Britam

With you every step of the way

2018

Britam Holdings Plc
Annual Report & Financial Statements


BRITAM
TOWER

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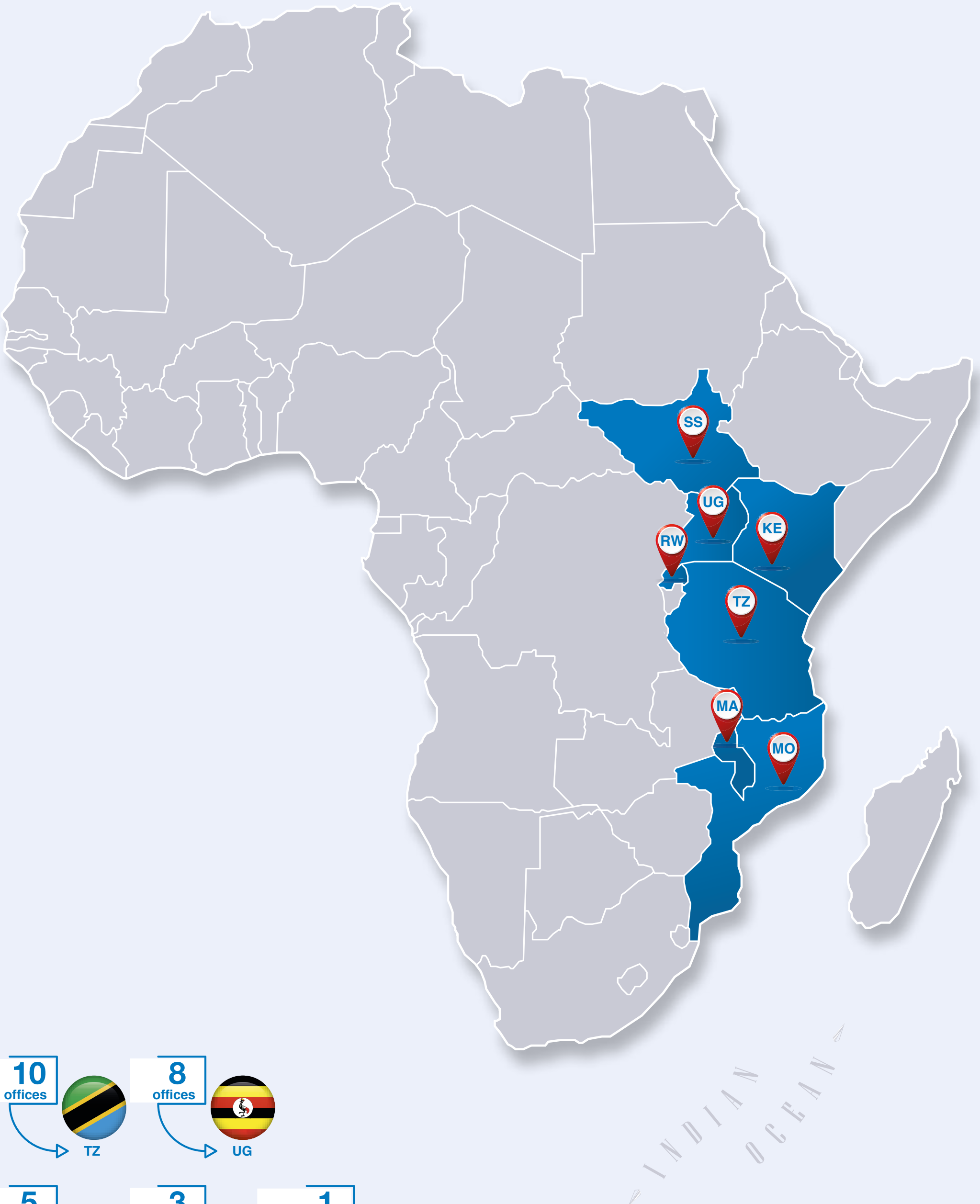
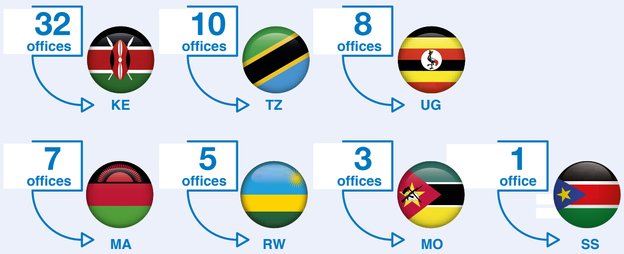
OVERVIEW

ABOUT US

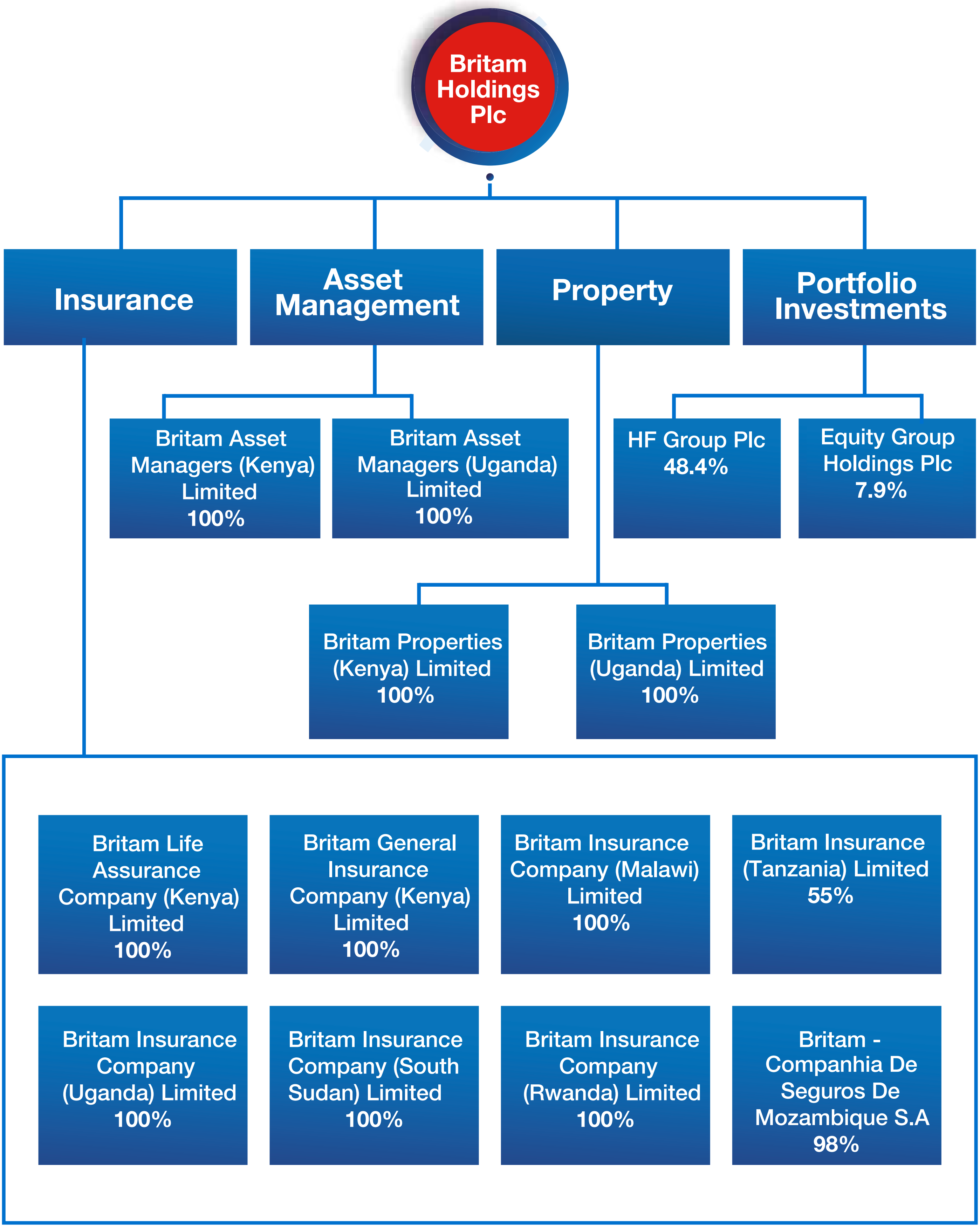
Britam is a leading diversified financial services group listed on the Nairobi Securities Exchange. The Group has presence in seven countries in Africa namely: Kenya, Uganda, Tanzania,Rwanda, South Sudan, Mozambique and Malawi.

The Group offers a wide range of financial solutions in life assurance, general insurance, health insurance, retirement planning, asset management, property and banking. These solutions enable our customers to protect and grow their wealth and achieve their fi nancial goals every step of the way.





GROUP STRUCTURE



FIVE YEAR FINANCIAL HIGHLIGHTS

Summary statement of profit or loss and other comprehensive income

	2018 Shs'000	2017 Shs'000	2016 Shs'000	2015 Shs'000	2014 Shs'000
Revenues					
Gross earned premiums and fund management fees	24,986,224	24,058,941	21,221,078	20,324,212	14,741,828
Gross earned premiums	24,325,111	23,298,311	20,291,844	19,605,675	14,045,772
Net earned premiums	21,061,660	20,298,120	17,393,585	16,373,722	11,792,162
Fund management fees	661,113	760,630	929,234	718,537	696,056
Investment income	6,667,588	4,446,714	5,223,975	4,550,017	3,477,271
Realised & unrealised gains / (losses) on financial assets	(3,049,273)	1,324,833	(2,412,009)	(2,836,211)	4,102,165
Commissions earned & other income	1,052,523	1,006,377	1,225,429	1,324,922	624,681
Total income	**26,393,611**	**27,836,674**	**22,360,214**	**20,130,987**	**20,692,335**
Expenses					
Net insurance benefits and claims	14,247,140	12,498,761	5,001,165	10,614,215	8,023,291
Interest payments/increase in unit value	1,688,638	2,462,961	1,742,978	495,774	2,035,986
Operating and other expenses	8,244,558	7,355,818	7,094,697	6,716,741	4,616,406
Finance costs	905,567	1,186,147	1,177,264	802,155	350,290
Commissions payable	3,313,922	3,520,150	3,547,258	3,291,904	2,712,987
Total expenses	**28,399,825**	**27,023,837**	**18,563,362**	**21,920,789**	**17,738,960**
Share of profit of the associate	(289,656)	53,006	442,281	594,864	259,007
(Loss)/Profit before tax	**(2,295,870)**	**865,843**	**4,239,133**	**(1,194,938)**	**3,212,382**
Total comprehensive income/(loss) for the year	**(2,856,296)**	**1,908,150**	**784,673**	**(3,183,699)**	**6,013,313**
(Loss)/earnings per share	**(0.92)**	**0.26**	**1.26**	**(0.5)**	**1.31**

Summary statement of financial position

Shareholders' funds	23,956,170	22,670,010	17,877,596	17,674,448	21,439,672
Total assets	103,656,332	99,024,857	83,642,609	77,632,352	72,450,354
Total liabilities	79,700,162	76,354,847	65,765,013	59,957,904	51,010,682

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I would like to present the Annual Report and Financial Statements for the year ended 31st December 2018.

It was a challenging year for our Company. Our financial results are a reflection of an unfavourable macro-economic environment and the weak performance of some of our strategic investments in equities and property. We remain confident of the longer term returns achievable from these investments.

Economic Environment

Global

Annual Gross Domestic Product (GDP) growth eased in 2018 at 3.7 percent, 0.2 percent lower than earlier projections. Trade wars, high interest rates, and reduced growth in the European Union area continue to lead to expectations of slower growth in 2019 and 2020, projected at 3.5 percent and 3.6 percent, respectively. Sub-Saharan GDP growth projections however predict recovery with growth projected at 3.5 percent in 2019, from an estimated growth of 2.9 percent in 2018.

Kenya

Kenya's GDP growth is estimated to have increased to 6 percent in 2018 from 4.9 percent in 2017. This growth was supported by reduced political tensions, favorable weather conditions and recovery in the tourism sector. Notably, improved food production and decline in global oil prices kept inflation stable at 5 percent during the year.

"We will continue to innovate and enhance both our products and services and increase our agent network. Our innovations have been driven by our customers' needs and a focus on key economic activities in the various countries in which we are present."

The business environment faced challenges due to the slowdown in credit growth resulting from the interest rate cap law which remains in place, and additional costs arising from the reintroduction of Value Added Tax on petroleum products after exemption since 2013.

Stable economic growth at 5.9 percent in 2019 into 2020 is expected, resulting from stable macroeconomic and political environments. However there are concerns at increasing debt to GDP levels caused by fiscal deficits which may constrain government’s capital spending.

Regional Economies

We are maintining our strategy of growing our regional presence. Our chosen economies are growing at rates higher than the average for sub-Sahara Africa.

In Uganda, GDP growth is estimated at 5.9 percent in 2018, up from 4.0 percent in 2017. 2019 growth is projected at 6.1 percent supported by continued infrastructure developments and increased Foreign Direct Investment (FDI) in the oil and gas sector.

Tanzania’s GDP growth is estimated at 5.8 percent in 2018. Economic growth is projected at around 6.6 percent in 2019 supported by public sector infrastructure projects.

Rwanda’s economic growth is estimated at 7.2 percent in 2018, an improvement from 6.1 percent in 2017. Growth is projected at 7.8 percent in 2019 supported by public infrastructure projects and implementation of the Made-in Rwanda initiative.

2018 growth in Mozambique is estimated to slow down to 3.5 percent following a decline in public spending, slowdown in the agriculture sector and low foreign direct investments. However, 2019 growth is expected to recover to 4 percent driven by improvements in agriculture and extractive industries, and increase in FDI.

The Malawian economy is estimated to grow at 3.3 percent in 2018, down from 4 percent in 2017 reflecting reduced agricultural output following a dry spell in the first half of the year and infestation by the fall army worm in the second half of 2018. The country’s GDP is projected to grow by 4.7 percent in 2019 and 5 percent in 2020. Agricultural improvements, stable macroeconomic fundamentals, the recovery in global commodity prices, and continued FDI inflows are projected to drive growth.

South Sudan’s economy contracted by an estimated 2.7 percent in 2018, following 6.1 percent contraction in 2017. The economy will benefit from the signing of the peace agreement in June and a marginal rise in global oil prices in 2018. The economy is projected to grow by 2.6 percent in 2019 driven by increase in oil production.

Key Performance Indicators

The Group gross premium revenues were Shs 24.3 billion in 2018, a growth of 4% from Shs 23.3 billion in 2017. The Group returned a loss before tax of Shs 2.3 billion. Total comprehensive loss of Shs 2.9 billion in 2018, compared to total comprehensive income of Shs 1.9 billion in 2017.

The decline in the Group’s performance is mainly attributable to poor performance in the stock market and a significant impairment to the Group’s investment in HF. We look forward to a significant improvement in the performance of HF as a number of strategic initiatives are undertaken.

Shareholders’ funds increased by 6 percent on the back of issuance of new shares to AfricInvest III – SPV 1 during the year.

Dividend

The board of Directors are unable to recommend a dividend for the year 2018 (2017: Shs 756.9 million, 35 cents per share).

Board and Governance

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.

The Board reviewed its composition during the year and recommended for appointment by the shareholders two new directors with a variety of skills and experience.

In August 2018, the Directors attended several training sessions on Corporate Governance, Effective Board, Sustainable Business Practices, Risk Management and the impact of IFRS 7 and IFRS 19.

A Board Evaluation exercise was conducted in November 2018. This included the evaluation of the Board, Board Committees, the Group Managing Director and the Company Secretary. A very favourable report resulted. But we continue to strive for excellence and an action plan has been developed to address the issues arising from the evaluation exercise. In 2018, the Board tracked the implementation of the action plans agreed from the 2017 board evaluation exercise.

The Board held a mid-term strategy retreat to review the Company’s 2016-2020 Strategic Plan. The retreat, which was held in August 2018, brought together directors from the Company and all its subsidiaries and the senior management.

During the year, two directors were appointed to the Board of Directors.

In July 2018, Mr. George Odo was appointed to the Board. Mr. Odo brings experience in investment management, banking, insurance and microfinance.

In December 2018, Mr. Christopher Minter was appointed to the Board. Mr. Minter brings a wealth of experience in investments management, private equity, corporate development and finance.

New Investors

During the year the company attracted investment interest from top tier international investors.

AfricInvest III – SPV 1 investment in Britam Holdings Plc

AfricInvest, a private equity fund was officially inaugurated as a shareholder of Britam at a bell ringing ceremony held at the Nairobi Securities Exchange. This marked the successful completion of a 14.3 percent stake by the private equity fund in the Company.

CHAIRMAN'S STATEMENT (continued)

Swiss Re acquisition of shares in Britam Holdings Plc

In July 2018, Swiss Re completed the acquisition of three hundred and forty eight million, five hundred and four thousand (348,504,000) ordinary shares in the Company, and now holds approximately 13.81 percent of the issued ordinary shares of the Company. The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer.

These investments are reflections of the optimism the international financial community has in the prospects for the Kenya economy and their decisions to invest in the regional financial sector through Britam is a reflection of their assessment of the potential for the company.

Future Outlook

Our strategy is to provide responsive, innovative and creative diversified financial solutions to our customers. We will continue to innovate and enhance both our products and services and increase our agent network. Our innovations have been driven by our customers' needs and a focus on key economic activities in the various countries in which we are present.

We remain well positioned in our chosen markets with a strong, underlying growth momentum, driven by our focus on the rapidly expanding middle classes and booming infrastructure investment. The market is promising with opportunities for us to seize. We have positioned ourselves well to capitalise on this development. We are going to play to our strengths; we have the requisite knowledge, expertise, experience, and an unrivalled regional network to spur us to success. We have a cohesive and distinctive culture with a strong emphasis on values and leadership.

The changes and investments we have made in the business address the underlying challenges that have impacted our financial performance. I am positive that these changes will help us meet our aspirations and serve our clients better.

I wish to express my sincere appreciation to our shareholders, clients, customers and stakeholders for their continued support during the year. I would like to thank our people for their hard work and ongoing commitment to the Group.

Mr. W. Andrew Hollas

Chairman

28 March 2019

TAARIFA YA MWENYEKITI

Kwa niaba ya Bodi ya Wakurugenzi, ningependa kuwasilisha ripoti ya kila mwaka na taarifa ya fedha ya mwaka uliomalizika Desemba 31, 2018.

Ni mwaka ambao kampuni ilikumbana na changamoto nyingi. Matokeo yetu ya fedha yanaakisi hali mbaya ya kiuchumi na mapato duni ya baadhi ya vitega uchumi vyetu muhimu katika soko la hisa na majengo. Hata hivyo, tuna imani tutapata faida ya muda mrefu kutokana na rasilmali hizo.

Hali ya kiuchumi

Ulimwengu

Uchumi ulistawi kwa asilimia 3.7 mnamo 2018, asilimia 0.2 chini ya kiwango kilichotabiriwa awali. Mizozo ya kibiashara, viwango vya juu vya riba na kupungua kwa kasi ya ustawi katika eneo lote la Muungano wa Ulaya ni mambo ambayo yamesababisha kushuka kasi kwa makadirio ya ustawi wa kiuchumi hadi asilimia 3.5 mnamo 2019 na asilimia 3.6 mwaka 2020. Inakisiwa kwamba uchumi wa mataifa yaliyo kusini ya Jangwa la Sahara utaimarika na kukua kwa asilimia 3.5 mnamo 2019 ikilinganishwa na ukuaji uliokisiwa wa asilimia 2.9 mnamo 2018.

Kenya

Kiwango cha ustawi wa uchumi wa Kenya kilitarajiwa kuinuka hadi asilimia sita mnamo 2018 kutoka asilimia 4.9 mwaka 2017. Ustawi huo ulitokana na kupungua kwa joto la kisiasa, hali nzuri ya hewa na kufufuka kwa shughuli za kitalii. Ni muhimu kutambua kwamba kuimarika kwa uzalishaji wa chakula na kupunguka kwa bei za mafuta ulimwenguni kulisaidia kutuliza kiwango cha gharama ya maisha kilichosalia kuwa asilimia tano mwaka wote.

> “Tunayo maarifa hitajika, utaalamu, tajriba na mtandao wa kanda usio na ushindani kutuwezesha kufaulu. Tunao mshikamano na utamaduni wa kipekee unaotilia mkazo maadili na uongozi.”

TAARIFA YA MWENYEKITI (ikiendelea)

Mazingira ya kufanyia biashara yalikabiliwa na changamoto nyingi kutokana na kupunguka kwa mikopo ya banki kufuatia kuendelea kutekelezwa kwa sheria ya viwango vya faida za mikopo na riba. Kadhalika, kurejeshwa kwa ushuru wa dhamana ya ziada (VAT) kwa bidhaa za petroli uliofutiliwa 2013 kulisababisha ongezeko la gharama.

Inatarajiwa uchumi utastawi kwa kiwango thabiti cha asilimia 5.9 mwaka 2019 na kuendelea hivyo hata 2020 kutokana na uimara wa uchumi mkuu na mazingira ya kisiasa. Hata hivyo, kuna wasiwasi kutokana na ongezeko la deni la Serikali likilinganishwa na viwango vya chini vya mapato ghafi ya ndani ya nchi kutokana na kutofikia kiwango lengwa cha kodi na hivyo kutatiza uwezo wa Serikali kugharamia miradi ya kuzalisha mali.

Uchumi wa nchi za kanda

Tutaendelea kuzingatia mikakati ya kukuza biashara yetu katika mataifa ya kanda ambapo tunaendesha shughuli zetu. Uchumi katika mataifa ya kanda ambapo Britam inaendesha biashara unaendelea kukua kwa viwango zaidi ya kiwango cha jumla cha mataifa yaliyo kusini ya Jangwa Sahara.

Uchumi wa Uganda ulitarajiwa kustawi kwa karibu asilimia 5.9 mnamo 2018 ikilinganishwa na asilimia 4.8 mwaka 2017. Yakadiriwa kiwango cha ustawi cha 2019 kitakuwa asilimia 6.1 kutokana na miradi inayoendelea ya kustawisha muundo msingi na kuongezeka kwa kiasi cha uwekezaji wa moja kwa moja wa kigeni katika shughuli za mafuta na gesi.

Uchumi wa Tanzania ulitarajiwa kukua kwa asilimia 5.8 mwaka 2018. Yatarajiwa uchumi huo utakua kwa asilimia 6.6 mnamo 2019 kutokana na miradi ya muundo msingi inayogharamiwa na sekta ya umma.

Ustawi wa kiuchumi katika Rwanda ulitarajiwa kukua kwa karibu asilimia 7.2 mnamo 2018, ongezeko kubwa ikilinganishwa na asilimi 6.1 mnamo 2017. Kiwango cha ustawi wa uchumi mwaka 2019 kinatarajiwa kuwa asilimia 7.8 kutokana na serikali kugharamia miradi ya muundo msingi na kampeni ya kuvumisha utumiaji wa bidhaa na huduma za Rwanda.

Kiwango cha uchumi katika Msumbiji kilishuka hadi asilimia 3.5 kutokana na uamuzi wa serikali kupunguza matumizi yake, kuzorota kwa shughuli za kilimo na kupungua kwa uwekezaji wa moja kwa moja wa kigeni. Hata hivyo, inakadiriwa uchumi utafufuka mnamo 2019 na kukua kwa kiwango cha asilimia nne kutokana na kuimarika kwa hali ya kilimo na shughuli za uziduaji, na pia kuongezeka kwa kiasi cha uwekezaji wa moja kwa moja wa kigeni.

Kiwango cha ustawi wa uchumi wa Malawi kilitarajiwa kushuka hadi asilimia 3.3 mwaka 2018 kikilinganishwa na asilimia nne mnamo 2017. Hali hii ni kutokana na kuzorota kwa kilimo kufuatia msimu wa ukame katika nusu ya kwanza ya mwaka na uvamizi wa viwavi katika nusu ya pili ya 2018. Uchumi wa Malawi unatarajiwa kukua kwa asilimia 4.7 mwaka 2019 na asilimia tano ifikapo 2020. Ustawi huo unatarajiwa kuchangiwa na kuimarika kwa kilimo, uthabiti wa misingi ya uchumi mkuu, kuimarika kwa bei za bidhaa ulimwenguni na kuendelea kuongezeka kwa kiasi cha uwekezaji wa moja kwa moja wa kigeni.

Hali ya kiuchumi katika Sudan Kusini ilitarajiwa kushuka hadi karibu asilimia 2.7 mwaka 2018 kufuatia mshuko wa asilimia 6.1 mnamo 2017. Uchumi unatarajiwa kufaidika na mkataba wa amani utakaotiwa sahihi Juni na pia kupanda kwa kiasi kidogo kwa bei za mafuta ulimwenguni mnamo 2018. Uchumi unatarajiwa kukua kwa asilimia 2.6 mwaka 2019 kutokana na kuongezeka kwa utoaji mafuta.

Vidokezi muhimu vya utendakazi

Kampuni ilipata jumla ya Shs 24.3 bilioni mwaka 2018 kutokana na uandikishaji wa bima, ongezeko la asilimia nne kutoka Shs 23.3 bilioni mwaka 2017. Kampuni ilipata hasara ya Shs 2.3 bilioni kabla ya kutozwa ushuru. Hasara ya jumla ya mwaka 2018 ni Shs 2.9 bilioni ikilinganishwa na pato la jumla la Shs 1.9 bilioni la mwaka 2018.

Faida ya kampuni ilipunguka hasa kutokana na mapato duni katika soko la hisa na kudhoofika kwa uwekezaji wa shirika letu katika kampuni ya HF. Tunatarajia matokeo bora ya utendakazi katika HF kutokana na harakati kadhaa zinazochukuliwa za kimkakati.

Pesa za wenyehisa ziliongezeka kwa asilimia sita kutokana na uuzaji wa hisa mpya kwa AfricInvest III – SPV 1 katika mwaka 2018.

Mgawo wa faida

Halmashauri ya Wakurugenzi imeshindwa kupendekeza mgawo wa faida kwa mwaka 2018 (2017: Shs 756.9 milioni, senti 35 kwa kila hisa) kulipwa wanahisa wa kampuni.

Bodi ya Wakurugenzi na udhibiti wa shirika

Bodi hubaini azma na matilaba ya shirika, nia zake za kimkakati, malengo na maadili. Ni jukumu lake kutoa mwelekeo wa kimkakati, matokeo ya kifedha, uzingatiaji wa kanuni na sheria, pamoja na kuhakikisha usimamizi thabiti wa shughuli za biashara. Kadhalika, huhakikisha kwamba kuna taratibu na kanuni za kulinda na kukinga rasilmali za kampuni na pia sifa yake njema.

Bodi iliangalia upya wakurugenzi wake katika mwaka 2018 na inapendekeza wanahisa wateue wakurugenzi wawili wapya wenye ujuzi na tajriba tofauti.

Wakurugenzi walihudhuria vikao kadhaa vya mafunzo ya udhibiti wa shirika, bodi yenye kuleta matokeo yanayotakiwa, mazoea endelevu ya biashara, taratibu za kukabiliana athari za ujasiria na mambo yawezayo kuathiri biashara, na manufaa au athari za IFRS 7 na IFRS 19, mnamo Agosti, 2018.

Shughuli ya kuitathmini bodi ilifanyika Novemba, 2018, na ilihusisha utathmini wa bodi, kamati za bodi, meneja mkuu mkurugenzi wa shirika na katibu wa kampuni. Watathmini walitoa ripoti ya kuridhisha. Hata hivyo, twaendelea kujitahidi kufikia kiwango cha juu zaidi cha ubora na mpango umeandaliwa kusudi kushughulikia masuala yaliyotokana na utathmini huo. Mnamo 2018, bodi ilifuatilia utekelezwaji wa mipango iliyokubaliwa kufuatia utathmini wa bodi wa 2017.

Bodi iliandaa kikao cha kufanya uchunguzi wa katikati ya msimu wa mpango wa mikakati wa kampuni wa 2016-2020. Kikao hicho kilichofanyika Agosti, 2018, kiliwaleta pamoja wakurugenzi wote wa shirika na kampuni tanzu, na mameneja wake wakuu.

Wakurugenzi wawili waliteuliwa kujiunga na bodi mwaka 2018.

Mnamo Julai, 2018, Bw George Odo aliteuliwa kujiunga na bodi. Bw Odo ana tajriba katika usimamizi wa vitega uchumi, shughuli za benki, bima na masuala ya fedha yanayohusu biashara ndogo.

TAARIFA YA MWENYEKITI IKIENDELEA

Mnamo Desemba, 2018, Bw Christopher Minter aliteuliwa kujiunga na bodi. Bw Minter ana tajriba katika usimamizi wa vitega uchumi, uwekezaji binafsi, ustawi wa mashirika na fedha.

Wawekezaji wapya

Katika mwaka 2018, kampuni ilivutia wawekezaji wa kimataifa wa kiwango cha juu.

Uwekezaji wa AfricInvest III – SPV katika Britam Holdings Plc

AfricInvest, hazina ya kibinafsi ya ununuzi wa hisa, ilizinduliwa rasmi kuwa mwanahisa wa Britam katika sherehe ya kupiga kengele iliyofanyika katika Soko la Hisa la Nairobi. Sherehe hiyo ilikuwa ishara ya kukamilka rasmi kwa utaratibu wa kampuni hiyo kununua rasmi asilimia 14.3 ya hisa katika Britam.

Ununuzi wa hisa wa Swiss Re katika Britam Holdings Plc

Mnamo Julai, 2018, Swiss Re ilikamilisha ununuzi wa hisa za kawaida 348,504,000 katika kampuni yetu na sasa inamiliki takribani asilimia 13.81 ya hisa za kawaida za kampuni zilizouzwa. Swiss Re Group ni mojawapo ya mashirika makubwa ulimwenguni ya bima.

Uwekezaji huo ni kielelezo bayana cha jinsi jamii ya kimataifa inayojihusisha na fedha ilivyo na matumaini na matarajio makuu ya uchumi wa Kenya kustawi. Uamuzi wao kuwekeza katika shughuli za fedha kwenye kanda hii ya Afrika kupitia kwa Britam ni thibitisho la imani waliyo nayo kwamba kampuni yetu ina uwezo mkubwa wa kuendelea kukua.

Matarajio

Mkakati wetu ni kuwapatia wateja wetu huduma vumbuzi na bunifu za masuala ya fedha zinazowavutia na kutilia maanani mahitaji na uwezo wao wa kifedha. Tutaendelea kubuni na kuimarisha bidhaa na huduma zetu na pia kupanua mtandao wa maajenti. Ubunifu wetu umetokana na mahitaji ya wateja wetu ukizingatia shughuli muhimu za kiuchumi katika mataifa tofauti ambamo Britam inaendesha biashara.

Tunabaki katika nafasi nzuri katika masoko tuliyoyachagua tukiwa na msukumo thabiti wa kukua unaoendeshwa na azma yetu ya kuhudumia watu wa tabaka ya katikati wanaozidi kuongezeka, na uwekezaji unaovuma katika miradi ya muundo msingi. Soko linaashiria mazuri katika siku za usoni na lina nafasi nyingi kwetu kufaidika. Tuko tayari kujinufaisha kutokana na maendeleo hayo. Tutatumia uwezo tulio nao ipasavyo. Tunayo maarifa hitajika, utaalamu, tajriba na mtandao katika kanda usio na ushindani ili kutuwezesha kufaulu. Tunao mshikamano na utamaduni wa kipekee unaotilia mkazo maadili na uongozi.

Mabadiliko hayo pamoja na uwekezaji tulioufanya katika biashara ni mambo yanayoangazia changamoto zilizopo ambazo zimeathiri mapato yetu. Nina matumaini makubwa kwamba mabadiiliko hayo yatatusaidia kufikia matarajio yetu na kutuwezesha kutoa huduma bora zaidi kwa wateja.

Ninawashukuru wenyehisa wetu, wateja na washika dau kwa jinsi walivyotuunga mkono kwa dhati hapo mwaka 2018. Ningependa kuwashukuru pia wafanya kazi wetu wote kwa juhudi zao na kuendelea kujitolea kutumikia kampuni yetu.

Bw W. Andrew Hollas

Mwenyekiti

Machi 28, 2019

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholder,

We experienced a challenging year and our business did not perform as expected. In spite of this, we continued to implement our 2016-2020 Go for Gold strategy and expect to deliver better results in the coming years.

We are focused on delivering value for our shareholders, supporting our customers and clients, and making a positive impact on the communities in which we live and work. We are focused on growth, investing at pace in all our businesses both in Kenya and across our Africa footprint.

Our Business

The Group has operations in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi and offers a wide range of products and services in Insurance, Asset Management and Property.

Group Financial Performance

The Group has performed well in its core business. The Group's total assets grew by 5 percent to Shs 103.6 billion in 2018 up from Shs 99 billion in 2017 and enabled the Group to maintain its market leadership position.

During the same period, the shareholders' funds increased by 6 percent on the back of issuance of new shares to new investors. In the recent past, the company has attracted several international investors who include International Finance Corporation (IFC), AfricInvest and Swiss Re.

> "In line with our mission, 'Providing you with financial security every step of the way', we shall continue building a sustainable business in the long term and focus on conducting our business to the highest levels of ethics and integrity."

GROUP MANAGING DIRECTOR'S STATEMENT (continued)

In the year under review, gross earned premium and fund management fees registered a growth of 4 percent to Shs 25 billion from 24.1 billion reported in 2017. The Assets Under Management (AUM) by our Asset Management unit increased by 14 percent to Shs 146.64 billion from Shs 128.9 billion in 2017.

The life assurance business recorded a premium growth of 6 percent, which was generally higher than the industry average signifying our dominance in the market. The embedded value, which measures the performance and economic value of a life insurance company, increased to Shs 13.8 billion, a return of 9.6 percent indicating the Life Assurance business is writing profitable business that will generate additional value to the shareholders' in future.

The international insurance business made a contribution of 13 percent of the net insurance business revenue, 14 percent of total income and 7 percent of the assets of the Group.

However, the Group has reported a loss before tax of Shs 2.3 billion compared to a profit before tax of Shs 866 million in 2017. The Group also recorded a decline of 6 percent in total income of Shs 26.2 billion compared to Shs 27.8 billion in 2017.

The decline in the Group's performance can be attributed to many factors within the operating environment which include the poor performance of the stock market where the Group reported an unrealised loss from investment in listed equities of Shs 3.2 billion compared to a gain of Shs 0.9 billion in 2017. The withdraw of foreign investors from the market resulted in a sell-off leading to an18 percent year-on-year decline on the Nairobi Securities Exchange (NSE).

In addition, the performance was affected by the Group's other investment portfolios that did not perform as expected. During the year we performed an impairment assessment on our investment in HF Group as required by the International Financial Reporting Standards and recorded an impairment of Shs 1.7 billion compared to Shs 1.3 billion in 2017. The value of the investment has been adversely impacted by the changes in market interest rates following the introduction of the interest rates capping regulation. The property business did not also perform well because of the depressed property market.

Finally, performance was also impacted by one-off costs that included the restructuring payment of Shs 664 million.

Business Review

The group is organized in five segments namely life assurance, general insurance, asset management, international division and property.

Life Assurance

The Life business reported a loss before tax of Shs 887 million against a profit before tax of Shs 473 million in 2017. The 2018 performance was significantly impacted by the following key issues:

- **Associate business performance and impairment:** The 2016 events mainly interest rate caps, collapse of some banking institutions and associated liquidity flight negatively impacted the associate's performance. The associate was destabilized by the traditional model of reliance on wholesale deposits as opposed to retail and a liquidity event in the form of a corporate bond repayment.

