)	(268,287)	-	-	-	(268,287)
Share of associate other comprehensive income (Note 26)	-	-	-	(6,495)	(6,495)
Re-measurement of the net defined benefit asset (Note 26)	-	-	-	(62,543)	(62,543)
Surplus for life business				3,127,080	3,127,080
Transfer from retained earnings (Note 20)	-	-	-	17,718	17,718
Currency translation losses (Note 26)	-	-	(236,886)	-	(236,886)
Balance at 31 December 2016	**7,529,336**	**285,328**	**(851,777)**	**4,911,357**	**11,874,244**
Balance at 1 January 2015	**10,529,638**	**299,491**	**(191,368)**	**2,245,505**	**12,883,266**
Revaluation gain on building	-	(14,841)	-	-	(14,841)
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 26)	(1,471,299)	-	-	-	(1,471,299)
Loss on disposal of financial assets at fair value through comprehensive income (Note 26)	(281,044)	-	-	-	(281,044)
Share of associate other comprehensive income (Note 26)		-	-	(4,879)	(4,879)
Transfer from retained earnings (Note 19)	-	-	-	(282,727)	(282,727)
Currency translation losses	-	-	(423,523)	-	(423,523)
Re-measurement of net defined benefit asset	-	-	-	20,024	20,024
Balance at 31 December 2015	**8,777,295**	**284,650**	**(614,891)**	**1,977,923**	**10,424,977**

Company	Other reserves Shs '000
Balance at 1 January 2016	**3,262,638**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income	(979,672)
Loss on disposal of financial assets at fair value through comprehensive income	(268,287)
Share of associate other comprehensive income	(3,163)
At 31 December 2016	**2,011,516**
Balance at 1 January 2015	**4,799,880**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income	(1,542,954)
Loss on disposal of financial assets at fair value through comprehensive income	(281,044)
Share of associate other comprehensive income	(1,044)
Capital gains tax write back	287,800
At 31 December 2015	**3,262,638**

20. Retained earnings

	Group Shs '000	Company Shs '000
At 1 January 2015	**3,478,012**	**3,933,135**
(Loss)/ profit for the year	(962,189)	985,150
Transfer from retained (Note 19)	282,727	-
Purchase of 1% Non-controlling Interest in Britam General Insurance (Kenya) Limited	4,455	-
Dividends paid relating to 2015 (Note 22)	(581,525)	(581,525)
At 31 December 2015	**2,221,480**	**4,336,760**
At 1 January 2016	2,221,480	4,336,760
Loss for the year	(690,304)	(1,539,998)
Transfer to general reserve (Note 19)	(17,718)	-
Purchase of 35% Non-controlling Interest in Britam Insurance Company Limited (Malawi) (Note 27 (iii))	(34,582)	-
Dividends proposed (Note 22)	(581,525)	(581,525)
At 31 December 2016	**897,351**	**2,215,237**

21. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares as at 31 December 2016 or 31 December 2015.

	2016	2015
Profit/ (loss) attributed to equity holders (Shs' thousands)	2,436,776	(962,189)
Weighted number of ordinary shares in issue (thousands)	1,938,416	1,938,416
Basic and diluted earnings/ (loss) per share (Shs)	**1.26**	**(0.5)**

22. Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting. At the annual general meeting to be held on 9 June 2017 a final dividend in respect of the year ended 31 December 2016 of Shs 0.30 per share (2015: Shs 0.30) amounting to a total of Shs 581,525,000 is to be proposed (2015: Shs 581,525,000).

Payment of dividends is subject to withholding tax at the rate of either 5% or 10%, depending on the residence of the individual shareholders.

23. Property and equipment

Group	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture, fittings & office equipment Shs'000	Computer equipment Shs'000	Total Shs'000
2016						
Cost or valuation						
1 January 2016	602,029	414,011	112,867	1,073,611	613,360	2,815,878
Additions	-	48,087	34,036	211,273	61,312	354,708
Disposals	-	(132,796)	(19,971)	(51,363)	(9,577)	(213,707)
Valuation surplus (Note 26)	678	-	-	-	-	678
Transfer to intangible assets (Note 24)	-	-	-	(16,158)	(12,075)	(28,233)
Reclassification	-	92,240	-	(103,704)	11,464	-
Translation	-	(4,522)	(5,080)	(10,319)	(6,924)	(26,845)
At 31 December 2016	**602,707**	**417,020**	**121,852**	**1,103,340**	**657,560**	**2,902,479**
Depreciation						
1 January 2016	-	247,273	63,719	516,052	239,377	1,066,421
Charge for the year	-	35,609	24,338	185,258	102,459	347,664
Reclassification	-	88,221	-	(95,145)	6,924	-
Transfer to intangible assets (Note 24)	-	-	-	(3,117)	(865)	(3,982)
Disposal	-	(129,289)	(16,538)	(30,249)	(6,555)	(182,631)
Translation	-	(1,100)	(2,730)	(7,013)	(5,741)	(16,584)
At 31 December 2016	**-**	**240,714**	**68,789**	**565,786**	**335,599**	**1,210,888**
Net book value						
At 31 December 2016	**602,707**	**176,306**	**53,063**	**537,554**	**321,961**	**1,691,591**
2015						
Cost or valuation						
1 January 2015	617,688	342,428	113,502	860,048	299,019	2,232,685
Additions	-	70,424	12,283	296,198	55,719	434,624
Disposals	-	-	(12,918)	(81,476)	(71,868)	(166,262)
Reclassification	-	1,159	-	(1,159)	-	-
Transfer from intangible assets (Note 24)	-	-	-	-	330,490	330,490
Valuation surplus (Note 26)	(15,659)	-	-	-	-	(15,659)
At 31 December 2015	**602,029**	**414,011**	**112,867**	**1,073,611**	**613,360**	**2,815,878**
Depreciation						
1 January 2015	-	222,739	56,094	448,746	212,897	940,476
Charge for the year	-	23,814	20,639	153,043	98,860	296,356
Reclassification	-	719	-	(719)	-	-
Disposal	-	-	(13,014)	(85,017)	(72,380)	(170,411)
At 31 December 2015	**-**	**247,272**	**63,719**	**516,053**	**239,377**	**1,066,421**
Net book value						
At 31 December 2015	**602,029**	**166,739**	**49,148**	**557,558**	**373,983**	**1,749,457**

In the opinion of the Directors, there is no impairment of leasehold improvements and equipment. The valuation of land and buildings was carried out by independent, registered professional valuers, Gimco Limited as at 31 December 2016 per valuation report. The revaluation surplus of Shs 678,000 net of applicable deferred income taxes was credited to other comprehensive income. The amount is shown in `other reserves' in shareholders' equity (Note 19) which are not distributable. The depreciation which would be attributable to the gain on revaluation of Shs 678,000 is immaterial. The fair values arising from the open market valuation of buildings are categorised as Level 2 in the fair value hierarchy.

There are no restrictions on the property and equipment and none had been pledged as collateral.

NOTES

23. Property and equipment (Continued)

Company

	Leasehold improvements	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost or valuation					
At 1 January 2016	14,778	34,198	4,729	7,698	61,403
Additions	65	-	15,349	2,319	17,733
Transfer to intangibles (Note 24)	-	-	-	(1,525)	(1,525)
Disposals	-	-	-	(221)	(221)
At 31 December 2016	**14,843**	**34,198**	**20,078**	**8,271**	**77,390**
Depreciation					
At 1 January 2016	4,659	11,200	2,261	2,253	20,373
Charge for the year	1,412	6,840	3,682	1,732	13,666
Transfer to intangible (Note 24)	-	-	-	(357)	(357)
At 31 December 2016	**6,071**	**18,040**	**5,943**	**3,628**	**33,682**
Net book value					
At 31 December 2016	**8,772**	**16,158**	**14,135**	**4,643**	**43,708**
2015					
Cost or valuation					
At 1 January 2015	12,725	30,549	6,088	5,287	54,649
Additions	894	8,828	614	3,736	14,072
Disposals	-	(5,179)	(814)	(1,168)	(7,161)
Transfer to intangibles (Note 24)	-	-	-	(157)	(157)
Reclassifications	1,159	-	(1,159)	-	-
At 31 December 2015	**14,778**	**34,198**	**4,729**	**7,698**	**61,403**
Depreciation					
At 1 January 2015	2,635	10,855	2,772	1,978	18,240
Charge for the year	1,305	5,524	929	1,206	8,964
Transfer to intangibles (Note 24)	-	-	-	(92)	(92)
Reclassification	719	-	(719)	-	-
Disposal	-	(5,179)	(721)	(839)	(6,739)
At 31 December 2015	**4,659**	**11,200**	**2,261**	**2,253**	**20,373**
Net book value					
At 31 December 2015	**10,119**	**22,998**	**2,468**	**5,445**	**41,030**

In the opinion of the Directors, there is no impairment of leasehold improvements and equipment.

23. Property and equipment (Continued)

The carrying amount of the buildings would be as shown below had it been carried out under the cost model.

	Group	
	2016	2015
	Shs'000	Shs'000
Cost	392,095	392,095
Accumulated depreciation	(306,352)	(296,550)
Net book value	**85,743**	**95,545**

All property and equipment (P&E) are classified as non-current assets.

24. Intangible assets

	Group			Company		
	Computer software costs	Internally generated software development costs	Total	Computer software costs	Internally generated software development costs	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost						
At 1 January 2015	449,732	1,090,133	1,539,865	4,584	47,283	51,867
Additions	309,061	594,497	903,558	446	44,026	44,472
Transfer from/ (to) P&E (Note 23)	157	(330,490)	(330,333)	157	-	157
Disposals	(82,888)	-	(82,888)	-	-	-
At 31 December 2015	**676,062**	**1,354,140**	**2,030,202**	**5,187**	**91,309**	**96,496**
At 1 January 2016	676,062	1,354,140	2,030,202	5,187	91,309	96,496
Transfer from P&E (Note 23)	28,233	-	28,233	1,525	-	1,525
Capitalised	789,935	(789,935)	-	83,307	(83,307)	-
Write down	(2,380)	-	(2,380)	-	-	-
Additions	480,897	-	480,897	67,426	-	67,426
Reclassification	-	(49,200)	(49,200)	-	-	-
Translation	(8,424)	(1,915)	(10,339)	-	-	-
At 31 December 2016	**1,964,323**	**513,090**	**2,477,413**	**157,445**	**8,002**	**165,447**
Accumulated amortisation and impairment						
At 1 January 2015	253,572	-	253,572	1,714	-	1,714
Amortisation charge	41,144	-	41,144	701	-	701
Transfer from P&E (Note 23)	92	-	92	92	-	92
Disposal	(16,410)	-	(16,410)	-	-	
At 31 December 2015	**278,398**	**-**	**278,398**	**2,507**	**-**	**2,507**
Amortisation charge	205,944	-	205,944	18,526	-	18,526
Transfer from P&E (Note 23)	3,982	-	3,982	357	-	357
Translation	(262)	-	(262)	-	-	-
At 31 December 2016	**488,062**	**-**	**488,062**	**21,390**	**-**	**21,390**
Net book value						
At 31 December 2015	**397,664**	**1,354,140**	**1,751,804**	**2,680**	**91,309**	**93,989**
At 31 December 2016	**1,476,261**	**513,090**	**1,989,351**	**136,055**	**8,002**	**144,057**

There are no restrictions on intangible assets and none had been pledged as collateral.

NOTES

24. Intangible assets (Continued)

Internally generated software development costs: Since 2014, the Group has had an ongoing project of implementing new information technology (IT) systems. The project will enable the Group achieve a complete transformation from the current information technology systems that it is using currently in all its different lines of business.

The new systems being implemented will enable the Group to be more efficient. Some of the systems have already been implemented and are being used in the day today running of the business. These are inclusive of the Pensions line of business system and the Enterprise Resource Planning (ERP), covering finance, human resource and supply chain management modules in Kenya. The two systems have been transferred from the Work In Progress (WIP) account into the asset account as at December 2016. Amortisation will commence in January 2017 as the asset were deemed to have been in the location and condition necessary for them to be capable of operating in the manner intended by management towards the end of December 2016.