  The associate's performance in 2018 was characterized by no lending, lower interest income and a higher cost to income ratio. The Life business share of the associate's loss amounted to Shs 204 million compared to a profit of Shs 32 million in 2017. Additionally, an impairment loss of Shs 1.032 billion was recorded in 2018 compared to Shs 781 million in 2017.

- **Equities performance:** The stock market was bearish in 2018 due to a relatively strong shilling, increase in Federal Reserve Rate and a strengthening US economy resulting in capital flight. The increase in excise duty on mobile money transfer charges, bank transfer charges and internet fees led to a drop in the share prices of banking and telecommunication stocks at the NSE which account for over 80 percent of the market capitalization. The Life business quoted ordinary shares recorded unrealized fair value losses of Shs 1.123 billion in 2018 compared to unrealized fair value gains of Shs 1.281 billion in 2017.

General Insurance

The General Insurance Kenya business reported a loss before tax of Shs 40 million compared to a profit before tax of Shs 545 million in 2017. Gross earned premiums increased by 1percent to Shs 8.2 billion from Shs 8.1 billion in 2017.

Net assets declined by 11 percent with total assets marginally increasing by 2 percent to Shs 12.1 billion in 2018 from Shs 11.8 billion in 2017.

Microinsurance had a 14 percent growth in Gross Written Premiums with an underwriting profit of Shs 48 million.

Asset Management

The Asset Management business recorded a 11 percent growth in Assets under Management (AUM) of Shs 146.64 billion from Shs 128.9 billion in 2017. Revenues declined by 15.8 percent to Shs 721.9 million down from Shs 856.4 million in 2017 due to lower revenue in our retail business. Operating costs rose by 22.7 percent to Shs 529.1 million in 2018 from Shs 431.6 million.

The company recorded a 65.2 percent decline in profit before tax to Shs 125.2 million from Shs 358.6 million in 2017 on account of business reorganization. This has impacted the results of the retail business in the short term but will result in stronger longer term performance in the immediate future. Our continued profitability reflects our commitment to delivering shareholder value through continuous improvement in operational efficiency.

Property

During the year the property business reported a loss of Shs 9 million. This is due to the multiple challenges faced by the Kenyan real estate sector in the year.

Most of the sectors softened significantly with the residential sector facing subdued demand amidst increased supply. The commercial sector also experienced subdued demand on the backdrop of increased supply.

Britam Tower (Tower), the Group's flagship 31-storey office building completed in fourth quarter of 2017, has been leasing with notable progress been registered so far. The building offers 330,000 square feet of lettable space.

The Tower received global recognition including the Emporis Skyscraper Award, making it the only skyscraper in Africa to feature among the top ten buildings in the world.

GROUP MANAGING DIRECTOR'S STATEMENT (continued)

The Emporis Skyscraper Award is the world's most renowned prize for high-rise architecture. Winners are chosen by a jury of architecture experts from all over the world, while the nominated buildings are judged based on their achievements in functions and aesthetics. The Tower also received the inaugural overall Category Award for Mechanical, Electrical and Plumbing (MEP) Engineering at the recent Council of Tall Buildings and Urban Awards Ceremony in Shenzhen, China. The award recognizes projects and individuals that have made extraordinary contributions to the advancement of tall buildings and the urban environment, and that achieve sustainability at the highest and broadest level.

The Tower adheres to international green building standards, with several green features, including rain water harvesting, water recycling and reuse facilities, use of water and energy saving sanitary and light fixtures besides being designed for natural ventilation and daylight. It complies with international fire safety standards. As a result, the Tower was presented with the EDGE (Excellence in Design for Greater Efficiencies) in 2018, by the IFC. The award recognizes and rewards developers who implement strategies to save energy and water use in their building.

Britam properties has identified several key sectors and development opportunities in Nairobi and across the country that will underpin its development program in the next two years. These are areas that we have identified that are either under-served or offer a clear opportunity in terms of demographics, path of development or are aligned to the unique strengths resident within Britam.

International Division

The international division accounted for 13 percent of the net insurance business revenue, 14 percent of total income and 7 percent of the assets of the Group in 2018. We recorded profitability in the Uganda, Tanzania, Malawi and Mozambique businesses. South Sudan and Rwanda recorded losses for the year.

Strategic Focus

Our fundamentals remain strong and we are executing our 2016-2020 strategic plan, dubbed "Go for Gold". During the year we began execution of Phase 2 of the strategy by using technology and our staff as enablers to deliver new customer experiences and exceed customer expectations. The strategy is anchored on five strategic pillars:

- **Profitable growth.** Although, the Group reported a loss in 2018, we continue to implement various strategic initiatives to ensure all the businesses are profitable going forward. These include introduction of new distribution channels; automation; innovative products and tapping into new market segments.

- **Customer Service.** Our business is anchored on provision of outstanding customer experience, and to this end, in 2018 we implemented new core business systems with rich capabilities to drive operational efficiency and improve customer service; Implemented Oracle Siebel CRM to transform our customer journey; Built a self-service customer portal; and Implemented digital sales capability through our buy-online portal.

- **Innovation.** In a bid to maintain market leadership by embedding innovation in our core business, in 2018 we launched mobile distribution channels e.g. our new USSD portal (*778#) and continued to enhance our sales through digital portals.

- **Operational excellence.** This is geared towards improving our operations and implementing robust business processes and controls. In 2018 operational efficiencies were achieved through: the rollout of systems e.g. INSIS, and IPA to improve process efficiency; rollout of systems work motion study to re-align our operating model; and revised policies e.g. Credit Control Policy.

- **Enabling transformation.** Our objective is to undergo transformational change, heavily supported by the best talent, a high performance culture and an IT ecosystem. To achieve this in 2018 we successfully rolled out our core IT platforms e.g. ERP, Taleo, iSupply and Moneyware; and continued to focus on high performance based on revised Performance Metrix across the Group and revised incentive structures and talent management framework.

In line with our 2016–2020 Strategic Plan, our continued focus for 2019 is exceeding our customer's expectation through product and service innovation.

Human Capital and Performance Management

In 2018, we undertook a restructuring exercise that saw 110 members of staff exit the group. The need for the exercise was informed by, among other factors, a new transformation journey undertaken by the company which has resulted in a new business model with new refined structures and processes. Staff were offered a voluntary early retirement package which included the payment of all contractual dues and an ex gratia payment which was well above industry practice.

We also implemented the Britam Graduate Trainee programme, and brought in the first cohort of 25 graduate trainees. The Program aims to build a robust pool of exceptional bright, talented and motivated individuals, with academic excellence and position them to drive Britam's growth and maintain its market leadership in the diversified financial services sector.

The Group utilizes the Balanced Scorecard performance management system, to measure business and staff performance on the four perspectives which are financial, customer, internal business processes and learning and growth. The strategic initiatives are cascaded to each employee and this enables the Group to align the strategy to all staff personal score cards and performance is now measured on contribution to the strategy.

Risk Management

The diversity of our business model requires us to identify, assess, measure, aggregate and manage our risks, with a view to increasing shareholder value. Our aim is to help reinforce our resilience by encouraging a holistic approach to the management of risk and return throughout our organization. We actively take risks in connection with our business and as such the following principles underpin our risk management framework:

- Risk is taken within a defined risk appetite;
- Every risk taken needs to be approved within the risk management framework;
- Risk taken needs to be adequately compensated; and
- Risk should be continuously monitored and managed.

The Group has an enterprise risk management framework which defines Group risk policies, standards and guidelines while recognizing that each business and territory has different risk profiles and appetites.

GROUP MANAGING DIRECTOR'S STATEMENT (continued)

To ensure appropriate risk prioritization and mitigation we identify the internal and external events that may affect our strategies and potentially impact our results, capital and reputation.

Corporate Social Responsibility

Britam's Corporate Social Responsibility (CSR) activities are guided by our pillars and seek to enrich the lives and livelihoods of the people throughout the region in a sustainable manner. The Group's CSR activities are carried out under the Britam Foundation, which focuses on health, education, sports and performing arts initiatives.

Future Outlook

Economic growth is expected to remain on a strong upward trajectory in 2019 on account of improved agricultural performance, increased government spending and stable macroeconomic variables. We expect to see a recovery in private sector credit growth as some of the business risks that hindered lending abate.

In 2019 the market has started on a positive trend and currently the NSE is being regarded as one of the best performing frontier markets. The market has regained its value and is up by 8.6 percent. The foreign inflows have stabilized and the Shilling currently in its 3 year high.

The Group is fundamentally in good shape. We have a valuable business, core financial strength, good client relationships and the right team of people. We will continue to execute our "Go for Gold" 2016-2020 strategy to position the business for growth in 2019 and the years ahead.

In line with our mission, "Providing you with financial security every step of the way", we shall continue building a sustainable business in the long term and focus on conducting our business to the highest levels of ethics and integrity.

Acknowledgement

The support from our esteemed clients and business partners, has and continues to be invaluable. I thank them for this 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, staff and our award winning Financial Advisors for their support, hard work, dedication and commitment to the business during the year.

I look forward to a better year ahead.

Dr. Benson I. Wairegi, EBS

Group Managing Director

28 March 2019

TAARIFA YA MENEJA MKURUGENZI WA SHIRIKA

Mwenye hisa mpendwa,

Ulikuwa ni mwaka wenye changamoto nyingi na biashara yetu haikufanya kama tulivyotarajia. Hata hivyo, tuliendelea kutekeleza mkakati wetu wa 2016-2020 ***Go for Gold*** na tunatarajia kupata matokeo bora zaidi miaka ijayo.

Tumelenga kuwapatia wenye hisa wetu faida, kuwasaidia wateja wetu na kuleta manufaa katika jamii ambamo tunaishi na kufanyia kazi. Shabaha yetu ni kukua na kuwekeza ipasavyo katika biashara zetu Kenya na kote katika Afrika ambapo tunaendesha biashara.

Biashara yetu

Shirika linaendesha shughuli za biashara katika Kenya, Uganda, Tanzania, Rwanda, Sudan Kusini, Msumbiji na Malawi. Linajihusisha na huduma na bidhaa mbali mbali za bima, uwekezaji na usimamizi wa mali na majengo.

Hali ya kifedha ya shirika

Shirika lilifanya vyema katika biashara yake kuu. Rasilmali za jumla za shirika ziliongezeka kwa asilimia tano na kufika Shs 103.6 bilioni mwaka 2018 ikilinganishwa na Shs 99 bilioni mnamo 2017 na kuliwezesha shirika kuendelea kudumisha uongozi katika soko.

Katika msimu huo, pesa za wenye hisa ziliongezeka kwa asilimia sita kufuatia kutolewa kwa hisa mpya kwa wawekezaji wapya. Mnamo siku za karibuni, kampuni imevutia wawekezaji kadhaa wa kimataifa, wakiwemo International Finance Corporation (IFC), AfricInvest na Swiss Re.

> "Kuambatana na wito wetu 'Kukupatia usalama wa kifedha kila hatua njiani', tutaendelea kujenga biashara endelevu katika muda mrefu na kulenga kuendesha shughuli zetu za uzalishaji mali tukizingatia kiwango cha juu iwezekanavyo cha maadili na uaminifu."

RIPOTI YA MKURUGENZI MKUU

Mapato ya jumla ya bonasi na ada za usimamizi wa hazina katika mwaka tunaouangazia yalikua kwa asilimia nne hadi Shs 25 bilioni kutoka Shs 24.1 bilioni zilizopatikana 2017. Kampuni ya Assets Under Management (AUM) ambayo ni kitengo chetu cha usimamizi wa rasilmali na uwekezaji iliimarika kwa asilimia 14 hadi Shs 146.64 bilioni kutoka Shs 128.9 bilioni mwaka 2017.

Faida ya biashara ya bima ya maisha iliongezeka kwa asilimia sita, kiwango ambacho ni cha juu kikilinganishwa na ukuaji wa jumla katika shughuli za bima, ishara ya nafasi kubwa tunayoshika katika soko hilo. Kiwango cha faida na thamani ya kiuchumi ya biashara yetu ya bima ya maisha kiliongezeka hadi Shs 13.8 bilioni, faida ya asilimia 9.6 inayoashiria kwamba biashara ya bima ya maisha inaleta faida ambayo itazidi kuongezea wenye hisa thamani ya uwekezaji wao siku zijazo.

Biashara ya bima ya kimataifa ilichangia asilimia 13 kwa mapato ya jumla ya shughuli za bima, asilimia 14 ya pato la jumla na asilimia saba ya rasilmali za shirika.

Hata hivyo, shirika linaripoti hasara ya Shs 2.3 bilioni kabla ta kutozwa ushuru ikilinganishwa na faida ya Shs 866 milioni mwaka 2017 kabla ya kulipa ushuru. Kadhalika, pato la jumla la shirika lilishuka kwa asilimia sita hadi Shs 26.2 bilioni ikilinganishwa na mapato ya Shs 27.8 bilioni katika 2017.

Kushuka kwa mapato na faida ya shirika kumetokana na sababu nyingi katika mazingira ya biashara ikiwa ni pamoja na hali mbaya katika soko la hisa. Kampuni ilipata hasara ya Shs 3.2 bilioni kutokana na uwekezaji wake katika hisa katika soko hilo, ikilinganishwa na faida ya Shs 0.9 bilioni mnamo 2017. Kuondoka kwa wawekezaji wa kigeni baada ya kuuza hisa zao katika Soko la Hisa Nairobi (NSE) kulisababisha mshuko wa asilimia 18 wa matokeo ya NSE.

Kadhalika, utendaji kazi wa shirika uliathiriwa na vitega uchumi vingine ambavyo havikuleta faida kama ilivyotarajiwa. Mnamo 2018, tulitathmini kiwango cha udhoofu wa uwekezaji wetu katika shirika la HF kuzingatia kanuni za kimataifa za utayarishaji wa ripoti za hesabu na kupata hasara ya Shs 1.7 bilioni ikilinganishwa na Shs 1.3 bilioni mnamo 2017. Thamani ya hisa zetu katika HF imeathiriwa na sheria iliyoweka viwango vya riba za mikopo na faida za banki. Isitoshe, biashara ya kuuza ardhi na majengo haikufanya vyema kutokana na kuzorota kwa soko la majengo.

Mwishowe, matokeo yetu yaliathiriwa pia na matumizi makubwa ya mara moja ambayo ni pamoja na malipo ya Shs 664 milioni ya marekebisho yaliyofanyiwa kampuni.

Utathmini wa biashara

Shirika lina vitengo vitano ambavyo ni bima ya maisha, bima ya kawaida, usimamizi wa mali, kitengo cha kimataifa na kile cha majengo.

Bima ya maisha

Kitengo cha bima ya maisha kilipata hasara ya Shs 887 milioni kabla ya kutozwa kodi ikilinganishwa na faida ya Shs 473 milioni kabla ya kutozwa kodi mnamo 2017. Matokeo ya 2018 yaliathiriwa pakubwa na masuala yafuatayo:

- **Matokeo ya biashara mshirika na utambuaji wa madeni yasiyotabirika:** Matukio ya 2016, hasa viwango vya riba za mikopo na akiba, kufungwa kwa baadhi ya banki na kupotea kwa pesa kutokana na hatua hiyo, kuliathiri biashara mshirika wetu. Mshirika huyo wetu aliyumbishwa na uzingatiaji wa mfumo asilia wa kutegemea akiba jumla badala ya akiba za rejareja, na malipo ya mara moja ya hatifungani yenye riba isiyobadilika. Mnamo 2018, mshirika huyo wetu hakutoa mikopo, mapato ya riba yakashuka nayo gharama ya kufanyia biashara ikawa juu ikilinganishwa na mapato. Fungu la hasara ya biashara ya bima ya maisha la mshirika huyo lilikuwa Shs 204 milioni ikilinganishwa na faida ya Shs 32 milioni mwaka 2017. Kadhalika hasara kutokana na pesa zilizotengewa madeni yasiyotabirika ya Shs 1.032 bilioni ilipatikana 2018 ikilinganishwa na Shs 781 milioni mwaka 2017.
- **Matokeo ya soko la hisa:** Bei za hisa katika NSE mwaka 2018 zilishuka kwa sababu ya kuimarika kwa thamani ya shilingi ya Kenya, kuongezeka kwa kiwango cha riba inayotozwa na banki zikikopeshana pesa na kuimarika kwa uchumi wa Marekani, mambo yaliyosababisha kutolewa kwa kiasi kikubwa cha pesa nje ya nchi. Kuongezeka kwa kiwango cha kodi ya ushuru wa ada za kutuma na kupokea pesa kwa simu, ada za kutuma pesa kutoka banki moja hadi nyingine na ada za internet zilisababisha kuteremka kwa bei za hisa za banki na kampuni za huduma za simu katika NSE. Mchango wa uwekezaji wa kampuni hizo katika NSE ni asilimia 80. Hisa za kawaida za shughuli za biashara ya bima ya maisha zilishuka thamani hadi Shs 1.123 bilioni mwaka 2018 ikilinganishwa na ongezeko la thamani la Shs 1.281 bilioni mnamo 2017.

Bima za kawaida

Shughuli za biashara ya bima za kawaida zilipata hasara ya Shs 40 milioni kabla ya kutozwa ushuru ikilinganishwa na faida ya Shs 545 milioni kabla ya kutozwa ushuru mnamo 2017. Faida ya uandikishaji bima iliongezeka kwa asilimia moja hadi Shs 8.2 bilioni kutoka Shs 8.1 bilioni mwaka 2017.

Thamani halisi ya mali ya shirika ilipungua kwa asilimia 11, huku jumla ya mali za shirika ikiongezeka kwa asilimia mbili hadi Shs 12.1 bilioni mnamo 2018 kutoka Shs 11.8 bilioni mwaka 2017.

Bima za wateja binafsi na wenye biashara ndogo ziliongezeka kwa asilimia 14 katika jumla ya bima zilizoandikishwa na kuleta faida ya Shs 48 milioni.

Usimamizi wa mali

Biashara ya usimamizi wa mali ilikua kwa asilimia 11 na kufika Shs 146.64 bilioni kutoka Shs 128.9 bilioni mwaka 2017. Mapato yalishuka kwa asilimia 15.8 hadi Shs 721.9 milioni kutoka Shs 856.4 milioni mwaka 2017 kutokana na mapato ya chini ya biashara yetu ya rejareja. Gharama za utendaji kazi ziliongezeka kwa asilimia 22.7 hadi Shs 529.1 milioni mwaka 2018 kutoka Shs 431.6 milioni mwaka uliotangulia.

Faida ya kampuni ilishuka kwa asilimia 65.2 kabla ya kutozwa ushuru hadi Shs 125.2 milioni kutoka Shs 358.6 milioni mwaka 2017 kufuatia mabadiliko yaliyofanyiwa mfumo wa uendeshaji biashara. Mabadiliko hayo yameathiri biashara ya rejareja katika muda mfupi na matokeo mazuri na ya muda mrefu yanatarajiwa katika siku zijazo. Kwamba tunaendelea kupata faida ni ishara ya jinsi tulivyojitolea kuhakikisha wenye hisa wetu wanapata faida kwa kuendelea kuimarisha utendaji kazi wetu.

Majengo

Biashara ya majengo ilipata hasara ya Shs 9 milioni mnamo 2019. Hali hii ilitokana na changamoto nyingi zilizokabili sekta ya ardhi na majengo nchini Kenya katika mwaka huo.

Sekta nyingi hazikupata faida kubwa, huku sekta ya nyumba za makao ikipungukiwa na wateja, hata baada ya kuongezeka kwa idadi ya nyumba zilizojengwa.

RIPOTI YA MKURUGENZI MKUU

Sekta ya nyumba za kufanyia biashara iliathiriwa pia na kuwepo kwa wakodishaji na wanunuzi wachache, ingawa majengo yaliongezeka.

Britam Tower, jengo muhimu la shirika letu lenye afisi na la gorofa 31 ambalo ujenzi wake ulikamilika katika robo ya nne ya 2017, limeendelea kupata wateja kwa kasi ya kuridhisha. Jengo hilo lina nafasi ya kukodishwa ya ukubwa wa futi 330,000 mraba.

Jumba hilo limeendelea kutambulikana kimataifa na kutuzwa. Mojawapo ya tuzo ambazo limepata ni lile la Emporis Skyscraper Award, ambalo limeweka Britan Tower katika orodha ya majumba 10 yanayotambulikana ulimwenguni. Tuzo hilo ndilo maarufu zaidi ulimwenguni linalotambua majengo marefu. Washindi huchaguliwa na jopo la wataalamu wa kuchora ramani za nyumba kutoka kote ulimwenguni. Majumba yanayoteuliwa huchaguliwa kulingana na huduma zake kwa watumiaji na umaridadi.

Britam Tower lilituzwa pia kwenye sherehe ya majuzi ya Baraza la Tuzo za Majengo Marefu na Miji iliyofanyika Shenzhen, Uchina, katika kitengo cha ufanisi wa kimakanika, uhandisi umeme na ufundi bomba. Tuzo hilo hutambua miradi na watu binafsi kwa michango ya kipekee katika ujenzi wa majengo marefu, mazingira ya miji na uendelevu kwa kiwango cha juu na pana iwezekanavyo.

Britam Tower inazingatia kanuni za kimataifa za ujenzi unaotegemea mwanga kutoka nje, uchotaji wa maji ya mvua, usafishaji wa maji yaliyotumika kwa lengo la kuyatumia tena; utumiaji wa vifaa vya maji, vyoo na taa za stima zenye kuokoa kawi, mbali na kuwepo kwa nafasi za kuingiza na kutokea hewa asili na kuleta mwangaza kutoka nje. Linazingatia kanuni za kimataifa za kujikinga na moto. Ndiposa Britam Tower ikapata tuzo la the EDGE mwaka 2018, kutoka kwa IFC. Tuzo hilo hutambua na kutuza wajenzi wanaotekeleza mikakati ya kuokoa umeme na maji katika majengo yao.

Kitengo cha Britam Properties kimetambua sekta kadhaa muhimu na nafasi za ujenzi jijini Nairobi na kote nchini, fursa itakayokuwa nguzo muhimu ya mpango wake wa maendeleo katika miaka miwili ijayo. Hizi ni sehemu zilizotambuliwa ambazo hazina huduma na miradi tosha au zinatoa nafasi bayana kulingana na hali ya jamii, mkondo wa maendeleo au kuambatana na uwezo wa kipekee iliyo nao Britam.

Kitengo cha kimataifa

Kitengo cha kimataifa kilichangia asilimia 13 ya pato kamili la jumla la biashara ya bima, asilimia 14 ya pato la jumla na asilimia saba ya mali za kampuni katika 2018. Tulipata faida kutoka kwa biashara zetu za Uganda, Tanzania, Malawi na Mozambique. Sudan na Rwanda zilipata hasara.

Msukumo wa kimkakati

Msingi na kanuni zetu zingali imara na tunatekeleza mpango wetu wa mkakati za kipindi cha 2016-2020 wenye kauli mbiu ***Go for Gold***. Tulianza 2018 kwa kutekeleza sehemu ya pili ya mkakati tukitumia teknolojia na wafanya kazi wetu ili kufanikisha huduma mpya kwa wateja wetu, na kujitahidi kuzidi matarajio yao. Mpango huo una nguzo tano muhimu za kimkakati, nazo ni:

- **Kustawi na kuinua kiwango cha faida** – Ingawa shirika lilipata hasara mwaka 2018, biashara zetu tatu za kimataifa za bima zikapata hasara, tunaendelea kutekeleza juhudi za kimkakati kwa lengo la kuhakikisha biashara zetu zinapata faida siku zijazo. Juhudi hizo ni pamoja na kuanzisha kwa njia mpya za usambazaji bidhaa na huduma zetu; utumiaji wa mitambo inayojiendesha; bidhaa vumbuzi na kutafuta masoko mapya.
- **Huduma kwa wateja** – Msingi wa biashara yetu ni huduma za hali ya juu kwa wateja. Ndiposa 2018 tulianzisha taratibu mpya za biashara zenye uwezo mkubwa wa kuimarisha utendaji kazi na huduma kwa wateja. Tulianza pia kutumia mtambo wa Oracle Siebel CRM kubadilisha jinsi tunavyohudumia wateja; tukazindua lango kwenye mtandao wetu kuwawezesha wateja kujihudumia na kuwapatia pia nafasi kununua bidhaa na huduma zetu kidigitali.
- **Uvumbuzi** – Kwenye juhudi za kuendelea kuongoza katika soko kwa kuimarisha uvumbuzi katika biashara yetu kuu, mnamo 2018 tulianzisha huduma ya kuuza bidhaa na huduma zetu kwa simu kutumia namba *778# na kuendelea kuinua mauzo yetu kwa milango ya kidijitali.
- **Utendakazi wa hali ya juu** – Lengo ni kuimarisha huduma zetu na kutuwezesha kutekeleza taratibu imara za biashara na uthibiti. Mnamo 2018, kama sehemu moja ya kujenga msingi wa mikakati yetu ya kuinua utendaji kazi, tulizindua mitambo na taratibu za INSIS na IPA. Tulianzisha pia uchunguzi wa taratibu ili kuhakikisha zinaambatana na mfumo wa utendaji kazi. Tulizifanyia sera zetu mabadiliko, ikiwemo sera ya kuthibiti madeni.
- **Kuwezesha mabadiliko** – Shabaha yetu ni kuleta mageuzi ya kuipatia kampuni sura mpya, yanayothamini talanta bora zaidi, utamaduni wa bidii kwa utendakazi na utumiaji wa mitambo ya kisasa ya teknolojia. Ili kutimiza hili, mnamo 2018 tulizindua mitambo ya kiteknolojia ya ERP, Taleo na iSupply na Moneyware. Tuliendelea pia kulenga utendaji kazi wa hali ya juu tukizingatia mfumo mpya wa utathmini kote kwenye shirika, tukaboresha mfumo wa kuhamasisha wafanya kazi na kuweka taratibu zifaazo za kusimamia talanta.

Kwa kuzingatia mpango wa mkakati wa 2016–2020, shabaha yetu kuu 2019 ni kuzidi matarajio ya wateja kwa uvumbuzi wa huduma na bidhaa.

Usimamizi wa wafanya kazi na utendaji kazi

Mnamo 2018, tulianzisha shughuli ya kufanyia mabadiliko shughuli za utendaji kazi ambazo matokeo yake yalikuwa ni kuondoka kwa wafanya kazi 110. Sababu za shughuli hiyo ni pamoja na mkondo mpya wa mageuzi ulioanzishwa na kampuni na ambao matokeo yake yamekuwa ni muundo mpya wa biashara wenye nguzo zilizorekebishwa, na taratibu mpya. Wafanya kazi walipewa fursa ya kujiuzulu mapema kwa hiari. Walipata malipo yote ya kimkataba pamoja na mengine ya ziada yasiyo wajibu kisheria na yaliyokuwa ni ya juu zaidi ya yanayotolewa na kampuni zingine za bima.

Tulitekeleza pia mpango wa ukufunzi kwa wanafunzi waliohitimu mafunzo ya vyuo vikuu na tukachukua kundi la kwanza la wakufunzi 25. Shabaha ya mradi huo ni kujenga mtandao wa wakufunzi wepevu na wenye motisha na ustadi kimasomo ili kuwaandaa kuendesha ustawi wa Britam na kuhakikisha kampuni inazidi kuongoza katika sekta ya utoaji huduma anuwai za kifedha.

Shirika letu hutumia mfumo wa usimamizi wa wafanya kazi wa *Balanced Scorecard* kutathmini biashara yetu na utendaji kazi kuzingatia nguzo nne ambazo ni masuala ya hazina, wateja, taratibu za kindani za biashara, na mafunzo na ustawi. Nguzo hizo ndizo mizani ya kumpimia kila mfanya kazi na zimeliwezesha shirika kulinganisha juhudi zake za kimkakati na shabaha za kikazi na kibiashara za kila mfanya kazi. Utendaji kazi hupimwa kulingana na mchango wa kila mmoja kwa mpango wa mikakati.

RIPOTI YA MKURUGENZI MKUU

Kuthibiti ujasiria

Muundo wetu wa biashara mbali mbali unatupasa kutambua, kutathmini, kupima, kujumlisha na kuthibiti ujasiria katika biashara zetu kwa lengo la kumhakikishia mwenye hisa kuendelea kupata faida. Lengo letu ni kuongeza nguvu uthabiti wetu kwa kuhimiza mkabala wa jumla katika kuthibiti ujasiria na faida kote kwenye shirika. Huwa tunathubutu katika biashara yetu na ndiposa kanuni zifuatazo ni nguzo muhimu kwa mfumo wetu wa kuthibiti ujasiria:

- Kuthubutu tukizingatia kiwango kilichowekwa;
- Hatua yoyote ya kujasiria inayochukuliwa ni lazima iidhinishwe katika mkabala wa kuthibiti ujasiria;
- Hatua yoyote ya ujasiria inayochukuliwa inapaswa kufidiwa kikamilifu; na
- Ujasiria unapaswa kuchunguzwa kila mara na kuthibitiwa ipasavyo.

Shirika lina utaratibu wa kujikinga kutokana na mambo yasiyotabirika yawezayo kusababishwa na ujasiria. Utaratibu huo hueleza mikabala ya ujasiria ya shirika, viwango na kanuni, huku ukitambua kuwa kila biashara na nchi zina sura tofauti na viwango mbali mbali vya hamu ya ujasiria. Ili kuhakikisha kinga ifaayo ya hatari za ujasiria inapata kipaumbele, tunatambua matukio ya kindani na kutoka nje yawezayo kuathiri mikakati yetu na kudhuru matokeo yetu, mtaji na kutuharibia sifa.

Uwajibikaji wa shirika kwa jamii

Shughuli za Britam za kufadhili jamii huongozwa na nguzo zetu kwa lengo la kuinua maisha na riziki za watu kote katika kanda kwa njia endelevu. Shughuli za kufadhili jamii za shirika hutekelezwa na Wakfu wa Britam. Mkazo wake ni kwa juhudi za afya, elimu, michezo na sanaa za utendaji.

Matarajio

Kiwango cha ustawi wa kiuchumi cha 2019 kinatarajiwa kuwa thabiti kutokana na kuimarika kwa kilimo, ongezeko la matumizi ya serikali na uthabiti wa mambo muhimu ya uchumi mkuu. Tunatarajia kushuhudia kufufuka kwa uchukuaji mikopo katika sekta ya binafsi, mojawapo ya mambo yaliyoathiri ustawi wa biashara.

Soko linaonyesha ishara nzuri mnamo 2019 na NSE ni mojawapo ya masoko ya hisa yanayofanya vizuri. Soko hilo limekomboa thamani yake ambayo imeinuka kwa asilimia 8.6. Kiwango cha mapato kutoka nje kimeimarika na thamani ya shilingi iko juu zaidi kwa mara ya kwanza katika miaka mitatu.

Msingi na kanuni za shirika ni thabiti. Tunayo biashara ya thamani kubwa, uthabiti wa kifedha, uhusiano mwema na wateja, na kundi lifaalo la wafanya kazi. Tutaendelea kutekeleza mkakati wetu wa *Go for Gold* 2016-2020 ili kuweka biashara yetu katika mkabala wa ustawi katika 2019 na miaka ijayo.

Kuambatana na wito wetu “Kukupatia usalama wa kifedha kila hatua njiani”, tutaendelea kujenga biashara endelevu kwa muda mrefu na kulenga kuendesha shughuli zetu za uzalishaji mali tukizingatia kiwango cha juu iwezekanavyo cha maadili na uaminifu.

Shukrani

Tumekuwa na tumeendelea kuthamini pakubwa ushirika wa wateja watukuka na washirika wetu kibiashara. Ninawashukuru wote kwa ushirika huo, huku tukitarajia ushirika zaidi ili kutusaidia kutimiza na kuzidisha malengo yenu ya usalama wa kifedha na uwekezaji.

Ningependa pia kushukuru halmashauri ya wakurugenzi, wasimamizi, wafanya kazi na washauri wetu hodari wa kifedha kwa bidii yao, kujitolea na kujituma kutenda kazi msimu wote wa 2018.

Matumaini yangu ni kwamba tunao mwaka mzuri mbele yetu.

BMWairegi

Dr. Benson I. Wairegi, EBS

Meneja Mkurugenzi wa Shirika

Machi 28, 2018


Britam
With you every step of the way
Let them be what they want to be with
BORESHA ELIMU
• Earn high returns
• Enjoy flexible terms
• Guaranteed payouts
Regulated by Insurance Regulatory Authority
For more info, call 0705 100 100
info@britam.com
www.britam.com
BritamEA
BritamEA

BOARD OF DIRECTOR'S

1

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

Mr. Hollas has extensive experience in finance, having worked as a consultant in various countries. He was a Senior Partner and Chief Executive, at PricewaterhouseCoopers responsible for East, Central and West Africa, before his retirement in 2010. Currently, he is devoting his time to non-executive and charitable roles.

He holds a Bachelor of Arts Degree in Economics and Finance from the University of Newcastle upon Tyne. He is a Fellow of the Institute of Chartered Accountants of England and Wales (FIA), a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the UK Institute of Directors. He is also a Certified Pension Fund Trustee of the Kenya College of Insurance.

2

Dr. Benson I. Wairegi, EBS
Group Managing Director

Dr. Wairegi is the Group Managing Director, Britam Holdings Plc, and has been with Britam for over 35 years. He is also the Chancellor of Kenyatta University, a former chairman of the Association of Kenya Insurers (AKI) and former member of the Board of Trustees of the Insurance Training and Education Trust (ITET).

He holds an Honorary Doctorate Degree from Kenyatta University, a Master of Business Administration Degree and Bachelor of Commerce Degree both from the University of Nairobi and is a Certified Public Accountant.

Dr. Wairegi is also a director of HF Group Plc and Chairman of Endeavour Kenya.

3

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

Dr. Munga is a retired Deputy Secretary in the Government of Kenya. He is also the former Chairman of Equity Group Holdings Plc, former Chairman of National Oil Corporation of Kenya (NOCK), Chairman of Equatorial Nut Processors Ltd and Chairman of Fresho International Limited. He is an entrepreneur and runs the Pioneer Group of Schools.

He holds an Honorary Doctorate Degree from the University of Nairobi. He is a Certified Public Secretary with vast experience in both public and private sector management. He also holds the Yara Prize for a Green Revolution in Africa Laureate 2009 award.

Dr. Munga is also a director of HF Group Plc.

4

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

Mr. Mbaru has over 30 years of investment banking and financial sector experience. He is the Chairman of Dyer and Blair Investment Bank Limited. He is a former chairman of the African Stock Exchanges, Nairobi Securities Exchange and is a former member of the National Economic and Social Council.

He 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. Mbaru is also a director of Occidental Insurance Limited.

BOARD OF DIRECTOR'S

5

Mr. Stephen O. Wandera
Executive Director

Mr. Wandera is the Principal Executive Director, Business, overseeing the Group's business in Kenya and International Division of six countries. He has been with Britam for over 25 years. He is a former Chairman of the Association of Kenya Insurers (AKI) and a former Governor of the Kenya Private Sector Alliance (KEPSA).

He holds a Master's Degree and Bachelor of Arts Degree in Business Administration, both from the University of Nairobi. He has extensive experience in insurance and is also a Fellow of the Chartered Insurance Institute (FCII).

6

Ms. Marianne Loner
Non-Executive Director

Ms. Loner has over thirty years' experience in financial services and asset management. She also serves as a Director of Sura Asset Management S.A. Colombia, Procredit Holdings AG & Co Frankfurt, Procredit Bank SA Romania and Amundi Planet Sicav-SIF, Luxembourg.