Some of the key benefits expected to be realised from the implementation of the software project include:

- Differentiated customer experience
- Increased efficiency and lower expense ratio
- Improved management reporting and decision making
- Product innovation
- Differentiated intermediary and Financial Advisors experience

The IT-enabled business transformation program is expected to run for a period of three years. The research phase of the project started in 2014 and ended in the first quarter of 2015. During this phase, suppliers were sourced, demonstrations were done and the systems that met the Group's needs were chosen for implementation. All the project related costs in this phase were included in the Group's operating expenses.

The second phase of the project, the development phase started in July 2015. The development of the various systems started. Development costs that are directly attributable to the design and testing of the identified software are being recognised as intangible assets as per IAS 38 – Intangible assets.

25. Investment in associate – Group and Company

i. Details of the investment

The investment in associate at 31 December 2016 represents an equity interest of 48.82% (2015:48.82%) of the ordinary shares of HF Group. HF Group is the leading mortgage provider bank and a premier property developer that leads in offering of integrated solutions for the property and real estate investment, housing and property developments in Kenya. HF Group place of business and country of incorporation is Kenya.

HF Group is a strategic partner of the Group, providing access to new customers and distribution channels for the insurance business and experience in property development.

		% of ownership interest			
		Group		Company	
Name of entity	Place of business/country of incorporation	2016	2015	2016	2015
HF Group	Kenya	48.82%	48.82%	19.49%	19.49%

25. Investment in associate – Group and Company (Continued)

i. Details of the investment (Continued)

The movement in investment in associate is as follows:

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	**6,821,327**	**4,563,723**	**2,666,746**	**-**
Share of associate's profit for the year	442,281	594,864	176,568	96,641
Share of associate's other comprehensive loss	(7,923)	(6,523)	(3,163)	(1,044)
Dividends received in the year	(108,687)	(277,403)	(44,121)	(45,058)
Shares acquired	-	3,502,166	-	2,616,207
Shares sold	-	(1,555,500)	-	-
Impairment	(838,495)	-	(277,644)	-
As at 31 December	**6,308,503**	**6,821,327**	**2,518,386**	**2,666,746**
Made up of:				
Carrying amount of existing equity interest	7,146,998	4,874,660	2,796,030	50,539
Fair value of new equity interest acquired	-	1,946,667	-	2,616,207
Impairment	(838,495)	-	(277,644)	-
At end of year	**6,308,503**	**6,821,327**	**2,518,386**	**2,666,746**

Where tax is applicable, this has been recognised for the portion related to the Britam Life Assurance (Kenya) Limited interest given that the Holding Company does not recognise deferred tax as it has significant carry forward tax losses.

In March 2015, HF Group floated a rights issue diluting the previous ownership of the Group from 46.04% to 30.61%. The Britam Group however acquired rights, increasing the shareholding by 18.21% to 48.82%. The movement in the carrying amount of the investment during the year is presented above. Investment in associate at 31 December 2016 includes goodwill of Shs 1,617,392,000 (2015: Shs 1,617,392,000) for the Group and Shs 600,926,000 (2015: Shs 600,926,000) for the Company.

As at 31 December 2016, the fair value of the Group's interest in HF Group Limited which is listed on the Nairobi Securities Exchange, was Shs 2,380,000,000 (2015: Shs 3,783,000,000).

The investment is in line with Group's strategic plan, in which the Group expects to leverage on existing and potential synergies to drive joint business initiatives while earning returns as a portfolio investment. Management in consideration of the investment structure in HF Group established that it does not have effective control and cannot exercise power over HF Group. Consequently, HF Group has been accounted as an associate both in the Company and in the Group.

There are no contingent liabilities relating to the Group's interest in the associates.

ii. Goodwill

The table below shows the goodwill that arose from the investment in HF Group as at 31 December 2015 and 2016.

	Group Shs'000	Company Shs'000
Net asset value at fair value	10,061,219	-
Fair value of consideration paid	1,946,667	2,616,207
Fair value of acquired net assets (18.21%)	(1,832,149)	(2,015,281)
Goodwill on additional tranche acquired in 2015	114,518	600,926
Goodwill on initial tranche (30.61%)	1,502,874	-
Total goodwill on HF Group (48.82%)	**1,617,392**	**600,926**

Goodwill was computed based on IAS 28; Investment in associates. The standard requires that the post-acquisition share of the associate's profit or loss is appropriately adjusted, so that it is based on fair values at the date of acquisition. In the case of an increase in stake in an existing associate, the adjustment is based on the fair values of each tranche. The additional goodwill recognised in 2015 was computed based on fair value of acquired assets and liabilities of the HF Group as at 31 December 2015.

NOTES

25. Investment in associate – Group and Company (Continued)

iii. Impairment assessment

For the purposes of impairment assessment, the HF Group is considered as the Cash Generating Unit (CGU).

In the current year, management made an assessment of the investment in associate and concluded that the investment was impaired as at 31 December 2016. The impairment indicators considered were the significant decline in listed share price, the net assets valuation of the associate in comparison to its market capitalization and the changes in the regulatory environment for banks as a result of the interest rate capping regulations effected in August 2016. The change in the interest rates also contributed to the performance of the bank being below the budgeted performance in 2016. All the factors indicated the need to assess the carrying value of the associate.

The recoverable value of the associate should be the higher of its fair value less costs to sell and its value in use. The value in use was computed as the present value of the future cash flows expected using a discount rate of 19.28% determined as the company's weighted average cost of capital. A terminal growth rate of 5% was used. This resulted in an impairment loss of Shs 838,495,000 (Company Shs 277,644,000) which has been recognized in these financial statements. The impairment loss is included in the 'unrealised fair value losses' line in the statement of profit or loss. In the view of the Directors, the assumptions used are appropriate and the resultant carrying value is reasonable. No impairment was recognised in 2015.

iv. Summarised financial information for associate

Summarised statement of comprehensive income

	2016 Shs'000	2015 Shs'000
Interest income	8,607,499	8,098,136
Interest expense	(4,673,384)	(4,486,182)
Other income	773,322	1,254,101
Other expenses	(3,341,784)	(3,112,537)
Profit or loss from continuing operations	**1,365,653**	**1,753,518**
Income tax expense	(459,710)	(556,549)
Post-tax profit from continuing operations	**905,943**	**1,196,969**
Other comprehensive loss, net of tax	(16,229)	(13,433)
Total comprehensive income	**889,714**	**1,183,536**
Dividends received from associate	**108,687**	**277,403**

Summarised statement of financial position

	2016 Shs' 000	2015 Shs' 000
Total assets	71,930,251	71,659,434
Total liabilities	60,640,875	61,036,793
Net assets	11,289,376	10,622,641
Customer deposits	38,090,006	41,665,085
Loans and advances	54,469,605	53,021,022

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associates.

25. Investment in associate – Group and Company (Continued)

iv. Summarised financial information for associate (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the interest in associate:

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Opening net assets 1 January	**10,624,904**	**6,508,132**	**10,624,904**	**6,508,132**
Profit for the year	905,943	1,249,951	905,943	1,249,951
Other comprehensive loss	(16,229)	(13,505)	(16,229)	(13,505)
Transactions with owners recorded directly in equity	(226,783)	2,880,326	(226,783)	2,880,326
Closing net assets	**11,287,835**	**10,624,904**	**11,287,835**	**10,624,904**
Interest in associate Group 48.82% (2015: 48.82%) Company 19.49% (2015: 19.49%)	5,510,721	5,185,050	2,199,999	2,070,715
Impairment (Note 25 (iii))	(838,495)	-	(277,644)	-
Goodwill (Note 25 (ii))	1,636,277	1,636,277	596,031	596,031
Carrying value	**6,308,503**	**6,821,327**	**2,518,386**	**2,666,746**

Summarised statement of cash flows

	2016	2015
	Shs'000	Shs'000
Net cash flows absorbed in operating activities	(4,861,518)	(4,409,455)
Net cash flows used in investing activities	(1,013,829)	(1,286,549)
Net cash flows from financing activities	971,049	2,897,970
Net decrease in cash and cash equivalents	**(4,904,298)**	**(2,798,034)**

26. Income tax expense

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Current income tax	387,324	404,941	22,011	23,711
Deferred tax (Note 37)	1,371,605	(590,421)	-	(186,302)
Income tax expense	**1,758,929**	**(185,480)**	**22,011**	**(162,591)**

The Group's current tax charge is computed in accordance with income tax rules applicable to the subsidiaries A reconciliation of the tax charge is shown below. The current year's tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory income tax rates as follows:

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before tax	4,239,133	(1,194,938)	(1,517,987)	822,559
Tax calculated at a tax rate of 30% (2015: 30%)	1,271,740	(358,481)	(455,396)	246,768
Add/ (less):				
- tax effect of income not subject to tax	(130,766)	(399,706)	4,199	(1,789,471)
- Under/ (over) provision in prior year	6,836	(6,153)	-	-
- Capital gains tax adjustment	-	-	-	(186,302)
- Deferred tax not recognised	190,712	66,445	190,712	66,445
- Tax effect of expenses not deductible for tax purposes	420,407	512,415	282,496	1,499,969
Income tax expense	**1,758,929**	**(185,480)**	**22,011**	**(162,591)**

NOTES

26. Income tax expense (Continued)

Britam Insurance Company Limited (South Sudan) does not pay corporate tax at 30%. The applicable taxes are Excise tax and State taxes at the rate of 6.5% and 8.5% respectively on all premiums written.

The tax (charge) /credit relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax Shs'000	Tax (charge) credit Shs'000	After tax Shs'000	Before tax Shs'000	Tax (charge) credit Shs'000	After tax Shs'000
Currency translation losses	(236,886)	-	(236,886)	(423,523)	-	(423,523)
Re-measurement of the net defined benefit asset (Note 49)	(89,347)	26,804	(62,543)	28,606	(8,582)	20,024
Share of other comprehensive income from associates (Note 25)	(7,923)	1,428	(6,495)	(6,523)	1,644	(4,879)
Loss on disposal of financial assets at fair value through other comprehensive income	(268,287)	-	(268,287)	(281,044)	-	(281,044)
Fair value gains:						
– Building (Note 23)	678	-	678	(15,659)	2,139	(13,520)
– Financial assets at fair value through other comprehensive income (Note 29)	(1,182,995)	60,997	(1,121,998)	(1,759,078)	287,779	(1,471,299)
Other comprehensive income	**(1,784,760)**	**89,229**	**(1,695,531)**	**(2,457,221)**	**282,980**	**(2,174,241)**

Movement in the tax (payable)/ recoverable account is as follows:	Group 2016 Shs'000	2015 Shs'000
At 1 January	236,051	173,527
Taxation charge	(387,324)	(404,941)
Tax paid	212,568	467,465
At end of year	**61,295**	**236,051**

Disclosed as follows;	Group 2016 Shs'000	2015 Shs'000
Current income tax recoverable	196,567	273,488
Current income tax payable	(135,272)	(37,437)
Net	**61,295**	**236,051**

27. (i) Goodwill on business combinations

On 31 July 2014, the Group acquired 99% of Real Insurance Company Limited Group for Shs 1.9 billion. This transaction resulted in a goodwill of Shs 1,548,262,000. In June 2015, the Group acquired the remaining 1% of Britam General Insurance Company (Kenya) Limited (formerly Real Insurance Company Limited from Kenya Farmers Association. The following table summarises the consideration paid to Kenya Farmers Association (held 1% of Britam General Insurance Company (Kenya) Limited Group share capital) for the fair value of net current assets acquired, as at 31 December 2015.