She holds a Master of Business Administration Degree from the Graduate School of Business Administration, New York University.

7

Mr. George Odo
Non-Executive Director

Mr. Odo has over 25 years work experience working in accounting, auditing, insurance, agribusiness, SME business advisory and international development. He is the Managing Director of AfricInvest East Africa and a Senior Partner in AfricInvest Group, a leading Private Equity firm in Africa, where he is responsible for the operations of AfricInvest in the Eastern and Southern Africa region.

He holds an Executive MBA Degree from United States International University (Kenya) and Columbia University (USA), a Bachelor of Commerce Degree from Rani Durgavati University, India. He is a Certified Partnership Broker and a Certified Accountant.

8

Mr. Mohamed S. Karama
Independent Non-Executive Director

Mr. Karama is a former partner at PricewaterhouseCoopers, leading advisory services both in Kenya and in the United States. He has over 20 years' global experience in both developed and emerging markets.

Mr. Karama is a Certified Public Accountant and a Certified Government Financial Manager with diversified consulting skills, comprehensive project management experience and extensive knowledge of the public sector, financial services and healthcare industries.

BOARD OF DIRECTOR’S

9

Ms. Caroline J. Kigen
Independent Non-Executive Director

Ms. Kigen has wide experience in accounting, financial management and corporate governance. She has worked with the University of Nairobi and Strathmore University as a lecturer in accounting. She also worked at PricewaterhouseCoopers in audit and assurance. Ms. Kigen has also sat on a number of boards locally and internationally.

She holds a Master of Business Administration Degree and a Bachelor of Commerce Degree both from the University of Nairobi. She is a member of the Institute of Certified Public Accountants of Kenya where she has chaired a number of committees.

Ms. Kigen is also a director of Home Afrika Limited.

10

Mr. Mike Y. Laiser
Independent Non-Executive Director

Mr. Laiser is an enterprise development economist, and his areas of expertise are SME and rural and industrial development, micro-finance and technology transfer. He has chaired boards of several organizations, such as Credit for Productive Activities for Women in Tanzania and Tanzania Youth for Employment Foundation. He has also been a consultant for United Nations Industrial Development Organization (UNIDO), Eastern and Southern African Management Institute (ESAMI), among others.

He holds a Master’s Degree in Development Finance, Project Planning and Implementation from Williams College, Boston USA and a Bachelor of Arts Degree in Economic Planning from the University of Dar es Salaam.

11

Mr. Christopher Minter
Non-Executive Director

Mr. Minter has over 25 years’ experience in Investments Management, Private Equity, Corporate Development and Finance. He is the Head of Principal Investments and Acquisitions at Swiss Re Ltd. He is responsible for the management of Swiss Re’s principal investments portfolio as well as for acquisitions and divestments of both strategic and financial holdings of the Swiss Re Group.

Mr. Minter holds a Master’s degree in Law and History from the University of Cambridge and is a Fellow of the Institute of Chartered Accountants in England and Wales.

12

Mrs. Nancy K. Kiruki
Company Secretary

Mrs. Kiruki is the Director, Legal and Company Secretary and has been with Britam for over 10 years. Prior to this, she was Britam’s Director Legal and Human Resources.

She holds a Master of Laws Degree from the University of Cape Town and a Bachelor of Laws Degree from the University of Nairobi. She is also a Certified Public Secretary, an advocate of the High Court of Kenya, a Commissioner of Oaths, Notary Public, Certified Governance Auditor, Certified Executive Leadership Coach and a Certified Human Resources Manager.

EXECUTIVE MANAGEMENT - CORPORATE

Dr. Benson I. Wairegi, EBS
Group Managing Director

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

Stephen O. Wandera
Principal Executive Director - Business

Dr. Muthoga Ngera
Director Marketing & Corporate Affairs

Nancy K. Kiruki
Director, Legal & Company Secretary

Kennedy B. Aosa
Director International Insurance Business

Betty M. Mwangi
Group Commercial Director

James N. Maitho
Director Human Resources

Steve B. Magati
Group Head Internal Audit

Fridaclare K. Katusya
Group Chief Finance Officer

Jack W. Maina
Group Chief Operating Officer

Carol A. Misiko
Chief Risk & Compliance Officer

Jude B. Anyiko
Group Chief Investment Officer

Susan W. Kariuki
Chief Actuary & Head of Product Development

Edward M. Kuria
Chief of Staff

EXECUTIVE MANAGEMENT - BUSINESS LEADERS

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

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

Saurabh Sharma
General Manager - MicroInsurance Business

Kenneth Kaniu
CEO Britam Asset Managers (Kenya) Limited

Allan S. Mafabi
CEO & Principal Officer
Britam Insurance Company - Uganda

Grant Mwenechanya
CEO & Principal Officer - Malawi

Stephen K. Lokonyo
CEO & Principal Officer - Tanzania

John K. Githinji
CEO & Principal Officer - South Sudan

Martin Mandivenga
Chief Executive Officer - Mozambique

Lawrence Gathanji
Acting CEO & Principal Officer - Rwanda

Ronald T. Kasolo
General Manager Britam Asset Managers
(Uganda) Limited

Raphael N. Mwito
Acting General Manager,
Britam Properties (Kenya) Limited

OUR BUSINESS MODEL

Governance

Our Resources

Our business requires resources or forms of capital to operate. Three capitals are particularly important to us.

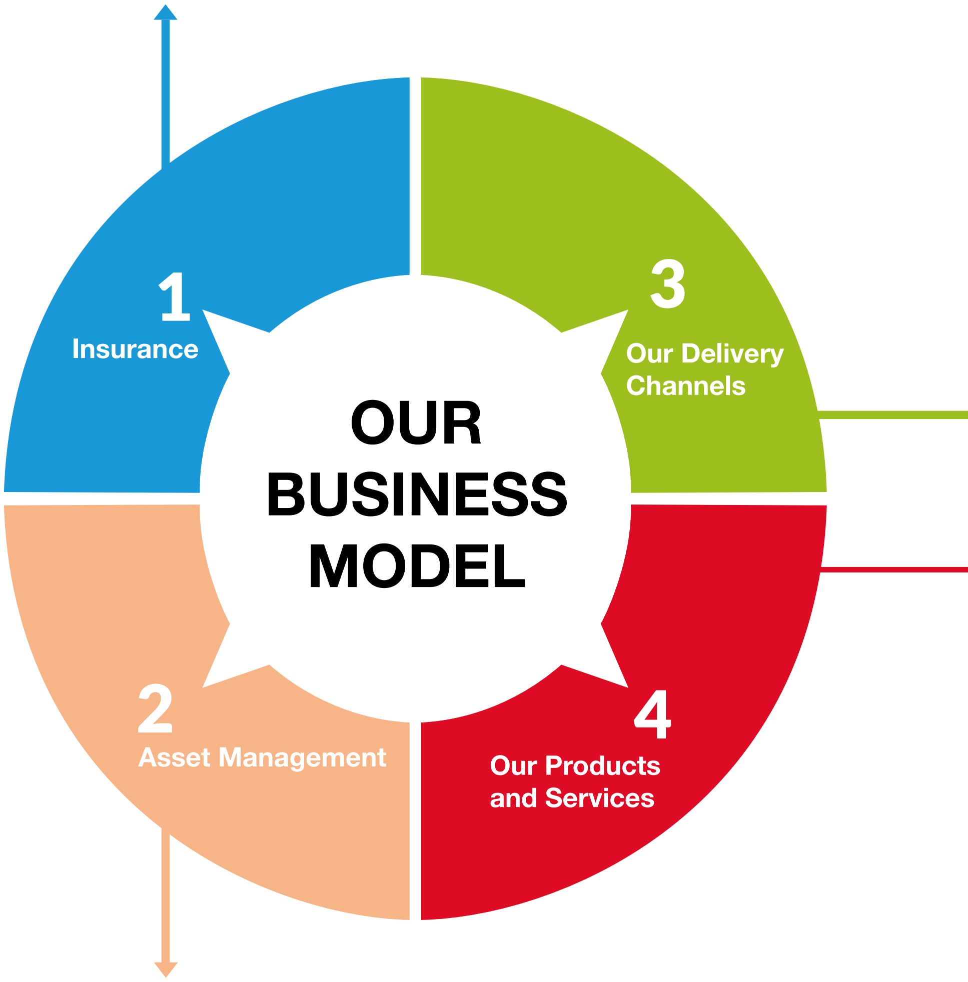
Financial Capital from investors.

Human and Intellectual Capital from employees.

Social and Relationship Capital from customers, business partners, brokers and intermediaries.

1. Insurance

Our business covers both Life and General Insurance. Clients pay insurance premiums which we invest. From the return we pay customers' benefits and make profits for our shareholders. Customers also make regular withdrawals from pensions and savings products.



2. Asset Management

Customers entrust us with their savings, pensions and investments. We invest the money over time, to increase its value. We also manage property assets on behalf of clients for a fee and realize investment return.

Enterprise Risk Management

3. Our Delivery Channels

Most of our products and services are sold through intermediaries, including brokers, agents, banks and financial advisors. Some are also sold directly through digital channels.

Financial Advisors	▸ Tied Agents ▸ Independent Agents
Digital Direct Channels	▸ USSD *778# ▸ Britam Buy Online ▸ Britam Customer Connect
Partners	▸ Brokers ▸ Bancassurance ▸ Aggregators

4. Our Products and Services

We begin with the customer – we assess the customer's needs, price the risk and develop products and services that fit with those needs. Our products and services are then branded and marketed.

1. Insurance
   - Pure Risk Products
   - Educational Products
   - Retirement Fund Administration
2. Property and Casualty
   - Property and Casualty Insurance
   - Comprehensive Health Management Solutions
3. Asset Management
   - Collective Investment Schemes
   - Wealth Management Solutions
   - Institutional Client Investment Solution
   - Property Management Services
   - Facilities Management Services
   - Development Management Services

Creating Value

For our ***shareholders and bondholders,*** value is providing returns through regular dividends and coupon payments.

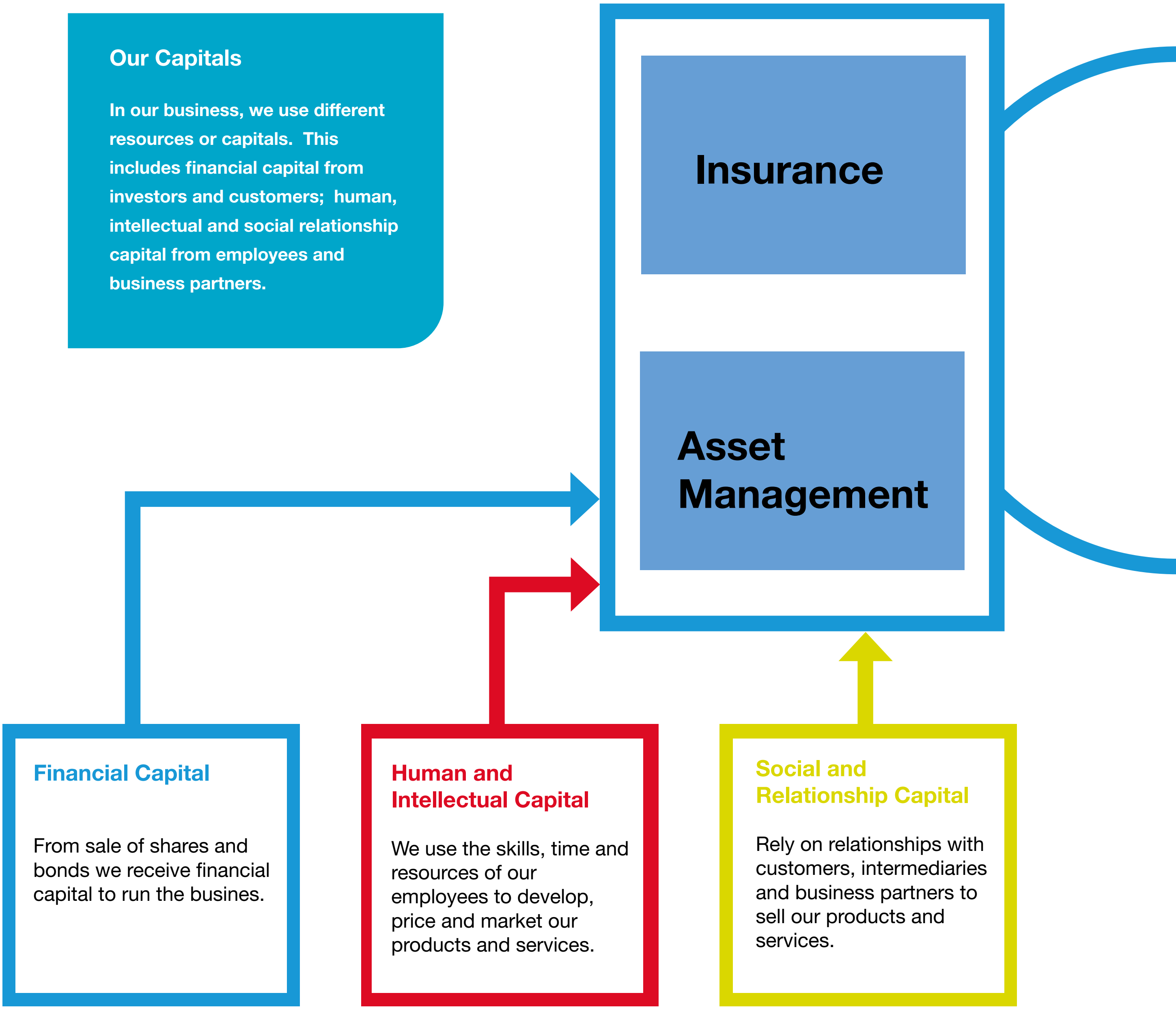
For our ***customers,*** value is life-long protection and financial security. It is about paying claims, and helping them save for education and a financially secure retirement.

For our business ***partners,*** value is about fair treatment and allowing their businesses to grow and prosper alongside ours.

For our ***employees***, value is offering regular salaries and benefits, training and opportunities for career development.

For the ***wider community***, value is acting as a responsible corporate citizen, meeting our obligations, and investing in areas that bring clear social and environmental benefits.

HOW WE CREATE VALUE THROUGH OUR BUSINESS MODEL



Explanatory Note:
This chart is based on the International Integrated Reporting Council's (IIRC) six capitals: financial, human, intellectual, natural, manufactured and social and relationship. Each of these capitals represents a store of value, which companies use and transform through their business activities.

In the capital value chain, capitals may increase or decrease in value. The capitals most relevant to our business are financial, human, intellectual, social and relationship.

- *Financial capital represents the funds accessible to us, this includes both debt and equity finance.*
- *Intellectual capital refers to institutional knowledge, innovation and research etc. developed within the organization.*
- *Human capital refers to individual knowledge, skills and capacities in our workforce.*
- *Social and relationship capital covers relationships developed both within and outside the organization. It includes relationships with customers, business partners and suppliers.*

Products and Services

Distribution

Creating Value

With these capitals, we create value for our stakeholders through our products and services, our investments, the taxes we pay and jobs we create.

Financial Capital

To our customers we pay out pensions, savings and insurance claims. We reinvest in our business and from profits we aim to provide stable and attractive returns for investors.

Human and Intellectual Capital

We offer our employees a safe and condusive workplace, pay salaries and benefits, and invest in training and career development.

Social and Relationship Capital

Through our products and services, we provide protection and peace of mind to our customers. We are an investor, a reliable business partner and support to local communities.

DIRECT & INDIRECT ECONOMIC VALUE GENERATED

- **KShs 14.2 billion paid out to customers in claims and benefits**
- **KShs 1.06 billion paid out to investors in interest payments**

- **KShs 2.46 billion in salaries and social benefits to our employees**
- **KShs 42,598,000 spent on training and career development programs**

- **KShs 1.58 billion in commission to financial intermediaries**
- **KShs 3.36 billion paid to suppliers**
- **KShs 623 million in taxes**
- **KShs 37.8 million invested in local communities**

INTEGRATED REPORT

OUR GOVERNANCE

Our system of governance is based on checks and balances. As a company incorporated in Kenya, we comply with the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (The Code). The Governance Audit carried out for the year ended 31 December 2018, confirms our compliance with The Code (See page 51 for further details). Adherence to this code helps us manage our business responsibly and take the best possible decisions for both Britam and its stakeholders. Our governance system comprises three tiers:

- The Executive Management, charged with the strategy, management and control of the company.
- The Board of Directors, which oversees the work of the Executive Management.
- And the Annual General Meeting of Shareholders, which decides Board appointments, remuneration and is responsible for adopting financial accounts.

The Board of Directors

Our Board of Directors is independent of management, which is important in ensuring effective oversight. Its members are not employed by Britam and there is an appropriate mix of independent and non-executive directors. It is the official decision-making body for Britam Holdings Plc. When appointing new members, there is a deliberate effort to have a "balanced and diverse" Board, in age, gender, nationality and background. The Board of Directors determine company strategy, as well as Britam Holdings' budget, risk management and capital position. It is also responsible for ensuring the company retains strong internal controls – that management has the systems and processes it needs to run the company.

Executive Management

Our Group Executive Council has 15 members and is responsible for operational management and strategy implementation. Members of this Executive Management are drawn from across the company's country and business units, or heads of specific functions, such as Legal, HR, Risk or Technology. Pay for senior management is tightly controlled. Across the company, we apply a principle of pay for performance. That means we incorporate both financial and non-financial performance targets into our executives' variable pay. We ensure that a significant part of this variable pay is deferred over a period of time. We have a specific Remuneration Policy, which sets out our approach in detail. All executive pay is reviewed by the Board's Compensation and Human Resource Committee.

Shareholders

Britam Holdings Plc is listed on the Nairobi Securities Exchange in Kenya. Details on the shareholding can be seen on Page 48 of the Annual Report.

Responsible Decision Making

As a company, we are committed to doing business responsibly. We have internal policies, procedures and frameworks many of which are available online at www.britam.com. They set out how we make our decisions in areas such as executive remuneration, payment of dividends, fraud and financial wrongdoing, product development and approval, sustainable procurement and tax. We also have a Code of Conduct, which applies to all Britam employees; this Code of Conduct contains principles governing our workplace, social responsibility and business conduct. Together, these policies help us identify risks to our business; their aim is to protect stakeholders by ensuring we are aware of all financial and non-financial factors before we make our decisions.

MANAGING RISK

Through our insurance businesses, it is our job to accept risk on behalf of our customers. That means we are exposed to a range of underwriting, financial and operational risks. It is therefore important that we have a strong risk management framework. At Britam, ultimately, the responsibility for risk management lies with the Board of Directors, the highest level in the company.

Our framework is built around three lines of defence. First, the business and support functions; second, our risk management and compliance teams and, third, our audit teams, who make sure we are managing risk effectively and in line with our own business strategy. That means risk is managed at all levels of the company. As part of this, we set clear risk limits and tolerances. The vast majority of risks we deal with are financial or underwriting risks, but we also manage operational risks which include compliance and systems risks, as well as social and environmental risks.

Over the past two years, we have been strengthening our risk controls. We have put in place a Risk and Control Self-Assessment program. As part of this program, we examined everything from governance and the frameworks we use to how we identify, assess, respond to and report on risk. We have strengthened IT controls, stepped up independent checks on fraud and improved our reporting and data quality.

We have also tightened up controls relating to financial regulations, in particular our solvency position across all business lines. Strong internal controls are important as they protect not only our business, but also our customers. More information on our governance and risk management practices may be found in our 2018 Annual Report on page 45 and page 54 respectively. This includes full details of members of Britam's Board of Directors and Executive Management.

INTEGRATED REPORT (continued)

HOW WE SHARE VALUE WITH OUR STAKEHOLDERS

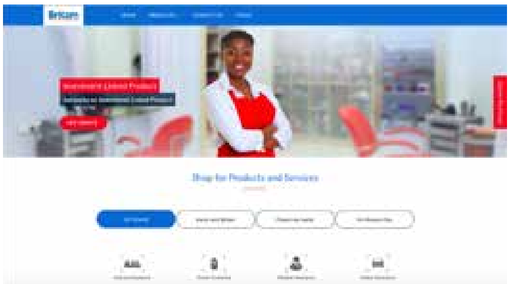
How we share value with our customers

Most of our products and services are about protecting what is important to our customers – themselves, their loved ones and their property. Our purpose is to help our customers achieve a lifetime of financial security. Last year we paid out just over KShs 14.2 billion in claims and benefits. That money allows our customers to plan and build a secure future. It provides peace of mind; a source of income; pay school fees, cover the cost of medical care or repair damage to homes.

Connecting with Our Customers through Technology

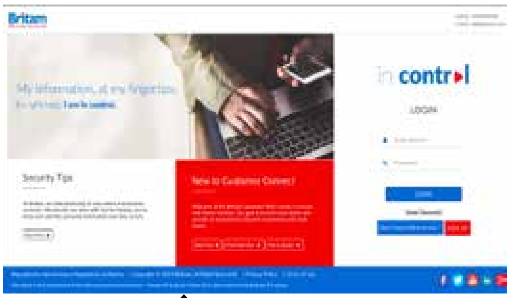
Customers want simple and easily accessible products and efficient customer service. In response to this we are investing in new digital platforms.

Customer Self Service Portal



- The customer portal provides ordinary life policy details and transaction history
- 7,600 clients have signed up to the portal

Mobile App

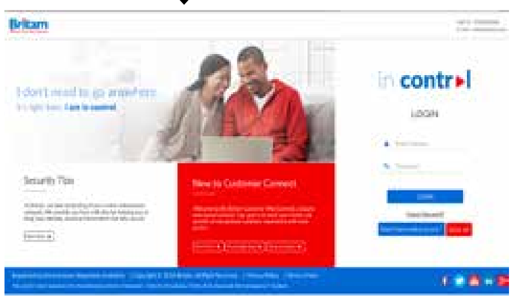


- Launched the mobile app in 2018 to provide Britam Life and Britam AMC clients with self service capabilities

Buy Online

- 116,00 customer hits on the Buy Online portal
- End to end sales capability for marine insurance from quote to payment

USSD



- Launched *778# in January 2018 to enable mobile uptake of simple investment products
- 114,938 clients accessed *778#
- 26,492 clients registered

We are also reorganising our internal processes and systems to become more responsive. We are automating processes in medical underwriting and customer service, and increasing the use of artificial intelligence (AI). In Britam General Insurance Kenya for example, we are deploying AI to speed up medical invoicing processes. We are also bringing different skills into Britam by hiring more staff specialized in digital, IT and customer relationship management, to enable us to be a customer-focused company.

Growing in Customer Service

We have increased the number of customer touch points with through our Omni-Channel Customer Contact service. Through more frequent engagement with customers we have more insight of their needs and wants and are better placed to respond to them.

Customer contact centre

Customer Loyalty

Through our products and services, we want to create loyal customers through enhanced customer experience. We want them to become our brand ambassadors. We measure customer loyalty through the Net Promoter Score (NPS). We use NPS as a feedback mechanism to improve in our business and enhance customer experience.

Making Insurance Inclusive – The Britam Micro-Insurance Story

Insurance acts as a safety net, and it is important that we extend it to all potential customers. In many countries, we offer products specifically to low income earners or to those who have difficulty accessing insurance.

Research has found that about 1.48 million Kenyans are pushed below the national poverty line due to health care payments. In the absence of risk protection solutions like insurance (only 7 percent of the poorest 40 percent of the population are covered by social health insurance), the poor have to pay for health expenses out-of-pocket, leading to impoverishment. High health care expenses is one of the risks faced by low income households. Other risks such as death of the breadwinner or a relative and accidents are insurable risks that have a detrimental impact on the poor. However, most insurers have been reluctant to serve this customer segment due to high costs and low margins.

Britam started offering microinsurance targeting the low-income population in 2007. Over the past 11 years, Britam has established a profitable, independent business unit that is the market leader in microinsurance in Kenya, covering more than 700,000 lives and 41 percent of the microinsurance market share. This has been achieved through simple and affordable product offerings as well as innovative partnerships. In partnership with Majani Insurance Brokers, Britam has been able to offer health microinsurance at a premium as low as KShs.115 a month reaching more than 150,000 small scale tea farmers affiliated with Kenya Tea Development Agency. In 2018, Britam launched an entirely digital hospital cash insurance product in partnership with Equitel, a telecom service provider. This product has registered more than 220,000 customers within a year. Through its unique offerings, Britam is increasing insurance penetration and providing risk protection to customer segments that were not served by conventional insurance.

Future outlook for microinsurance at Britam is positive. The business is aiming to cover diverse risks faced by low income households such as income loss, funeral expenses and loss of assets. Britam is also looking at neglected segments such as micro and small enterprises that contribute almost one-third of Kenya's GDP but are neglected by the insurance industry. The business aims to insure one million lives by 2020 by launching new products and exploring new customer segments. It can be concluded that Britam is making insurance more inclusive and doing it in a profitable and sustainable manner.

An Afya Tele customer is attended to during a free medical camp in Kericho.

INTEGRATED REPORT (continued)

How we share value with our business partners

We work with a large number of business partners. They play a vital role in helping us develop, market and sell our products and services. Most of Britam products are distributed through tied and independent insurance agents, banks and brokers. We also work closely with reinsurers. Last year, we paid KShs 3.4 billion in reinsurance premiums. Our goal is to create partnerships that help grow our business, and also bring value to the organizations we work with.

The Rise of the Digital Financial Advisor

In 2019 we developed a digital portal specifically to enable our Tied Financial Advisors excel in the marketplace. The portal is a one-stop-shop that enables them to manage leads and quotes from the field. The portal also provides visibility on sales activity, improving the sales management process and customer service.

The Association of Kenya Insurers (AKI) Agents of the Year Award ceremony took place on Friday 9th March 2019. Once again, Britam won the overall Company of the Year Award for a record 12th consecutive year.

Our Financial Advisors (FAs) also demonstrated exemplary performance. Out of the total 452 qualifiers of the AKI Agents of the Year Award 190 were from Britam. Twenty-seven of them made it to the top 50 ranking.

Britam also won awards in various individual agent and company categories:

- Company of the Year Award
- Agent of the Year Award
- Youngest Agent of the Year Award
- Professional Indemnity Insurance Award
- Personal Accident Insurance Award


Britam
With you every step of the way
Janjaruka na Imarika Biashara plan
That guarantees
•High Returns
•Early Partial Withdrawals
•Free Life Insurance
•Flexible Payments
•Tax Relief
Invest from as low as Kes 1000
Dial *778# or Buyonline.britam.com
Call us : 0705100100

INTEGRATED REPORT (continued)

How we share value with our investors

We have thousands of investors around the world. These investors own either Britam shares or bonds. The capital they provide enables us to operate our business. Our goal is to ensure they have a consistent and attractive return on their investment.

Dividend policy

Shareholders receive returns through dividends. These are paid once a year after the company's AGM. Payment of dividends to shareholders depends, ultimately, on the company's capital position and cash flow. Over the next few years, we are expecting our business to generate more capital. Part will be used to meet the operating expenses of our holding company. We will also re-invest in our businesses for the period 2018-2019. It is important that, as a listed company, we offer shareholders regular, stable dividend payments. However In 2018, the board does not recommend the payment of a dividends.

Payments to bondholders

Unlike shareholders, bondholders receive their returns through regular interest payments or coupons. Last year, Britam paid KShs 1.06 billion in coupons to its bondholders. These coupons are determined at the moment the bond is issued and continue to be paid through to the bond's maturity. In 2018, Britam opted for an early redemption of the Bond.

Share price performance

Shareholders may also derive value from the performance of Britam shares. Our stock price is determined, in part, by our financial performance. That said, the value of our shares is also strongly influenced by other factors, including economic conditions, which may push financial markets either up or down. Last year, Britam's share price declined by 2%. That was below the insurance sector as a whole which declined by 6.3%. In 2018, total shareholder returns for Britam (which takes into account dividends paid as well as share price performance) came to 7%.

Communications with investors

We keep financial markets as fully informed as possible of our strategy and performance. We have a dedicated Investor Relations team that organizes for Britam's senior management to meet with hundreds of investors and financial analysts both locally and globally. We also hold regular conferences and roadshows to explain the benefits of investing in Britam. In 2018, we organized meetings with some 900 different investors and analysts. In addition, shareholders meet at least once a year at the company's AGM in Nairobi, Kenya. We also communicate on our financial performance regularly, releasing results, half yearly, to encourage investors to take a longer-term view of the company.

Our Financial Performance

		2018 (Shs '000)	2017 (Shs '000)
Total Income	We have three main sources of revenue: fees and commissions, income from the investments and – by far the largest source of income – premium payments from our policyholders.	26,393,611	27,836,674
Total Expenses	From this income, we subtract costs. These include claims and benefits paid to our policyholders. We also have our own operating expenses and the commissions we pay to brokers and other intermediaries.	28,399,825	27,023,837
Profit (Loss) for the Year	Before we get to profit (loss) for the year we also have to account for any profit or loss from our associates. Our profit (loss) for the year also includes an estimate of our corporate income tax for the year.	(2,210,285)	527,474

The year 2018 was challenging at the macro-economic level and that impacted negatively on the performance of the group. The loss posted in 2018 can be attributed to adverse movements in the value of listed equities of KShs 3.2 billion, one-off costs as a result of business restructuring, lower returns on our property investments and new requirements introduced by IFRS 9.

The Group's core business performed well as we registered 14 percent growth in income, our Life business cementing its position as the market leader and our regional businesses contributing 18 percent of the Group's topline.

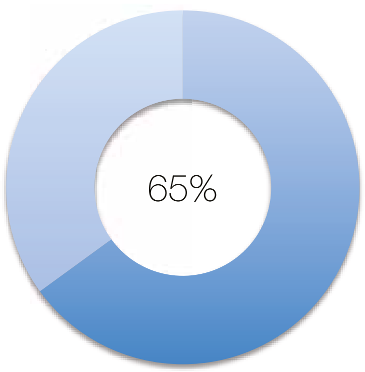
INTEGRATED REPORT (continued)

How we share value with our employees

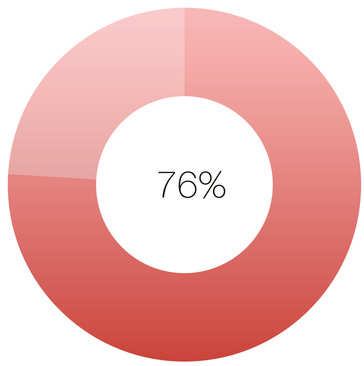
Employee engagement

Employees drive the performance of our company. The more engaged and motivated they are, the better the performance. That is why, two years ago, we made employee engagement one of the key performance measures and introduced pay incentives for senior managers with high engagement scores. We measure employee engagement every year. Our latest survey was carried out in 2018 and it showed an overall engagement score of 65%, an increase of two points from the previous survey.

Employee Engagement

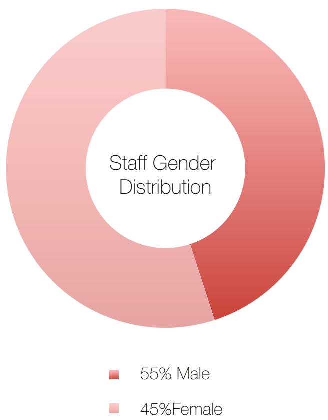


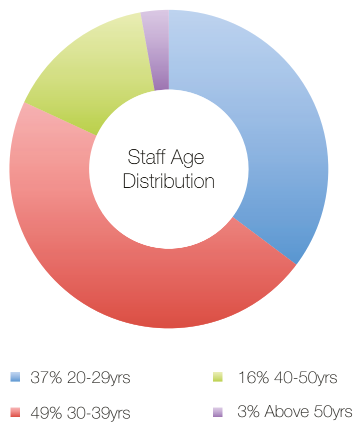
Job Satisfaction



Employee welfare and development

To attract and retain the best people, we need to provide the right working environment. We offer benefits like part-time and flexible working hours, health checks, parental leave and company retirement plans. We also allow volunteering during working hours because we think it is important our employees continue to have a strong connection with their local communities. Britam employees work within a Code of Conduct, which sets out clearly what we expect of them, and what they can expect of us. We also have company policies covering human rights, non-discrimination and health and safety in the workplace. We encourage greater diversity through local initiatives because we believe diversity supports better decision-making and brings us closer to our customers.





We also have programs to reduce stress in the workplace, an important issue for office-based companies like ours (e.g. TGIFs, team buildings etc.) Last year, we spent KShs 14 million on training; this includes online, specialist, management and awareness training.

Salaries and incentives

Attracting and retaining talented staff is not all about pay, as there are other incentives like work life balance, training and mentorship etc. We believe pay is important and therefore have a Remuneration and Compensation Framework that was reviewed in 2018, which sets out our approach in this area. This framework applies to all employees within the Britam Group and it ensures that pay is linked to performance, incentives and bonuses.

For our executives, bonuses are tied directly to Britam's financial and non-financial performance. The Executive and Staff pay is subject to review by the Britam Board's Compensation and Human Resource Committee. At KShs 2.46 billion, pay is a significant cost to us. There is pressure, as with any listed company, to control employee expenses and increase profits and returns for shareholders. We try, as much as possible, to get the balance right, and ensure we pay fair wages, and continue to have access to the best and most talented people.

Our Graduate Trainee Program - 2018

Britam taps into millennial potential with new graduate trainee programme

In 2018 Britam Holdings Plc launched a new two-year Graduate Trainee programme which delivers an all rounded, fast-paced development experience to young leaders, in a work environment where people are developed to achieve their full potential in a leading employer in Kenya and the region.

Over 5,000 graduates applied to the programme. The applicants were whittled down to 100 candidates who made it to the final assessment stage, held over a period of two days, at Kenyatta International Convention Centre. At this stage, they underwent various assessments activities including face to face interviews, individual presentations and group case studies which were conducted by dedicated staff from all the divisions of the company.

A total of 25 candidates were selected and on boarded onto the two year programme. The programme aims to build a pool of bright, talented and motivated individuals and position them to drive the company's growth. This is based on the 'Go for Gold' 2016-2020 Strategy. The Graduate Trainees will benefit from mentorship from professionals and also get an opportunity to start their careers with us.

The full time programme, will have two stages. In stage one, the graduate trainees will be on rotational basis with the various departments in the business units, while in the second year, the graduate trainees will be placed in their area of preference within the business unit.

Trainees will receive rotational experience, on-the-job training and formal technical skills training, as well as work in specific business units and departments to gain perspective of the business as a whole.

Graduate trainees

How we share value with the wider community

Britam looks at Corporate Social Responsibility(CSR) as a prerequisite for good corporate leadership, governance and sustained operation and profitability. The Group's long term strategy is to engage in strategic CSR which will benefit our stakeholders and also reinforce the company's corporate strategy and leverage on key focus areas of the business.

The Britam Foundation

The Britam Foundation has been incorporated by the group to be the vehicle through which Britam and its subsidiary companies will carry out CSR activities. Its core mandate is to enrich the lives and livelihoods of the less fortunate and marginalized people in society by providing sustainable solution to their problems.

Once it is fully operational, the Foundation will be instrumental in identifying core and strategic CSR activities for funding, help in the implementation of respective CSR programs and activities, and also determine the sustainability priorities of the organization.

Britam continues to pursue CSR activities aimed at supporting the Group's strategic objectives, grow the brand visibility as a credible and reliable business partner, and support overall sustainability objectives of the organization.

Ultimately, our aim is to cultivate loyal partners, a grateful clientele and a sustainable relationship with our various stakeholders through strategic CSR activities.