	2016 Shs'000	2015 Shs'000
Goodwill brought forward	1,558,433	1,548,263
Purchase of remaining 1%		
Cash consideration	-	14,625
Fair value of net assets acquired	-	(4,455)
Goodwill on additional investment	-	10,170
Total goodwill	**1,558,433**	**1,558,433**

The goodwill recognised by the Group will be realised through the synergies expected from the business combination. By acquiring the Real Insurance Company (Kenya) Limited and its subsidiaries subsequently renamed Britam General Insurance Company (Kenya) Limited, the Group increased its presence in the eastern and southern Africa markets;

27. (i) Goodwill on business combinations (Continued)

that is in Tanzania, Malawi and Mozambique. This acquisition has also increased the distribution of the Group's general business products in Kenya, while at the same time bringing in expertise in this area. Britam General Insurance Company (Kenya) Limited is considered a pioneer in the Kenyan insurance sector having started operations in 1910, it offers insurance services through its fifteen branches located in Nairobi and other major towns in Kenya as well as three subsidiaries in Tanzania, Malawi and Mozambique. It is also a global network partner of RSA (formerly known as Royal & Sun Alliance Insurance Group).

Additional synergies expected to be realized from this acquisition include a larger book of business resulting in a more stable claims experience, lower cost of reinsurance and efficient reinsurance strategy due to increased capacity arising from a larger balance sheet and increased diversification of risks, an improved combined investment management capability, larger and more efficient combined distribution network and increased efficiency and effectiveness in the cost of processing.

Goodwill is allocated to the Group's cash generating units (CGU) identified according to operating segment level. On an annual basis, the goodwill is tested for impairment. In assessing impairment of the goodwill, management have reviewed the five year business plans (strategies). The value in use method was used to determine the value of the investment. Discount rates used ranged between 21% and 33% depending on the circumstances of the entity and terminal rate of 5% to 7%.

The recoverable amount calculated based on the value in use exceeded carrying value by Shs 6,749,574,000. A fall in the terminal rate of 74% or a rise in the discount rate of 31% would remove the remaining headroom.

From the assessment carried out at the end of the year, no impairment charge was deemed necessary as at 31 December 2016 (2015: Nil).

(ii) Investment in subsidiary companies

The Company had the following subsidiaries as at 31 December 2016.

	Country of incorporation and place of business	Nature of Business	Proportion of ordinary shares directly held 2016	Proportion of ordinary shares directly/ indirectly held 2015	Proportion of shares held by non-controlling interests 2016	2015
Britam Life Assurance Company (Kenya) Limited	Kenya	Insurance	100%	100%	-	-
Britam General Insurance Company (Kenya) Limited	Kenya	Insurance	100%	100%	-	-
Britam Asset Managers (Kenya) Limited	Kenya	Fund Management	100%	100%	-	-
Britam Properties (Kenya Limited	Kenya	Real Estate Development	100%	100%	-	-
Britam Insurance Company (Uganda) Limited	Uganda	Insurance	100%	100%	-	-
Britam Insurance Company Limited (South Sudan)	South Sudan	Insurance	100%	100%	-	-
Britam Insurance Company (Rwanda) Limited	Rwanda	Insurance	100%	100%	-	-
Britam - Companhia De Seguros De Mozambique S.A.	Mozambique	Insurance	98%	98%	2%	2%
Britam Insurance Company (Tanzania) Limited*	Tanzania	Insurance	55%	55%	45%	45%
Britam Insurance Company Limited (Malawi)*	Malawi	Insurance	100%	65%	-	35%

*These subsidiaries were previously held by the Group through Britam General Insurance Company (Kenya) Limited.

NOTES

27. (ii) Investment in subsidiary companies (Continued)

The Company had the following subsidiaries at 31 December:

	% holding in equity shares 2016	2015	2016 Shs'000	2015 Shs'000
Britam Life Assurance (Kenya) Limited	100%	100%	480,000	480.000
Britam General Insurance (Kenya) Limited	100%	100%	4,325,282	4,325,282
Britam Asset Managers (Kenya) Limited	100%	100%	80,000	80,000
Britam Insurance Company (Uganda) Limited	100%	100%	500,000	500,000
Britam Insurance Company Limited (South Sudan)	100%	100%	391,710	391,710
Britam Insurance Company (Rwanda) Limited	100%	100%	608,000	483,000
Britam Properties (Kenya) Limited	100%	100%	50,100	100
Britam Insurance Company Limited (Malawi)	100%	65%	291,460	250,000
Britam Insurance (Tanzania) Limited	55%	55%	461,540	246,466
Britam - Companhia De Seguros De Mozambique S.A.	98%	98%	119,291	119,291
Total investment			**7,307,383**	**6,875,849**

Summarised financial information has been presented below for subsidiaries with significant non-controlling interest. These are currently Britam Insurance (Tanzania) Limited but previously also Britam Insurance Company Limited (Malawi), where the non-controlling interest was purchased by the Company during the year.

Summarised statement of comprehensive income

	Britam Insurance (Tanzania) Limited as at 31 December		Britam Insurance Company Limited (Malawi) as at 31 December	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Revenue	826,296	876,253	540,170	603,883
Profit/ (loss) before income tax	94,161	(103,107)	21,407	(55,437)
Income tax (expense)/ credit	(18,729)	29,527	(10,015)	15,985
Total comprehensive income	**75,432**	**(73,580)**	**11,392**	**(39,452)**

Summarised statement of financial position

	Britam Insurance (Tanzania) Limited as at 31 December		Britam Insurance Company Limited (Malawi) as at 31 December	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Current				
Assets	407,764	426,346	792,627	254,301
Liabilities	(1,619,523)	(1,855,072)	(670,044)	(573,159)
Total current net (liabilities)/ assets	**(1,211,759)**	**(1,428,726)**	**122,583**	**(318,858)**
Non-current				
Assets	1,516,963	1,630,970	98,299	284,827
Total non-current net assets	1,516,963	1,630,970	98,299	284,827
Net assets/ (liabilities)	**305,204**	**202,244**	**220,882**	**(34,031)**

27. (ii) Investment in subsidiary companies (Continued)

Summarised statement of cashflows

	Britam Insurance (Tanzania) Limited 2016 Shs'000	Britam Insurance (Tanzania) Limited 2015 Shs'000	Britam Insurance Company Limited (Malawi) 2016 Shs'000	Britam Insurance Company Limited (Malawi) 2015 Shs'000
Cash generated from operations	36,016	10,775	29,683	35,977
Income tax paid	(5,775)	(2,717)	(10,480)	(9,140)
Net cash generated from operating activities	30,241	8,058	19,203	26,837
Net cash (used in)/ generated from investing activities	(7,579)	(177,172)	7,874	27,829
Net cash generated from financing activities	179,305	236,831	243,449	-
Net increase in cash and cash equivalents and bank overdrafts	**201,967**	**67,717**	**270,526**	**54,666**

(iii) Non-controlling interest (NCI)

31 December 2016	Britam - Companhia De Seguros De Mozambique S.A.	Britam Insurance (Tanzania) Limited	Britam Insurance Company Limited (Malawi)	Total Shs '000
Proportion of shares held by NCI	**2%**	**45%**	**0%**	
Total NCI at the start of the year	3,664	20,131	(34,582)	**(10,787)**
(Loss)/ profit after tax attributable to NCI	(82)	43,510	-	**43,428**
Total comprehensive income attributable to NCI	**3,582**	**63,641**	**(34,582)**	**32,641**
Purchase of 35% NCI in Britam Insurance Company Limited (Malawi)	-	-	34,582	**34,582**
Total NCI at year end	**3,582**	**63,641**	**-**	**67,223**

31 December 2015	Britam General Insurance (Kenya) Limited	Britam - Companhia De Seguros De Mozambique S.A.	Britam Insurance (Tanzania) Limited	Britam Insurance Company Limited (Malawi)	Total Shs '000
Proportion of shares held by NCI	**1%**	**2%**	**45%**	**35%**	
NCI interest at the start of the year	3,334	4,086	53,847	(21,651)	39,616
(Loss)/ profit after tax attributable to NCI		(350)	(33,111)	(13,808)	(47,269)
Other comprehensive income attributable to NCI	-	-	-	1,321	1,321
Total comprehensive income attributable to NCI	3,334	3,736	20,736	(34,138)	**(6,332)**
Purchase of 1% of Britam General Insurance (Kenya) Limited	(3,334)	(72)	(605)	(444)	(4,455)
Total NCI at year end	**-**	**3,664**	**20,131**	**(34,582)**	**(10,787)**

NOTES

28. (i) Investment property

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	3,602,438	2,806,565	-	670,100
Additions	763,775	549,795	-	-
Transfer to property funds (Note 28 (ii))	(224,564)	-	-	-
Fair value gains on investment property	749,126	246,078	-	98,000
Transfer to related party	-	-	-	(768,100)
At end of year	**4,890,775**	**3,602,438**	**-**	**-**

The valuation of investment property was carried out by Gimco Limited, registered professional valuers as at 31 December 2016. Investment property is valued on an open market basis using fair value that considers the economic benefits generated by the property in its highest and best use. The highest and best use took into account that the use is physically possible, legally permissible and financially feasible. The location of the property was a key consideration. An investment in property is considered as a non-current asset. The fair values arising from the open market valuation of investment property are categorised as level 2 in the fair value hierarchy.

(ii) Investment in property funds

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	5,938,567	3,619,969	471,421	492,243
Additions	2,268,034	1,419,422	299,622	400,000
Transfer from investment property (Note 28 (i))	224,564	-	-	-
Disposal	-	-	-	(524,598)
Fair value gains/ (losses) on property funds	185,575	899,176	(33,550)	103,776
At end of year	**8,616,740**	**5,938,567**	**737,493**	**471,421**

An investment in property funds is classified as a non-current asset. The fair values arising from the open market valuation of investment property funds are categorised as Level 2 in the fair value hierarchy.

29. Financial assets at fair value through other comprehensive income

Quoted ordinary shares at fair value through other comprehensive income are classified as non-current assets.

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	7,012,499	9,910,525	6,283,112	9,051,585
Disposals	(3,067,548)	(1,138,948)	(2,364,424)	(1,674,244)
Additions	1,563,126	-	-	448,725
Fair value losses (Note 26)	(1,182,995)	(1,759,078)	(979,672)	(1,542,954)
At end of year	**4,325,082**	**7,012,499**	**2,939,016**	**6,283,112**

30. Financial assets at fair value through profit or loss

Summary	Group 2016 Shs'000	Group 2015 Shs'000	Company 2016 Shs'000	Company 2015 Shs'000
Quoted ordinary shares (Note 30 (i))	7,504,001	9,143,190	2,472,706	3,296,942
Unquoted ordinary shares (Note 30 (ii))	9,585	9,794	-	-
Unit trusts (Note 30 (iii))	6,649,003	5,529,452	-	-
Government securities (Note 30 (iv))	4,234,671	2,629,930	-	-
Total	**18,397,260**	**17,312,366**	**2,472,706**	**3,296,942**

i. Quoted ordinary shares

	Group 2016 Shs'000	Group 2015 Shs'000	Company 2016 Shs'000	Company 2015 Shs'000
At start of year	9,141,190	11,553,812	3,296,942	4,121,177
Additions	941,026	538,916	-	-
Disposals	(706,349)	(940,889)	-	-
Fair value losses	(1,871,866)	(2,008,649)	(824,235)	(824,235)
At end of year	**7,504,001**	**9,143,190**	**2,472,707**	**3,296,942**

Quoted ordinary shares at fair value through profit or loss are classified as current assets.

ii. Unquoted ordinary shares - Group

	2016 Shs'000	2015 Shs'000
At start of year	9,794	5,842
Addition	54	3,952
Translation	(263)	-
At end of year	**9,585**	**9,794**

Unquoted ordinary shares at fair value through profit or loss are classified as non-current assets. Please see Note 4(f) for their fair value hierarchy.

iii. Unit trusts - Group

	2016 Shs'000	2015 Shs'000
At start of year	5,529,452	7,117,166
Additions	1,831,243	25,633
Disposals	(959,953)	(965,363)
Fair value gains/ (losses)	248,261	(647,984)
At end of year	**6,649,003**	**5,529,452**

Unit-linked investment contracts are designated as contracts at fair value through profit or loss and classified as current assets. The benefits offered under these contracts are based on the return of a portfolio of equities and debt securities.