The main focus areas of the Foundation are education, environmental conservation, water, health, disaster relief, economic empowerment, arts, culture, and sports. The Foundation has come up with clear guidelines and policies on how to drive each of these important pillars.

In 2018, the Foundation undertook the following activities:

1. Spent Ksh. 3 million to sponsor the 2018 Britam Kenya Guineas Race Day for the fifth consecutive year. The annual event is the largest in Kenya's horseracing calendar, drawing thousands of fans. The funds raised go towards training of local jockeys, purchase of crucial protective equipment and conservation of the forest area surrounding the Ngong Race Course.
2. In the last three years, Britam has spent a total of Ksh. 12 million as the title sponsor of the Britam Kenya Open Tennis Championship. The sponsorship focuses on developing talent among the young tennis players and training of coaches to uplift the standards of the game in the country.
3. Spent Ksh. 600,000 as the main sponsor of the ACK-Britam Ruai Marathon. Known as the "Run for the Elderly", the marathon aims to raise funds to build a community center for the elderly. This was the third time Britam has sponsored this event.
4. Sponsored the 2018 Kenya Open held at the Karen Country Club, to the tune of Ksh. 2.2 million.
5. Donated furniture worth about Ksh. 20 million to New Life Home Trust and various secondary schools in the country namely, Maralal Secondary School, Kisima Secondary School, Kairuthi Secondary School and AIC Muisini Secondary School.
6. Took part in the 5th Annual White Water Rafting Challenge to raise funds for the Faraja Cancer Support Trust. The Trust was founded in 2010 to provide emotional, practical and healing support to anyone affected by cancer. It offers art and music therapy and financial assistance for medical treatment.
7. As part of the 2018 customer care week, the Britam team arranged for a series of free medical camps in different regions. Working with health providers from the Nairobi Women's Hospital, customers and staff underwent various tests and received advice on nutrition, exercise and the importance of regular checkups. This was in line with the 2018 theme of "It Starts with You", emphazing that ensuring the health of your family and society as a whole begins with the individual.

OUR STAKEHOLDER ENGAGEMENT PROCESS

We define our stakeholders as 'any individual or organization affected, or likely to be affected, by our business, or that may, in turn, affect the environment in which we operate'. Our stakeholders include customers, employees, investors, business partners and distributors, and the wider community – governments, regulators, NGOs and community groups. We regularly engage with stakeholders through polls and surveys, conferences, workshops and face-to-face meetings. We use feedback from our stakeholders to improve our products and services, and to make sure our business remains accountable and delivers value. This chart shows our five main stakeholder groups, and the basis of the relationship we have with each group:

Stakeholders	They provide us with:	In Return we provide them with	How we engage with them
Customers	Fees, premiums and deposits	Protection and long-term financial security	• Customer satisfaction survey • Complaints management • Media advertisements • Corporate website • Customer portals • Call centers • Focus group discussions
Business Partners Financial advisors, brokers, reinsurers, banks and suppliers of goods and services	Distribution, goods and services, reinsurance	Contractual performance and future business opportunities	• Supplier relationship management • Onsite visits and meetings

INTEGRATED REPORT (continued)

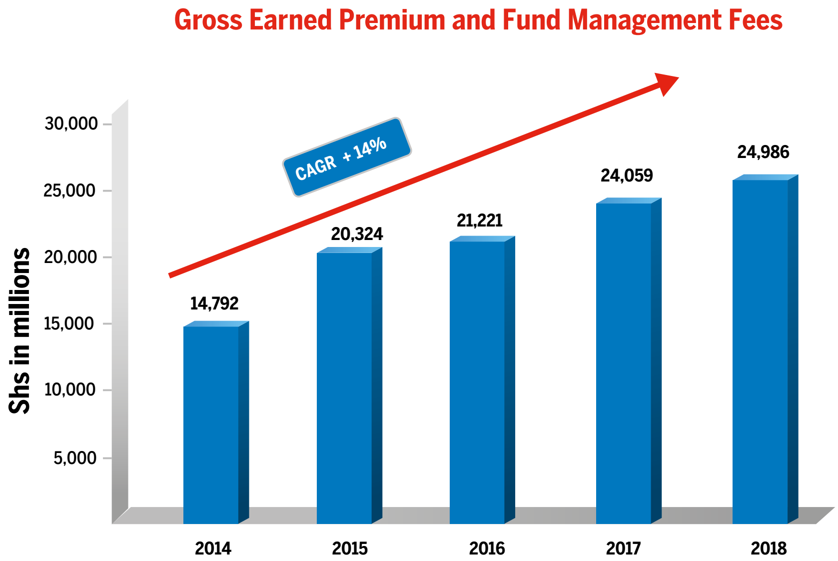
Stakeholders	They provide us with:	In Return we provide them with	How we engage with them
Investors Shareholders, bondholders, financial analysts and portfolio managers	Cash through investment in bonds and shares	Attractive long-term returns	• Annual report • Annual general meeting • Extraordinary general meeting • Interim financial statements • Investor briefings • Press conferences and releases • Announcements to the NSE • Corporate website • Corporate communications • Road shows
Employees Employees, tied agents, trade unions and other representative groups	Time, resources, skills and knowledge	Time, resources, skills and knowledge	• Employee training • Performance review meetings • Town hall meetings • Directives and circulars • Annual staff party • TGIF staff forum • Meetings and consultations • Team buildings exercises • Employee engagement surveys
Wider Community Governments, regulators, charities, community groups, NGOs, academics, experts, and other public institutions	Public services, infrastructure, access to labor and markets, license to operate	Payment of taxes, community investment, expertise on aging and retirement issues and responsible approach to investment	• Press releases, conferences and media briefings • Public events • Corporate website • On-site inspections • Directives and circulars • Meetings and consultations • Press releases • Periodic returns

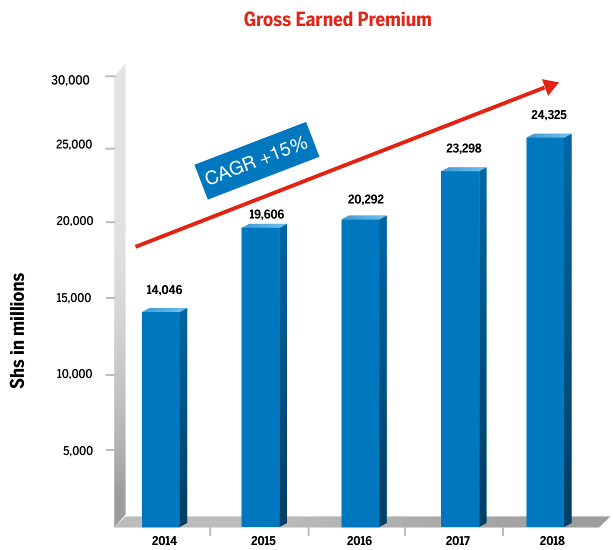
PERFOMANCE OVERVIEW
FINANCIAL REVIEW

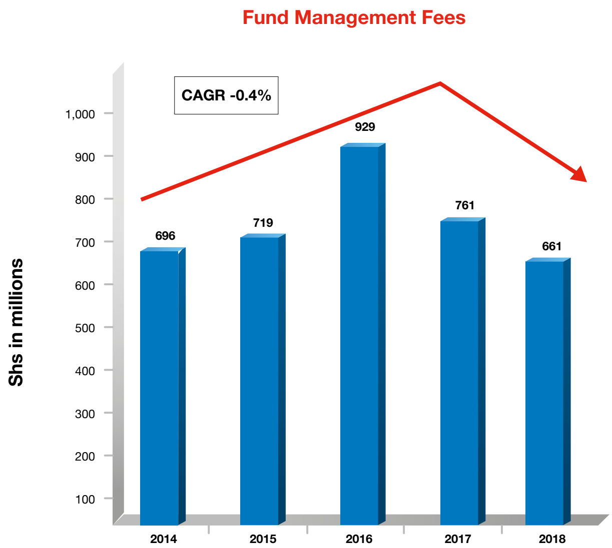
2018 has been a challenging year that due to macro economic factors that have impacted the performance of the group. However most of our business have posted a growth in the core revenue

Gross Earned Premiums and Fund Management Fees

The insurance business revenue recorded a growth of 4% while fund management fees dropped by 13%. The international businesses contributed to insurance business revenue of Shs 4.3 billion (2017: Shs 4.1 billion), which accounted for 18% (2017: 17%) of the total insurance business revenue.







Investments and Other Income

Dividends and interest income increased by 22% from Shs 5.1 billion in 2017 to Shs 6.2 billion. Income from investment property- which comprises rental income, fair value movements in investment property and investment in property funds- increased by 184% to Shs 507.2 million from a loss of Shs 607.3 million in 2017 where a significant fair value loss was reported in the valuation of investment in property funds in 2017.

FINANCIAL REVIEW (continued)

The Group's investment in equities returned fair value loss amounting to Shs 1.7 billion compared to a gain of Shs 2.2 billion in 2017 and fair value gains on disposal of shares of Shs 18.5 million (2017: Loss Shs 49.5 million). These have been accounted for in the consolidated statement of profit or loss. In addition, revaluation losses of Shs 594.4 million (2017: Gain Shs 1.2 billion) and fair value gain on disposal of shares of Nil (2017: Gain Shs 71.9 million) were recognised in the statement of comprehensive income. The fair value gains are due to the bearish market we continue to experience in the equities market in the Nairobi Securities Exchange.

The share of loss of the associate accounts for Shs 289.7 million in the Group profit before tax, a decline of 744% from a share of profit Shs 53.0 million in 2017. In addition, in light of the various market developments impacting the associate's performance and more particularly the rate capping laws, an impairment of Shs 1.7 billion (2017: Shs 1.3 million) has been recorded in the Group's results

Net Insurance Benefits and Claims

Net insurance benefits increased by 14% from 2017 to Shs 14.2 billion from Shs 12.5 billion. This was driven by 26% growth (Shs 1.8 billion) in Life net benefits (Life accounts for > 60% of consolidated claims) attributable to Life topline growth (6%) and decline in yield curve resulting to higher reserves.

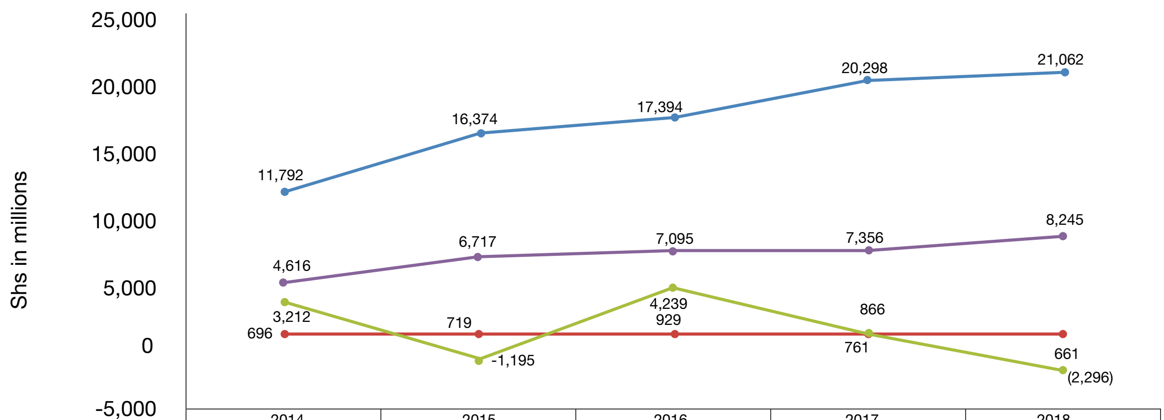
Operating Expenses

Operating expenses increased by 12% from 2017.The major driver was a one off payment under the Voluntary Early Retirement program carried out early in the year. The main categories of expenses are employee costs, ICT related costs, business acquisition costs and office rent. The following costs experienced significant growth: employee costs, business acquisition costs, professional fees, directors expenses amortisation of the intangible assets mainly for the IT system implemented over the last 3 years. Cost to income ratio is a key focus of the 2016 - 2020 strategy and significant and deliberate efforts and structures are being set up to ensure our strategic cost objectives are achieved. The realisation of cost savings from the new systems, process automations and re-engineering is expected in subsequent years

Profitability

The Group has reported a loss before tax of Shs 2.3 billion compared to a profit before tax of Shs 866 million last year and a total comprehensive loss of Shs 2.9 billion compared to a total comprehensive income of Shs 1.9 billion in 2017. The main contributor to the difference between the reported loss before tax and the total comprehensive loss in 2017 is the losses resulting from the revaluation of the strategic investment in Equity Group Holdings Plc, which is marked to market.

Performance trends

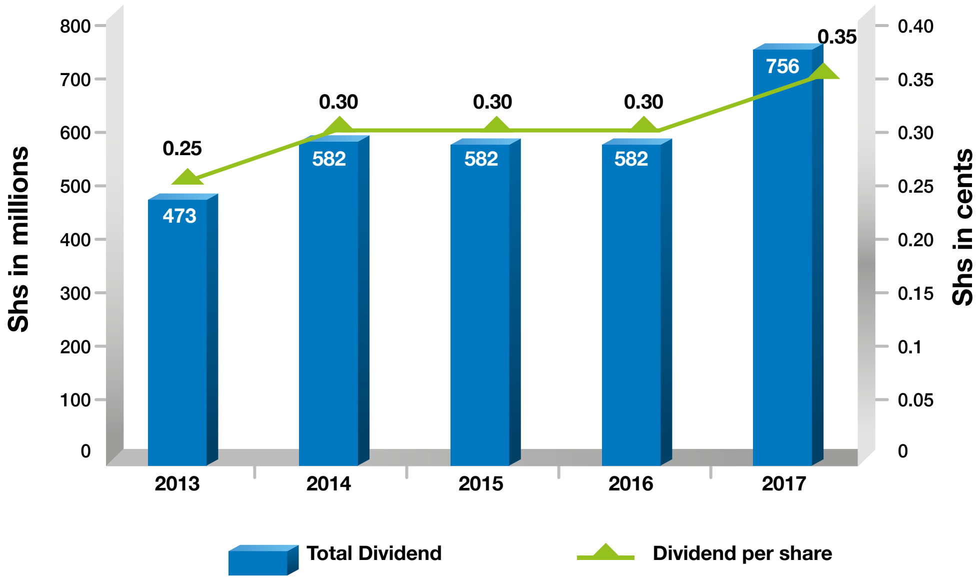


	2014	2015	2016	2017	2018
NEP	11,792	16,374	17,394	20,298	21,062
Fund management fees	696	719	929	761	661
PBT	3,212	-1,195	4,239	866	2,296
OPEX	4,616	6,717	7,095	7,356	8,245

Dividend

As a result of the poor performance in the current year coupled with the impact on initial application of IFRS 9 to the opening retained earnings, the Board of Directors does not recommend the payment of a dividend (2017: 35 cents, Shs 756.9 million)

The dividend paid in the last 5 years is shown below



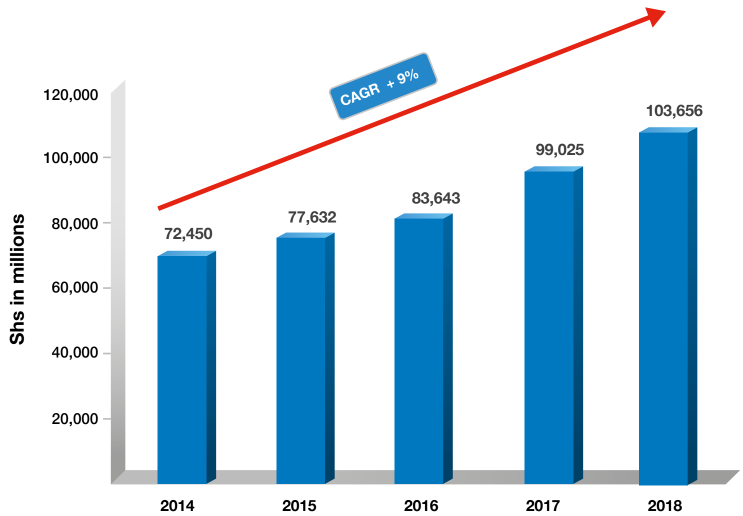
Capital Adequacy and Solvency Margins

The Groups 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 13 entities, 11 are regulated. Details of these are disclosed in Note 4 (e).

Consolidated Statements Financial Position

We have reported an increase of 5% in total assets during the year. The shareholders' funds have grown by 6%. The shareholder funds have also been negatively impacted by Shs 508 million as a result of IFRS 9 impact on initial application. The international businesses accounted for 7% (2017: 8%) of the total assets of the group.

Total Assets



Outlook

Economic growth is expected to remain on a strong upward trajectory in 2019 on account of improved agricultural performance, increased government spending and stable macroeconomic variables. We expect to see a recovery in private sector credit growth as some of the business risks that hindered lending abate.

In 2019 the market has started on a positive trend and currently the NSE is being regarded as the best performing frontier market. The market has regained its value and is up by 8.6 percent.

The foreign inflows have stabilized and the Shilling currently in its 3 year high.

We have a good and valuable business, core financial strength, outstanding client relationships and the right team of people. We are executing our 2017-2020 strategy as we "Go for Gold", to create capacity to invest and grow income. We have taken positive steps to re-shape the business and position it for growth in 2019 and the years ahead. We are harnessing technology to enhance our customer experience.

GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE REPORT

Britam Holdings Plc is committed to the highest standards of corporate governance and business ethics and recognises that good corporate governance is key to the enhancement of our business performance. Our corporate values and ethics are entrenched in our strategic and business objectives, which are focused on transforming and accelerating growth in value for the benefit of all our stakeholders.

Key Highlights

The key corporate governance highlights for the year include:

- Review of the board composition resulting to enhanced skills, mix, diversity and expertise. The Board attended training and participated in board evaluation.
- Commissioned a Governance Audit for the year 2018. While the audit is a requirement for Britam Holdings Plc which is listed, the audit was extended to cover Britam General Insurance Company (Kenya) Limited in an effort to drive best corporate governance practice across the Group.
- Commissioned a Legal and Compliance Audit for the year 2018. The audit covered all the Britam entities in Kenya. While this is a regulatory requirement for Britam Holdings Plc as a listed company, the decision to extend the audit to the rest of the Kenyan entities was meant to enhance compliance with laws and regulations across the Group and entrench best practice.
- Held a corporate governance and effective board training to enhance directors' contribution, effectiveness and share best corporate governance practice.

Statement of Compliance

The Company continues to adhere to its continuing obligations as a listed company in compliance with Capital Markets Authority (CMA) listing regulations, the 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 applicable laws in all the areas where it operates, and to the ethical standards prescribed in the Company's Code of Conduct.

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

A legal and compliance audit conducted by an external auditor at the end of the year confirmed that the Company is compliant with the applicable laws and regulations.

Board Management

The Board of Directors meets at least once every quarter and operates under 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's Instructions.

The Directors are given appropriate and timely information on key activities of the business regularly and on request. 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 Company Secretary is responsible for ensuring that meeting procedures are followed, facilitating the induction of new directors and the improvement and monitoring of corporate governance processes.

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 and Governance Committee;
- 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;
- The Directors declare any conflicts of interest at the beginning of each board and board committee meeting and annually through the annual declaration of independence;
- 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;
- The Board may take independent professional advice in furtherance of its duties.

Board Composition

The Board of Directors was made up of eleven (11) members as at the end of the year, of whom two (2) are executive directors and nine (9) are non-executive directors. The Chairman and three (3) of the non-executive directors are independent as defined by the Corporate Governance Code. The directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The Company Secretary is a member of the Institute of Certified Secretaries (ICS).

Separation of Roles of the Board Chair and Group Managing Director

As provided for in the Board Charter, the roles of the Chairman and the Group Managing Director are separate, with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board and ensuring its effectiveness.

CORPORATE GOVERNANCE REPORT (continued)

The Chairman is also responsible for ensuring that the interests of the Company's shareholders, including minority shareholders, are safeguarded.

The Group Managing Director has overall responsibility for the performance of the business and provides leadership to facilitate successful planning and execution of the objectives and strategies agreed by the Board.

Induction

Each director is provided with a comprehensive and tailored induction covering the Group's business and operations and their legal and regulatory obligations. The non-executive directors also receive a full programme of briefings on all areas of the Company's business from senior management and the Company Secretary.

Conflicts of Interest

All Directors are required to disclose on appointment, annually and at the beginning of each Board and Board Committee meeting, any circumstance which may give rise to any actual or potential conflict of interest with their roles as Directors. Any business transacted with the Company must be at arm's length and fully disclosed to the Board, which must consider and approve it. A director must refrain from discussion or voting on matters of potential conflict of interest. Directors are guided by a Board Conflict of Interest Policy. The Board has developed the Insider Trading Policy Manual which defines the circumstances when members of the Board, management, staff and advisors can deal in the Company's shares though the NSE without being in contravention of any statutory requirements. The Board complied with all policies herein.

Board changes in the year

Mr. George Odo and Mr. Christopher Minter were appointed to the Board on 13 July 2018 and 20 December 2018 respectively.

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.

The Board held a total of ten board meetings in 2018 and the Annual General Meeting. Further, the Board reviewed its composition during the year and recommended for appointment by the shareholders two new directors with a variety of skills and experience. The new directors have been taken through an intensive induction to understand the Company and their roles.

In August 2018, the Directors attended several training sessions on Corporate Governance, Effective Board, Sustainable Business Practices, Risk Management and the impact of IFRS 7 and IFRS 19.

A Board Evaluation exercise was conducted in November 2018. This included the evaluation of the Board, Board Committees, the Chairman, the Group Managing Director and the Company Secretary. An action plan has been developed to address the issues arising from the evaluation exercise. In 2018, the Board tracked the implementation of the action plans agreed from the 2017 board evaluation exercise.

The Board held a mid-term strategy retreat to review the Company's 2016-2020 Strategic Plan. The retreat, which was held in August 2018, brought together directors from the Company and all its subsidiaries and the senior management.

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 under the Delegation of Authority Matrix. Performance against the objectives is reviewed and discussed monthly and quarterly by the 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 - Mr. 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.

Governance Audit

In line with the Code of Corporate Governance for Issuers of Securities to the Public, 2015, a governance audit was conducted on the Company in December 2018. The Governance Audit Report is included in page 51.

Board Members Attendance

Members	Meetings Attended	Meetings eligble to attend
Mr. W. Andrew Hollas (Chairman)	10	10
Dr. Peter K. Munga	6	10
Mr. Jimnah M. Mbaru	7	10
Dr. Benson I. Wairegi	10	10
Mr. Stephen O. Wandera	9	10
Mr. Mike Y. Laiser	10	10
Mr. Mohamed S. Karama	7	10
Ms. Caroline J. Kigen	8	10
Ms. Marianne Loner	10	10
Mr. George Odo*	3	3
Mr. Christopher Minter**	-	-

*Appointed to the Board on 13 July 2018
**Appointed to the Board on 20 December 2018

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. Each of the Committees is guided by specific terms of reference which are reviewed regularly and a work plan drawn from the terms of reference.

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors and reports to the Board after every Committee meeting. The Chairperson is a member of the Institute of Certified Public Accountants of Kenya. During the Company's 2018 Annual General Meeting, the members of the Audit Committee were re-elected by the shareholders in accordance with the provisions of Section 769 of the Kenyan Companies Act, 2015.

The Audit Committee ensures the integrity of the Group's financial statements, reviews the Group's internal control systems, monitors and reviews the effectiveness of the internal audit function, monitors and reviews the performance, independence and objectivity of the external auditors, makes recommendations to the Board on the appointment of the 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.

In 2018, the Committee reviewed internal controls, reviewed the internal and external audit plans and audit reports and monitored the closure of audit issues by management. The Committee also reviewed the Company's financial statements.

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

Members	Status	Attendance
Ms. Caroline J. Kigen (Chairperson)	Independent Non-Executive Director	4/4
Mr. Mike Laiser	Independent Non-Executive Director	4/4
Mr. Mohamed S. Karama	Independent Non-Executive Director	4/4

Investments and Strategy Committee

The Investments and Strategy Committee determines the Group's investment strategy and considers the proposed strategic investments. It maintains an interactive strategic planning, implementation and monitoring process with management. The committee also ensures that the Group has the capital required to implement strategy.

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

Members	Status	Attendance
Dr. Peter K. Munga (Chairman)	Non-Executive Director	4/4
Mr. Jimnah M. Mbaru	Non-Executive Director	1/4
Mr. Mohamed S. Karama	Independent Non-Executive Director	4/4

Risk and Compliance Committee

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

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

Members	Status	Attendance
Mr. Mike Laiser (Chairman)	Independent Non-Executive Director	4/4
Ms. Caroline J. Kigen	Independent Non-Executive Director	4/4
Mr. Stephen Wandera	Executive Director	4/4

Compensation and Human Resource Committee

The Committee ensures an empowered, motivated and productive workforce. It reviews and recommends to the Board the remuneration for non-executive directors and senior management and the overall staff remuneration budget, including performance bonus. 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
Mr. W. Andrew Hollas (Chairman)	Independent Non-Executive Director	4/4
Dr. Peter K. Munga	Non-Executive Director	4/4
Dr. Benson I. Wairegi	Group Managing Director	4/4

Nomination and Governance Committee

The Committee reviews proposals for the appointment of new directors and ensures that the Group adheres to the Corporate Governance Guidelines.

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

Members	Status	Attendance
Mr. W. Andrew Hollas (Chairman)	Independent Non-Executive Director	6/6
Dr. Peter K. Munga	Non-Executive Director	4/6
Mr. Jimnah M. Mbaru	Non-Executive Director	1/6
Dr. Benson I. Wairegi	Group Managing Director	6/6

Directors' Shareholding as at 31 December 2018

Names	Roles	Shares
Mr. W. Andrew Hollas	Chairman	-
Dr. Benson I. Wairegi	Group Managing Director	100,984,300
Mr. Jimnah M. Mbaru	Director	194,800,100
Dr. Peter K. Munga	Director	75,000,000
Mr. Stephen O. Wandera	Director	60,000
Mr. Mike Y. Laiser	Director	-
Mr. Mohamed S. Karama	Director	-
Ms. Caroline J. Kigen	Director	
Ms. Marianne Loner	Director	-
Mr. George Odo	Director	-
Mr. Christopher Minter	Director	-

Share Capital

The authorised and issued share capital of the Company 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 of Association 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 table below provides details of the number of shareholders and shares held within each of the bands stated in the register of members as at 31 December 2018.

Shareholder Volume Analysis

Shareholding	No. of Shareholders	No. of Shares held	Percentage
1 to 500	3,363	846,402	0.03%
501 to 5,000	16,261	38,255,633	1.52%
5,001 to 10,000	2,371	18,591,203	0.74%
10,001 to 100,000	2,126	55,153,344	2.19%
100,001 to 1,000,000	218	65,889,797	2.61%
1,000,001 and above	37	2,344,750,437	92.92%
Grand total	**24,376**	**2,523,486,816**	**100.00%**

Top Ten Shareholders

Names	Shares	Percentage
AfricInvest III-SPV-1	442,779,881	17.55%
Equity Holdings Limited	405,000,000	16.05%
Standard Chartered Nominees Resd A/C KE003819	348,504,000	13.81%
Standard Chartered Nominees Non-Resd. A/C Ke11396	230,564,205	9.14%
Standard Chartered Nominees Non-Resd. A/C Ke11752	224,187,697	8.88%
Mr. Jimnah M. Mbaru	194,800,100	7.72%
Dr. Benson I. Wairegi	100,984,300	4.00%
Dr. Peter K. Munga	75,000,000	2.97%
Dr. James N. Mwangi	75,000,000	2.97%
Co-op Bank Custody A/C 4012	60,000,000	2.38%
Others	366,666,633	14.53%
Grand total	**2,523,486,816**	**100.00%**

Return Summary

Investor Pool	Records	Shares	Percentage
Local institutions	864	861,129,104	34.12%
Local individuals	23,394	585,584,460	23.21%
Foreign investors	118	1,076,773,252	42.67%
Grand total	**24,376**	**2,523,486,816**	**100.00%**

DIRECTORS REMUNERATION REPORT

This report is in compliance with the disclosure requirements under IFRS, Companies Act 2015, the Companies (General) (Amendment) (No.2) Regulations, 2017 and the Code of Governance for Issuers of Securities to the Public, 2015. The 2017 Directors renumeration report was approved by the shareholders by unanimous vote during the Annual General Meeting held on 20 June 2018. In 2018, additional directors were appointed to serve the growing diversification needs of the Group. There were also increased board activities including strategy retreat and training for which directors received sitting allowances. This has led to the increase in the directors' remuneration and expenses in 2018.

Non-Executive Directors

The remuneration of the directors is based on the demands made on them and compares favourably with relevant competitor companies. Directors' remuneration is reviewed regularly and is benchmarked against best industry sector practice to ensure that the reward packages are competitively structured and sufficient to attract and retain directors to govern the Company effectively. In 2018, Board fees and sitting allowances were revised on the basis of a benchmarking survey conducted among the Company's peers to bring the fees and allowances in line with market rates.

Contracts of Service and Remuneration

Non-Executive Directors' have standard contracts which provide for a three-year renewable term. 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 a medical cover at rates similar to the staff medical cover, being an in-patient medical cover of Shs 20 million and outpatient medical cover of Shs 400,000. However, directors are not eligible for pension or terminal benefits and do not participate in any of the Company's performance schemes.

2018

Name	Position	Annual Retainer Shs	Sitting Allowances Shs	Other Allowances Shs	No. of Meetings Attended
Mr. W. Andrew Hollas	Chairman	700,000	1,875,000	3,780,000	20/20
Dr. Peter K. Munga	Non-Executive Director	700,000	1,712,500	-	18/24
Mr. Jimnah M. Mbaru	Non-Executive Director	700,000	887,500	-	9/20
Mr. Mike Laiser	Non-Executive Director	700,000	1,600,000	-	18/18
Mr. Mohamed S. Karama	Non-Executive Director	700,000	1,325,000	-	15/18
Ms. Caroline J. Kigen	Non-Executive Director	700,000	1,300,000	-	16/18
Ms. Marianne Loner	Non-Executive Director	700,000	1,050,000	-	10/10
Mr. George Odo*	Non-Executive Director	350,000	525,000	-	3/3
Mr. Christopher Minter**	Non-Executive Director	-	-	-	-

*Mr. George Odo was appointed to the Board on 13 July 2018.

**Mr. Christopher Minter was appointed to the Board on 20 December 2018.

2017

Name	Position	Annual Retainer Shs	Sitting Allowances Shs	Other Allowances Shs	No. of Meetings Attended
Mr. W. Andrew Hollas	Chairman	700,000	1,400,000	1,260,000	14/15
Dr. Peter K. Munga	Non-Executive Director	700,000	1,550,000	-	22/25
Mr. Jimnah M. Mbaru	Non-Executive Director	700,000	450,000	-	6/20
Mr. Mike Laiser*	Non-Executive Director	525,000	950,000	-	10/11
Mr. Mohamed S. Karama*	Non-Executive Director	525,000	1,200,000	-	11/11
Ms. Caroline J. Kigen*	Non-Executive Director	525,000	925,000	-	7/11
Ms. Marianne Loner**	Non-Executive Director	350,000	75,000	-	1/2
Amb. Dr. Francis Muthaura***	Non-Executive Director	525,000	1,075,000	2,520,000	14/14
Mrs. Agnes N. Odhiambo****	Non-Executive Director	350,000	400,000	-	5/9
Mr. Samson K. Kamau****	Non-Executive Director	350,000	875,000	-	12/12

*Mr. Mohamed Karama, Ms. Caroline Kigen and Mr. Mike Laiser were appointed to the Board on 27 April 2017.

**Ms. Marianne Loner was appointed to the Board on 14 September 2017 and attended one Board meeting.

***Amb. Francis Muthaura was the Board Chairman until his retirement on 23 August 2017. Mr. Andrew Hollas was appointed as the Board Chairman on the same date.

****Mrs. Agnes Odhiambo and Mr. Samson Kamau retired from the Board on 8 June 2017.

The payments made to non-executive directors are based on the guidelines below:

- Sitting Allowances: Directors receive Shs 75,000 for each Board and General Meeting attended while the sitting allowance for attending Board Committee meetings is Shs 62,500 per meeting. The number of meetings attended per director is shown under each board committee. Further, directors receive Shs 75,000 for attending board activities such as board evaluation, board induction, meetings with external consultants, interviews and training. In 2018, there were three training sessions and one board evaluation session. In 2017, there were two training sessions and one board evaluation session.
- Other Allowances: The Chairman is entitled to a monthly honorarium of Shs 315,000, inclusive of a mobile allowance of Shs 15,000.
- Major decisions on directors' remuneration: Effective January 2018, the sitting allowances for Board Committees were revised from Shs 50,000 per sitting to Shs 62,500 for members and from Shs 50,000 to Shs 75,000 for the Committee Chairmen. All other allowances remain unchanged.

Executive Directors

Contracts of Service and Remuneration

Executive directors are paid as per negotiated employment contracts and are eligible for staff benefits. They also participate in the Company's performance schemes. They do not receive sitting allowances.

According to the HR Policy, salary increments are based on the achievement of Key Performance Indicators agreed at the beginning of every year between the Company and the employee. Salary reviews are therefore performance based and are also adjusted for inflation. The Company also ensures that remuneration is aligned to the market and is competitive to attract and retain skilled staff.

There is also a performance-based bonus which is paid from the Company's profit. A percentage of the Company's profit is shared amongst employees according to their individual performance. The bonus pool is approved by the Board upon recommendation of the Compensation and Human Resource Committee. Only 80 percent of the bonus is paid in cash while the balance is retained and paid in the subsequent three years as deferred bonus. The deferred bonus will in due course be used to partly fund the Employee Share Ownership Plan (ESOP) in which employees will be given shares equivalent to the amount of bonus retained.

Executive Directors have individual contracts which are detailed below:

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

Dr. Wairegi's contract of service commenced on 31 January 2013 and ended on 31 December 2017. The contract has been renewed under the same terms for a period of three years commencing on 1 January 2018 to 31 December 2020. In addition to a monthly salary, Dr. Wairegi is entitled to a performance bonus which is based on meeting specific Key Performance Indicators which are agreed upon between the Board and Dr. Wairegi at the beginning of every year. The contract also provides for a car benefit, residential security (guard and house alarm), medical cover and loans at staff rates. The contract provides for gratuity, accrued throughout the contract period, and payable at the end of the contract. However, in case of termination of the contract due to gross misconduct, no gratuity shall be paid for a period of six months preceding the date of termination. The contract does not provide for pension benefits. The contract provides for a notice period of three months. The 2017 renumeration as earlier disclosed has been adjusted to include all benefits earned in 2017 but paid in 2018.

The remuneration for Dr. Wairegi for the last two years was as per the table below:

	2018	2017
Salary and Allowances	63,252,000	52,500,000
Bonus	-	5,514,000
Non-Cash Benefits	1,231,000	1,134,000
Gratuity	17,121,600	16,036,463
Total Pay	**81,604,600**	**75,184,463**

(b) Mr. Stephen O. Wandera, Principal Executive Director – Business

Mr. Wandera's contract commenced in January 2007 and expires at the age of retirement, 60 years. The contract provides for a monthly pension contribution at 7.5 percent of the basic salary in accordance with the HR Policy. It also provides for a car benefit, residential security (guard and house alarm), medical cover and loans at staff rates. The contract provides for a notice period of three months. It does not provide for gratuity payment but provides that severance pay in the event he is made redundant or invited to take early retirement to be calculated on one month's total remuneration for every completed year of service.The 2017 renumeration as earlier disclosed has been adjusted to include all benefits earned in 2017 but paid in 2018.

The remuneration for Mr. Wandera for the last two years was as per the table below:

	2018	2017
Salary and Allowances	39,788,000	38,432,000
Bonus	-	1,087,873
Non-Cash Benefits	1,119,000	960,000
Total Pay	**40,907,000**	**40,479,873**

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Aggregated amounts of emoluments and fees paid to directors are disclosed in Note 53 (v) of the financial statements.

Mr. W. Andrew Hollas
Chairman
28 March 2019

GOVERNANCE AUDIT REPORT FOR THE YEAR 2018

Following the coming into force of the Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), listed companies are specifically required to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has applied Corporate Governance principles.

The annual Governance Audit should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Company, in compliance with the Code, retained Ms. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad 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.

STATEMENT OF THE RESPONSIBILITIES OF THE DIRECTORS

The success of the Company heavily depends on the leadership of the Board in adopting an appropriate strategy and policies that ensure sustainability. The Board of Britam Plc (hereinafter referred to as "the Company") recognises that it is responsible for putting in place the right policies, structures, processes and procedures with the key objective of ensuring the achievement of strategy and the fulfilment of the legitimate expectations of stakeholders. In this regard therefore, the Board has determined the values that underpin the culture of the Company, recognising that culture plays a key role in the achievement of set goals.

As required by the Companies Act, 2015 ("the Act"), the Board requires each Director to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company. While being cognizant of the ever changing business and regulatory environment, the Board seeks not only to comply with good Corporate Governance requirements as set out in applicable laws and regulations, but strives for continuous improvement in its policies and practices. The Board is therefore committed to ensuring that the Company is and remains a good corporate citizen and that its decisions will deliver long term sustainability for the Company because they take into account Environment, Social and Governance ("ESG") concerns. It is against this background that the Board has defined its objectives and goals, and is in this regard guided by the Code of Corporate Governance for Issuers of Securities in Kenya ("the Code").

The Board appreciates that Corporate Governance involves strong relationship between the Board and Management and the Board and the Shareholders and other key stakeholder and is committed to ensure that these relationships are well managed in the long term interest of the Company. The Board recognises that Senior Managers play a pivotal role in driving the Board's agenda throughout the Company and ultimately act as the engines in the implementation of the Company's strategy. The Board has therefore put in place an effective and efficient Management Team led by the Group Managing Director.

As required by the Code therefore, the Board commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code, and has adopted best practices in Corporate Governance in order to deliver long term value to stakeholders. The Directors, therefore, have adopted this Governance Audit report for the year ended 31st December 2018, and which discloses the state of Governance within the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on 28 day of March 2019.

Chairman | **Group Managing Director**

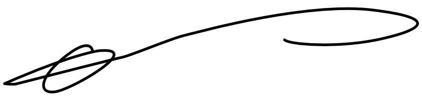
GOVERNANCE AUDIT REPORT FOR THE YEAR 2018 (continued)

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICS Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place a satisfactory governance framework in compliance with the legal and regulatory framework, and in this regard, we issue an unqualified opinion. Specific recommendations for improvement have been notified to the Board.



28 March 2019

FCS. Catherine Musakali, ICPSK GA. No 006

Date

For Dorion Associates

For more information about this GAR, please contact:

Catherine Musakali – cmusakali@dorion.co.ke

LEGAL AUDIT REPORT 2018

Under the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the "Code"), the Board of an issuer of securities shall ensure that a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya.

In line with the Code, the law firm of Mboya Wangong'u and Waiyaki advocates was engaged to carry out a comprehensive independent legal audit on Britam Holdings Plc and its Kenyan Subsidiaries. The scope of the legal audit exercise was as follows:

- To ascertain the current legal status of Britam Holdings Plc and its Kenyan Subsidiaries;
- To confirm compliance with the relevant statutes; and
- To ascertain steps required to complete or remedy any incomplete step or non-compliance.

Accordingly, we reviewed the Corporate Structure, Licensing, Borrowings and Lendings, Assets, Contracts, Employment, Litigation and Tax legal aspects of Britam Holdings Plc and its Kenyan Subsidiaries. Our detailed findings have been set out in Legal Reports dated February 2019 which included Compliance Matrixes that were developed for each Company.

Opinion

We issue our unqualified opinion that there were no material instances of non-compliance with the applicable laws, regulations and standards by Britam Holdings Plc and its Kenyan Subsidiaries.

Godwin Wangong'u

gwangongu@lexgroupafrica.com

Senior Partner

Mboya Wangong'u and Waiyaki

ENTERPRISE RISK MANAGEMENT REPORT

Over the past decade, Britam has had among its priorities the development of a forward-looking enterprise risk management framework that has enabled the Group to deal appropriately with changes in the economic, social and regulatory context in which it operates.

Effective risk management is one of the key functions in ensuring that Britam remains a robust, safe and sustainable Group, that guarantees a management aligned with the interests of its employees, customers, shareholders and society.

1. Our Risk Management Principles

The risk management and control model deployed by the Britam is based on the principles outlined below, which are aligned with the Group's strategy and take into account, the regulatory and supervisory requirements, as well as the best market practices. An advanced and comprehensive risk management policy, with a forward-looking approach allows the Group to maintain an appropriate risk profile, through a risk appetite approved by Britam's Board of Directors and the identification and assessment of all risks.

- Lines of defense that enable risk to be managed at source, controlled and monitored, assessed independently.
- A model predicated on autonomous subsidiaries with robust governance based on a clear delegation of authority and organization structure that separates the risk management and control functions from the business operations.
- Information and technology driven processes that allow all risks to be identified, developed, managed and reported at appropriate levels.
- A risk culture integrated throughout the Group composed of a series of attitudes, values, skills and action guidelines to deal with all risks.
- All risks are managed by the units that generate them.
- These principles, combined with a series of relevant interrelated tools and processes in the Group's strategy planning (risk appetite, risk identification and assessment, analysis of scenarios, risk reporting framework, budgetary processes, etc.) make up elements of our risk management and control framework.

2. How we share our risk management responsibilities

Who is responsible for what:

The Board

- Approves strategic objectives and our risk appetite.
- Reviews the Group's key risks and mitigating measures.
- Reviews the Company's risk management and internal control systems through its Risk and Compliance Committee.
- Assesses these systems' effectiveness through its Audit . Committee

The Group Executive Committee

- Is responsible for the "tone at the top".
- Oversees design and sustainable implementation of Enterprise Risk Management and internal control systems.
- Defines and allocates risk appetite.
- Makes decisions when substantial risk is at stake.
- Evaluates the adequacy of risk mitigation plans.

Business Management

First Line of Defense

- Identifies, takes and manages risk in their areas of responsibility.
- Maintains day to day internal control.

Support Functions

Second Line of Defense

- Defines internal control policies and guide in their areas.
- Develop risk management culture and awareness of internal controls.
- Establish discipline and act as guardrails.

Enterprise Risk Management

Second Line of Defense

- Develops and promotes ERM framework to help managers identify, assess, manage, monitor and report risks
- Facilitates reviews of the design and implementation of internal controls.

Internal Audit

Third Line of Defense.

- Provides independent assurance of the effectiveness of the Group's risk management and internal control frameworks and activities.

3. How we address risk management

As part of our group strategy, we have dedicated processes for managing our principal risks

Five Key Elements of Enterprise Risk Management Framework

i. Business Planning, Budgeting, and Capital Allocation

To support informed and timely decision-making, we maintain strategic planning and detailed annual budgeting and forecasting processes with complementary reporting systems. Through the Group Business Planning Committee, we evaluate the business plans submitted by the various business units within the Group to ensure that the assumptions, parameters and key metrics used are in line with the risk appetite limits as well as recommendations from other control functions like our Internal Actuaries.

ii. Risk Appetite Statement

The Risk Appetite Statement is a key component of the Group's management of risk and is embedded as part of the strategic planning process. The risk appetite statement describes and measures the amount and types of risk that the Group is prepared to take in executing its strategy. The Group's risk appetite framework combines a top-down view of capacity to take risk, with a bottom-up view of the risk profile associated with each business unit's plans.

iii. Risk Assessment

The risk framework has additionally built a risk assessment structure into our business planning process at every level of management, 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.

iv. Risk Appetite Key Indicators and Triggers

The Group manages its risk profile in a forward-looking manner through a trigger and management action framework. Key indicators and triggers have been developed to serve as an early warning system in the event of deteriorating circumstances. The indicators and triggers have been implemented at business unit level, and are routinely monitored by management and reported to the Board Risk Committees every quarter.

v. Scenario Planning and Stress Testing

Scenario Planning and Stress Testing are key elements of the Group's integrated planning process. Through the use of stress testing and scenario analysis, the Group can assess the performance of the various portfolios in the expected economic environment and also evaluate the impact of adverse economic conditions.

All the above elements of the enterprise risk management framework are designed to enable each business be more responsive and agile in the face of uncertainty and volatility.

4. Overview of Our Principle Risks

INSURANCE RISK

Risk Description	Source of Risk	Mitigation
The risk that the claims and premium liabilities estimated are lower than the actual claims that the company ends up settling.	• Lower claims liabilities than projected. • Lower claims liabilities than projected.	Adequate pricing, underwriting, claims management and regular profit testing. Best practice internal actuarial standards. Semi-annual independent review of the actuarial reserves and methodology by the Appointed Actuary. Additional capital held as per the Risk-Based Capital regulation to cushion the company against this risk. Refer to the financial statements on page 97 to 98 which highligh ts the insurance risk impact on the Group, in the current year.

MARKET RISK

Risk Description	Source of Risk	Mitigation
The risk that the financial assets held reduce in value below what the current value is. This risk impacts equities, bonds, property and any foreign currency, denominated exposures including liabilities.	Fall in: • Market value of equities below the current value. • Market value of property below the current value. • The relative value of bonds held to liabilities being backed when interest rates rise and vice versa. • The relative value of Foreign Exchange assets held to liabilities backed when exchange rates change.	• Gradual reduction of equities to total investible assets over time for the regulated business units. • Diversification to property which cushions the long-term business from interest rate risk which is as a result of a mismatch between the duration of the available government bonds and that of the underlying liabilities. • Diversification to property has also aided in diversifying the returns from different assets which will lead to lower market risk exposure and hence stable returns (i.e. profitability). • Limiting business written to local currency to avoid FX risk. • Hedging of FX transaction risk through holding matching currency assets. • Operating within the risk appetite limits for property to avoid over-exposure. Refer to the financial statements on page 107 to 108 which highlights the market risk impact on the Group, in the current year.

COUNTERPARTY RISK

Risk Description	Source of Risk	Mitigation
The risk that a counterparty defaults on a promise/obligations and therefore the company loses some of its assets.	• Premium receivables – i.e. outstanding premium/funds from clients. • Reinsurance exposures – i.e. reinsurers share of liabilities and any outstanding commissions and claims. • Bank deposits. • Corporate bonds and commercial paper. • Staff mortgages, car loans and other credit facilities.	• Internal credit policy of cash and carry for retail business with a maximum of 60 days for corporate credit. Provisions are made for premium/funds receivables for more than 180 days. • Risk appetite requirement that all the reinsurance cessions made to third parties that have a credit rating of at last A- (by GCR or equivalent from an internationally recognized rating agency). • Meeting of risk appetite for bank deposits in terms of maximum limit in a single bank as well as maximum exposure limits to Tier I, Tier II and Tier III banks. • Risk appetite limits for exposure to corporate bonds and commercial paper in terms of limits to a single entity. • Guidelines on internal lending – There are strict internal guidelines for advancing credit to staff in terms of mortgages, car loans, and other facilities. There is a rigorous underwriting process. Refer to the financial statements on page 98 to 104 which highlights the counterparty risk impact on the Group, in the current year.

LIQUIDITY RISK

Risk Description	Source of Risk	Mitigation
The risk that the business is not able to meet its obligations or liabilities as and when they fall due.	• Mis-match of assets and liabilities, usually by duration. • Low cash flow generation, e.g. due to reduced inflows and higher withdrawals.	• Asset Liability Matching (ALM) Policy that ensures that assets and liabilities are matched by amounts, currency, duration, and nature. • Documented procedures for the treasury and investment team that ensure liquidity is monitored daily.

OPERATIONAL RISK

Risk Description	Source of Risk	Mitigation
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.	• People • Process • Systems • External events	A comprehensive operational risk management framework has been deployed with the following key components: • Risk and control self-assessments: Each business unit and enabling function is required to analyze their business activities and critical processes to identify the key operational risks to which they are exposed and assess the adequacy and effectiveness of their controls. • For any area where management conclude that the level of residual risk is beyond an acceptable level, they are required to define action plans to reduce the level of risk. The assessments are facilitated, monitored and challenged by the operational risk function. • Key Risk Indicators: These are quantitative measures based on the key risks and controls. zRelevant indicators are used to monitor key business environment and internal control factors that may influence the Group's operational risk profile. Each indicator has trigger thresholds to provide early warning signals of potential risk exposures and a potential breakdown of controls. When a breach is observed action is promptly taken to control the potential risk. • Operational risk incidents: All areas are required to report operational risk incidents to the operational risk function. The definition of operational risk incidents includes not only events resulting in actual loss, but also those resulting in non-financial impact and near misses. This process is intended to help management identify those processes and controls that need to be improved.

ENTERPRISE RISK MANAGEMENT REPORT (continued)

Other Material and Emerging Non-Financial Risks

Anti-Money Laundering and Terrorism Financing Risks

Anti-money laundering training is mandatory for all employees and the Group has in place the necessary processes and systems to comply with "The Proceeds of Crime and Anti-Money Laundering Act 2009" and "The Prevention of Terrorism Act 2012".

We continue to place great emphasis on Know Your Customer (KYC) and Anti-Money Laundering (AML) practices as we seek to have effective balances between compliance and efficient service delivery. Satisfactory progress has been made on remediating customer identification and verification issues, customer on-boarding processes, as well as improved suspicious transaction monitoring. Automated processes and controls are applied where possible.

Environmental and Social Risks

Britam Group believes that activities that have negative Environment and Social Risk (E&S) impacts affect the overall performance and long term success of the business. Britam is therefore committed to using reasonable commercial endeavors to ensure that internationally accepted E&S principles are embedded in the way it conducts its business activities.

To that end, all relevant employees are required to adopt the relevant environmental and social risk assessment tools across our investment and insurance activities. We ensure risks are properly addressed and that material breaches are reported and we are committed to ensuring compliance with the environmental and social criteria stipulated by providers of capital.

Our designated Environmental and Social Risk Officers across the Group are required to:

a. Comply with the E&S Management Policy;

b. Ensure that where appropriate environmental and social risk mitigation clauses are integrated into contracts; and

c. Monitor compliance with the E&S policy and procedures.

Fraud Risks

Fraud is a constantly evolving risk to the Group, with insurance risk remaining the major contributor to overall fraud losses.

In 2018, we strengthened the Fraud and Forensic unit of the Group to enhance our fraud detection and prevention capabilities. We have in place a Whistleblowing Policy that is intended to reassure employees that if they raise any concerns in good faith and 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.

Cyber Security Risks

The frequency of cyber-attacks continues to grow on an annual basis and is a global threat which is inherent across all industries, including the financial sector. As the financial sector remains a primary target for cyber criminals, 2018 saw some highly publicized attacks involving ransomware, theft of intellectual property, customer data and service unavailability across a wide range of organizations. This risk is exacerbated during periods of significant change, including the digitization of products, which carry higher levels of inherent risk.

Significant investments have been made in upgrading infrastructure and technology to improve our resilience with a focus on cyber risk management.

Data Protection and Privacy Risks

Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and to meeting privacy laws and obligations. Failure to protect personal data can lead to potential detriment to our customers and clients, reputational damage, regulatory sanctions and financial loss.

Progress has been made in enhancing protection of confidential information by improving logical access controls. We have deployed security and cryptography expertise, tools and systems to minimize our exposure. In addition, we have regular penetration testing on our systems.

STRATEGY REPORT

In 2018, the Group continued to pursue the "Go for Gold" strategy with a view to delivering the five strategic pillars of profitable growth, Customer Service, Innovation, Operational Excellence and Enabling Transformation. In 2019, our focus is to exceed our customers' expectations through product and service innovation.

Self-Assessment against Strategic Objectives

	Our Objectives	2018 Performance	
Profitable Growth	• Be a market leader in all aspects of our business: insurance, asset management, and property development.	• Most of our businesses reported revenue growth in 2018 (except South Sudan). • Regional entities contributed 18 percent of the total revenue.	
Customer Service	• Ensure that customers are at the centre of everything that we do.	• Increased customer interactions through the 24-hour Contact Centre and CRM. • Through the customer portal, customers can access products and their statements.	
Innovation	• Maintain market leadership by embedding innovation in our core business.	• Creation of various Portals such as customer, FA etc • Increase in customers interacting with our online Customer Portal. • More than two thirds of our Financial Advisors utilizing our FA Portal. • Launch of the Britam Mobile App.	

Operational Excellence	• Improve operational efficiency and cost-to-income ratio to 20 percent by 2020.	• Operational efficiencies achieved through:
		  • The rollout of systems e.g. INSIS, ImageNow, and IPA to improve process efficiency.
		  • Work motion study to re-align our operating model.
		  • Revised policies e.g. Credit Control Policy.	

Enabling Transformation	• Undergo a transformational change, supported by the best talent, a high performance culture, and an IT ecosystem.	• Successful rollout of our Core IT platforms e.g. ERP, Taleo, iSupply, INSIS and Moneyware System. • Focus on high performance based (on revised performance matrix across the Group) and revised incentive structures and talent management framework.	

Good Progress

Moderate Progress

STRATEGY REPORT (continued)

Focus for 2019

In line with our 2016 – 2020 Strategic Ladder, our continued focus for 2019 is exceeding our customer's expectation through product and service innovation. In 2018, we held a Director's Strategy Retreat where we decided to focus on the following pillars to drive our "Distribution Innovation" agenda:

- Customer Segmentation and Product Development
- Customer Service Excellence
- Distribution and Channel Partnerships
- People and Culture

We plan to do the following under each of the key innovation pillars:

No	Key Pillar	What we plan to do
1	Customer Segmentation and Product Development	• Engage our clients through focused group discussions. • Automate data collection and validation to enable business and operations teams to have better insights in order to improve customer service. • Based on our customer feedback and market intelligence we are able to innovate and develop products that are geared towards specific customer segments.
2	Customer Service Excellence	• Enhance our user experience on Web and USSD. • Enhance payments and collection capability through e-commerce. • Enhance partner portal and support for direct business. • Improve our turn around times by integrating workflow management, auto-reconciliation of payments. • Introduction of intelligent process automation through robotics.
3	Distribution and Channel Partnerships	• Empower our agents by digitizing their front end activities e.g. automated sales pipelines, real time quotes and proposals, etc. • Strengthen the existing strategic partnerships and grow emerging/alternative partners' relationships. • Create new value using existing assets e.g. Online product bundling as well as ensuring an unified user experience across our digital platforms.
4	Innovative Culture	• Build a culture of innovation through ensuring access to data, carrying out innovate challenges, redefining metrics and incentives and creating an environment that accepts experimentation.

Britam
With you every step of the way

Uplift your dreams with extra earnings

Britam Money Market Fund is now available on phone. With as little as KShs. 1,000 you can start investing and earn extra returns.

- 48hrs withdrawal
- No hidden charges
- Over 10% interest p.a.
- Invest with as little as KShs. 1,000

To earn **extra returns** Dial ***778#**

* Past performance is not a guide to future performance. Value from investments and income therefrom may go up as well as down and in certain circumstances, the right to redeem the units may be suspended.

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FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting their annual report together with the audited financial statements of Britam Holdings Plc ("the Company") and its subsidiaries (together "the Group" or "Britam Group") for the year ended 31 December 2018, which disclose the state of financial affairs of the Company and the Group.

INCORPORATION

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

PRINCIPAL ACTIVITIES

Britam Group is a diversified financial services group. Currently consisting of 13 entities as listed under Note 1 to the financial statements, the Group carries out activities in insuranzzce, investment management, property businesses and private equity. The Company is an investments holding entity.

RESULTS AND DIVIDEND

Loss after tax of Shs 2,210,285,000 (2017: Profit after tax of Shs 527,474,000) has been deducted from the retained earnings.

The Directors do not recommend the payment of dividend for 2018 (2017: Shs 756,911,000).

ENHANCED BUSINESS REVIEW

Financial Performance

The Group's core business performed well with the gross earned premium and fund management fees registering a growth of 4 percent to Shs 25.0 billion. The Life Assurance business recorded a premium growth of 6 percent, a higher rate than the industry and continued to cement its position as the market leader. Our regional businesses continued to grow contributing 18 percent of the Group's topline.

The embedded value for the Life Assurance business increased to Shs 13.8 billion with a reasonable return of 9.6 percent given the economic environment at the moment.

The Group's total assets increased to Shs 103.7 billion with net assets at Shs 24.0 billion after the early redemption of the Shs 6 billion corporate bond in October 2018. The shareholders' funds increased to Shs 23.9 billion.

The Group however returned a loss before tax of Shs 2.3 billion from a profit before tax of Shs 866 million reported in 2017 and a decline in its total comprehensive income at a loss of Shs 2.9 billion compared to a profit of Shs 1.9 billion in 2017. The loss mainly attributable to unrealised loss on listed equities of Shs 3.2 billion compared to a gain of Shs 0.9 billion in 2017, lower returns on the property investments due to the depressed property market, one-off cost relating to the business restructuring exercise and provisions of the new IFRS 9 due to the significant investments in financial assets.

The asset management business continued its accelerated growth achieving Assets Under Management (AUM) of Shs 146.4 billion, a 14 per cent growth from last year. The shareholders' funds have increased by 6% as a result of issuance of new shares to AfricInvest during the year.

Risk Management

The Group's activities expose it to a variety of risks including insurance risk, market risk, counterparty/ credit risk, liquidity risk and operational risk. Britam's approach to managing risk is outlined in the Enterprise Risk Management Framework (ERMF), which creates the context for setting policies and standards, and establishing the right practices throughout the Group. The ERMF defines the risk management process and sets out the activities, tools, techniques and organizational arrangements to ensure that material risks can be optimally identified and managed. The overall objective of the ERMF is minimizing the potential impact on the financial performance of the company and the reputation of the enterprise through ensuring that appropriate responses are in place to protect the Group and prevent detriment to its stakeholders.

Pages 28 to 34 of this Annual Report provides details on the sources of these risks and the mitigation plans in place. Note 4 details the impact, exposure and management of financial risks.

The Environment

Britam Group believes that activities that have negative environmental and social impacts affect the overall performance and long term success of the business. Britam is therefore committed to using reasonable commercial endeavours to ensure that internationally accepted environmental and social principles are embedded in the way it conducts its business activities.

To this end, all relevant employees are required to adopt the relevant environmental and social risk assessment tools across our investment and insurance activities. We ensure risks are properly addressed and that material breaches are reported. We are committed to ensuring compliance with the environmental and social criteria stipulated by our providers of capital.

REPORT OF THE DIRECTORS (continued)

Human Capital

The Group's greatest strength and the reason for its market leadership is its human capital. In 2018 the Group had over 900 employees and about 2,000 financial advisors.

The Group uses the balanced Scorecard performance management system to evaluate business and staff performance on the four perspectives which are; financial, customer, internal business processes and learning and growth. To ensure that performance is appropriately measured, all employees personal score cards have been aligned to the Group strategic objectives.

Corporate social responsibility

We continue to give back to our communities by volunteering our time to engage with the public and our stakeholders through our Corporate Social Responsibility (CSR) activities.

Britam Foundation is the vehicle through which the Group carries out its 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 the people throughout the region in a sustainable manner.

Future outlook

Economic growth is expected to remain on a strong upward trajectory in 2019 on account of improved agricultural performance, increased government spending and stable macroeconomic variables. We expect to see a recovery in private sector credit growth as some of the business risks that hindered lending abate.

In the coming year, we anticipate that our business will triumph over changes in the macro-economic environment, adapt to regulation and compete with both traditional and non-traditional competitors and we believe that based on our long standing experience in this market, we will continue to achieve solid and sustainable success.

DIRECTORS

The Directors who were in office in 2018 and to the date of this report are:

Mr. W. Andrew Hollas	Chairman
Dr. Benson I. Wairegi	Group Managing Director
Mr. Jimnah M. Mbaru	
Dr. Peter K. Munga	
Mr. Stephen O. Wandera	
Mr. Mike Y. Laiser	
Mr. Mohamed S. Karama	
Ms. Caroline J. Kigen	
Ms. Marianne Loner	
Mr. George Odo	Appointed 13 July 2018
Mr. Christopher Minter	Appointed 20 December 2018

DISCLOSURE OF INFORMATION TO AUDITORS

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he/she ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

AUDITOR

The Company auditors, Deloitte & Touche, will not be seeking reappointment after serving for four years.

BY ORDER OF THE BOARD

Nancy Kiruki
Company and Board Secretary
28 March 2019

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 of the Company as at the end of the financial year and of the operating results of the Group and Company 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 and Company.

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 going concerns, 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 going concerns.

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

The financial statements were approved by the Board of Directors on 28 March 2019 and signed on its behalf by:

Mr. W. Andrew Hollas

Chairman

Dr. Benson I. Wairegi, EBS

Group Managing Director

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BRITAM HOLDINGS PLC

Deloitte.

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Report on the Audit of the Financial Statements

Opinion

We ave audited the accompanying separate financial statements of Britam Holdings Plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 69 to 167, and each comprising a statement of financial position at 31 December 2018 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement cash flows for the year then ended, and notes, including a summary of significant accounting policies.

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 2018 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described under the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company 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, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters are addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 2018, insurance contract liabilities amounted to Shs 28.2 billion (2017 – Shs 23.9 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 internal actuarial experts 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 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 2018 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. The other information comprises the information included in the 5 Year financial highlights, Chairman's statement, Group Managing Director's statement, Financial review, Statement of corporate governance, Governance audit report for the year 2018, Enterprise risk management report, Report of the Directors and Statement of Directors' responsibilities but 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 identified above 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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'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 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 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 Group to cease to continue as a going concern.
- 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 Group's 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 Group's financial statements of the current period and are therefore 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 matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion, the information given in the report of directors' report on pages 62 to 63 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 49 to 50 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi 28 March 2019

CPA Fred Okwiri - P/No 1699

Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December 2018 Shs'000	2017 Shs'000
Revenue			
Gross earned premiums	6	24,325,111	23,298,311
Less: reinsurance premium ceded	6	(3,263,451)	(3,000,191)
Net earned premiums	**6**	**21,061,660**	**20,298,120**
Fund management fees	6	661,113	760,630
Net income/(loss) from investment property	7	507,207	(607,261)
Interest and dividend income	8	6,160,381	5,053,975
Net realised gains/(loss) on financial assets at fair value through profit or loss	9	41,898	(88,308)
Net unrealised fair value (losses)/gains on financial assets	10	(3,091,171)	1,413,141
Commissions earned	11	857,381	744,492
Other income	12	195,142	261,885
Total income		**26,393,611**	**27,836,674**
Expenses			
Insurance claims and loss adjustment expenses	13	10,704,713	11,024,447
Amount recoverable from reinsurers	13	(1,630,406)	(2,385,116)
Change in actuarial value of policyholders benefits	13	5,172,833	3,859,430
Net insurance benefits and claims		**14,247,140**	**12,498,761**
Interest payments/increase in unit value	14	1,688,638	2,462,961
Operating and other expenses	15 (i)	8,244,558	7,355,818
Finance costs	16	905,567	1,186,147
Commissions expense	17	3,313,922	3,520,150
Total expenses		**28,399,825**	**27,023,837**
(Loss)/profit before share of the (loss)/profit of associate		**(2,006,214)**	**812,837**
Share of (loss)/profit of associate accounted for using the equity method	25(i)	(289,656)	53,006
(Loss)/profit before tax		**(2,295,870)**	**865,843**
Income tax credit/(expense)	26	85,585	(338,369)
(Loss)/profit for the year		**(2,210,285)**	**527,474**
(Loss)/profit attributable to:			
-Owners of the parent		(2,229,955)	517,431
-Non-controlling interests	27 (iii)	19,670	10,043

(Loss)/earnings per share for (loss)/profit attributable to the owners of the parent during the year.			
- Basic and diluted (Shs per share)	**21**	**(0.92)**	**0.26**

The notes on pages 80 to 167 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2018 Shs'000	2017 Shs'000
(Loss)/profit for the year		(2,210,285)	527,474
Other comprehensive income/(loss) items, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of land and buildings	23	7,396	38,192
(Loss)/gain on revaluation of financial assets at fair value through other comprehensive income	26	(594,413)	1,182,760
Gain on disposal of financial assets at fair value through other comprehensive income	26	-	71,961
Re-measurement of the net defined benefit asset	26	(35,517)	(946)
Total items that will not be reclassified to profit or loss		(622,534)	1,291,967
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income from the associate accounted for using the equity method	26	17,138	83,515
Currency translation (losses)/gain	26	(40,615)	5,194
Total items that may be subsequently reclassified to profit or loss		**(23,477)**	**88,709**
Total other comprehensive (loss)/income		**(646,011)**	**1,380,676**
Total comprehensive (loss)/income for the year		**(2,856,296)**	**1,908,150**
Attributable to:			
-Owners of the parent		**(2,875,966)**	**1,898,107**
-Non-controlling interests	27 (iii)	**19,670**	**10,043**

Items in the statement above are disclosed net of tax.

The notes on pages 80 to 167 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 Shs'000	2017 Shs'000
CAPITAL EMPLOYED			
Share capital	18 (i)	252,344	216,260
Share premium	18 (i)	13,237,451	7,706,782
Other reserves	19	11,756,927	13,579,959
(Accumulated losses)/retained earnings	20	(1,387,488)	332,832
Proposed dividend	22	-	756,911
Shareholders' funds		**23,859,234**	**22,592,744**
Non-controlling interests	27 (iii)	96,936	77,266
Total equity		**23,956,170**	**22,670,010**
Assets			
Property and equipment	23	1,365,422	1,503,409
Intangible assets	24	2,122,184	2,093,587
Investment in associate	25 (i)	2,923,611	5,021,902
Goodwill	27 (i)	1,558,433	1,558,433
Deferred income tax	37	633,484	450,398
Retirement benefit asset	49	210,796	221,167
Investment properties	28 (i)	7,651,596	5,912,091
Investment in property funds	28 (ii)	8,850,953	9,271,750
Financial assets at fair value through other comprehensive income	29	4,710,653	5,372,983
Financial assets at fair value through profit or loss	30	39,281,935	30,611,376
Government securities and corporate bonds at amortised cost	31	16,157,018	17,418,542
Mortgage loans and receivables	32	1,209,394	1,178,307
Loans and receivables to policyholders	33	1,301,118	1,076,466
Receivables arising out of reinsurance arrangements	34 (i)	703,320	645,487
Receivables arising out of direct insurance arrangements	34 (iii)	2,317,194	2,161,466
Reinsurers' share of insurance liabilities	35	3,145,058	3,726,914
Deferred acquisition costs	36	482,053	464,148
Other receivables	38	1,944,610	1,644,946
Current income tax	26	320,498	221,139
Restricted cash	39 (ii)	45,601	47,191
Cash and cash equivalents	39 (i)	6,721,401	8,423,155
Total assets		**103,656,332**	**99,024,857**
Liabilities			
Deferred income tax	37	2,831,319	3,424,054
Insurance contract liabilities	40	28,221,461	23,896,282
Payable under deposit administration contracts	44	34,174,911	28,017,662
Liabilities under investment contracts	45	3,003,326	4,025,507
Unearned premiums	46	4,696,248	4,572,067
Payables arising from reinsurance arrangements	34 (ii)	1,252,887	752,226
Borrowings	16	2,786,861	7,963,470
Other payables	47	2,726,947	3,551,853
Current income tax	26	6,202	151,726
Total liabilities		**79,700,162**	**76,354,847**
Net assets		**23,956,170**	**22,670,010**

The financial statements on pages 69 to 167 were authorised and approved for issue by the Board of Directors on 28 March 2019 and signed on its behalf by:

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017	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
Opening balance		**193,841**	**4,263,412**	**11,874,244**	**897,351**	**581,525**	**17,810,373**	**67,223**	**17,877,596**
Comprehensive income									
Profit for the year		-	-	295,059	222,372	-	**517,431**	10,043	**527,474**
Other comprehensive income, net of tax		-	-	1,380,676	-	-	**1,380,676**	-	**1,380,676**
Total comprehensive income for the year		**-**	**-**	**1,675,735**	**222,372**	**-**	**1,898,107**	**10,043**	**1,908,150**
Transfer to other reserves	19	-	-	29,980	(29,980)	-	**-**	-	**-**
Transactions with owners									
Issue of Shares	18(i)	22,419	3,443,370	-	-	-	**3,465,789**	-	**3,465,789**
Dividends:									
- Final for 2016 paid	22	-	-	-	-	(581,525)	**(581,525)**	-	**(581,525)**
- Proposed final for 2017	22	-	-	-	(756,911)	756,911	**-**	-	**-**
Total transactions with owners of the parent recognised directly in equity		**22,419**	**3,443,370**	**29,980**	**(786,891)**	**175,386**	**2,884,264**	**-**	**2,884,264**
At end of year		**216,260**	**7,706,782**	**13,579,959**	**332,832**	**756,911**	**22,592,744**	**77,266**	**22,670,010**

The notes on pages 80 to 167 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Total equity Year ended 31 December 2018	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
Opening balance		**216,260**	**7,706,782**	**13,579,959**	**332,832**	**756,911**	**22,592,744**	**77,266**	**22,670,010**
Impact of adoption of IFRS 9 phase 2		-	-	(63,269)	(444,339)	-	**(507,608)**	-	**(507,608)**
Share of associate's IFRS 9 & IFRS 15 Day 1 adjustment		-	-	(81,419)	(78,359)	-	**(159,778)**	-	**(159,778)**
Comprehensive income									
Loss for the year		-	-	(1,068,068)	(1,161,887)	-	**(2,229,955)**	19,670	**(2,210,285)**
Other comprehensive income, net of tax		-	-	(646,011)	-	-	**(646,011)**	-	**(646,011)**
Total comprehensive income for the year				**(1,714,079)**	**(1,161,887)**		**(2,875,966)**	**19,670**	**(2,856,296)**
Transfer to other reserves	19	-	-	35,735	(35,735)				
Transactions with owners				**-**	**-**	**-**	**-**	**-**	**-**
Issue of Shares	18(i)	36,084	5,530,669				**5,566,753**	-	**5,566,753**
Dividends:		-	-	-	-	-	**-**	-	**-**
- Final for 2017 paid	22			-	-	(756,911)	**(756,911)**	-	**(756,911)**
Total transactions with owners of the parent recognised directly in equity		**36,084**	**5,530,669**	**35,735**	**(35,735)**	**(756,911)**	**4,809,842**	**-**	**4,809,842**
At end of year		**252,344**	**13,237,451**	**11,756,927**	**(1,387,488)**	**-**	**23,859,234**	**96,936**	**23,956,170**