iv. Government securities - Group

	2016 Shs'000	2015 Shs'000
Treasury bills and bonds maturing		
- Within 1 year	105,307	204,684
- In 1 – 5 years	1,876,838	1,075,394
- After 5 years	2,252,526	1,349,852
Total	**4,234,671**	**2,629,930**
Treasury bills and bonds movement		
- At start of the year	2,629,930	2,495,215
- Additions	2,298,439	587,840
- Fair value gains/ (losses)	17,373	(179,578)
- Disposals and maturities	(711,071)	(273,547)
At end of year	**4,234,671**	**2,629,930**

NOTES

31. Government securities and corporate bonds at amortised cost - Group

Summary	2016 Shs'000	2015 Shs'000
Government securities (Note 31 (i))	17,190,127	14,042,036
Corporate bonds (Note 31 (ii))	1,450,295	1,868,900
Total	**18,640,422**	**15,910,936**

i. Government securities

Treasury bills and bonds maturing		
- Within 1 year	490,249	164,877
- In 1 - 5 years	6,648,896	4,755,694
- After 5 years	10,050,982	9,121,465
Total	**17,190,127**	**14,042,036**
At start of year	14,042,036	8,887,987
Amortization	(12,850)	-
Additions	7,256,480	5,734,020
Maturities	(4,095,539)	(579,971)
At end of year	**17,190,127**	**14,042,036**

ii. Corporate bonds

Maturing Profile		
- Within 1 year	197,726	128,755
- In 1 - 5 years	1,165,687	1,099,118
- After 5 years	86,882	641,027
Total	**1,450,295**	**1,868,900**
At start of year	1,868,900	1,397,713
Amortization	(955)	-
Additions	296,047	883,909
Maturities	(713,697)	(412,722)
At end of year	**1,450,295**	**1,868,900**

32. Mortgage loans - Group

Total loans at start of year	1,043,082	916,046
Loans advanced	298,368	196,727
Interest charged	91,627	82,320
Loan repayments	(207,016)	(152,011)
Total loan amount at end of year	**1,226,061**	**1,043,082**
Less: Provision for impairment losses	(47,039)	(48,801)
Net loan amount at end of year	**1,179,022**	**994,281**
Movement in provision		
At 1 January	48,801	51,293
Increase	(1,762)	(2,492)
At 31 December	**47,039**	**48,801**
Lending commitments:		
Mortgage loans approved by investment committee but not advanced as at 31 December	57,145	83,113
Maturity profile		
- Within 1 year	3,859	20,200
- In 1 - 5 years	94,667	106,925
- After 5 years	1,080,496	867,156
At end of year	**1,179,022**	**994,281**

Mortgage loans to Directors are disclosed in Note 53 (v).

33. Loans and receivables to policyholders - Group

	2016 Shs'000	2015 Shs'000
At start of year	614,663	488,084
Loans advanced	851,501	509,863
Surrenders	(157,648)	(33,187)
Loan repayments	(582,108)	(419,419)
Accrued interest	107,974	69,322
At end of year	**834,382**	**614,663**

34. Receivables and payables arising out of reinsurance and direct arrangements - Group

i. Receivables arising out of reinsurance arrangements

	2016 Shs'000	2015 Shs'000
At the start of the year	804,445	930,097
Additions/ (received)	299,576	(125,652)
At the end of the year	**1,104,021**	**804,445**

Past due 1 - 60 days	184,303	355,778
Past due 61 - 90 days	780,955	122,439
Past due 91 - 180 days	138,763	326,228
Total	**1,104,021**	**804,445**

ii. Payables arising from reinsurance arrangements

At the start of the year	800,263	847,016
Net movements	(255,509)	(46,753)
At the end of the year	**544,754**	**800,263**

iii. Receivables arising out of direct insurance arrangements

Current outstanding	1,009,334	1,496,759
Past due but not impaired	1,380,369	794,560
Impaired	458,400	639,220
Gross	**2,848,103**	**2,930,539**
Provision for impairment	(458,400)	(639,220)
Net	**2,389,703**	**2,291,319**
Movements in the provision		
At 1 January	639,220	71,343
(Decrease)/ increase	(180,820)	567,877
At 31 December	**458,400**	**639,220**

Past due 1 - 60 days	1,009,334	1,496,759
Past due 61 - 90 days	426,641	447,843
Past due 91 - 180 days	953,728	346,717
Total	**2,389,703**	**2,291,319**

iv. Payables arising from direct insurance arrangements

At the start of the year	6,007	51,190
Net movements	5,701	(45,183)
At the end of the year	**11,708**	**6,007**

NOTES

35. Reinsurers' share of insurance liabilities - Group

	2016 Shs'000	2015 Shs'000
Reinsurers' share of:		
- Notified claims outstanding – long term	153,735	568,823
- Notified claims outstanding – short term (Note 42)	1,384,100	1,743,179
- Unearned premium (Note 46)	796,402	702,851
- Claims incurred but not reported (Note 42)	345,134	429,483
At end of year	**2,679,371**	**3,444,336**

Amounts due from reinsures in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Reinsurers' share of insurance liabilities is classified as a non-current asset.

36. Deferred acquisition costs - Group

	2016 Shs'000	2015 Shs'000
At start of year	540,225	355,352
Net movement	(82,024)	184,873
At end of year	**458,201**	**540,225**

Deferred acquisition costs represent a proportion of acquisition costs that relates to policies that are in force at year-end. The basis of deferral is explained in Note 2 (d) (ii). Deferred acquisition costs are classified as current assets.

37. Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2015: 30%). Movements in temporary difference components such as existing taxable losses, provisions and property and equipment depreciation have had varying impacts on deferred tax asset and deferred tax liability. The makeup of the deferred tax liabilities balances, movement in the deferred income tax account and the composition of the unrecognised deferred income tax asset is as follows:

Group	31 December 2016 Shs'000	2016 Movement Shs'000	31 December 2015 Shs'000	2015 Movement Shs'000	1 January 2015 Shs'000
Property and equipment:					
- on historical cost basis (buildings)	10,371	64,560	(54,189)	(75,926)	21,737
Provisions	230,389	(169,315)	399,704	343,479	56,225
Tax losses brought forward:	659,185	259,299	399,886	22,923	376,963
Less: Deferred tax asset not recognised:					
- Britam Holdings Limited	(547,478)	(190,712)	(356,766)	(66,445)	(290,321)
Capital gains tax:					
- Britam Holdings Limited	-		-	474,102	(474,102)
Life fund surplus	(3,359,125)	(1,246,208)	(2,112,917)	175,268	(2,288,185)
Net deferred income tax liability	**(3,006,658)**	**(1,282,376)**	**(1,724,282)**	**873,401**	**(2,597,683)**
Reconciliation:					
Income statement					
Credit (Note 26)		-		590,421	
Charge (Note 26)		(1,371,605)		-	
Other comprehensive income (Note 26)		89,229		282,980	
Total		**(1,282,376)**		**873,401**	
Statement of financial position					
Deferred income tax asset	388,120	17,818	370,302	202,012	168,290
Deferred income tax liability	(3,394,778)	(1,300,194)	(2,094,584)	671,389	(2,765,973)
Net deferred income tax liability	**(3,006,658)**	**(1,282,376)**	**(1,724,282)**	**873,401**	**(2,597,683)**

37. Deferred income tax (Continued)

Company

The deferred tax asset for the Company has not been recognised as in the assessment of the Directors, the Company is unlikely to generate sufficient taxable profits that can be set off against the tax losses within the 10 year period permitted by the Kenyan Income Tax Act. Deferred tax assets/ liabilities are classified as non-current assets/ liabilities.

	31 December 2016 Shs'000	2016 Movement Shs'000	31 December 2015 Shs'000	2015 Movement Shs'000	1 January 2015 Shs'000
Property and equipment:					
- on historical cost basis	10,254	9,188	1,066	(1,829)	2,895
Provisions	1,777	(13,981)	15,758	(7,993)	23,751
Tax losses brought forward	535,447	195,505	339,942	76,267	263,675
Deferred tax asset not recognised	(547,478)	(190,712)	(356,766)	(66,445)	(290,321)
Net deferred income tax liability	**-**	**-**	**-**	**-**	**-**
Capital gains tax:					
- Income statement	-	-	-	186,302	(186,302)
- Other comprehensive income	-	-	-	287,800	(287,800)
Total capital gains tax	**-**	**-**	**-**	**474,102**	**(474,102)**

38. Other receivables

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Staff and agents loans	170,545	219,003	-	271
Car loans and premium financing	410,611	279,216	9,993	-
Accrued income	33,271	9,609	-	-
Dues from managed funds	418,644	241,731	-	-
Refundable deposits	26,377	25,891	-	-
Motor pool	41,993	40,287	-	-
Prepayments	80,568	82,411	175	3,240
Other receivables	631,149	754,664	1,196,942	1,043,098
Total	**1,813,158**	**1,652,812**	**1,207,110**	**1,046,609**

All other receivables are classified as current. The ageing analysis of other receivables is presented in Note 4(b). The carrying value of other receivables approximates their fair value.

Company

As part of the business transfer transaction in 2015 of the general insurance business of the former composite British-American Insurance Company (Kenya) Limited to Britam General Insurance Company (Kenya) Limited, the Company entered into a Debtors Cession Agreement of Shs 900,000,000 with Britam General Insurance (Kenya) Limited. Under this Agreement, which was part of the demerger process approved by Insurance Regulation Authority (IRA), Britam General Insurance Company (Kenya) Limited would collect the outstanding receivables and remit the funds to Britam Holdings Limited. The balance as at 31 December 2016 is Shs 804,722,000 (2015: Shs 900,000,000). During the year Shs 95,278,000 was repaid to the Company as part of settling this arrangement. The responsibility for management of the debtors and credit risk exposure is borne by Britam General Insurance Company (Kenya) Limited. The balance at 31 December 2016, which is part of the Shs 1,196,942,000 other receivables in the Company represents a current receivable.

39. (i) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group 2016 Shs'000	Group 2015 Shs'000	Company 2016 Shs'000	Company 2015 Shs'000
Deposits with financial institutions	3,623,196	3,218,619	401,282	-
Investment in liquid funds	1,042,825	-	937,055	-
Cash and bank balances	1,300,996	1,548,634	49,877	88,024
Cash and cash equivalents	**5,967,017**	**4,767,253**	**1,388,214**	**88,024**

(ii) Restricted cash

	Group 2016 Shs'000	Group 2015 Shs'000	Company 2016 Shs'000	Company 2015 Shs'000
Restricted cash	**46,049**	**46,808**	**-**	**-**

Investments in liquid funds are investments in the Cash Management Solution (CMS) product by Britam Asset Managers Limited. The CMS product, represents investments in deposits with financial institutions and is therefore liquid in nature. The Group entities on occasions invest in the fund, in the short term (maximum 3 months at a time) with the option to renew.

The weighted average effective interest rate on short-term bank deposits was 8.8% (2015: 11.96%).

Cash and cash equivalents of Shs 46,049,000 (2015: Shs 46,808,000) is restricted cash in Britam Insurance Company Limited (South Sudan). Under Section 9(i) of the Bank of South Sudan Act, Britam South Sudan is required to maintain a security deposit with the Bank of South Sudan of at least 10% of the prescribed minimum paid up capital. The Bank of South Sudan retained 10% from the first instalment paid.

40. Insurance contract liabilities - Group

Movements in insurance liabilities and reinsurance assets are shown in Note 42.

	2016 Shs'000	2015 Shs'000
Long term insurance contracts		
- claims reported and claims handling expenses	753,379	721,048
- actuarial value of long term liabilities (Note 43 (iii))	12,296,712	15,082,324
Total – long term	**13,050,091**	**15,803,372**
Short term non-life insurance contracts		
- claims reported and claims handling expenses (Note 42)	3,446,020	3,873,553
- claims incurred but not reported (Note 42)	2,248,846	2,109,819
Total – short term (Notes 42)	**5,694,866**	**5,983,372**
Total gross insurance liabilities	**18,744,957**	**21,786,744**

41. Short-term non-life insurance contracts liabilities - Group

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern.