The notes on pages 80 to 167 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2018 Shs'000	2017 Shs'000
Operating activities			
Cash generated from operations	48	5,245,106	8,408,442
Income tax paid	26	(665,134)	(466,460)
Net cash generated from operating activities		**4,579,972**	**7,941,982**
Investing activities			
Purchase of property and equipment	23	(168,403)	(122,747)
Purchase of intangible assets	24	(366,838)	(434,556)
Purchase of investment property	28 (i)	(1,321,910)	(756,747)
Investment in property funds	28 (ii)	411,473	(1,582,527)
Proceeds from disposal of fixed assets		11,205	6,436
Proceeds of disposal of quoted shares at fair value through other comprehensive income		-	341,961
Purchase of quoted shares at fair value through profit or loss	30 (i)	(1,267,763)	(1,328,014)
Proceeds of disposal of quoted ordinary shares at fair value through profit or loss		168,008	652,348
Net investment in unit trusts at fair value through profit or loss		723,919	1,099,877
Net investment in government securities at fair value through profit or loss		(9,768,850)	(10,007,036)
Net investment in government securities at amortised cost		953,928	937,895
Net investment in corporate bond held at amortised cost		174,671	230,568
Mortgage loans advanced	32	(150,777)	(197,655)
Mortgage loans repayments	32	202,650	297,384
Policy loans advanced	33	(1,212,025)	(1,115,251)
Policy loans repayments	33	1,154,578	999,291
Dividends received from associate	25	59,754	83,583
Dividends received from equity investments at fair value through profit or loss	8	537,566	472,526
Dividends received from equity investments at fair value through other comprehensive income	8	270,338	288,339
Rent and interest received		4,706,147	4,263,258
Net cash used in investing activities		**(4,882,329)**	**(5,871,067)**
Cash flows from financing activities			
Issue of new shares	18	5,720,000	3,553,375
Dividends paid	22	(756,911)	(581,525)
Bank loan received	16	2,774,000	205,000
Bank loan Paid	16	(1,819,000)	(1,780,000)
Medium Term Note Redeemed	16	(6,000,000)	-
Interest paid	16	(1,066,450)	(1,011,627)
Net cash (used in)/generated from financing activities		**(1,148,361)**	**385,223**
Increase in cash and cash equivalents		(1,450,718)	2,456,138
Cash and cash equivalents at start of year		8,423,155	5,967,017
Cash and cash equivalents at end of year	39 (i)	6,972,437	8,423,155

The notes on pages 80 to 167 are an integral part of these financial statements

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018 Shs'000	2017 Shs'000
		For the year ended 31 December	
Revenue			
Net loss from investment in property funds	7	(8)	(55,019)
Interest and dividend income	8	1,416,620	802,540
Net realised fair value gains/(losses)	9	7,376	(1,192)
Net unrealised fair value (losses)/gains	10	(1,029,259)	278,515
Other income/(expenses)	12	10,427	(5,857)
Total income		**405,156**	**1,018,987**
Expenses			
Operating and other expenses	15 (i)	321,524	520,355
Finance costs	16	716,501	1,025,131
Total expenses		**1,038,025**	**1,545,486**
Loss before share of (loss)/profit of the associate		(632,869)	(526,499)
Share of (loss)/profit of the associate accounted for using the equity method	25 (i)	(116,593)	21,336
Loss before tax		**(749,462)**	**(505,163)**
Income tax charge	26	(17,139)	(18,039)
Loss for the year		**(766,601)**	**(523,202)**
Other comprehensive (loss)/income items, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on revaluation of financial assets at fair value through other comprehensive income	29	(435,939)	867,430
Gain on disposal of financial assets at fair value through other comprehensive income	26	-	71,961
Total items that will not be reclassified subsequently to profit or loss		**(435,939)**	**939,391**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income from the associated accounted for using the equity method	25 (i)	8,405	40,958
Total items that may be subsequently reclassified to profit or loss		**8,405**	**40,958**
Total other comprehensive(loss)/income		**(427,534)**	**980,349**
Total comprehensive (loss)/income for the year		**(1,194,135)**	**457,147**

The notes on pages 80 to 167 are an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	For the year ended 31 December 2018 Shs'000	2017 Shs'000
CAPITAL EMPLOYED			
Share capital	18 (i)	252,344	216,260
Share premium	18 (i)	13,237,451	7,706,782
Other reserves	19	2,564,331	2,991,865
Retained earnings	20	82,582	935,124
Proposed dividend	22	-	756,911
Shareholders' funds		**16,136,708**	**12,606,942**
REPRESENTED BY:			
Assets			
Property and equipment	23	78,053	34,678
Intangible assets	24	104,519	127,223
Investment in associate	25 (i)	1,176,935	2,021,628
Investment in subsidiary companies	27 (ii)	6,999,737	6,840,544
Investment in property funds	28 (ii)	759,164	939,774
Quoted ordinary shares at fair value through other comprehensive income	29	3,100,508	3,536,446
Quoted ordinary shares at fair value through profit or loss	30	3,159,349	3,297,287
Receivables from related parties	53	1,223,834	343,991
Other receivables	38	47,902	652,818
Cash and cash equivalents	39 (i)	1,310,543	1,679,877
Total assets		**17,960,544**	**19,474,266**
Liabilities			
Borrowings	16	1,174,807	6,562,982
Amounts due to related parties	53	337,380	206,409
Other payables	47	311,649	97,933
Total liabilities		**1,823,836**	**6,867,324**
Net assets		**16,136,708**	**12,606,942**

The financial statements on pages 69 to 167 were authorised and approved for issue by the Board of Directors on 28 March 2019 and signed on its behalf by:

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2017	Notes	Share Capital	Share Premium	Other reserves	Retained earnings	Proposed dividends	Total Equity
Opening balance		**193,841**	**4,263,412**	**2,011,516**	**2,215,237**	**581,525**	**9,265,531**
Comprehensive income							
Loss for the year		-	-	-	(523,202)	-	(523,202)
Associate share of fair value gains on financial assets at fair value through other comprehensive income	25 (i)	-	-	40,958	-	-	40,958
Gain on disposal of financial assets at fair value through other comprehensive income	26	-	-	71,961	-	-	71,961
Fair value gain on financial assets at fair value through other comprehensive income	29	-	-	867,430	-	-	867,430
Total comprehensive income for the year	**-**	**-**	**-**	**980,349**	**(523,202)**	**-**	**457,147**
Transactions with owners							
Issue of Shares	18	22,419	3,443,370	-	-	-	3,465,789
Dividends:							
- Final for 2016 paid	22	-	-	-	-	(581,525)	(581,525)
- Proposed final for 2017	22	-	-	-	(756,911)	756,911	-
Total transactions with owners		**22,419**	**3,443,370**	**-**	**(756,911)**	**175,386**	**2,884,264**
At end of year		**216,260**	**7,706,782**	**2,991,865**	**935,124**	**756,911**	**12,606,942**

The notes on pages 80 to 167 are an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2018	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
Opening balance		**216,260**	**7,706,782**	**2,991,865**	**935,124**	**756,911**	**12,606,942**
Impact of adaption of IFRS 9 Phase 2		-	-	-	(7,582)	-	(7,582)
Share of associate's IFRS 9 & IFRS 15 Day 1 adjustment	25(i)	-	-	-	(78,359)	-	(78,359)
Comprehensive income							
Loss for the year		-	-	-	(766,601)	-	(766,601)
Associate share of fair value gains on financial assets at fair value through other comprehensive income	25 (i)	-	-	8,405	-	-	8,405
Fair value gain on financial assets at fair value through other comprehensive income	29	-	-	(435,939)	-	-	(435,939)
Total comprehensive income for the year		**-**	**-**	**(427,534)**	**(766,601)**	**-**	**(1,194,135)**
Transactions with owners							
Issue of Shares	18	36,084	5,530,669	-	-		5,566,753
Dividends:							
- Final for 2017 paid	22	-	-	-		(756,911)	(756,911)
Total transactions with owners		**36,084**	**5,530,669**	**-**		**(756,911)**	**4,809,842**
At end of year		**252,344**	**13,237,451**	**2,564,331**	**82,582**	**-**	**16,136,708**

The notes on pages 80 to 167 are an integral part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

	Notes	2018 Shs'000	2017 Shs'000
Operating activities			
Cash used in operations	48	(204,210)	(1,316,063)
Income tax paid		(17,139)	(18,039)
Net cash used in operating activities		**(221,349)**	**(1,334,102)**
Investing activities			
Purchase of property and equipment	23	(59,667)	(5,337)
Purchase of intangible assets	24	(2,261)	(5,890)
(Increase)/decrease in investment in subsidiaries	27 (ii)	(159,193)	466,839
Net investment in property funds	28 (ii)	180,602	(257,300)
Proceeds of disposal of quoted shares at fair value through other comprehensive income	-		341,961
Net investment in government securities at fair value through profit or loss		(250,300)	(22,144)
Dividends received from associate	25	24,500	33,939
Dividends received from Subsidiaries	8	692,074	130,000
Dividends received from equity investments at fair value through profit or loss	8	164,847	164,847
Dividends received from equity investments at fair value through other comprehensive income	8	177,934	195,934
Interest received		237,601	197,693
Net cash generated from investing activities		**1,006,139**	**1,240,542**
Cash flows from financing activities			
Issues of new shares	18	5,720,000	3,553,375
Dividends paid	22	(756,911)	(581,525)
Bank loan received	16	2,774,000	205,000
Bank loan repaid	16	(1,819,000)	(1,780,000)
Medium term note redeemed	16	(6,000,000)	-
Interest paid	16	(1,066,450)	(1,011,627)
Net cash (used in)/generated from financing activities		**(1,148,361)**	**385,223**
Net increase in cash and cash equivalents		(363,565)	291,663
cash and cash equivalents at start of year		1,679,877	1,388,214
cash and cash equivalents at end of year	**39(i)**	**1,316,312**	**1,679,877**

The notes on pages 80 to 167 are an integral part of these financial statements

NOTES FOR THE YEAR ENDED 31 DECEMBER 2018

1 General Information

Britam Holdings Plc 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 on the Nairobi Securities Exchange. British-American Investments Company (Kenya) Limited then became Britam Holdings Limited on 5 August 2015. Thereafter the name of the Company was changed from Britam Holdings Limited to Britam Holdings Plc with effect from 4 May 2017 in conformity with the requirements of the Kenyan Companies Act, 2015.

The address of its registered office is:

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

Nairobi

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 thirteen entities. Britam Holdings Plc which is the ultimate and controlling parent company has twelve subsidiaries across the various businesses as listed below:-

- Insurance businesses:
  - Britam Life Assurance Company (Kenya) Limited
  - Britam General Insurance Company (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)
  - Britam - Companhia De Seguros De Mozambique S.A.
- Asset Managers:
  - Britam Asset Managers (Kenya) Limited
  - Britam Asset Managers (Uganda) Limited
- Property companies:
  - Britam Properties (Kenya) Limited
  - Britam Properties (Uganda) Limited

The Group also has a 48.42% stake in HF Group Plc 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 consolidated and company financial statements have been 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 2018. The adoption of these new and revised standards has not resulted in material changes to the Group's accounting policies except for IFRS 9 as detailed below. Information on the new and revised accounting standards effective in the current year and their impact to the consolidated and separate financial statements is detailed in Note 55 (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 55 (ii).

Impact of initial application of IFRS 9 Financial Instruments

The Group early adopted the classification and measurement requirements of IFRS 9 Financial Instruments (as issued in November 2009 and October 2010; and amended in December 2011) and the related consequential amendments to other IFRS Standards with an effective date of 1 January 2013. The Company assessed the financial assets and liabilities held at 1 January 2013 and the classification and measurement principles.

2 Summary of significant accounting policies (continued)

(b) Accounting standards and disclosures (continued)

(ii) New and revised standards effective in future periods (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

The main effects of the initial application were as follows:

- Investments in debt securities previously classified at amortised cost in accordance with IAS 39 are now classified as financial assets at fair value through profit or loss. As a result, on 1 January 2013 assets with amortised value of Shs 241,760,000 were transferred to investments held at fair value through profit or loss; their related fair value loss of Shs 45,224,000 was recognised in profit or loss.
- Equity investments previously classified at fair value through profit or loss have now been designated as at fair value through other comprehensive income. As a result, fair value gains of 614,074,000 were reclassified from retained earnings to available for sale investment reserve as at 1 January 2013. These equity investments at fair value for through profit or loss were all classified as non-current.

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for annual periods beginning on or after 1 January 2018. The application in the current year related to the provisions on impairment of financial assets. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the measurement of financial instruments. As of 1 January 2018, the difference between the impairment provisions of Shs 812,276,000 determined using the incurred credit losses approach in IAS 39 and the impairment provisions of Shs 1,508,561,000 determined using the Expected Credit Losses (ECLs) approach in IFRS 9 was adjusted through opening retained earnings.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Government securities at amortized cost;
- Corporate bonds at amortised cost;
- Mortgage loans;
- Policy loans;
- Secured loans;
- Cash at bank;
- Deposits from financial institutions;
- Receivables from related parties;
- Receivables arising from direct insurance and reinsurance arrangements;
- Other receivables; and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Because the Group has elected not to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2018.

2 Summary of significant accounting policies (continued)

(b) Accounting standards and disclosures (continued)

(ii) New and revised standards effective in future periods (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

The result of the assessment is as follows:

Items existing as at 1 January 2018 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at 1 January 2018	Cumulative additional loss allowance recognised on 1 January 2018 Shs '000'	
		Group	**Company**
Cash and bank balances	Assessed as low credit risk since all cash is held with selected banks and financial institutions.	19,756	5
Deposits with financial institutions		31,069	7,499
Government securities at amortised cost	Assessed as low credit risk since all government paper is with the Government of Kenya which is externally rated.	5,011	-
Mortgage loans receivables	Assessed as low credit risk since all loans are secured on the mortgaged property.	(2,478)	-
Corporate bonds at amortised cost	These items are assessed to at each reporting date based on their respective external credit ratings where available and other financial and non-financial information.	65,503	-
Loans to policyholders	Assessed to have nil credit risk as loans are issued based on the cumulative surrender values of the policies.	No impairment due to existence of collateral in cumulative surrender values.	-
Receivables arising out of direct insurance arrangements	Assessed as low credit risk since a significant portion of the retail insurance covers are sold on a cash and carry basis. Credit is extended to corporate clients to a maximum of 60 days with an option to cancel cover should indications of default appear. Historical credit defaults have been factored.	240,008	-
Receivables arising out of reinsurance arrangements	Assessed as low credit risk since reinsurance accounts are contractually cleared on a quarterly basis and incorporate premium payable and commissions and claims recoverable.	196,346	-
Loans and receivables from related parties	Assessed as low credit risk since all related parties are under the control of the same Group.	-	78
Other receivables	Incorporates different counterparties including staff, agents and others all of which are assessed independently. The simplified approach has been applied.	141,070	-
Total		**696,285**	**7,582**

The additional credit loss allowance of Shs 696,285,000 as at 1 January 2018 has been recognised against retained earnings, net of their related deferred tax impact of Shs 188,676,000, resulting in a net decrease in retained earnings of Shs 507,608,000 (Company Shs 7,582,000).

The reconciliation between the ending provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 January 2018 has been disclosed in note 4 (b).

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the financial statements.

The application of IFRS 9 had no impact on the cash flows of the Group. Additionally, since there were no restatements, the application of IFRS 9 had no impact on basic and diluted earnings per share for the Group.

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 by the company 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 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.

2 Summary of significant accounting policies (continued)
(c) Consolidation
(iv) Investments in associate companies

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.

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).

2 Summary of significant accounting policies (continued)

(d) Insurance contracts (continued)

(ii) Recognition and measurement (continued)

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.

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').

2 Summary of significant accounting policies (continued)

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

(i) Functional and presentation currency (continued)

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 2018 are a conversion factor of 1,737 (2017:821) to one USD and a CPI of 2 (2017:1).

(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. 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

(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.

2 Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

(iii) Rendering of services (continued)

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.

(vi) Rental income

Rental income is recognised 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 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.

2 Summary of significant accounting policies (continued)

(i) Property and equipment (continued)

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 and work in progress in relation to leasehold improvements 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

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 assoiated 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; and
- 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 as part of operating and other expenses.

(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 value determined annually by external valuers.

2 Summary of significant accounting policies (continued)

(l) Investment property (continued)

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; 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 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 specifieddates 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 – Business Combinations 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 2018	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	-	9,743,173	4,710,653	14,453,826
unquoted ordinary shares	-	9,619	-	9,619
Government securities	15,212,824	24,798,519	-	40,011,343
Corporate bonds	944,194	-	-	944,194
Unit trusts	-	4,730,625	-	4,730,625
Investment in property funds	-	8,850,953	-	8,850,953
Other receivables	1,944,610	-	-	1,944,610
Investment in liquid funds	1,063,596	-	-	1,063,596
Mortgage loans and receivables	1,209,394	-	-	1,209,394
Loans and receivables to policyholders	1,301,118	-	-	1,301,118
Receivables arising out of reinsurance arrangements	703,320	-	-	703,320
Receivables arising out of direct insurance arrangements	2,317,194	-	-	2,317,194
Restricted cash	45,601	-	-	45,601
Deposits with financial institutions	3,216,913	-	-	3,216,913
Cash and bank balances	2,691,928	-	-	2,691,928
Total financial assets	**30,650,692**	**48,132,889**	**4,710,653**	**83,494,234**
Financial liabilities				
Insurance contract liabilities	28,211,945	-	-	28,211,945
Payable under deposit administration contracts	-	34,174,911	-	34,174,911
Liabilities under investment contracts	-	3,003,326	-	3,003,326
Borrowings	2,786,861	-	-	2,786,861
Payables arising from reinsurance arrangements	1,252,887	-	-	1,252,887
Other payables	2,726,948	-	-	2,726,948
Total financial liabilities	**34,978,641**	**37,178,237**	**-**	**72,156,878**
COMPANY				
Financial assets				
Quoted ordinary shares	-	2,872,468	3,100,508	5,972,976
Investment in property funds	-	759,164	-	759,164
Other receivables	47,902	-	-	47,902
Investment in liquid funds	869,180	-	-	869,180
Amounts due from related parties	1,223,834	-	-	1,223,834
Deposits with financial institutions	432,804	-	-	437,804
Cash and bank balances	9,328	-	-	9,328
Total financial assets	**2,582,278**	**3,631,633**	**3,100,507**	**9,320,186**
Financial liabilities				
Borrowings	1,174,807	-	-	1,174,807
Amounts due to related parties	337,380	-	-	337,380
Other payables	311,645	-	-	311,645
Total financial liabilities	**1,823,832**	**-**	**-**	**1,823,832**

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

GROUP At 31 December 2017	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	-	10,299,327	5,372,983	15,672,310
unquoted ordinary shares	-	9,464	-	9,464
Government securities	16,200,057	14,494,640	-	30,694,697
Corporate bonds	1,218,485	-	-	1,218,485
Unit trusts	-	5,807,945	-	5,807,945
Investment in property funds	-	9,271,750	-	9,271,750
Other receivables	1,644,946	-	-	1,644,946
Investment in liquid funds	869,180	-	-	869,180
Mortgage loans and receivables	1,178,307	-	-	1,178,307
Loans and receivables to policyholders	1,076,466	-	-	1,076,466
Receivables arising out of reinsurance arrangements	645,487	-	-	645,487
Receivables arising out of direct insurance arrangements	2,161,466	-	-	2,161,466
Restricted cash	47,191	-	-	47,191
Deposits with financial institutions	4,554,775	-	-	4,554,775
Cash and bank balances	2,999,200	-	-	2,999,200
Total financial assets	**32,595,560**	**39,883,126**	**5,372,983**	**77,851,669**
Financial liabilities				
Insurance contract liabilities	23,896,282	-	-	23,896,282
Payable under deposit administration contracts	-	28,017,662	-	28,017,662
Liabilities under investment contracts	-	4,025,507	-	4,025,507
Borrowings	7,963,470	-		7,963,470
Payables arising from reinsurance arrangements	752,226	-	-	752,226
Other payables	3,551,854	-	-	3,551,854
Total financial liabilities	36,163,832	32,043,169	-	68,207,001
COMPANY				
Financial assets				
Quoted ordinary shares	-	3,297,287	3,536,446	6,833,733
Investment in property funds	-	939,774	-	939,774
Other receivables	652,818	-	-	652,818
Investment in liquid funds	869,180	-	-	869,180
Amounts due from related parties	343,991	-	-	343,991
Deposits with financial institutions	771,434	-	-	771,434
Cash and bank balances	39,263	-	-	39,263
Total financial assets	**2,676,686**	**4,237,061**	**3,536,446**	**10,450,193**
Financial liabilities				
Borrowings	6,562,982	-	-	6,562,982
Amounts due to related parties	206,409	-	-	206,409
Other payables	97,933	-	-	97,933
Total financial liabilities	**6,867,324**	**-**	**-**	**6,867,324**

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(iii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised 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 unrealised 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 recognised 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 recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, receivables arising out of direct insurance arrangement, receivables arising out of reinsurance arrangements and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value Through Profit or Loss (FVTPL):

- Government securities at amortized cost;
- Corporate bonds at amortised cost;
- Mortgage loans;
- Policy loans;
- Secured loans;
- Cash at bank;
- Deposits from financial institutions;
- Receivables from related parties;
- Receivables arising from direct insurance and reinsurance arrangements;
- Other receivables; and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

The Group measures ECL on an individual basis, or on a collective basis for class of assets that share similar economic risk characteristics.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- The debt is more than 365 days overdue for premium debtors in the short-term insurance business.
- The debt is for a scheme that is lost for premium debtors in the long-term insurance business.
- The debt is for a third party that has no existing business relationship.
- The debtor is unlikely to pay its obligations to the Group in full.
- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Company).

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. When assessing if the debtor is unlikely to pay its obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. The Company uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources. More details are provided in Note 4 (b).

(iii) Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the debtor has ceased transacting with the Group, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(iv) Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(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.

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.

2 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

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.

(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.

3 Critical accounting estimates, judgements and assumptions

In the preparation of the financial statements, management and Directors are 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 (i).

The fair value of financial instruments that are unquoted (not traded in an active market) is determined by using valuation techniques. The Group uses management 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 (n).

- **Impairment of financial 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 and the previous 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).

- Significant increase of credit risk: As explained in Note 2 m (iv), ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 2 m (iv) and Note 4 (b) for more details.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 4 (b) for details of the characteristics considered in this judgment. The Group monitors the appropriateness of the credit risk characteristics on an on-going basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 4 (b) for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 4 (b) for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from collateral and integral credit enhancements. See Note 4 (b) for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

- **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.

3 Critical accounting estimates, judgements and assumptions (continued)

• Property and equipment

Critical estimates are made by management in determining depreciation rates for property 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 liabilities. 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).

Year ended 31 December 2018

			Maximum insured loss			
Class of			0 – 15	15 - 250	Over 250	Total
business		Shs Millions	Shs'000	Shs'000	Shs'000	Shs'000
General Insurance business – Sum assured	Motor	Gross	5,492,561	12,545,610	48,712,215	**66,750,386**
		Net	5,326,911	11,943,412	46,766,050	**64,036,373**
	Fire	Gross	108,433,101	158,313,635	1,324,506,117	**1,591,252,853**
		Net	110,616,065	278,272,334	611,789,442	**1,000,677,841**
	Personal accident	Gross	3,180,007	45,767,732	150,030,659	**198,978,398**
		Net	3,005,395	32,860,400	86,939,140	**122,804,935**
	Other	Gross	25,158,379	68,340,557	638,879,368	**732,378,304**
		Net	23,710,373	48,707,100	218,488,616	**290,906,089**
Long term business	Ordinary life	Gross	202,921,455	2,789,620	-	**205,711,075**
		Net	184,956,869	-	-	**184,956,869**
	Group life	Gross	244,510,878	35,421,400	280,213,190	**560,145,468**
		Net	246,442,228	19,685,228	252,174,398	**518,301,854**
Total		**Gross**	**589,696,381**	**323,178,554**	**2,442,341,549**	**3,355,216,484**
		Net	**574,057,841**	**391,468,474**	**1,216,157,646**	**2,181,683,961**

4 Risk management objectives and policies (continued)

(a) Insurance risk - Group (continued)

Year ended 31 December 2017

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	137,570,307	19,270,533	20,315,108	**177,155,948**
		Net	132,846,480	18,427,084	18,765,605	**170,039,169**
	Fire	Gross	26,895,663	155,486,176	866,111,586	**1,048,493,425**
		Net	19,415,268	101,291,075	345,562,552	**466,268,895**
	Personal accident	Gross	6,770,653	28,590,761	62,572,939	**97,934,353**
		Net	7,255,142	29,670,085	52,944,548	**89,869,775**
	Other	Gross	25,125,533	135,457,502	363,368,473	**523,951,509**
		Net	18,093,812	77,658,899	82,853,036	**178,605,747**
Long term business	Ordinary life	Gross	191,915,095	2,773,004	-	**194,688,099**
		Net	171,154,802	-	-	**171,154,802**
	Group life	Gross	207,721,970	25,916,016	258,377,769	**492,015,755**
		Net	202,752,506	10,084,244	234,033,328	**446,870,077**
Total		**Gross**	**595,999,221**	**367,493,993**	**1,570,745,875**	**2,534,239,089**
		Net	**551,518,010**	**237,131,386**	**734,159,069**	**1,522,808,466**

A 1% change in the Group's claims experience would result in a Shs 142,471,000 change in the Group's loss for the year (2017: Shs 124,987,000).

(b) Credit risk

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

- Developing and maintaining processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting, assessment and measurement process that provide it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.

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 regularly. 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, corporate, and personal guarantees.

The credit quality of financial assets is assessed by reference to external credit ratings if available or internally generated information about counterparty default rates. None of the Group's credit risk counterparties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating and the reinsurance companies from whom reinsurance balances are due. The Company 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.

4 Risk management objectives and policies (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral held

Group

Assets	External credit rating	Internal Credit rating	12-month or lifetime ECL	2018	2017
				Shs'000	Shs'000
Government securities at fair value through profit or loss	B+	-	12	24,798,519	14,494,640
Government securities held at amortised cost	B+	-	12	15,212,824	16,200,057
Receivables arising out of reinsurance arrangements	AA-	-	12	703,310	645,487
Corporate bonds at amortised cost	-	Group 2	12	944,194	1,218,485
Unit trusts	-	Group 2	12	4,730,625	5,807,945
Investments in property funds	-	Group 2	12	8,850,953	9,271,750
Mortgage loans and receivables	-	Group 2	12	1,209,394	1,178,307
Loans and receivables to policy holders	-	Group 2	Nil	1,301,118	1,076,466
Receivables out of direct insurance arrangements	-	Group 2	Life time	2,317,194	2,161,466
Reinsurers' share of insurance contract liabilities	-	Group 2	Nil	3,145,058	3,726,914
Other receivables (excluding prepayments)	-	Group 2	Mix of both life time & 12	1,733,439	955,082
Deposits with financial institutions	-	Group 2	12	3,216,913	4,554,775
Cash and bank balances (excluding cash in hand)	-	Group 2	12	2,691,928	2,990,200
Total				**70,855,469**	**64,281,574**

The above table represents a worst case scenario of credit risk exposure to the Group and the Company at 31 December 2018 and 2017, 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, 57% of the total maximum exposure is derived from government securities (2017: 47%) and 7% to the unit trusts (2017: 9%). 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 2,909,576,907 (2017: Shs 3,107,045,000) while the surrender values of the policies with loans amounted to Shs: 6,580,520,000 (2017: Shs5,599,376,000). In case of default the collateral would be realised thereby reducing the Group's credit risk.

4 Risk management objectives and policies (continued)

(b) Credit risk (continued)

Maximum exposure to credit risk before collateral held (continued)

Company

Assets	External credit rating	Internal Credit rating	12-month or lifetime ECL	2018	2017
				Shs'000	Shs'000
Government securities at fair value through profit or loss	B+	-	12	286,881	20,950
Investments in property funds	-	Group 2	12	759,164	939,774
Receivables from related parties	-	Group 2	12	1,223,833	343,991
Other receivables (excluding prepayments)	-	Group 2	Mix of both life time & 12	45,113	645,348
Deposits with financial institutions	-	Group 2	12	437,804	771,434
Cash and bank balances (excluding cash in hand)	-	Group 2	12	9,328	39,263
Total				**2,762,123**	**2,760,760**

The above table represents a worst case scenario of credit risk exposure to the Group and the Company at 31 December 2018 and 2017, 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, 44% of the total maximum exposure is derived from receivables from related parties (2017: 12%) In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

Significant increase in credit risk

As explained in Note 2 m (iv), the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include qualitative and quantitative reasonable and supportable forward looking information as shown in the table below

The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises per type of asset the range above which an increase in credit quality is determined to be significant, as well as some indicative qualitative indicators assessed.

NOTES FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

4 Risk management objectives and policies (continued)

(b) Credit risk (continued)

Significant increase in credit risk (continued)

Asset class	Drivers of change in credit quality	Qualitative indicators assessed
Receivables arising from direct and reinsurance arrangements	30 days past due	Company closure, significant decline in the industry which the client operates, listing on credit reference bureau, inability to service debt, loss of income, among others.
Cash at bank and deposits with financial institutions	Downgrade to tie four	Bank closure, bank run, default on debt, credit rating downgrade, material adverse mention or investigation, change in bank tier, negative change in debt ratios, debt covenant breach, regulator actions among others.
Government Securities	Downgrade from investment grade to non-investment grade as per the external ratings	Credit rating downgrade, adverse political instability, military coup / attempt / civil turmoil, hyper inflationary trajectory, external war,
Corporate Debt	Default in contractual cashflows	Credit rating downgrades, significant adverse political turmoil in country of major operations, significant fall in revenue collection, significant natural disaster events, debt restructure, material Adverse change (Change in business model; significant change in priority staff), significant court process interference on business model, insolvency, government agency takeover, financial covenant breach, material representation inaccuracy or warranty breach, material adverse mention, investigation among others.
Equities - Dividend Income	Default in contractual cashflows	Company closure, default on debt, credit rating downgrade, adverse material mention, change in balance sheet debt composition, debt covenant breach, adverse change in business model, company insolvency among others.
Staff/ Non Staff Loans	Default in contractual cashflows	Listing on credit reference bureau, inability to service debt, loss of income, death, permanent disability, imprisonment, number of months in arrears among others.
	Default in contractual cashflows	Credit rating downgrades, significant adverse political turmoil in country of major operations, significant fall in revenue collection, significant natural disaster events, debt restructure, material Adverse change (Change in business model; significant change in priority staff), significant court process interference on business model, insolvency, government agency takeover, financial covenant breach, material representation inaccuracy or warranty breach, material adverse mention, investigation among others.
Equities - Dividend Income	Default in contractual cashflows	Company closure, default on debt, credit rating downgrade, adverse material mention, change in balance sheet debt composition, debt covenant breach, adverse change in business model, company insolvency among others.
Staff/ Non Staff Loans	Default in contractual cashflows	Listing on credit reference bureau, inability to service debt, loss of income, death, permanent disability, imprisonment, number of months in arrears among others.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Company performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome.

The Group continuously monitors changes in the probability of default and loss given ratios to assess changes in credit risk on investment assets. If the probability of default and the loss given ratio had increased/decreased by 10% as at 31 December 2018 with all other variables held constant, the impact on the ECL would be as below.

4 Risk management objectives and policies (continued)

(b) Credit risk (continued)

The Group also monitors credit risks on premium debtors and other receivables. If the loss rate had increased/decreased by 10% as at 31 December 2018 with all other variables held constant, the impact on the ECL would be as below.

Group

Asset Type ('000)	+10% Change on PD&LGD	-10% Change on PD&LGD
Cash and bank balances	1,087	(1,000)
Deposits with financial institutions	5,663	(5,248)
Government Securities at amortized cost	193	(177)
Corporate bonds at amortised cost	17,099	(16,349)
Loans and receivables from related parties	20	(19)
Mortgage loans receivables	5,892	(6,114)
Receivables arising from direct insurance arrangements	850	(850)
Receivables arising from reinsurance arrangements	10	(10)
Other receivables	90	(49)
Total	**30,904**	**(29,816)**

Company

Asset Type ('000)	+10% Change on PD&LGD	-10% Change on PD&LGD
Cash and bank balances	1,087	(2)
Deposits with financial institutions	5,663	(965)
Loans and receivables from related parties	20	(11)
Other receivables	90	(49)
Total	**6,860**	**(1,027)**

Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from any collateral. The LGD models for secured assets consider collateral valuation.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

The Company's modeling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the exposure that are permitted by the current contractual terms. The Company uses EAD models that reflect the characteristics of the portfolios.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Asset type;
- Intermediary;

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

4 Risk management objectives and policies (continued)

(b) Credit risk (continued)

The reconciliation in the provision for impairment for each of the financial assets is disclosed in the table below.

Group

Year ended 31 December 2018	Receivables arising out of direct insurance arrangements Shs 000	Receivables arising out of reinsurance arrangements Shs 000	Cash and bank balances Shs 000	Deposits with financial institutions Shs 000	Government securities at amortised cost Shs 000	Corporate bonds at amortised cost Shs 000	Mortgage loans receivable Shs 000	Other receivables Shs 000	Total Shs 000
Balance as at 1 January 2017 under IAS 39	359,084	55,737	-	15,000	-	-	47,039	75,402	552,262
Increase / (decrease) in loss allowance arising from new financial assets recognised /(derecognised) in the year	26,573	196,627	-	36,422	-	-	(7,980)	8,372	260,014
Balance as at 31 December 2017 under IAS 39	**385,657**	**252,364**	**-**	**51,422**	**-**	**-**	**39,059**	**83,774**	**812,276**
Year ended 31 December 2018									
Balance as at 31 December 2017 under IAS 39- As previously reported	385,657	252,364	-	51,422	-	-	39,059	83,774	812,276
Adjustment upon application of IFRS 9	240,008	196,346	19,756	31,069	5,011	65,503	(2,478)	141,070	696,285
Balance as at 1 January 2018 – As restated	**625,665**	**448,710**	**19,756**	**82,491**	**5,011**	**65,503**	**36,581**	**224,844**	**1,508,561**
Write off	-	(159)	-	-	-	-	(2,981)	(17,000)	(20,140)
Increase / (decrease) in loss allowance arising from new financial assets recognised / (derecognised) in the year	(67,761)	(24,472)	(6,375)	40,063	2,941	23,564	15,229	32,467	15,656
Balance as at 31 December 2018 under IFRS 9	**557,904**	**424,079**	**13,381**	**122,554**	**7,952**	**89,067**	**48,829**	**240,311**	**1,504,077**

4 Risk management objectives and policies (continued)

(b) Credit risk (continued)

The recociliation in the provision for impairment for each of the financial assets is disclosed in the table below.

Company

Year ended 31 December 2018	Cash and bank balances Shs 000	Deposits with financial institutions Shs 000	Loans and receivables from related parties Shs 000	Other receivables Shs 000	Total Shs 000
Balance as at 1 January 2017 under IAS 39	-	-	-	-	-
Increase / (decrease) in loss allowance arising from new financial assets recognised /(derecognised) in the year	-	-	-	-	-
Balance as at 31 December 2017 under IAS 39	**-**	**-**	**-**	**-**	**-**
Year ended 31 December 2018					
Balance as at 31 December 2017 under IAS 39- As previously reported	-	-	-	-	-
Adjustment upon application of IFRS 9	5	7,499	78	-	7,582
Balance as at 1 January 2018 – As restated	**5**	**7,499**	**78**	**-**	**7,582**
Increase / (decrease) in loss allowance arising from new financial assets recognised / (derecognised) in the year	9	(1,744)	172	484	(1,079)
Balance as at 31 December 2018 under IFRS 9	**14**	**5,755**	**250**	**484**	**6,503**

4 Risk management objectives and policies (continued)

(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 table below 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 Shillings and are presented undiscounted.