The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

41. Short-term non-life insurance contracts liabilities - Group (Continued)

The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Accident year	2012	2013	2014	2015	2016	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Estimate of ultimate claims costs:						
- at end of accident year	3,703,908	2,704,175	3,208,448	4,723,305	5,139,020	19,478,856
- one year later	2,913,665	2,951,737	3,322,949	4,822,248	-	14,010,599
- two years later	2,302,703	3,040,348	3,346,989	-	-	8,690,040
- three years later	2,346,227	3,055,123	-	-	-	5,401,350
- four years later	2,336,560	-	-	-	-	2,336,560
Current estimate of cumulative claims	2,336,560	3,055,123	3,346,989	4,822,248	5,139,020	18,699,940
Add: Incurred but not Reported	48,725	101,382	212,679	489,017	1,397,043	2,248,846
Add: Liability in respect of prior years	489,011	-	-	-	-	489,011
Less: Cumulative payments to date	(2,221,445)	(2,924,790)	(3,097,580)	(3,844,389)	(3,654,727)	(15,742,931)
Liability included in the statement of financial position	**652,851**	**231,715**	**462,088**	**1,466,876**	**2,881,336**	**5,694,866**

42. Movements in insurance liabilities and reinsurance assets

Short term insurance business	2016 Gross	2016 Reinsurance	2016 Net	2015 Gross	2015 Reinsurance	2015 Net
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Notified claims	3,873,553	(1,743,179)	2,130,374	2,299,919	(607,300)	1,692,619
Incurred but not reported	2,109,819	(429,483)	1,680,336	1,126,020	(388,705)	737,315
Total at beginning of year	**5,983,372**	**(2,172,662)**	**3,810,710**	**3,425,939**	**(996,005)**	**2,429,934**
Cash paid for claims settled in year	(6,072,190)	907,077	(5,165,113)	(5,706,108)	1,217,658	(4,488,450)
Increase in liabilities:						
- arising from current year claims	3,490,049	(320,505)	3,169,544	6,782,337	(2,072,558)	4,709,779
- arising from prior year claims	2,293,636	(143,144)	2,150,492	1,481,205	(321,756)	1,159,449
Total at end of year	**5,694,867**	**(1,729,234)**	**3,965,633**	**5,983,373**	**(2,172,661)**	**3,810,712**
Notified claims	3,446,020	(1,384,100)	2,061,920	3,873,553	(1,743,179)	2,130,374
Incurred but not reported	2,248,846	(345,134)	1,903,712	2,109,819	(429,483)	1,680,336
Total at the end of year	**5,694,866**	**(1,729,234)**	**3,965,632**	**5,983,372**	**(2,172,662)**	**3,810,710**

43. (i) Change in long term insurance liabilities valuation methodology - Group

In 2016, the Group valued its long term insurance business liabilities using the Gross Premium Valuation (GPV) methodology which is a change from the previously applied Net Premium Valuation (NPV). The change was to ensure compliance with the requirements of the Insurance Act as amended by the Finance Act 2015 and as required by the Insurance Regulatory Authority (IRA). The GPV methodology is widely used and is deemed a best practice as it results in more accurate, market consistent reserves. The key assumptions used under the GPV methodology are detailed under Note 43 (ii) below.

This change has been treated as a change in accounting estimate in line with IAS 8: Accounting Policies, changes in accounting estimates and errors. The change from NPV to GPV methodology resulted in a reduction of the actuarial valuation of the long term liabilities by Shs 5,239,432,000 as at 1 January 2016.

(ii) Long term insurance contract liabilities - Group

As detailed above, effective 2016, the Group determines its liabilities under long term insurance contracts based on the prescribed GPV methodology. This basis contains prudent margins for adverse experience in mortality, expenses, withdrawals and investment return.

The liabilities are calculated in-house by the Actuarial department and reviewed for adequacy by the independent Appointed Actuary (QED Actuaries & Consultants (Pty) Ltd).

NOTES

43. (ii) Long term insurance contract liabilities - Group (Continued)

Valuation assumptions

The key assumptions are summarized below:

a. Mortality

The prescribed mortality assumptions are; the AKI KE 01/03 tables for conventional life business and annuity business. The same assumptions were used in 2015 for conventional business while for annuity business the (55) tables were used.

b. Interest rate

The Insurance Regulations (IRA issued) prescribes a 10% risk margin to the risk free yield curve as the investment return assumption and for discounting the cash flows (benefits less premium and investment income). In 2015 the NPV regime was used to value liabilities where the interest rate used was prescribed as 4%.

c. Persistency, expenses, expense inflation and tax

The prescribed GPV basis explicitly allows for the Best Estimate Persistency, Expenses, Expense Inflation and Prescribed Tax assumptions to be used. There are additional prescribed risk margins loaded onto the Best Estimate Assumptions as per regulations.

The table below provides details of the GPV valuation margins and capital charges:

Assumption	Valuation margins on best estimate liabilities	Prescribed margin loaded on best estimate liabilities
Mortality	10% increase in mortality for life assurances	6% increase of base mortality rates
Longevity	10% decrease in mortality for life assurances and annuities	7% decrease of base mortality rates
Morbidity/Disability	10% increase in inception rates 5% decrease in recovery rates	40% increase in base inception rates in the first year 15% increase in base inception rates in subsequent years 10% decrease in morbidity/disability recovery rates
Lapses	25% (increase or decrease in lapse rate depending on which alternative gives rise to an increase in the liability of the policy concerned)	15% increase in lapse rates for new business 5% increase in lapse rates for in force business
Interest rate	10% decrease	25% decrease
Surrenders	10% (increase or decrease in surrender rate depending on which alternative gives rise to an increase in the liability of the policy concerned)	N/A
Expenses & Expense inflation	10% increase on base expenses 10% increase of the base escalation rate	5% increase in best estimate assumption for expenses 1% increase in best estimate assumption for inflation
Catastrophe	N/A	An absolute increase in the rate of policyholders dying over the following year of 1.5 per mille.
Group/Umbrella Pension Savings Plans	N/A	1.0% increase in fund value
Deposit Administration	N/A	1.0% increase in fund value
Group Life	N/A	10% increase on premium reserves 8% increase on claims reserves
Group Credit	N/A	12% increase on premium reserves 10% increase on claims reserves

43. (iii) Actuarial value of long term liabilities - Group

	2016			2015		
	Ordinary Life Shs'000	Group life Shs'000	Total Shs'000	Ordinary life Shs'000	Group life Shs'000	Total Shs'000
At start of year as stated	13,412,923	1,669,400	15,082,323	10,861,033	1,451,687	12,312,720
Surrenders and annuity payments	(2,041,006)	(777,833)	(2,818,839)	(1,434,934)	(538,760)	(1,973,694)
Change in the period (net)	(1,847,651)	96,633	(1,751,018)	3,158,857	(393,699)	2,765,158
New business	811,233	973,013	1,784,246	827,968	1,150,172	1,978,140
Change in Actuarial Reserves	(3,077,424)	291,813	(2,785,611)	2,551,891	217,713	2,769,604
At end of year	**10,335,499**	**1,961,213**	**12,296,712**	**13,412,924**	**1,669,400**	**15,082,324**

44. Amounts payable under deposit administration contracts - Group

Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 8.5% for the year (2015: 8%).

	2016 Shs'000	2015 Shs'000
At start of year	14,964,027	11,201,557
Pension fund deposits received	7,712,733	3,929,719
Surrender and annuities paid	(2,309,818)	(1,172,408)
Interest payable to policyholders (Note 14)	1,472,793	1,005,159
At end of year	**21,839,735**	**14,964,027**

45. Liabilities under investment contracts - Group

At start of the year	5,486,194	6,603,982
Net investments	652,529	846,866
Liabilities released for payments:	(1,498,849)	(1,455,269)
Fair value gain/ (loss) on investments (Note 14)	270,185	(509,385)
At end of year	**4,910,059**	**5,486,194**

For the unit linked investment contracts, the benefits offered are based on the return on equities and debt securities. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

46. Unearned premiums - Group

Unearned premium represents the liability for short term business contracts where the Group's obligations are not expired at the year end. Movement in the reserve is shown below:

	2016			2015		
	Insurer's share Shs'000	Reinsurers' share Shs'000	Gross Shs'000	Insurer's share Shs'000	Reinsurers' share Shs'000	Gross Shs'000
At beginning of year	4,558,320	702,850	5,261,170	3,976,998	1,233,778	5,210,776
(Decrease)/ increase in the period (net)	(994,371)	93,552	(900,819)	581,321	(530,927)	50,394
At end of year	**3,563,949**	**796,402**	**4,360,351**	**4,558,319**	**702,851**	**5,261,170**

NOTES

47. Other payables

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Accrued expenses	414,871	1,163,490	7,666	70,580
Premiums paid in advance	292,124	253,045	-	-
Stale cheques	7,326	74,353	-	-
Accrued dividends payable	276,355	27,646	276,251	27,646
Payables to staff	148,353	120,055	13,980	49,488
Trade payables	117,904	13,144	-	11,619
Government taxes & statutory deductions	121,482	324,538	12,194	9,128
Other liabilities	1,065,168	577,046	78,569	4,707
Total other payables	**2,443,583**	**2,553,317**	**388,660**	**173,168**

There are no individually significant items under other liabilities category. Other payables are classified as current liabilities.

48. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Profit/ (loss) before tax	4,239,133	(1,194,938)	(1,517,987)	822,559
Adjustments for:				
Depreciation of leasehold improvements and equipment (Note 23)	347,664	296,356	13,666	8,964
Amortisation of intangible assets (Note 24)	205,944	41,144	18,526	701
Income from investment property	(991,129)	(1,211,502)	33,550	(201,776)
Interest and dividend income	(4,232,846)	(3,128,572)	(917,419)	(2,568,470)
Net realised gains on financial assets	(32,718)	(209,944)	-	-
Net fair value gains on financial assets at fair value through profit or loss	2,444,727	2,836,211	1,101,879	824,235
Translation losses	236,886	423,523	-	-
Share of profit of the associates	(442,281)	(594,864)	(176,568)	(96,641)
Interest expense	1,177,264	802,155	932,610	802,155
Gain on disposal of fixed assets	(15,298)	(6,158)		
Changes in:	-			
- Receivables arising out of direct insurance arrangements	(98,384)	214,048	-	-
- Receivables from related party	-	-	185,473	600,569
- Re-insurers' share of insurance liabilities	764,965	125,652	-	-
- Receivables arising out of reinsurance arrangements	(299,576)	(1,171,129)	-	-
- Unearned premiums	(900,819)	50,394	-	-
- Retirement benefit asset	5,752	(101,826)	-	-
- Other payables	(109,744)	919,886	215,492	(20,051)
- Deferred acquisition costs	82,024	(184,873)	-	-
- Other receivables	(160,346)	(696,954)	(160,501)	(1,027,003)
- Payable to related party	-	-	(304,915)	652,948
- Insurance contract liabilities	(3,041,787)	5,640,582	-	-
- Liabilities under investment contracts	(576,135)	(1,117,788)	-	-
- Payable under deposit administration contracts	6,875,708	3,762,470	-	-
- Payables arising out of reinsurance arrangements	(255,509)	(46,753)	-	-
- Payables arising out of direct insurance arrangements	5,701	(45,183)	-	-
- Restricted cash	759	(7,969)	-	-
Cash generated from operations	**5,229,955**	**5,393,968**	**(576,194)**	**(201,810)**

49. Retirement benefit - Group

The Group operates two types of retirement benefit schemes for its employees and qualifying agents.

Defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate. The scheme is open to new entrants.

49. Retirement benefit - Group (Continued)

Defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past -service costs are recognised immediately in income. The scheme is not open to new entrants.

The scheme is established under a trust and the scheme funds are invested by the treasury & investment manager in a variety of asset classes comprising government securities (treasury bills and bonds), stocks and shares and commercial paper.