Group

31 December 2018	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	28,221,461	650,124	1,886,601	8,499,219	36,799,714	**76,057,120**
Amounts payable under deposit administration contracts	34,174,911	1,350,771	2,701,543	28,508,346	78,949,291	**145,684,862**
Liabilities under investment Contracts	3,003,325	366,007	743,609	2,719,140	616,394	**7,448,475**
Creditors arising out of reinsurance arrangements	1,252,887	1,252,887	-	-	-	**2,505,774**
Borrowings:				-	-	**-**
- Bank loan	1,160,000	1,160,000	-	-	-	**1,160,000**
- Other borrowings	1,400,488	1,400,488	-	-	-	**1,400,488**
Interest payable	226,373	226,373	-	-	-	**226,373**
Other payables	2,726,948	2,726,948	-	-	-	**2,726,948**
Total financial liabilities	**72,166,394**	**9,133,598**	**5,331,753**	**39,726,705**	**116,365,399**	**237,210,040**

4 Risk management objectives and policies (continued)

(c) Liquidity risk (continued)

Group

31 December 2017	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	23,896,282	1,792,659	2,723,493	9,434,637	36,682,799	**50,633,588**
Amounts payable under deposit administration contracts	28,017,662	1,350,771	2,701,543	28,508,346	78,949,291	**111,509,950**
Liabilities under investment Contracts	4,025,507	366,007	743,609	2,719,140	616,394	**4,445,151**
Creditors arising out of reinsurance arrangements	752,226	752,226	-	-	-	**752,226**
Borrowings:						
- Britam 2014 medium term note	6,000,000	-	-	6,000,000	-	**6,000,000**
- Bank loan	205,000	-	205,000	-	-	**205,000**
- Other borrowings	996,064	-	-	996,064	-	**996,064**
Interest payable	762,406	357,982	-	404,424	-	**762,406**
Other payables	3,551,855	-	3,551,855	-	-	**3,551,855**
Total financial liabilities	**62,207,002**	**4,619,645**	**9,925,500**	**48,062,611**	**116,248,484**	**178,856,240**

Company

31 December 2018	Carrying values Shs '000	0-4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Total Shs '000
Liabilities					
Bank loan	1,160,000	-	1,160,000	-	**1,160,000**
Interest payable	14,807	14,807	-	-	**14,807**
Other payables	311,645	311,645	-	-	**311,645**
Total financial liabilities (expected maturity dates)	**1,486,452**	**326,452**	**1,160,000**	**-**	**1,486,452**

31 December 2017	Carrying values Shs '000	0-4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Total Shs '000
Liabilities					
Britam 2014 medium term note	6,000,000	-	-	6,000,000	**6,000,000**
Bank loan	205,000	-	205,000	-	**205,000**
Interest payable	357,982	357,982	-	-	**357,982**
Other payables	97,933	97,933	-	-	**97,933**
Total financial liabilities (expected maturity dates)	**6,660,915**	**455,915**	**205,000**	**6,000,000**	**6,660,915**

4 Risk management objectives and policies (continued)

(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 index) adequate due to the relative stability of the NSE over the years.

At 31 December 2018, if the Nairobi Securities Exchange (NSE) prices had changed by 15% (2017: 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 1,445,035,000 (2017: Shs 1,075,142,000) higher/lower, and the equity would have been Shs 1,445,035,000 (2017: Shs 1,075,142,000) higher/lower. The Company's post tax profit for the year would have been Shs. 430,869,000 (2017: Shs 491,450,000) higher/lower, and the Company's equity would have been Shs. 430,869,000 (2017: Shs 491,450,000) higher/lower.

Similarly, a change in the price by 15% (2017: 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 706,598,000 (2017: Shs 805,947,000), these equities would have been Shs 706,598,000 (2017: Shs 805,947,000) higher/lower. In the Company a change in the price by 15% (2017: 15%) of equities held at fair value through other comprehensive income would affect the Company's reserves and other shareholder funds for the year Shs 465,076,000 (2017: Shs 530,466,000), these equities would have been Shs 465,076,000 (2017: Shs 530,466,000) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2017, the group held shares in Equity Group Holdings Plc amounting to Shs 10,364,371 (2017: Shs 11,921,003,000) or 10% (2017: 12%) of the total assets.

(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 2018, 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 90,425,000 (2017: Shs 659,435,000) 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 2018 and 2017.

(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 have been selected based on the stability of the currencies in the various economies.

At 31 December 2018, if the UGX had strengthened/weakened by 5% (2017: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 6,753,000 (2017: Shs 3,881,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated Net assets.

At 31 December 2018, if the RWF had strengthened/weakened by 5% (2017: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,927,000 (2017: Shs 1,553,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RWF denominated trade receivables and payables.

At 31 December 2018, if the TZS had strengthened/weakened by 5% (2017: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 2,728,000 (2017: Shs 1,093,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of TZS denominated trade receivables and payables.

At 31 December 2018, if the MWK had strengthened/weakened by 5% (2017: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,018,000 (2017: Shs 1,680,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MWK denominated trade receivables and payables.

At 31 December 2018, if the MZN had strengthened/weakened by 20% (2017: 20%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 339,000 (2017: Shs 686,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MZN denominated trade receivables and payables.

At 31 December 2018, if the SSP had strengthened/weakened by 100% (2017: 100%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 4,198,000 (2017: Shs 8,460,000) 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 as of 31 December 2018.

4 Risk management objectives and policies (continued)

(d) Market risk (continued)

(iii) Foreign exchange risk

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.

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.

	2018		2017	
i) Britam General Insurance Company (Kenya)Limited	**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	600,000	2,668,000
Solvency margin	1,708,409	2,472,336	1,304,761	3,094,794

	2018		2017	
ii) Britam Insurance Company (Uganda) Limited	**Regulatory requirement**	**Maintained by the Company**	**Regulatory requirement**	**Maintained by the Company**
	UGX '000	**UGX'000**	**UGX'000**	**UGX '000**
Short-term capital	4,000,000	14,360,000	4,000,000	14,360,000
Solvency	4,742,240	7,747,742	4,275,310	5,418,540

	2018		2017	
iii) Britam Insurance Company Limited (South Sudan)	**Regulatory requirement**	**Maintained by the Company**	**Regulatory requirement**	**Maintained by the Company**
	SSPS'000	**SSPS'000**	**SSPS'000**	**SSPS'000**
Capital at 31 December	128,070	128,070	128,070	128,070

	2018		2017	
iv) Britam Insurance Company (Rwanda) Limited	**Regulatory requirement**	**Maintained by the Company**	**Regulatory requirement**	**Maintained by the Company**
	Rwfs'000	**Rwfs'000**	**Rwfs'000**	**Rwfs'000**
Capital at 31 December	1,000,000	4,942,443	1,000,000	4,428,036
Solvency	500,000	595,594	500,000	625,724

4 Risk management objectives and policies (continued)

(e) Capital management (continued)

iv) Britam - Companhia De Seguros De Mozambique S.A.	2018 Regulatory requirement Mzns'000	2018 Maintained by the Company Mzns'000	2017 Regulatory requirement Mzns'000	2017 Maintained by the Company Mzns'000
Capital at 31 December	16,648	166,476	16,648	166,476
Solvency	18,219	121,678	18,219	130,598

v) Britam Insurance (Tanzania) Limited	2018 Regulatory requirement TShs'000	2018 Maintained by the Company TShs'000	2017 Regulatory requirement TShs'000	2017 Maintained by the Company TShs'000
Capital at 31 December	1,548,759	7,125,001	2,520,110	7,097,001
Solvency	3,107,834	3,327,579	2,520,110	2,630,857

vii) Britam Insurance Company Limited (Malawi)	2018 Regulatory requirement Mwks'000	2018 Maintained by the Company Mwks'000	2017 Regulatory requirement Mwks'000	2017 Maintained by the Company Mwks'000
Capital at 31 December	750,000	2,179,328	750,000	2,179,328
Solvency	926,285	1,280,104	800,708	1,429,328

viii) Britam Life Assurance Company (Kenya) Limited	2018 Regulatory requirement Shs'000	2018 Maintained by the Company Shs'000	2017 Regulatory requirement Shs'000	2017 Maintained by the Company Shs '000
Short-term capital	150,000	180,000	150,000	180,000
Solvency	4,893,206	10,157,758	4,921,965	10,523,759

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

ix) Britam Asset Managers Limited	2018 Regulatory requirement Shs'000	2018 Maintained by the Company Shs'000	2017 Regulatory requirement Shs'000	2017 Maintained by the Company Shs '000
Capital at 31 December	10,000	742,699	10,000	904,757
Working capital at 31 December	15,648	226,350	28,691	404,297

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.

4 Risk management objectives and policies (continued)

(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).

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 December 2018 and 2017:

Group 2018	Level 1	Level 2	Level 3	Total
Assets	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	9,743,172	-	-	**9,743,172**
- Unquoted ordinary shares	-	-	9,619	**9,619**
- Government securities	-	24,798,519	-	**24,798,519**
- Unit trusts	-	4,730,625	-	**4,730,625**
Quoted ordinary shares at fair value through other comprehensive income	4,710,653	-	-	**4,710,653**
Property and equipment – building (Note 23)	-	651,566	-	**651,566**
Investment in property funds	-	8,850,953	-	**8,850,953**
Investment property	-	7,651,596	-	**7,651,596**
Total assets	**14,453,825**	**46,683,259**	**9,619**	**61,146,703**
Liabilities				
Liabilities under investment contracts	-	3,003,326	-	**3,003,326**
Total Liabilities	**-**	**3,003,326**	**-**	**3,003,326**

Group 2017	Level 1	Level 2	Level 3	Total
Assets	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss				
- Quoted ordinary shares	10,299,327	-	-	**10,299,327**
- Unquoted ordinary shares	-	-	9,464	**9,464**
- Government securities	-	14,494,640	-	**14,494,640**
- Unit trusts	-	5,807,945	-	**5,807,945**
Quoted ordinary shares at fair value through other comprehensive income	5,372,983	-	-	**5,372,983**
Property and equipment – building (Note 23)	-	641,058	-	**641,058**
Investment in property funds	-	9,271,750	-	**9,271,750**
Investment property	-	5,912,091	-	**5,912,091**
Total assets	**15,672,310**	**36,127,484**	**9,464**	**51,809,258**
Liabilities				
Liabilities under investment contracts	-	4,025,506	-	**4,025,506**
Total Liabilities	**-**	**4,025,506**	**-**	**4,025,506**

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 2018 Assets	Level 1 Shs'000	Level 2 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss			
- Quoted ordinary shares	2,872,468	-	2,872,468
Investment in property funds	-	759,164	759,164
Quoted ordinary shares at fair value through other comprehensive income	3,100,508	-	3,100,508
Total assets	**5,972,976**	**759,164**	**6,732,140**

Company 2017 Assets	Level 1 Shs'000	Level 2 Shs'000	Total Shs'000
Financial assets at fair value through profit or loss			
- Quoted ordinary shares	3,297,287	-	3,297,287
Investment in property funds	-	939,773	939,773
Quoted ordinary shares at fair value through other comprehensive income	3,536,446	-	3,536,446
Total assets	**6,833,733**	**939,773**	**7,773,506**

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 9,620,000 as at 31 December 2018 (2017: 9,464,000).

4 Risk management objectives and policies (continued)

(f) Fair value estimation (continued)

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.

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

Level 3 unquoted stock

	Group	
	2018	2017
	Shs'000	Shs'000
At start of year	9,464	9,585
Translation gain/(loss)	155	(121)
At end of year	**9,619**	**9,464**

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 2017 and 2016, 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		2018		2017	
	Fair value Level	Carrying amounts at amortised Shs '000	Fair value Shs '000	Carrying amounts at amortised Shs '000	Fair value Shs '000
Assets					
Government securities	Level 2	15,212,824	15,407,109	16,200,057	14,420,713
Mortgage loans and receivables	Level 2	1,209,394	1,209,394	1,178,307	1,178,307
Loans and receivables to policy holders	Level 2	1,301,118	1,301,118	1,076,466	1,076,466
Other receivables	Level 2	1,944,610	1,944,610	1,644,946	1,644,946
Corporate bonds	Level 2	944,194	944,194	1,218,485	1,187,622
Investments in liquid funds	Level 2	1,063,596	1,063,596	869,180	869,180
Total assets		**21,675,736**	**21,870,021**	**22,187,441**	**20,377,234**
Liabilities					
Borrowings					
-Britam medium 2015 term note	Level 2	-	-	6,000,000	6,000,000
-Bank loan	Level 2	1,160,000	1,160,000	205,000	205,000
-Other borrowings	Level 2	1,400,488	1,400,488	996,064	996,064
-Interest payable	Level 2	226,373	226,373	762,406	762,406
Other payables	Level 2	2,726,948	2,726,948	3,551,853	3,551,853
Total liabilities		**5,513,809**	**5,513,809**	**11,515,323**	**11,515,323**

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 repricing or maturity dates. Refer to Note 4(b) for the collateral amounts for mortgage loans and receivables and loans and receivables to policy holders.

NOTES FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

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 (1) corporate-level income and expenses; (2) 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 2018 is as follows:

a) Profit per segment

2018	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	11,833,405	12,491,705	740,326	60,576	-	25,126,012
Insurance premium ceded to reinsurers	(228,015)	(3,035,436)	-	-	-	(3,263,451)
Net revenue	**11,605,390**	**9,456,269**	**740,326**	**60,576**	**-**	**21,862,561**
Net income from investment property	552,476	-	(1,529)	(44,670)	(8)	506,269
Interest and dividend income	4,468,313	984,332	7,277	-	1,416,621	6,876,543
Net realised gains on financial assets	10,296	24,225	-	-	7,376	41,897
Net unrealised fair value gains on financial assets at fair value through profit or loss	(1,950,129)	(99,213)	(12,569)	-	(1,029,259)	(3,091,170)
Commissions earned	98,440	758,941	-	-	-	857,381
Other operating income	15,422	134,297	45,447	53	10,426	205,645
Net income	**14,800,208**	**11,258,851**	**778,952**	**15,959**	**405,156**	**27,259,126**
Insurance claims and loss adjustment expenses	4,141,447	6,563,268	-	-	-	10,704,715
Insurance claims recovered from reinsurers	(242,342)	(1,388,064)	-	-	-	(1,630,406)
Change in actuarial value of policy holders benefits	5,172,833	-	-	-	-	5,172,833
Net insurance benefits and claims	**9,071,938**	**5,175,204**	**-**	**-**	**-**	**14,247,142**
Interest payments/ increase in unit value	1,688,638	-	-	-	-	1,688,638
Acquisition expenses	1,560,219	1,646,318	107,384	-	-	3,313,921
Finance costs	-	-	-	212,745	716,501	929,246
Expenses	3,081,462	4,332,067	572,393	86,875	321,521	8,394,318
Net expenses	**15,402,257**	**11,153,589**	**679,777**	**299,620**	**1,038,022**	**28,573,265**
Reportable segment (loss)/profit	**(602,049)**	**105,262**	**99,175**	**(283,661)**	**(632,866)**	**(1,314,139)**
Share of profit of associates	(173,064)	-	-	-	(116,593)	(289,657)
Segment (loss)/profit before tax	**(775,113)**	**105,262**	**99,175**	**(283,661)**	**(749,459)**	**(1,603,796)**
Tax expense/(credit)	207,545	(99,409)	(68,497)	63,086	(17,139)	85,586
Segment (loss)/profit after tax	**(567,568)**	**5,853**	**30,678**	**(220,575)**	**(766,598)**	**(1,518,210)**

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

5 Segmental information (continued)

a) Profit per segment (continued)

2017	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	11,127,591	12,170,720	848,380	78,651	-	24,225,342
Insurance premium ceded to reinsurers	(368,968)	(2,631,223)	-	-	-	(3,000,191)
Net revenue	**10,758,623**	**9,539,497**	**848,380**	**78,651**	**-**	**21,225,151**
Net income from investment property	(643,646)	-	11,418	99,592	(55,019)	(587,655)
Interest and dividend income	3,376,889	996,668	7,220	-	802,540	5,183,317
Net realised gains on financial assets	(148,954)	61,837	-	-	(1,192)	(88,309)
Net unrealised fair value gains on financial assets at fair value through profit or loss	986,802	148,171	(347)	-	278,515	1,413,141
Commissions earned	98,734	645,758	-	-	-	744,492
Other operating income	27,580	246,239	(469)	-	(5,857)	267,493
Net income	**14,456,028**	**11,638,170**	**866,202**	**178,243**	**1,018,987**	**28,157,630**
Insurance claims and loss adjustment expenses	3,495,606	7,528,841	-	-	-	11,024,447
Insurance claims recovered from reinsurers	(130,838)	(2,254,278)	-	-	-	(2,385,116)
Change in actuarial value of policy holders benefits	3,859,430	-	-		-	3,859,430
Net insurance benefits and claims	**7,224,198**	**5,274,563**	**-**	**-**	**-**	**12,498,761**
Interest payments/ increase in unit value	2,462,960	-	-		-	2,462,960
Acquisition expenses	1,874,743	1,577,815	67,594		-	3,520,152
Finance costs	-	-	-	168,147	1,025,131	1,193,278
Expenses	2,452,864	3,987,134	458,646	82,453	520,353	7,501,450
Net expenses	**14,014,765**	**10,839,512**	**526,240**	**250,600**	**1,545,484**	**27,176,601**
Reportable segment profit	**441,263**	**798,658**	**339,962**	**(72,357)**	**(526,497)**	**981,029**
Share of profit of associates	31,670	-	-	-	21,336	53,006
Segment profit before tax	**472,933**	**798,658**	**339,962**	**(72,357)**	**(505,161)**	**1,034,035**
Tax expense	(177,873)	(139,548)	(50,818)	47,909	(18,039)	(338,369)
Segment profit after tax	**295,060**	**659,110**	**289,144**	**(24,448)**	**(523,200)**	**695,666**

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

	2018 Shs'000	2017 Shs'000
Total profit as per segmental reporting	**(1,518,212)**	**695,666**
Income from intra-segmental adjustments		
Intercompany loan interest income	(78,317)	(82,371)
Rental income from related parties	(49,850)	(57,655)
Management fees from related parties	(139,789)	(166,402)
Dividend from subsidiaries	(692,073)	(130,000)
Property and equipment revaluation adjustment (on part of building occupied by related parties)	-	(38,192)
Other income/mark up	(10,501)	(5,608)
Total adjustments on income	**(970,530)**	**(480,228)**
Expenses from intra-segmental adjustments		
Intercompany loan interest expense	78,317	82,371
Margin up charge	10,501	5,608
Management fees expense from related parties	139,789	166,402
Rental income to related parties	49,850	57,655
Total adjustments on expenses	**278,457**	**312,036**
Profit as per the consolidated income statement	**(2,210,285)**	**527,474**

c) Other segment reporting disclosures

2018	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	361,295	217,131	52,533	132	37,137	668,227
Investments in associates	1,746,676	-	-	-	1,176,935	2,923,611
Additions to non-current assets	220,493	250,500	64,248	-	-	535,241
Total assets	**70,659,584**	**19,170,017**	**1,099,937**	**2,390,779**	**10,336,010**	**103,656,332**
Total liabilities	**63,387,642**	**14,103,671**	**232,145**	**2,209,587**	**(232,883)**	**79,700,162**

2017	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	367,781	174,811	29,959	121	37,397	610,069
Investments in associates	3,000,275	-	-	-	2,021,627	5,021,902
Additions to non-current assets	170,205	319,443	56,234	193	11,226	557,301
Total assets	**63,176,279**	**19,421,560**	**1,124,342**	**2,302,608**	**13,000,068**	**99,024,857**
Total liabilities	**54,506,319**	**13,946,280**	**224,212**	**1,898,934**	**5,779,102**	**76,354,847**

5 Segmental information (continued)

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.

d) Income by geographical segments

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

	2018 Shs'000	2017 Shs'000
Kenya	20,806,743	20,154,901
Uganda	1,500,460	1,203,179
South Sudan	434,198	597,354
Rwanda	291,643	294,375
Tanzania	1,019,616	1,036,182
Malawi	806,276	699,114
Mozambique	267,076	240,237
Total	**25,126,012**	**24,225,342**

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:

	2018 Shs'000	2017 Shs'000
Kenya	95,950,732	90,925,962
Uganda	2,586,816	2,178,039
South Sudan	1,153,308	1,181,011
Rwanda	426,050	401,794
Tanzania	1,685,815	2,673,598
Malawi	1,259,822	954,874
Mozambique	593,789	709,579
Total	**103,656,332**	**99,024,857**

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:

	2018 Shs'000	2017 Shs'000
Kenya	8,957,325	4,655,742
Uganda	442,187	61,605
South Sudan	26,392	8,481
Rwanda	40,153	37,637
Tanzania	63,169	63,057
Malawi	78,289	65,701
Mozambique	28,916	30,767
Total	**9,636,431**	**4,922,990**

6 Gross revenue – Premium income and fund management fees

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

	Group					
	2018			2017		
	Gross Revenue Shs'000	Reinsurance ceded Shs'000	Net Revenue Shs'000	Gross Revenue Shs'000	Reinsurance ceded Shs'000	Net Revenue Shs'000
Insurance business – premium						
Long term insurance business						
- Ordinary life	2,220,872	(5,717)	2,215,155	2,553,531	(16,698)	2,536,833
- Ordinary life renewal recurring	7,306,102	(18,807)	7,287,295	6,916,671	(45,229)	6,871,442
- Group life	2,306,431	(203,491)	2,102,940	1,660,645	(309,724)	1,350,921
Total long term business	**11,833,405**	**(228,015)**	**11,605,390**	**11,130,847**	**(371,651)**	**10,759,196**
Short term insurance business						
- Engineering	592,209	(490,191)	102,018	562,693	(471,521)	91,172
- Fire	1,357,124	(872,079)	485,045	1,081,069	(623,265)	457,804
- Marine	614,870	(465,975)	148,895	517,914	(356,909)	161,005
- Motor	4,305,511	(305,816)	3,999,695	4,305,136	(337,703)	3,967,433
- Personal accident and medical	3,870,716	(560,855)	3,309,861	4,082,938	(562,637)	3,520,301
- Micro insurance	689,516	29	689,545	651,584	(910)	650,674
- Theft	302,553	(26,821)	275,732	279,199	(23,433)	255,766
- Liability	341,882	(187,942)	153,940	304,240	(164,071)	140,169
- Workmen's compensation	240,113	(18,077)	222,036	274,759	(29,606)	245,153
- Other	177,212	(107,709)	69,503	107,932	(58,485)	49,447
Total short term business	**12,491,706**	**(3,035,436)**	**9,456,270**	**12,167,464**	**(2,628,540)**	**9,538,924**
Total insurance revenue	**24,325,111**	**(3,263,451)**	**21,061,660**	**23,298,311**	**(3,000,191)**	**20,298,120**
Asset management business – Fund management fees						
- Unit trust funds	120,300	-	120,300	147,992	-	147,992
- Discretionary & wealth management	420,867	-	420,867	464,058	-	464,058
- Alternative investments	90,949	-	90,949	50,563	-	50,563
Property management business						-
- Management fees	23,137	-	23,137	98,017	-	98,017
- Other	5,860	-	5,860	-	-	-
Total asset & property management business	**661,113**	**-**	**661,113**	**760,630**	**-**	**760,630**
Gross revenue	**24,986,224**	**(3,263,451)**	**21,722,773**	**24,058,941**	**(3,000,191)**	**21,058,750**

7 Net income/(loss) from investment property

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Gross rental income	48,148	70,378	-	-
Less: investment property operating expenses	50,788	(14,691)	-	-
Net rental income	98,936	55,687	-	-
Fair value gain on investment properties (Note 28 (i))	417,595	264,569	-	-
Revaluation of property funds (Note 28 (ii))	(9,324)	(927,517)	(8)	(55,019)
Total investment income	**507,207**	**(607,261)**	**(8)**	**(55,019)**

8 Interest and dividend income

Interest from government securities at fair value through profit or loss	2,582,745	660,456	79,518	743
Interest from government securities at amortised cost	1,713,793	2,511,837	-	-
Interest from corporate bonds at amortised cost	130,123	157,366	-	-
Interest from investments in liquid funds	98,409	214,182	-	122,125
Interest from deposits with financial institutions	488,490	383,439	225,272	100,056
Mortgage loan interest income	338,917	365,830	76,975	88,835
Dividend from subsidiaries	-	-	692,074	130,000
Dividends from quoted ordinary shares at fair value through profit or loss	537,566	472,526	164,847	164,847
Dividends from quoted ordinary shares at fair value through other comprehensive income	270,338	288,339	177,934	195,934
Total interest and dividend income	**6,160,381**	**5,053,975**	**1,416,620**	**802,540**

9 Net realised gains/ (losses) on financial assets at fair value through profit or loss

Realised gain/(loss) on government securities at fair value through profit or loss	22,065	6,989	7,376	(1,192)
Realised gain/(loss) on quoted ordinary shares at fair value through profit or loss	18,500	(49,480)	-	-
Realised gain/(loss) on unit trusts	1,333	(45,817)	-	-
Total net realised gains/(losses)	**41,898**	**(88,308)**	**7,376**	**(1,192)**

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

Fair value (loss)/gains on quoted ordinary shares fair value through profit or loss (Note 30 (i))	(1,674,412)	2,169,140	(403,868)	803,630
Fair value (loss)/gains on unit trusts (Note 30 (iii))	(354,735)	304,636	-	-
Fair value gains/(loss) on government securities at fair value through profit or loss (Note 30 (iv))	513,067	245,944	8,255	(1)
Fair value (losses)/gains on financial assets through profit or loss	**(1,516,080)**	**2,719,720**	**(395,613)**	**803,629**
Impairment of investment in associate (Note 25 (iii))	(1,575,091)	(1,306,579)	(633,646)	(525,114)
Total net unrealised fair value (losses)/gains	**(3,091,171)**	**1,413,141**	**(1,029,259)**	**278,515**

11 Commissions earned- Group

Long term insurance business	98,440	98,734
Short term insurance business	758,941	645,758
Total commissions earned	**857,381**	**744,492**

12 Other income / (expenses)

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Fee income				
- arising on long term insurance contracts	3,878	18,743		-
- arising on deposit administration contracts	35,082	99,127		-
Currency exchange gains/(losses)	25,052	135,278	(1,767)	(11,850)
Gain on disposal of property and equipment	1,977	2,271	1,769	-
Miscellaneous income	129,153	6,466	10,425	5,993
Total other income/(expenses)	**195,142**	**261,885**	**10,427**	**(5,857)**

13 Insurance claims and loss adjustment expenses

	Group					
	2018			2017		
	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	2,913,175	-	2,913,175	2,420,078	-	2,420,078
- bonuses	1,228,272	-	1,228,272	1,075,528	-	1,075,528
Claims payable by principal class of business:						
- Engineering	-	474,402	474,402	-	658,773	658,773
- Fire	-	(286,384)	(286,384)	-	801,697	801,697
- Marine	-	128,376	128,376	-	77,307	77,307
- Motor	-	3,015,573	3,015,573	-	2,811,496	2,811,496
- Personal accident and medical	-	2,390,441	2,390,441	-	2,635,488	2,635,488
- Micro Insurance	-	375,377	375,377	-	371,589	371,589
- Theft	-	229,268	229,268	-	102,378	102,378
- Liability	-	134,380	134,380	-	(5,655)	(5,655)
- Workmen's Compensation	-	82,200	82,200	-	81,567	81,567
- Other	-	19,633	19,633	-	(5,799)	(5,799)
Total insurance claims and loss adjustment expenses	**4,141,447**	**6,563,266**	**10,704,713**	**3,495,606**	**7,528,841**	**11,024,447**
Change in actuarial value of policy holders' liabilities (Note 43 (ii))	5,172,833	-	5,172,833	3,859,430	-	3,859,430
Less: reinsurers' share	(242,342)	(1,388,064)	(1,630,406)	(130,838)	(2,254,278)	(2,385,116)
Total long term and short term	**9,071,938**	**5,175,202**	**14,247,140**	**7,224,198**	**5,274,563**	**12,498,761**

14 Interest payments/increase in unit value

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

	2018 Shs'000	2017 Shs'000
Long term business		
Interest on deposit administration contract (Note 44)	1,831,852	2,381,293
Fair value (loss)/gain on investment contracts (Note 45)	(143,214)	81,668
Total interest payments / increase in unit value	**1,688,638**	**2,462,961**

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

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Staff costs (Note 15 (ii))	3,657,445	2,961,090	43,649	164,161
Auditor's remuneration	33,510	29,841	1,504	1,707
Depreciation on property and equipment (Note 23)	316,697	344,910	12,171	14,367
Amortisation of intangible assets (Note 24)	351,529	265,159	24,965	22,724
IFRS 9 Provision for bad debt	15,654	249,756	(1,079)	-
Information technology (ICT) costs	416,170	466,955	26,188	32,021
Directors emoluments (Note 53 (v))	65,239	63,614	19,305	17,930
Directors expenses	69,558	39,677	30,014	10,823
Repairs and maintenance expenditure	70,971	90,094	5,004	5,868
General office management expenses	856,493	881,450	134,117	205,834
Professional fees	360,680	233,495	10,816	14,695
Training and development	43,860	55,198	1,262	1,777
Premium tax, levies and duty	304,107	297,948	-	-
Sales, marketing and brand management	1,288,527	1,021,392	8,805	19,864
Office rent and service charge	394,118	355,239	4,803	8,584
Total operating and other expenses	**8,244,558**	**7,355,818**	**321,524**	**520,355**

15 (ii) Staff costs - Group

Staff costs include the following:		
Salaries and wages	3,460,917	2,707,473
Retirement benefits costs		
- defined contribution scheme	187,511	228,942
- defined benefit scheme (Note 49)	(31,877)	(21,367)
- Social security benefits costs	40,894	46,042
Total staff costs	**3,657,445**	**2,961,090**

The number of persons employed by the Group at the year-end was 901 (2017: 932).

16 Borrowings

The total borrowings include a bank loan of Shs 1,160,000,000 (2017: Shs 205,000,000) at a fixed interest rate of 14% per annum and other borrowings Shs 996,064,000 at a floating rate of 13.5% in 2017. 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 5,506,224,000 (2017: Shs 6,280,414,000). The balance of the undrawn short-term facility is Shs 840,000,000. Other borrowing relates to amount borrowed by Britam Properties (Kenya) Limited for use in purchasing land which is carried as an investment property.

The Company redeemed the 5-year medium term note in the current year that had been issued in August 2014. The total value of the note issued was Shs 6,000,000,000. The effective interest rate was 13% per annum payable semi-annually. The Notes were issued in denominations of Kenya Shillings one hundred thousand. The Notes are listed on the Fixed Income Securities Market Segment (FISMS) on the Nairobi Securities Exchange. The Notes constituted direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and ranked 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	
		2018	2017	2018	2017
		Shs'000	Shs'000	Shs'000	Shs'000
Principal opening Balance:					
–	Britam 2014 (MTN) 5 year corporate note	6,000,000	6,000,000	6,000,000	6,000,000
–	Bank loan	205,000	1,780,000	205,000	1,780,000
–	Other borrowings	996,064	996,064	-	-
Additions					
–	Bank loan	2,774,000	205,000	2,774,000	205,000
Accrued Interest					
–	Britam 2014 (MTN) 5 year corporate note	-	355,544	-	355,544
–	Bank loan	14,807	2,438	14,807	2,438
–	Bank loan	615,990	404,424	-	-
–	Britam 2014 (MTN) 5 year corporate bond principal redeemed	(6,000,000)	-	(6,000,000)	-
–	Principal repayment	(1,819,000)	(1,780,000)	(1,819,000)	(1,780,000)
Balance at 31 December		**2,786,861**	**7,963,470**	**1,174,807**	**6,562,982**
Interest paid					
–	Britam 2014 (MTN) 5 year corporate note	1,037,400	780,000	1,037,400	780,000
–	Bank loan	29,050	231,627	29,050	231,627
Total Interest paid		**1,066,450**	**1,011,627**	**1,066,450**	**1,011,627**
Interest expense					
–	Britam 2014 (MTN) 5 year corporate note	681,856	780,000	681,856	780,000
–	Bank loan	34,645	245,131	34,645	245,131
–	Other borrowings	189,066	161,016		-
Total finance cost		**905,567**	**1,186,147**	**716,501**	**1,025,131**

NOTES FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

17 Commissions expense

	Group 2018 Shs'000	Group 2017 Shs'000
Long term insurance business		
- Ordinary life	1,325,365	1,659,470
- Group life	145,607	103,719
- Deposit administration	89,247	112,316
Total long term insurance business	**1,560,219**	**1,875,505**
Short term insurance business		
- Engineering	105,127	112,652
- Fire	269,682	200,856
- Marine	94,254	89,681
- Motor	437,056	431,683
- Personal accident and medical	494,235	545,204
- Micro Insurance	70,347	73,529
- Theft	44,099	36,932
- Other	131,519	86,515
Total short term insurance business	**1,646,319**	**1,577,052**
Asset management business		
- Unit trust funds	46,308	27,542
- Discretionary & Wealth management	61,076	40,051
Total asset management business	**107,384**	**67,593**
Total commissions payable	**3,313,922**	**3,520,150**

18 (i) Share capital - Company

Group and Company	Number of shares Thousands	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
1 January 2016 and 31 December 2016	1,938,416	193,841	4,263,412	4,457,253
Issue of new shares*	224,188	22,419	3,443,370	3,465,789
1 January 2017 and 31 December 2017	2,162,604	216,260	7,706,782	7,923,042
Issue of new shares*	360,883	36,084	5,530,669	5,566,753
31 December 2018	2,523,487	252,344	13,237,451	13,489,795

*Issue of shares presented net of issue costs of Shs 153,247,000 (2017: Shs 87,586,000)

Ordinary shares

The total number of authorised shares is 3,000 million with par value of 10 cents per share (2017: 3,000 million with par value of 10 cents). The number of shares issued is 360 million with par value of 10 cents per share (2017: 2,163 million with par value of 10 cents per share. All shares issued are fully paid and carry equal rights.

Issue of new shares

In May 2018, AfricInvest completed the acquisition of three hundred and sixty million eight and eighty three thousand two hundred and eighty one (360,883,281) ordinary shares in the Company, at a price per share of Shs 15.85 and holds approximately 14.3% of the issued ordinary shares of the Company.