The amounts recognised in the statement of financial position are determined as follows:

	2016 Shs'000	2015 Shs'000
Present value of funded obligations	416,982	357,340
Fair value of plan assets	(627,521)	(531,933)
Asset ceiling adjustment (10% of Present Value of funded obligations)	41,698	-
Total	**(168,841**	**(174,593)**
Asset in the balance sheet	**(168,841)**	**(174,593)**

The movement in the defined benefit obligation over the year was as follows:

At start of year	357,340	374,566
Current service cost	12,098	9,745
Interest cost	48,660	50,828
Impact of change in financial assumptions	-	(63,883)
Experience adjustments	18,417	9,101
Benefits paid	(19,533)	(23,017)
At end of year	**416,982**	**357,340**

The movement in the fair value of the plan assets is as follows:

At start of year	531,933	447,334
Interest income	77,764	65,776
Re-measurements:		
Return on plan assets	(29,232)	(26,176)
Employer contributions	63,526	64,343
Employee contributions	7,853	7,540
Expenses paid	(4,790)	(3,867)
Benefits paid	(19,533)	(23,017)
At end of year	**627,521**	**531,933**

The amounts recognised in the income statement for the year are as follows:

Current service cost	12,098	9,745
Interest income	(29,104)	(14,949)
Contributions received from members	(7,853)	(7,540)
Expenses paid	4,790	3,867
Total included in employee benefit expense (Note 15)	**(20,069)**	**(8,877)**

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49. Retirement benefit - Group (Continued)

The amounts recognised in other comprehensive income statement for the year are as follows:

	2016 Shs'000	2015 Shs'000
(Loss)/ gain on pension benefit obligations	(18,417)	54,782
Loss on pension benefit assets	(29,232)	(26,176)
Amounts recognised through other comprehensive income statement	(47,649)	28,606

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	14.00%	14.00%
Future salary increases	10.00%	10.00%
Future pension increases	0.00%	0.00%

The sensitivity of the present value of funded obligations to changes in the principal assumptions are:

	Effect of:	
	Increase	Decrease
Discount rate-100 basis points (+or-1.00% per annum)	(6.42%)	7.94%
Future salary increases-100 basis points (+or-1.00% per annum)	0.49%	(0.52%)
Future pension increases-100 basis points (+or-1.00% per annum)	3.18%	0%

50. Weighted average effective interest rates - Group

The following table summarises the weighted average effective interest rates at the year-end on the principal interest-bearing investments:

	2016	2015
Mortgage loans	8.54%	8.99%
Policy loans	14.5%	14.5%
Government securities	12.2%	11.9%
Deposits with financial institutions	8.8%	16.2%
Corporate bond	12.6%	12.8%

Deposits with financial institutions have an average maturity of 3 months (2015: 3 months).

51. Commitments - Group

i. Capital commitments

The Group's capital commitments were as follows:

	2016 Shs'000	2015 Shs'000
Investment property	588,211	-
Property funds	605,447	4,571,561
Investment in information technology software	328,857	1,446,291

ii. Operating lease commitments

The no future minimum operating lease commitments under non-cancellable operating leases for the company, for the Group were as follows:

	Receivable		Payable	
	2016 Shs'000	2015 Shs'000	2016 Shs'000	2015 Shs'000
Not later than 1 year	16,813	7,264	7,642	5,312
Later than 1 year but not later than 5 years	235,885	163,175	111,435	90,012
Later than 5 years	311,396	268,186	19,245	81,862
Total	**564,094**	**438,625**	**138,322**	**177,186**

52. Contingent liabilities

i. Litigation

In common with the insurance industry in general, the Group's insurance subsidiaries are subject to litigation arising in the normal course of insurance business. The Directors are of the opinion that the outcome of the various ongoing legal cases will not have a material effect on the financial position or profits of the Group.

ii. Taxes

The Group entities have outstanding matters with Kenya Revenue Authority (KRA) as a result of an assessment carried out during the course of the year. The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any material liabilities that may have an impact on these financial statements.

iii. Claims

In common with the insurance industry in general, the Group's insurance subsidiaries are subject to claims arising in the normal course of insurance business. As disclosed in Note 2 (d) (ii), the group, through the help of its actuaries, estimates reserves for the possible impact of unreported claims and claims handling expenses. This reduces the risk of any significant outflows relating to these that would have had a significant on these financial statements.

53. Related party transactions and balances

The Group is controlled by Britam Holdings Limited incorporated in Kenya being the ultimate parent. There are other companies that are related to Britam Holdings Limited through common shareholdings or common Directorships.

The following arrangements exist and form the basis of various transactions within the group.

i. Transactions with subsidiaries

The Group has a controlling interest in various entities as disclosed under Note 27(ii). Information on the contact details and places of operation has been included under "Corporate information". The nature of services provided by these entities have been summarised below:-

Subsidiary	Date of incorporation	Date operations commenced	Licensed Business	Regulator
Britam Life Assurance Company (Kenya) Limited	1979	1979	Life assurance business	Kenya Insurance Act
Britam General Insurance Company (Kenya)	2015	2016	Non-life insurance business	Kenya Insurance Act
Britam Insurance Company (Uganda) Limited	2010	2010	Life and Non-life insurance business	Uganda Insurance Commission
Britam Insurance Company Limited (South Sudan)	2012	2012	Life and Non-life insurance business	Bank of South Sudan Act
Britam Insurance Company (Rwanda) Limited	2014	2014	Non-life insurance business	National Bank of Rwanda
Britam - Companhia De Seguros De Mozambique S.A	2010	2010	Non-life insurance business	Institute of Insurance Supervision of Mozambique
Britam Insurance (Tanzania) Limited	1998	1998	Non-life insurance business	Tanzania Insurance Regulatory Authority
Britam Insurance Company Limited (Malawi)	2007	1959	Non-life insurance business	Reserve Bank of Malawi
Britam Asset Managers (Kenya) Limited	2004	2004	Investment advisory and fund management services	Capital Markets Authority & Retirement Benefits Authority
Britam Properties (Kenya) Limited	2012	2014	Real Estate development	Not applicable

53. Related party transactions and balances (Continued)

i. Transactions with subsidiaries (Continued)

a. Transactions in the normal course of business

There are transactions in the normal course of business between the Company and its subsidiaries or among the subsidiaries. Outstanding balances as at the end of each month are charged interest at a rate of 11%.

Transactions with subsidiaries outside Kenya are governed by the Group's transfer pricing policy with respect to applicable rate and commencement of sharing costs and where applicable are invoiced at a 5% mark – up.

b. Other significant transactions

Transactions between Britam Life Assurance Company (Kenya) Limited and Britam Holdings Limited

	2016 Shs'000	2015 Shs'000
Sale of quoted investment held in OCI	860,000	1,577,791
Sale of HF Group shares	-	1,555,500
Purchase of investment property	-	1,135,000
Investment in property fund	-	524,597
Total	**860,000**	**4,792,888**

Transactions between Britam General Insurance Company (Kenya) Limited and Britam Holdings Limited

During the year, Britam General Insurance Company (Kenya) transferred their investment at cost in Britam Insurance (Tanzania) Limited and Britam Insurance Company Limited (Malawi) to the Company as disclosed in Note 27(ii). A debtor's cession arrangement exists as detailed under Note 38.

ii. Outstanding balances with subsidiaries

Due to related parties – Company

	2016 Shs'000	2015 Shs'000
Britam Life Assurance Company (Kenya) Limited	847,045	1,381,582
Britam General Insurance Company (Kenya) Limited	284,602	54,487
Britam Insurance Company Limited (Malawi)	2,304	2,797
Total	**1,133,951**	**1,438,866**

Due from related parties – Company

Britam Asset Managers Limited	31,361	6,045
Britam Insurance Company (Uganda) Limited	36,700	10,650
Britam Insurance Company Limited (South Sudan)	35,647	7,331
Britam Insurance Company (Rwanda) Limited	9,315	7,519
Britam Properties Limited	31,845	305,486
Britam Companhia De Seguros De Mozambique S.A.	8,288	5,118
Britam Insurance (Tanzania) Limited	16,020	12,500
Total	**169,176**	**354,649**

The carrying amounts of the related party receivables and payables approximate to their fair values. No provisions have been made in relation to related party receivables and the balances have been assessed and are recoverable.

iii. Dividends received

Group	2016 Shs'000	2015 Shs'000
Dividends received from HF Group	108,687	277,403
Dividends received from Equity Bank Limited	663,317	672,594
Total	**772,004**	**949,997**

53. Related party transactions and balances (Continued)

iii. Dividends received (Continued)

Company	2016 Shs'000	2015 Shs'000
Dividends received from HF Group	44,121	45,058
Dividends received from Equity Bank Limited	462,232	474,219
Dividends received from subsidiaries	360,000	700,000
De-merger dividend	-	1,338,298
Total	**866,353**	**2,557,575**

The demerger dividend related to a dividend paid by the former insurance composite business British-American Insurance Company (Kenya) Limited as a distribution of the net assets of the general insurance company to allow the separation of the life business and general insurance business to two entities, Britam Life Assurance Company (Kenya) Limited and Britam General Insurance Company (Kenya) Limited. This money was invested into Britam General Insurance Company Limited as part of its capital.

iv. Transactions with related banks

a. Investment information

The Group has invested in 302,562,143 (2015: 333,067,834) ordinary shares of Equity Bank Limited (EBL) valued at Shs 9,076,864,000 (2015: Shs 13,322,713,000). Fair value gains relating to the disposal of the EBL shares totalled to Shs 268,287,000 (2015: Shs 281,044,000). Fair value losses on revaluation of the EBL shares totalled to Shs 2,760,989,000 (2015: Shs 3,300,988,000).

The Group also holds 48.82% of the ordinary shares of HF Group which is accounted for as an associate as disclosed in Note 25. Details relating to the Group's share of profits and share of other comprehensive income has been disclosed in that note.

b. Business relationships

Various group entities transact business with HF Bank (a wholly owned subsidiary of HF Group) and Equity Bank Limited.

	2016 Shs'000	2015 Shs'000
Gross earned premium		
Equity Bank Limited	1,660,932	3,167,475
HF Group Limited	329,665	121,134
Net claims incurred		
Equity Bank Limited	876,845	1,330,234
HF Group Limited	129,344	11,515

c. Outstanding balances

The table below discloses the net balances due from Equity Bank and HF Group resulting from the business transacted.

	2016 Shs'000	2015 Shs'000
Equity Bank Limited	438,538	451,255
HF Group Limited	15,554	24,333
Total	**454,092**	**475,588**

In relation to the amounts due from Equity Bank Limited, a provision of Shs 5,626,000 (2015: Nil) has been made.

NOTES

53. Related party transactions and balances (Continued)

iv. Transactions with related banks (Continued)

d. Banking relationships

The group carries out normal banking transactions with Equity Bank Limited and HF Bank Limited (a wholly owned subsidiary of HF Group) which are related parties. The balances held as at 31 December were as below:

	2016 Shs'000	2015 Shs'000
Equity Bank Limited	421,702	366,679
HF Bank Limited	3,357	1,962
Total	**425,059**	**368,641**

v. Mortgage loans to Directors of the Group

Loans to Directors		
At start of year	192,248	181,332
Loans advanced during the year	5,871	17,597
Interest charge for the year	22,943	20,578
Loan repayments	(17,230)	(27,259)
At end of year	**203,832**	**192,248**

Mortgage loans are given to both executive and non- executive Directors. The loans are fully secured and are charged interest at 6% p.a (2014: 6% p.a) for executive Directors and at 14.5% per annum (2014: 14.5% per annum) for non-executive Directors.

vi. Directors remuneration

	2016 Shs'000	2015 Shs'000
Directors' fees	44,558	50,826
Directors' other remuneration	16,949	16,033
Total	**61,507**	**66,859**

The above relates to payments made to non-executive Directors.

vii. Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of the entity. The compensation paid or payable to key management for employment services is shown below:

	2016 Shs'000	2015 Shs'000
Salaries and other short-term employment benefits	498,680	406,745
Retirement benefits costs		
- Defined contribution scheme	26,308	16,689
- Social security benefits costs	42,302	43,169
- Other benefits	4,907	1,276
Total	**572,197**	**467,879**

viii. Transactions with other related parties

The Group has also invested Shs 6,649,003,000 (2015: Shs 5,529,452,000) in the various British-American unit trust funds. The investment in property funds and in liquid funds of Shs 8,616,740,000 (2015: Shs 1,367,006,000) and Shs 1,042,825,000 (2015: Shs 1,196,323,000) respectively are both managed by Britam Asset Managers Limited.

ix. Loans from shareholders

There no loans from shareholders outstanding at 31 December 2016 (2015: Nil).

54. New and revised Accounting standards

i. New standards and amendments to standards effective for the year ended 31 December 2016

New standard and/ or amendments	**Details of the amendments**	**Assessment of the impact on the Group financial statements**
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves. Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities. The amendments apply retrospectively.	The Group is not a subsidiary of an investment entity. There's no subsidiary that is carrying out the Company's former investment activities. No impact has been recorded in these financial statements.
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.	No joint operations have been acquired. No impact has been recorded in these financial statements

NOTES

54. New and revised Accounting standards (Continued)

i. New standards and amendments to standards effective for the year ended 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments apply prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.	No impact has been recorded in these financial statements
Amendments to IAS 1 Disclosure Initiative *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows: • An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. • An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. • In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items: - The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and - The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.	The Group continues to ensure all material information is disclosed. All other disclosures especially where immaterial are made based on application of careful judgement. No impact has been recorded in these financial statements.

54. New and revised Accounting standards (Continued)

i. New standards and amendments to standards effective for the year ended 31 December 2016 (Continued)

New standard and/ or amendments	**Details of the amendments**	**Assessment of the impact on the Group financial statements**
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: • When the intangible asset is expressed as a measure of revenue.; or • When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments apply prospectively.	The Group does not apply revenue based depreciation. Clarification not applicable to the Group.
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41. As a transition provision on initial application, entities need not disclose the quantitative information required by paragraph 28(f) of IAS 8 for the current period. However, quantitative information for each prior period presented is still required. Also, on the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognised in opening retained earnings at the beginning of the earliest period presented.	The Group does not carry out agricultural activities. Amendment not applicable to the Group.
Amendments to IAS 27 Equity Method in Separate Financial Statements *(Effective for annual periods beginning on or after 1 January 2016)*	The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • At cost, • In accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or • Using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.	Consolidated financial statements are presented. Investments in subsidiaries and associates are accounted for at cost in the separate financial statements. No impact has been recorded in these financial statements.

NOTES

54. New and revised Accounting standards (Continued)

i. New standards and amendments to standards effective for the year ended 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IAS 27 Equity Method in Separate Financial Statements *(Effective for annual periods beginning on or after 1 January 2016)*	The same accounting must be applied to each category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.	Consolidated financial statements are presented. Investments in subsidiaries and associates are accounted for at cost in the separate financial statements. No impact has been recorded in these financial statements.
Amendments to IFRSs - Annual Improvements to IFRSs 2012 - 2014 Cycle		
IFRS 14 Regulatory Deferral Accounts *(Effective for first annual IFRS financial statements with annual periods beginning on or after 1 January 2016)*	IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016.	The Group reports using IFRS i.e. is not a first time adopter. Standard not applicable to the Group.
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations *(Effective for annual periods beginning on or after 1 January 2016)*	Changes in methods of disposal The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution accounting is discontinued.	No assets have been classified as held for sale. Amendment not applicable to the Group.

54. New and revised Accounting standards (Continued)

i. New standards and amendments to standards effective for the year ended 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1) *(Effective for annual periods beginning on or after 1 January 2016)*	Servicing contracts -Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements. The amendments: • Provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets; and • Clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to company with IAS 34 Interim Financial Reporting.	The amendment will be considered in the presentation of interim financial report. No impact is expected.
IAS 19 Employee Benefits *(Effective for annual periods beginning on or after 1 January 2016)*	Discount rate: regional market issue The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.	Valuation of post - employment benefits applies to staff within the Kenyan entities. Bonds used are issued in Kenya shillings. No impact has been recorded in these financial statements.
IAS 34 Interim Financial Reporting *(Effective for annual periods beginning on or after 1 January 2016)*	Disclosure of information included. The amendments clarify the requirements relating to information 'elsewhere in the interim financial required by IAS 34 that is presented elsewhere within the interim report' financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.	Amendment will be taken into account during the interim financial reporting period. No impact has been recorded in these financial statements.
IFRS 9 Financial Instruments (as revised in 2014) *(Effective for annual periods beginning on or after 1 January 2018)*	In July 2015, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2015), which contains the requirements for; • The classification and measurement of financial assets and financial liabilities, • Impairment methodology, and • General hedge accounting. IFRS 9 (as revised in 2015) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. The Group early adopted phase I on classification and measurement of financial assets and financial liabilities. The management is currently reviewing the impact of phase 2 and 3 of the standard.	The Group early adopted the first phase of IFRS 9 in January 2014. Management is currently reviewing the impact of phase 2 and 3 of the standard. Some impact is foreseen.

NOTES

54. New and revised Accounting standards (Continued)

ii. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2016

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 9 Financial Instruments (as revised in 2014) *(Effective for annual periods beginning on or after 1 January 2018)*	**Phase 2: Impairment methodology** The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition. **Phase 3: Hedge accounting** The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced. The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2015 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2015. The project is under re-deliberation at the time of writing. **Transitional provisions** IFRS 9 (as revised in 2015) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to: 1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and	The Group early adopted the first phase of IFRS 9 in January 2014. Management is currently reviewing the impact of phase 2 and 3 of the standard. Some impact is foreseen.

54. New and revised Accounting standards (Continued)

ii. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 9 Financial Instruments (as revised in 2014) *(Effective for annual periods beginning on or after 1 January 2018)*	2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. An entity may early apply the earlier versions of IFRS 9 instead of the 2015 version if the entity's date of initial application of IFRS 9 is before 1 February 2016. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.	The Group early adopted the first phase of IFRS 9 in January 2014. Management is currently reviewing the impact of phase 2 and 3 of the standard. Some impact is foreseen.
IFRS 15 Revenue from Contracts with Customers *(Effective for annual periods beginning on or after 1 January 2018)*	In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed. The Group is still 'assessing the impact of IFRS 15 and will adopt the amendment prospectively. The Group anticipates no material impact to the financial statements currently.	Extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed. The Group is still 'assessing the impact of IFRS 15 and will adopt the amendment prospectively. The Group anticipates no material impact to its financial statements.

NOTES

54. New and revised Accounting standards (Continued)

ii. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 16 Leases *(Effective for annual periods beginning on or after 1 January 2019)*	After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.	The Group is a lessee in very minimal circumstances. The Group anticipates no material impact to its financial statements.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions *(Effective for annual periods beginning on or after 1 January 2018)*	The amendments clarify the following: 1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.	The Group anticipates no impact to its financial statements.

54. New and revised Accounting standards (Continued)

ii. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions *(Effective for annual periods beginning on or after 1 January 2018)*	2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. 3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: i. the original liability is derecognised; ii. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and iii. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.	The Group anticipates no impact to its financial statements.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Effective for annual periods beginning on or after a date to be determined)*	The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows: IAS 28 has been amended to reflect the following: • Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture. • Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.	The Group anticipates no impact to its financial statements.

NOTES

54. New and revised Accounting standards (Continued)

ii. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Effective for annual periods beginning on or after a date to be determined)*	IFRS 10 has been amended to reflect the following: Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.	The Group anticipates no impact to its financial statements.
Amendments to IAS 7 Disclosure Initiative *(Effective for annual periods beginning on or after 1 January 2017)*	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods.	The Group anticipates no impact to its financial statements.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses *(Effective for annual periods beginning on or after 1 January 2017)*	The amendments clarify the following: 1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;	The Group anticipates no significant impact to its financial statements.

54. New and revised Accounting standards (Continued)

ii. New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2016 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses *(Effective for annual periods beginning on or after 1 January 2017)*	2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; 3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and 4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.	The Group anticipates no significant impact to its financial statements.

Other than for the adoption of the first phase of IFRS 9, the group has not early adopted any other standards. These standards will be adopted when they become due.

55. Events after reporting date

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure.

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NOTICE OF THE ANNUAL GENERAL MEETING

To the Shareholders of Britam Holdings Plc (formerly Britam Holdings Limited)

NOTICE IS HEREBY GIVEN THAT THE 21st ANNUAL GENERAL MEETING of the Company will be held at Safari Park Hotel, Nairobi on Friday, 9th June 2017 at 10.00 a.m. to transact the following business:

1. To table the proxies and note the presence of a quorum.

2. To read the notice convening the meeting.

3. To receive, consider and if approved, adopt the audited consolidated financial statements for the year ended 31st December 2016, together with the Chairman's, Directors' and Auditors' reports thereon.

4. To approve the payment of a final dividend for the year ended 31st December 2016 of Shs. 0.30 per ordinary share of Shs. 0.10 each, subject to withholding tax where applicable, to shareholders on the register of members at the close of business as at 9th May 2017.

5. Rotation and election of Directors:

   i. Mrs. Agnes N. Odhiambo retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and being eligible, does not offer herself for re-election as a director.

   ii. Mr. Samson K. Kamau retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and being eligible, does not offer himself for re-election as a director.

   iii. Mr. Mike Laiser who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

   iv. Ms. Caroline J. Kigen who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director of the Company.

   v. Mr. Mohamed S. Karama who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

   vi. Dr. Peter K. Munga having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election.

   vi. Mr. Jimnah M. Mbaru having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election.

   vii. Amb. Francis K. Muthaura retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election.

6. To pass an ordinary resolution pursuant to Section 769 (1) of the Companies Act, 2015, to appoint the following members of the Board Audit Committee: Ms. Caroline J. Kigen (Chairperson), Mr. Mike Laiser and Mr. Mohamed S. Karama.

7. To approve the remuneration of the Directors for the year ended 31st December 2016.

8. To note that the auditors, Messrs Deloitte & Touché, will continue in office in accordance with Section 721 (2) and 724 of the Companies Act, 2015 and to authorize the Directors to fix their remuneration.

9. Special Business:

   To consider and if found fit, to pass the following resolution as an ordinary resolution:

   "THAT the proposed establishment of the Employee Share Option Plan ("ESOP") be and is hereby approved and the draft Trust Deed in relation to the ESOP between the Company and Bora Services Limited and the draft Rules of the ESOP, as approved by the Board of Directors of the Company, be and are hereby approved for submission to the Capital Markets Authority".

10. To consider any other business for which due notice has been given.

Nancy K. Kiruki
Company Secretary
P.O. Box 30375 – 00100
NAIROBI

5th May 2017

NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend, is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

   A Proxy Form may be obtained from the Company's website www.britam.com, registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi, or offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi.

   To be valid, a form of Proxy must be duly completed by the member and lodged with the Company Secretary at the registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi or at the registered office of the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than Wednesday, 7th June 2017 at 10.00 a.m., failing which it be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in pdf format. In the case of a corporate body, the proxy must be under its common seal.

2. In accordance with Article 151 of the Articles of Association of the Company, a copy of the entire Annual Report & Accounts may be viewed at the Company's website at www.britam.com or a printed copy may be obtained from the registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, P.O. Box 30375 – 00100, Nairobi or at the registered office of the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi.

3. Transport shall be provided to shareholders from Kencom bus stop to the Safari Park Hotel from 7.30 a.m. to 9.00.a.m. on 9th June 2017.

TANGAZO LA MKUTANO MKUU WA MWAKA

Kwa wanahisa wa Britam Holdings Plc (iliyojulikana awali kama Britam Holding Limited)

ILANI INATOLEWA KWAMBA MKUTANO MKUU WA 21 WA KILA MWAKA wa kampuni utafanyika katika Safari Park Hotel, Nairobi, mnamo Ijumaa, Juni 9, 2017, kuanzia saa nne za asubuhi ili kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi na kuthibitisha kuna wingi wa watu wanaohitajiwa ili mkutano uweze kufanyika.

2. Kusoma ilani ya kuitisha mkutano mkuu wa mwaka.

3. Kupokea, kukagua, na ikikubaliwa, kuidhinisha taarifa za jumla za hesabu zilizokaguliwa za mwaka uliomalizika Desemba 31, 2016, pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi wa Hesabu.

4. Kuidhinisha malipo ya mgao wa mwisho wa faida ya mwaka uliomalizika Desemba 31, 2016, wa Shs 0.30 kwa kila hisa ya kawaida ya Shs 0.10, baada kutolewa ushuru wa faida ya akiba panapofaa, kwa wenyehisa watakaokuwa kwenye rejista ya wamiliki wa kampuni kufikia Mei 26, 2017.

5. Kuchagua wakurugenzi:

   i. Bi Agnes N. Odhiambo anastaafu kwa zamu kwa mujibu wa Vifungu 92 na 93 vya Kanuni za Kampuni na ingawa anastahili, hakujitolea kuchaguliwa tena kuwa mkurugenzi.

   ii. Bw Samson K. Kamau anastaafu kwa zamu kwa mujibu wa Vifungu 92 na 93 vya Kanuni za Kampuni na ingawa anastahili, hakujitolea kuchaguliwa tena kuwa mkurugenzi.

   iii. Bw Mike Laiser aliyeteuliwa bila kuidhinishwa na wenyehisa anastaafu kwa zamu kwa mujibu wa Kifungu 115 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.

   iv. Bi Caroline J. Kigen aliyeteuliwa bila kuidhinishwa na wenyehisa anastaafu kwa zamu kwa mujibu wa Kifungu 115 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.

   v. Bw Mohamed S. Karama aliyeteuliwa bila kuidhinishwa na wenyehisa anastaafu kwa zamu kwa mujibu wa Kifungu 115 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.

   vi. Dkt Peter K. Munga ambaye ametimiza umri wa miaka 70, anastaafu kwa mujibu wa Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015 na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.

   vii. Bw Jimnah M. Mbaru ambaye ametimiza umri wa miaka 70, anastaafu kwa mujibu wa Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015 na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.

   viii. Balozi Dkt Francis K. Muthaura anastaafu kwa zamu kulingana na Vifungu 92 na 93 vya Kanuni za Kampuni na kwa vile ametimiza umri wa miaka 70 anastaafu kulingana na Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015 na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.

6. Kupitisha azimio la kawaida kwa mujibu wa Kifungu 769 (1) cha Sheria ya Kampuni ya 2015, kuteua wafuatao kuwa wanachama wa kamati ya bodi ya ukaguzi wa hesabu: Bi Caroline Kigen (mwenyekiti), Bw Mike Laiser na Bw Mohamed.

7. Kuidhinisha malipo ya Wakurugenzi kwa mwaka uliomalizika Desemba 31, 2016.

8. Kuwateua tena Messrs Deloitte & Touché waendelee kuhudumu wakaguzi kutoka nje ya kampuni wa hesabu kulingana na vifungu 721(2) na 724 vya Sheria ya Kampuni ya 2015 na kuwaruhusu wakurugenzi kuamua malipo ya wakaguzi hao.

9. Shughuli maalumu

   Kushughulikia na ikiafikiwa kuwa inafaa, kupitisha azimio la kawaida lifuatalo: “Kwamba pendekezo la kuanzisha mpango maalumu wa wafanya kazi kununua hisa za kampuni (ESOP) uidhinishwe na hati ya udhamini ya ESOP kati ya Kampuni na Bora Services Limited na mswada wa kanuni za ESOP, kama ulivyoidhinishwa na Bodi ya Wakurugenzi wa Kampuni, ziidhinishwe na kibali kimetolewa kuziwasilisha kwa Halmashauri ya Masoko ya Amana (CMA).

10. Kushughulikia suala jingine lolote na ambalo ilani ifaayo ilishatolewa awali.

Kwa amri ya bodi ya wakurugenzi

Nancy K. Kiruki
Katibu
S. L. P. 30375 – 00100
NAIROBI

Mei 5 2017

ILANI:

1. Mwenyehisa yeyote anayeruhusiwa kisheria kuhudhuria na kupiga kura katika mkutano lakini hana nafasi ya kufika, ana haki kisheria kumchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Si lazima mwakilishi awe mwenyehisa wa kampuni.

   Fomu ya kumteua mwakilishi inaweza kupatikana katika tovuti ya kampuni www.britam.com, afisi iliyosajiliwa ya kampuni ambayo ni Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, S.L.P. 30375 – 00100, Nairobi, ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Orofa ya 5, Loita Street, Nairobi.

   Ili kukubaliwa, fomu ya mwakilishi lazima ijazwe kikamilifu, itiwe sahihi na mwenye hisa na ipelekwe kwa Katibu wa Kampuni katika afisi zilizosajiliwa za Kampuni, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, S.L.P. 30375 – 00100, Nairobi ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Orofa ya 5, Loita Street, Nairobi, mnamo ama kabla ya Jumatano, Juni 7, 2017, saa nne za asubuhi, ama sivyo fomu haitakubaliwa. Vinginevyo, fomu za uwakilishi zilizosainiwa zinaweza kunakiliwa kielektroniki na kusafirishwa kwa barua pepe kutumia anwani info@image.co.ke izkiwa katika muundo wa pdf. Ikiwa ni shirika, fomu ya uwakilishi lazima ipigwe muhuri rasmi.

2. Kulingana na Kifungu 151 cha Kanuni za Kampuni, nakala ya Ripoti yote ya Mwaka na Taarifa ya Hesabu inapatikana katika tovuti ya Kampuni www.britam.com. Nakala iliyochapishwa inapatikana kwenye afisi zilizosajiliwa za Kampuni, Britam Centre, Mara/Ragati Roads, Upperhill, Nairobi, S.L.P. 30375 – 00100, Nairobi ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Orofa ya 5, Loita Street, Nairobi.

3. Wenyehisa watatasafirishwa kutoka kituo cha mabas cha Kencom hadi Safari Park Hotel kuanzia saa moja u nusu hadi saa tatu za asubuhi mnamo Juni 9, 2017.

Britam Holdings Plc (Formerly Britam Holdings Limited)

Annual General Meeting - 9 June 2017,

Proxy Form

I/We ____

____

CDS Account No. ______________________________ of P. O. BOX ____________________________

being a member(s) of Britam Holdings PLC (Formerly Britam Holdings Limited), hereby appoint ______________

____

of (address) ____

or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the General Meeting of the Company to be held on 9th June 2017 starting at 10.00 a.m., at the Safari Park Hotel, or at any adjournment thereof.

As witness to my/our hands this ______________________ day of __________________________ 2017

Signature(s) ____

Notes:

This proxy form is to be delivered to the Company Secretary at the Company's offices at Britam Centre, 8th Floor, Junction Mara/Ragati Road, P.O. Box 30375-00100 Nairobi, Kenya or offices of the Company's shares registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays and bank holidays in Kenya) from the date hereof until 9.00 am Wednesday 7th June 2017, failing which it will be invalid.

A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

NOTES

Corporate Information

Registered Office
Britam Holdings Limited

Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O. Box 30375, 00100 Nairobi, Kenya
Tel: (+254) 020 2833 000/2710 927
Fax: (+254) 020 2717 626
E-mail: info@britam.com
Website (Group): www.britam.com

The Chief Executive Officers (CEOs) and /or Principal Officers for the entities below are the individuals that held office as at the time of approval of these consolidated financial statements.

Local Subsidiaries

3 of the local subsidiaries share physical and postal addresses with the Company as below;

Britam Life Assurance Company (Kenya) Limited
CEO/ Principal Officer: Mr. Ambrose Dabani
E-mail: insurance@britam.com

Britam Asset Managers (Kenya) Limited
CEO/ Principal Officer: Mr. Kenneth Kaniu
E-mail: assetmanagement@britam.com

Britam Properties (Kenya) Limited
General Manager: Mr. Benson Kamau
E-mail: info@britam.com

Britam General Insurance Company (Kenya) Limited
CEO/ Principal Officer: Ms. Margaret Kathanga
Renaissance Corporate Park
Elgon Road
Upper Hill
P.O. Box 30375-00100, Nairobi, Kenya
Tel: (+254) 020 2833 000/0703 094 000
Email: info@britam.com

Regional Subsidiaries

Britam Insurance Company (Uganda) Limited
CEO/ Principal Officer: Mr. Allan S. Mafabi
Course View Towers,1st Floor, Plot 21 Yusuf Lule Road
P.O. Box 36583, Kampala Uganda
Tel: (+256) 417 702 600
Email: britam@britam.com

Britam Insurance Company Limited (South Sudan)
CEO/ Principal Officer: Mr. John K. Githinji
The Britam Place, Hai Malakal Juba, South Sudan
Tel:(+211) 956 444 457/8
Email: britamss@britam.com

Britam Insurance Company (Rwanda) Limited
CEO/ Principal Officer: Mr. Antoine Uwamungi
Union Trade Centre, 5th Floor
P.O. Box 913, Kigali, Rwanda
Tel: (+250) 252 579 031/2/3
Email: britam@britam.com

Britam Insurance (Tanzania) Limited
CEO/ Principal Officer: Mr. Stephen Lokonyo
PPF Tower 2nd Floor, Garden/Ohio Street
P.O. Box 75433, Dar es Salaam, Tanzania
Tel: (+255) 22 2138058/ 762
Email: info@britam.com

Britam Insurance Company Limited (Malawi)
CEO/ Principal Officer: Mr. Grant Mwenechanya
Delamere House, Victoria Avenue,
P.O. Box 442, Blantyre, Malawi
Tel: (+265) 01 824 044/ 08 81893856 /09 91461230
Email: info@britam.com

Britam Companhia De Seguros De Moçambique, SA
CEO/ Principal Officer: Mr. George Sithole
Av Tomas Nduda No 1489 Caixa 3681, Maputo
Mozambique
Tel: (+258) 21 492840/8/9
britam@britam.com

Related Parties

HF Group Limited
Rehani House
Kenyatta Avenue/Koinange Street
Nairobi Kenya
Tel: (+254) 020 3262 000
Email: info@hfgroup.co.ke

Equity Group Holdings Limited
Equity Centre
Upper Hill - Hospital Road
Nairobi Kenya
Tel: (+254) 020 2262 000,
Email: info@equitybank.co.ke

Share Registrar
Image Registrars Limited
Barclays Plaza, 5th Floor
Loita Street
P.O. Box 9287-00100, Nairobi
Tel: (+254) 020 2230 330
Email: info@image.co.ke

Auditor
Deloitte & Touché
Deloitte Place, Muthangari,
Waiyaki Way Nairobi, Kenya
Tel: (+254) 020 423 0353
Fax: (+254) 020 444 8966

Company Secretary
Nancy K. Kiruki
Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O. Box 30375, 00100 Nairobi, Kenya

Actuarial Services
QED Actuaries and
Consultants (Pty) limited
Sandton, South Africa.
Triangle Actuarial Services
Wake Forest, North Carolina, USA

Legal Advisors
Kaplan & Stratton, Advocates
Daly & Inamdar Advocates
Bowmans (previously Coulson Harney Advocates)
Walker Kontos, Advocates
Ngatia and Associates
South Sudan Associated Advocates
Katende, Ssempebwa & Co Advocates (Uganda)
FK Advocate (Rwanda)
Tanscar Attorneys (Tanzania)
Nanthuru & Associates (Malawi)
Costa Amanze (Mozambique)

Bankers
Equity Bank Limited
Commercial Bank of Africa Limited
Barclays Bank of Kenya Limited
Citibank
Kenya Commercial Bank Limited
National Bank of Kenya Limited
Standard Chartered Bank
Co-operative Bank of Kenya
Housing Finance
Chase Bank Kenya Limited

HEAD OFFICE
Britam Centre
Mara/Ragati Road Junction, Upper Hill
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www.britam.com

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