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 net of deferred tax 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 Reserves Shs '000	General Reserves Shs '000	Total Shs '000
Balance at 1 January 2018	**8,468,727**	**323,520**	**(846,583)**	**5,634,295**	**13,579,959**
IFRS 9 Adjustment				(63,269)	(63,269)
Share of associate's IFRS 9 Adjustment	-	-	-	(81,419)	(81,419)
Revaluation gain on building (Note 26)	-	7,396	-	-	7,396
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 26)	(435,939)	-	-	(158,474)	(594,413)
Share of associate other comprehensive income (Note 26)	-	-	-	17,138	17,138
Re-measurement of the net defined benefit asset (Note 26)	-	-	-	(35,517)	(35,517)
Surplus for life business	-	-	-	(1,068,068)	(1,068,068)
Transfer from retained earnings (Note 20)	-	-	-	35,735	35,735
Currency translation gains (Note 26)	-	-	(40,615)	-	(40,615)
Balance at 31 December 2018	**8,032,788**	**330,916**	**(887,198)**	**4,280,421**	**11,756,927**
Balance at 1 January 2017	**7,529,336**	**285,328**	**(851,777)**	**4,911,357**	**11,874,244**
Revaluation gain on building (Note 26)	-	38,192	-	-	38,192
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 26)	867,430	-	-	315,330	1,182,760
Loss on disposal of financial assets at fair value through comprehensive income (Note 26)	71,961	-	-	-	71,961
Share of associate other comprehensive income (Note 26)	-	-	-	83,515	83,515
Re-measurement of the net defined benefit asset (Note 26)	-	-	-	(946)	(946)
Surplus for life business	-	-	-	295,059	295,059
Transfer from retained earnings (Note 20)	-	-	-	29,980	29,980
Currency translation losses (Note 26)	-	-	5,194	-	5,194
Balance at 31 December 2017	**8,468,727**	**323,520**	**(846,583)**	**5,634,295**	**13,579,959**

Company

At 1 January 2018	**2,991,865**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income	(435,939)
Gain on disposal of financial assets at fair value through comprehensive income	-
Share of associate other comprehensive income	8,405
At 31 December 2018	**2,564,331**
At 1 January 2017	2,011,516
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income	867,430
Loss on disposal of financial assets at fair value through comprehensive income	71,961
Share of associate other comprehensive income	40,958
At 31 December 2017	**2,991,865**

20 Retained earnings

	Group Shs '000	Company Shs '000
At 1 January 2018	**332,832**	**935,124**
IFRS 9 Provision adjustment	(444,339)	(7,582)
Share of associate's IFRS 9 Adjustment	(78,359)	(78,359)
Loss for the year	(1,161,887)	(766,601)
Transfer to general reserve (Note 19)	(35,735)	-
At 31 December 2018	**(1,387,488)**	**82,582**
At 1 January 2017	897,351	2,215,237
Loss for the year	222,372	(523,202)
Transfer to general reserve (Note 19)	(29,980)	-
Dividends proposed (Note 22)	(756,911)	(756,911)
At 31 December 2017	**332,832**	**935,124**

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 2018 or 31 December 2017.

	2018	2017
(Loss)/profit attributed to equity holders (Shs' thousands)	(2,229,955)	517,431
Weighted number of ordinary shares in issue (thousands)	2,433,266	1,994,463
Basic and diluted earnings per share (Shs)	**(0.92)**	**0.26**

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. The directors do not propose the payment of a dividend for 2018 (2017: Shs 0.35, Shs 756,911,000).

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 2018	Buildings Shs '000	Leasehold Improve-ments Shs '000	Leasehold Improve-ments WIP Shs '000	Motor vehicles Shs '000	Furniture, fittings & office equipment Shs '000	Computer equipment Shs '000	Total Shs '000
Cost or valuation							
1 January 2018	641,058	542,423	-	119,778	981,534	761,360	**3,046,153**
Additions	3,181	24,996	59,319	2,875	60,326	17,706	**168,403**
Disposals	(594)	(4,248)	-	(19,156)	(6,712)	(1,267)	**(31,977)**
Revaluation surplus (Note 26)	7,396	-	-	-	-	-	**7,396**
Transfer from intangible assets (Note 24)	-	4,330	-	-	-	-	**4,330**
Reclassification	-	(4,299)	-	-	4,632	(333)	**-**
Translation	384	9,452	-	5,913	16,611	2,265	**34,625**
At 31 December 2018	**651,425**	**572,654**	**59,319**	**109,410**	**1,056,391**	**779,731**	**3,228,930**
Depreciation							
1 January 2018	225	378,209	-	80,556	617,129	466,850	**1,542,969**
Charge for the year	204	50,029	-	15,700	130,781	119,983	**316,697**
Reclassification	-	(2,589)	-	-	2,922	(333)	**-**
Disposal	(586)	(1,800)	-	(15,035)	(4,497)	(832)	**(22,750)**
Translation	16	8,006	-	4,280	11,636	2,654	**26,592**
At 31 December 2018	**(141)**	**431,855**	**-**	**85,501**	**757,971**	**588,322**	**1,863,508**
Net book value							
At 31 December 2018	**651,566**	**140,799**	**59,319**	**23,909**	**298,420**	**191,409**	**1,365,422**

23 Property and equipment (continued)

Group	Buildings	Leasehold improve-ments	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
2017						
Cost or valuation						
1 January 2017	602,707	417,020	121,852	1,103,340	657,560	**2,902,479**
Additions	109	22,868	6,180	29,905	63,685	**122,747**
Disposals	-	(4,086)	(8,368)	(7,916)	(2,816)	**(23,186)**
Revaluation surplus (Note 26)	38,192	-	-	-	-	**38,192**
Transfer from intangible assets (Note 24)	-	-	-	-	11,193	**11,193**
Reclassification	-	109,702	-	(143,159)	30,738	**(2,719)**
Translation	275	(3,081)	114	(636)	1,000	**(2,328)**
At 31 December 2017	**641,283**	**542,423**	**119,778**	**981,534**	**761,360**	**3,046,378**
Depreciation						
1 January 2017	-	240,714	68,789	565,786	335,599	**1,210,888**
Charge for the year	207	57,617	20,475	147,966	118,645	**344,910**
Reclassification	-	83,714	-	(89,844)	14,797	**8,667**
Disposal	-	(1,689)	(8,368)	(6,187)	(2,777)	**(19,021)**
Translation	18	(2,147)	(340)	(592)	586	**(2,475)**
At 31 December 2017	**225**	**378,209**	**80,556**	**617,129**	**466,850**	**1,542,969**
Net book value						
At 31 December 2018	**641,058**	**164,214**	**39,222**	**364,405**	**294,510**	**1,503,409**

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 2018. The revaluation surplus Nil (2017: 38,192,000) 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 Nil (2017: 38,192,000) 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.

23 Property and equipment (continued)

COMPANY

2018	Leasehold Improvements WIP Shs '000	Leasehold Improvements WIP Shs '000	Motor vehicles Shs '000	Furniture,fittings & office equipment Shs '000	Computer equipment Shs '000	Total Shs '000
Cost or valuation						
At 1 January 2018	14,843	-	34,198	20,107	13,579	**82,727**
Additions	-	59,319	-	176	172	**59,667**
Disposals	-	-	(8,828)	-	-	**(8,828)**
At 31 December 2018	**14,843**	**59,319**	**25,370**	**20,283**	**13,751**	**133,566**
Depreciation						
At 1 January 2018	7,483	-	24,880	9,891	5,795	**48,049**
Charge for the year	1,412	-	4,882	3,509	2,368	**12,171**
Disposal	-	-	(4,707)	-	-	**(4,707)**
At 31 December 2018	**8,895**	**-**	**25,055**	**13,400**	**8,163**	**55,513**
Net book value						
At 31 December 2018	**5,948**	**59,319**	**315**	**6,883**	**5,588**	**78,053**
2017						
Cost or valuation						
At 1 January 2017	14,843	-	34,198	20,078	8,271	**77,390**
Additions	-	-	-	29	5,308	**5,337**
At 31 December 2017	**14,483**	**-**	**34,198**	**20,107**	**13,579**	**82,727**
Depreciation						
At 1 January 2017	6,071	-	18,040	5,943	3,628	**33,682**
Charge for the year	1,412	-	6,840	3,948	2,167	**14,367**
At 31 December 2017	**7,483**	**-**	**24,880**	**9,891**	**5,795**	**48,049**
Net book value						
At 31 December 2017	**7,360**	**-**	**9,318**	**10,216**	**7,784**	**34,678**

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

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

	Group	
	2018	2017
	Shs'000	Shs'000
Cost	392,095	392,095
Accumulated depreciation	(325,956)	(316,154)
Net book value	**66,139**	**75,741**

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 2017	**1,964,323**	**513,090**	**2,477,413**	**157,445**	**8,002**	**165,447**
Transfer to P&E (Note 23)	(11,193)	-	(11,193)	-	-	**-**
Capitalised	205,270	(205,270)	-	-	-	**-**
Write down				6,485	(6,485)	**-**
Additions	621,525	(186,969)	434,556	-	5,890	**5,890**
Reclassification	(38,527)	(7,594)	(46,121)			**-**
Translation	(7,306)	-	(7,306)	-	-	**-**
At 31 December 2017	**2,734,092**	**113,257**	**2,847,349**	**163,930**	**7,407**	**171,337**
At 1 January 2018	**2,734,092**	**113,257**	**2,847,349**	**163,930**	**7,407**	**171,337**
Transfer to P&E (Note 23)	(4,330)	-	(4,330)			
Capitalised	289,916	(283,035)	6,881	7,407	(7,407)	**-**
Additions	141,332	225,506	366,838	2,261	-	**2,261**
Translation	9,305	-	9,305			
At 31 December 2018	**3,170,315**	**55,728**	**3,226,043**	**173,598**	**-**	**173,598**
Accumulated amortisation and impairment						
At 1 January 2017	**488,062**	**-**	**488,062**	**21,390**	**-**	**21,390**
Amortisation charge	263,341	1,818	265,159	22,724	-	**22,724**
Reclassification	541	-	541	-	-	**-**
At 31 December 2017	**751,944**	**1,818**	**753,762**	**44,114**	**-**	**44,114**
Amortisation charge	349,687	1,842	351,529	24,965		**24,965**
Translation	(1,431)	-	(1,431)	-	-	**-**
At 31 December 2018	**1,100,200**	**3,660**	**1,103,860**	**69,079**	**-**	**69,079**
Net book value						
At 31 December 2017	**1,982,148**	**111,439**	**2,093,587**	**119,816**	**7,407**	**127,223**
At 31 December 2018	**2,070,115**	**52,069**	**2,122,184**	**104,519**	**-**	**104,519**

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

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 were transferred from the Work In Progress (WIP) account into the asset account as at December 2016 and amortisation commenced in January 2017 as the assets 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.

24 Intangible assets (continued)

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 in accordance to IAS 38 – Intangible assets.

25 Investment in associate – Group and Company

(i) Details of the investment

The investment in associate at 31 December 2018 represents an equity interest of 48.42% (2017: 48.82%) of the ordinary shares of HF Group Plc. HF Group Plc is the leading mortgage provider bank and a premier property developer that is a market leader in offering of integrated solutions for the property and real estate investment, housing and property developments in Kenya. HF Group Plc place of business and country of incorporation is Kenya.

HF Group Plc 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	2018	2017	2018	2017
HF Group Plc	Kenya	48.42%	48.42%	19.49%	19.49%

The movement in investment in associate is as follows:

	Group		Company	
	2018	2017	2018	2017
	HF Group Plc	HF Group Plc	HF Group Plc	HF Group Plc
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	**5,021,902**	**6,308,503**	**2,021,628**	**2,518,387**
Share of associate's impact of adoption of IFRS 9	(194,671)	-	(78,359)	-
Share of associate's profit for the year	(289,656)	53,006	(116,593)	21,336
Share of associate's other comprehensive profit /(loss)	20,881	101,754	8,405	40,958
Dividends received in the year	(59,754)	(83,583)	(24,500)	(33,939)
Shares sold	-	(51,199)	-	-
Impairment	(1,575,091)	(1,306,579)	(633,646)	(525,114)
As at 31 December	**2,923,611**	**5,021,902**	**1,176,935**	**2,021,628**
Made up of:				
Carrying amount of existing equity interest	4,498,702	6,328,481	1,810,581	2,546,742
Impairment	(1,575,091)	(1,306,579)	(633,646)	(525,114)
At end of year	**2,923,611**	**5,021,902**	**1,176,935**	**2,021,628**

25 Investment in associate – Group and Company (continued)

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 Plc 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 2018 includes goodwill of Shs 1,757,929,000 (2017: Shs 1,629,831,000) for the Group and Shs 644,581,000 (2017: Shs 595,569,000) for the Company.

As at 31 December 2018, the fair value of the Group's interest in HF Group Plc which is listed on the Nairobi Securities Exchange, was Shs 1,075,769,000 (2017: Shs 1,762,035,000).

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 Plc.

	Group Shs'000	Company Shs'000
Balance at the start of the year	1,629,813	595,569
Balance at the end of the year	1,629,813	595,569

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.

(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 partially impaired as at 31 December 2017. The impairment indicators considered were the significant decline in the listed share price, the net assets valuation of the associate in comparison to its market capitalisation 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 and 2017. 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 20.44% 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 1,575,091,000 (2017: Shs 1,306,579,000) and Shs 633,646,00 for Company (2017: Shs 525,114,000) which has been recognised 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.

25 Investment in associate – Group and Company (continued)

(iv) Summarised financial information for associate

Summarised statement of profit or loss and other comprehensive income

	2018 Shs'000	2017 Shs'000
Interest income	6,045,521	7,132,626
Interest expense	(3,779,848)	(4,156,259)
Other income	952,090	1,323,655
Other expenses	(3,860,507)	(3,988,581)
Profit from continuing operations	**(642,744)**	**311,441**
Income tax expense	44,526	(201,973)
Post-tax profit from continuing operations	(598,218)	109,468
Other comprehensive loss, net of tax	43,125	210,151
Total comprehensive income	**(555,093)**	**319,619**
Dividends received from associate	59,754	83,583

Summarised statement of financial position

	2018 Shs'000	2017 Shs'000
Total assets	60,549,350	67,541,116
Total liabilities	50,178,118	56,091,581
Net assets	10,371,232	11,449,535
Customer deposits	34,720,824	36,744,273
Loans and advances	43,186,081	49,368,686

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.

Reconciliation of summarised financial information

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

	Group		Company	
	HF Group 2018 Shs'000	HF Group 2017 Shs'000	HF Group 2018 Shs'000	HF Group 2017 Shs'000
Opening net assets 1 January	**11,435,693**	**11,287,835**	**11,435,693**	**11,287,835**
Profit for the year	(598,218)	109,470	(598,218)	109,470
Other comprehensive loss	43,125	210,149	43,125	210,149
Adjustments on initial application of IFRS 9	(402,048)	-	(402,048)	-
Transactions with owners recorded directly in equity	(121,162)	(171,761)	(121,162)	(171,761)
Other Adjustments	13,842	-	13,842	-
Closing net assets	**10,371,232**	**11,435,693**	**10,371,232**	**11,435,693**
Interest in associate Group 48.42% (2017: 48.82%) Company 19.49% (2017: 19.49%)	5,013,963	5,537,163	2,017,770	2,228,817
Impairment (cumulative)	(3,720,165)	(2,145,074)	(1,436,404)	(802,758)
Goodwill (Note 25 (ii))	1,629,813	1,629,813	595,569	595,569
Carrying value	**2,923,611**	**5,021,902**	**1,176,935**	**2,021,628**

25 Investment in associate – Group and Company (continued)

Summarised statement of cash flows for HF Group

	2018	2017
	Shs'000	Shs'000
Net cash flows absorbed in operating activities	2,952,935	4,113,696
Net cash flows used in investing activities	(894,322)	(480,475)
Net cash flows used in financing activities	(2,712,090)	(2,835,188)
Net (decrease)/increase in cash and cash equivalents	**(653,477)**	**798,033**

26 Income tax (credit)/expense

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Current income tax	420,251	458,342	17,139	18,039
Deferred tax (Note 37)	(505,836)	(119,973)	-	-
Income tax (credit)/expense	**(85,585)**	**338,369**	**17,139**	**18,039**

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	
	HF Group	HF Group	HF Group	HF Group
	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss) before tax	**(2,295,870)**	**865,843**	**(827,650)**	**(505,163)**
Tax calculated at a tax rate of 30% (2017: 30%) Add/ (less):	(688,761)	259,753	(248,295)	(151,549)
- Tax effect of income not subject to tax	160,345	(138,962)	190,129	-
- Under provision in prior year	30,468	32,197		-
- Deferred tax not recognised	129,875	97,866	12,866	97,866
- Tax effect of expenses not deductible for tax purposes	88,728	87,515	60,164	71,722
-Deferred tax on IFRS 9 impact though SOCE	193,760	-	2,275	-
Income tax (credit)/expense	**(85,585)**	**338,369**	**17,139**	**18,039**

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.

26 Income tax (credit)/expense (continued)

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

	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	(40,615)	-	(40,615)	5,194	-	5,194
Re-measurement of the net defined benefit asset (Note 49)	(50,738)	15,221	(35,517)	(1,351)	405	(946)
Share of other comprehensive income from associates (Note 25)	20,881	(3,743)	17,138	101,754	(18,239)	83,515
Gain on disposal of financial assets at fair value through other comprehensive income	-	-	-	71,961	-	71,961
Fair value gains:						
– Building (Note 23)	10,566	(3,170)	7,396	38,192	-	38,192
– Financial assets at fair value through other comprehensive income (Note 29)	(662,330)	67,917	(594,413)	1,317,901	(135,141)	1,182,760
Other comprehensive income	**(722,236)**	**76,225**	**(646,011)**	**1,533,651**	**(152,975)**	**1,380,676**

	Group	
Movement in the tax recoverable account is as follows:	2018 Shs'000	2017 Shs'000
At 1 January	**69,413**	**61,295**
Taxation charge	(420,251)	(458,342)
Tax paid	665,134	466,460
At end of year	**314,296**	**69,413**
Disclosed as follows;		
Current income tax recoverable	320,498	221,139
Current income tax payable	(6,202)	(151,726)
Net	**314,296**	**69,413**

27 (i) Goodwill on business combinations

On 31 July 2014, the Group acquired 99% of Real Insurance Company Limited Group for a consideration of 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.

	2018 Shs'000	2017 Shs'000
Goodwill brought forward	1,558,433	1,558,433
At end of year	**1,558,433**	**1,558,433**

In assessing impairment of the goodwill, management has 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 20% and 34% (2017: 27% and 38%) depending on the circumstances of the entity and terminal rate of 5% (2017: 5%).

The recoverable amount calculated based on the value in use exceeded carrying value by Shs 3,337,596,000 (2017: Shs 12,938,097,000). A fall in the terminal rate of above 100% (2017:100%) or a rise in the discount rate of above 100% (2017:100%) 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 2018 (2017: Nil).

27 (ii) Investment in subsidiary companies

The Company had the following subsidiaries as at 31 December

	Country of incorporation and place of business	Nature of Business	Proportion of ordinary shares directly held	Proportion of ordinary shares directly/ indirectly held	Proportion of shares held by non-controlling interests	
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	Property 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%	100%	-	-
Britam Asset Managers (Uganda) Limited	Uganda	Fund Management	100%	100%	-	-
Britam Properties (Uganda) Limited*	Uganda	Property Development	100%	100%	-	-

*This subsidiary is held by the Group through Britam Insurance Company (Uganda) Limited

The Company had the following subsidiaries at 31 December:

	% holding in equity shares		2018	2017
	2018	2017	Shs'000	Shs'000
Britam Life Assurance (Kenya) Limited	100%	100%	180,000	180,000
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%	391,711	391,710
Britam Insurance Company (Rwanda) Limited	100%	100%	671,688	608,000
Britam Properties (Kenya) Limited	100%	100%	50,100	50,100
Britam General Insurance (Kenya) Limited	100%	100%	3,925,282	3,925,282
Britam Insurance Company Limited (Malawi)	100%	100%	461,539	461,540
Britam Insurance (Tanzania) Limited	55%	55%	299,335	298,442
Britam - Companhia De Seguros De Mozambique S.A.	98%	98%	315,220	315,220
Britam Asset Managers (Uganda) Limited	100%	100%	124,862	30,250
Britam Properties (Uganda) Limited*	100%	100%	102,776	102,776
Total Investment			**7,102,513**	**6,943,320**

*This subsidiary is held by the Group through Britam Insurance Company (Uganda) Limited.

27 (ii) Investment in subsidiary companies (continued)

Summarised financial information has been presented below for Britam Insurance (Tanzania) Limited a subsidiary with significant non-controlling interest.

Summarised statement of profit or loss and other comprehensive income

	Britam Insurance (Tanzania) Limited as at 31 December	
	2018 Shs'000	2017 Shs'000
Revenue	821,818	827,917
Profit before income tax	56,877	68,522
Income tax expense	(13,302)	(45,562)
Total comprehensive income	**23,336**	**22,960**

Summarised statement of financial position

	Britam Insurance (Tanzania) Limited as at 31 December	
	2018 Shs'000	2017 Shs'000
Current		
Assets	1,622,646	2,570,634
Liabilities	(1,344,059)	(2,339,402)
Total current net assets	**278,587**	**231,232**
Non-current		
Assets	63,169	102,964
Total non-current net assets	**63,169**	**102,964**
Net assets	**341,756**	**334,196**

Summarised statement of cash flows

	Britam Insurance (Tanzania) Limited as at 31 December	
	2018 Shs'000	2017 Shs'000
Cash generated from operations	(627,584)	313,339
Income tax paid	(467)	(56,204)
Net cash generated from operating activities	(628,051)	257,135
Net cash used in investing activities	228,822	(64,420)
Net cash used in financing activities	1,241	10,249
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(397,988)**	**202,964**

27 (iii) Non-controlling interest (NCI)

31 December 2018	Britam - Companhia De Seguros De Mozambique S.A.	Britam Insurance (Tanzania) Limited	Total Shs '000
Proportion of shares held by non-controlling interests	2%	45%	
Total non-controlling interest at the start of the year	**3,294**	**73,972**	**77,266**
(Loss)/profit after tax attributable to non-controlling interests	62	19,608	19,670
Total non-controlling interests at year end	**3,356**	**93,580**	**96,936**

31 December 2017	Britam - Companhia De Seguros De Mozambique S.A.	Britam Insurance (Tanzania) Limited	Total Shs '000
Proportion of shares held by non-controlling interests	2%	45%	
Total non-controlling interest at the start of the year	**3,582**	**63,641**	**67,223**
(Loss)/profit after tax attributable to non-controlling interests	(288)	10,331	10,043
Total non-controlling interests at year end	**3,294**	**73,972**	**77,266**

28 (i) Investment properties

	Group	
	2018 Shs'000	2017 Shs'000
At start of year	5,912,091	4,890,775
Additions	1,321,910	756,747
Fair value gains (Note 7)	417,595	264,569
At end of year	**7,651,596**	**5,912,091**

The valuation of investment properties was carried out by Gimco Limited, registered professional valuers as at 31 December 2018. Investment properties 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 properties were key considerations.

Investment properties are considered as a non-current asset. The fair values arising from the open market valuation of investment properties are categorised as level 2 in the fair value hierarchy.

28 (ii) Investment in property funds

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
At start of year	9,271,750	8,616,740	939,774	737,493
Additions	63,586	1,582,527	17,547	257,300
Disposals	(475,059)	-	(198,149)	-
Fair value gain/(loss) (Note 7)	(9,324)	(927,517)	(8)	(55,019)
At end of year	**8,850,953**	**9,271,750**	**759,164**	**939,774**

Investment in property funds balance 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	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	5,372,983	4,325,082	3,536,447	2,939,016
Disposals	-	(270,000)	-	(270,000)
Fair value gains/ (losses) (Note 26)	(662,330)	1,317,901	(435,939)	867,430
At end of year	**4,710,653**	**5,372,983**	**3,100,508**	**3,536,446**

30 Financial assets at fair value through profit or loss

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Quoted ordinary shares (Note 30 (i))	9,743,172	10,299,327	2,872,468	3,276,337
Unquoted ordinary shares (Note 30 (ii))	9,619	9,464	-	-
Unit trusts (Note 30 (iii))	4,730,625	5,807,945	-	-
Government securities (Note 30 (iv))	24,798,519	14,494,640	286,881	20,950
Total	**39,281,935**	**30,611,376**	**3,159,349**	**3,297,287**

(i) Quoted ordinary shares

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	10,299,329	7,504,001	3,276,336	2,472,707
Additions	1,267,763	1,328,014	-	-
Disposals	(149,508)	(701,828)	-	-
Fair value (loss)/gain (Note 10)	(1,674,412)	2,169,140	(403,868)	803,630
At end of year	**9,743,172**	**10,299,327**	**2,872,468**	**3,276,337**

Quoted ordinary shares at fair value through profit or loss are classified as non-current assets.

(ii) Unquoted ordinary shares

	Group	
	2018	2017
	Shs'000	Shs'000
At start of year	9,455	9,585
Translation	164	(121)
At end of year	**9,619**	**9,464**

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.

30 Financial assets at fair value through profit or loss (continued)

(iii) Unit trusts

	Group	
	2018	2017
	Shs'000	Shs'000
At start of year	5,807,946	6,649,003
Additions	732,147	773,845
Disposals	(1,454,733)	(1,919,539)
Fair value (loss)/gain (Note 10)	(354,735)	304,636
At end of year	**4,730,625**	**5,807,945**

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		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Treasury bills and bonds maturing				
- Within 1 year	1,111,377	1,060,973	286,881	20,950
- In 1 – 5 years	5,252,914	4,676,359	-	-
- After 5 years	18,434,228	8,757,308	-	-
Total	**24,798,519**	**14,494,640**	**286,881**	**20,950**
Treasury bills and bonds movement				
- At start of the year	14,494,632	4,234,671	20,950	-
- Additions	14,136,531	14,164,756	1,207,676	325,829
- Fair value gain/(loss) (Note 10)	513,067	245,944	8,255	(1)
- Disposals and maturities	(4,345,711)	(4,150,731)	(950,000)	(304,878)
At end of year	**24,798,519**	**14,494,640**	**286,881**	**20,950**

31 Government securities and corporate bonds at amortised cost

	Group	
	2018	2017
	Shs'000	Shs'000
Government securities (Note 31 (i))	15,212,824	16,200,057
Corporate bonds (Note 31 (ii))	944,194	1,218,485
Total	**16,157,018**	**17,418,542**

NOTES FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

31 Government securities and corporate bonds at amortised cost (continued)

(i) Government securities

	Group	
	2018	2017
	Shs'000	Shs'000
Treasury bills and bonds maturing		
- Within 1 year	961,100	1,730,286
- In 1 – 5 years	5,948,731	3,448,209
- After 5 years	8,310,932	11,021,562
Total	**15,220,763**	**16,200,057**
At start of year	**16,200,057**	**17,190,127**
Amortization	(25,366)	(52,175)
Additions	1,924,719	424,738
Maturities	(2,878,647)	(1,362,633)
At end of year	**15,220,763**	**16,200,057**
Less: Provision for loss allowance	(7,939)	
Net amount at end of year	15,212,824	16,200,057
Movement in provision for loss allowance:		
At 1 January	**8,247**	**-**
Increase	(308)	-
At 31 December	**7,939**	**-**

(ii) Corporate bonds

Maturing Profile		
- Within 1 year	515,111	327,513
- In 1 – 5 years	518,150	890,972
- After 5 years	-	-
Total	**1,033,261**	**1,218,485**
At start of year	**1,218,485**	**1,450,295**
Amortization	(10,553)	(1,242)
Additions	2,500	43,125
Maturities	(177,171)	(273,693)
At end of year	**1,033,261**	**1,218,485**
Less: Provision for loss allowance	(89,067)	-
Net amount at end of year	**944,194**	**1,218,485**
Movement in provision for loss allowance:		
At 1 January	**36,680**	**-**
Increase	52,387	-
At 31 December	**89,067**	**-**

32 Mortgage loans

	Group	
	2018	2017
	Shs'000	Shs'000
Total loans at start of year	**1,217,364**	**1,226,061**
Loans advanced	150,777	197,655
Interest charged	92,731	91,033
Loan repayments	(202,650)	(297,384)
Total loan amount at end of year	**1,258,222**	**1,217,365**
Less: Provision for impairment losses	(48,828)	(39,058)
Net loan amount at end of year	**1,209,394**	**1,178,307**
Movement in provision for mortgages impairment losses:		
At 1 January	**36,580**	**47,039**
Decrease	12,248	(7,981)
At 31 December	**48,828**	**39,058**
Lending commitments:		
Mortgage loans approved by investment committee but not disbursed as at 31 December	66,928	42,898
Mortgage loans maturity profile		
- Within 1 year	13,986	7,947
- In 1 – 5 years	198,290	192,422
- After 5 years	1,045,946	1,016,995
At end of year	**1,258,222**	**1,217,364**

Mortgage loans to Directors are disclosed in Note 53 (v).

33 Loans and receivables to policyholders

	Group	
	2018	2017
	Shs'000	Shs'000
At start of year	**1,076,466**	**834,382**
Loans advanced	1,212,025	1,115,251
Surrenders	(5,679)	(22,822)
Loan repayments	(1,154,578)	(999,291)
Accrued interest	172,884	148,946
At end of year	**1,301,118**	**1,076,466**

34 Receivables and payables arising out of reinsurance and direct insurance arrangements - Group

(i) Receivables arising out of reinsurance arrangements

	Group	
	2018	2017
	Shs'000	Shs'000
At the start of the year	**897,986**	**1,170,574**
Movement	229,412	(272,588)
At the end of the year	**1,127,398**	**897,986**
Past due 1 – 60 days	111,091	284,574
Past due 61 – 90 days	201,673	81,133
Past due 91 - 180 days	75,749	102,786
Over 180 days	76,201	176,994
Impaired	662,684	252,499
Gross	**1,127,398**	**897,986**
Provision for impairment	(424,078)	(252,499)
Net	**703,320**	**645,487**
Movements in the provision account :		
At 1 January	**252,499**	**55,737**
Increase	171,579	196,762
At 31 December	**424,078**	**252,499**

(ii) Payables arising out of reinsurance arrangements

At the start of the year	**752,226**	**544,755**
Movement	500,661	207,471
At the end of the year	**1,252,887**	**752,226**

(iii) Receivables arising out of direct insurance arrangements

Stage 1	2,062,193	857,008
Stage 2	666,608	239,103
Stage 3	146,295	1,512,023
Gross	**2,875,096**	**2,608,136**
Provision for impairment	(557,902)	(446,668)
Net	**2,317,194**	**2,161,466**
Movements in the provision account :		
At 1 January	**446,668**	**458,400**
Decrease	111,234	(11,732)
At 31 December	**557,902**	**446,668**
Past due 1 – 60 days	1,614,524	857,008
Past due 61 – 90 days	277,604	239,103
Past due 91 - 180 days	982,968	1,512,023
Total	**2,875,096**	**2,608,136**

35 Reinsurers' share of insurance liabilities

	Group	
	2018	2017
	Shs'000	Shs'000
Reinsurers' share of:		
- notified claims outstanding – long term	174,545	140,812
- notified claims outstanding – short term (Note 42)	1,388,940	2,258,247
- unearned premium (Note 46)	1,140,246	942,006
- claims incurred but not reported (Note 42)	441,327	385,849
At end of year	**3,145,058**	**3,726,914**

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

At start of year	464,147	458,201
Net movement	17,906	5,947
At end of year	**482,053**	**464,148**

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% (2017: 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 make up 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

		2018		2017	
Assets	**31-12-18**	**Movement**	**31-12-17**	**Movement**	**31.12.16**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Property and equipment:					
- on historical cost basis (buildings)	(86,541)	(161,162)	74,621	64,251	10,371
Provisions	243,669	(5,384)	249,053	18,662	230,389
Tax losses brought forward:	1,022,904	126,084	896,820	237,636	659,185
IFRS 9 provisions through equity	193,760	193,760	-	-	-
Less: Deferred tax asset not recognised:					
-Britam Insurance Co. Rwanda Limited	(122,669)	2,084	(124,752)	(124,752)	
-Britam Holdings Limited	(652,550)	(7,206)	(645,344)	(97,866)	(547,478)
Life fund surplus	(2,796,408)	627,646	(3,424,054)	(64,929)	(3,359,125)
Net deferred income tax liability	**(2,197,835)**	**775,822**	**(2,973,656)**	**33,002**	**(3,006,658)**
Reconciliation:					
Income statement					
Credit (Note 26)	-	505,836	-	-	-
Charge (Note 26)	-	-	-	(119,973)	-
Other comprehensive income (Note 26)	-	76,225	-	152,975	-
IFRS 9 provisions through equity	-	193,761	-	-	-
Total	**-**	**775,822**	**-**	**33,002**	**-**
Statement of financial position					
Deferred income tax asset	633,484	183,086	450,398	62,278	388,120
Deferred income tax liability	(2,831,319)	592,736	(3,424,054)	(29,276)	(3,394,778)
Net deferred income tax liability	**(2,197,835)**	**775,822**	**(2,973,656)**	**33,002**	**(3,006,658)**

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.

Assets	**31-12-18**	**Movement**	**31-12-17**	**Movement**	**31.12.16**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Property and equipment:					
- on historical cost basis	(8,086)	2,538	(10,624)	(20,878)	10,254
Provisions	(2,526)	(3,913)	1,387	(390)	1,777
Tax losses brought forward	660,887	6,306	654,581	119,134	535,447
IFRS 9 provisions through equity	2,275	2,275	-	-	-
Deferred tax asset not recognised	(652,550)	(7,206)	(645,344)	(97,866)	(547,478)
Net deferred income tax liability	**-**	**-**	**-**	**-**	**-**

38 Other receivables

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Staff and agents loans	121,508	117,096	2,154	558
Car loans and premium financing	467,707	512,336	-	-
Accrued income	53,972	27,425	-	-
Dues from managed funds	9,038	9,681	-	-
Refundable deposits	63,136	71,263	-	-
Motor pool	45,577	45,913	-	-
Prepayments	210,900	171,368	2,789	7,471
Other receivables	1,213,083	689,864	42,959	644,789
Total	**2,184,921**	**1,644,946**	**47,902**	**652,818**
Less: Provision for loss allowance	(240,311)	-	-	-
Net amount at end of year	**1,944,610**	**1,644,946**	**47,902**	**652,818**
Movement in provision for loss allowance:				
At 1 January	**121,125**	**-**	**-**	**-**
Increase	119,186	-	-	-
At 31 December	**240,311**	**-**	**-**	**-**

All other receivables are classified as current. The carrying value of other receivables approximates their fair value.

Company

As part of a business transfer transaction effected 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 for an amount 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 2018 is fully paid (2017: Shs 554,271,000).

39 (i) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits with financial institutions	3,216,913	4,554,775	437,804	771,434
Investment in liquid funds	1,063,596	869,180	869,180	869,180
Cash and bank balances	2,691,928	2,999,200	9,328	39,263
Cash and cash equivalents	**6,972,437**	**8,423,155**	**1,316,312**	**1,679,877**
Less: Provision for loss allowance	(251,036)	-	(5,769)	-
Net amount at end of year	**6,721,401**	**8,423,155**	**1,310,543**	**1,679,877**
Movement in provision for loss allowance:				
At 1 January	**38,770**	**-**	**7,504**	**-**
Increase	212,266	-	(1,735)	-
At 31 December	**251,036**	**-**	**5,769**	**-**

39 (ii) Restricted cash

Restricted cash	45,601	47,191	-	-

39 (i) Cash and cash equivalents (continued)

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 as 31 December 2018 was 9.50% (2017: 9.75%).

Cash and cash equivalents of Shs 45,601,000 (2017: Shs 47,191,000) represents 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 equivalent to 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

Movements in insurance liabilities and reinsurance assets are shown in Note 42.

	Group	
	2018	2017
	Shs'000	Shs'000
Long term insurance contracts		
- claims reported and claims handling expenses	765,587	811,830
- actuarial value of long term liabilities (Note 43 (ii))	21,328,975	16,156,142
Total – long term	**22,094,562**	**16,967,972**
Short term non-life insurance contracts		
- claims reported and claims handling expenses (Note 42)	3,416,259	4,456,821
- claims incurred but not reported (Note 42)	2,710,640	2,471,489
Total – short term (Notes 42)	**6,126,899**	**6,928,310**
Total gross insurance liabilities	**28,221,461**	**23,896,282**

41 Short-term non-life insurance contracts liabilities

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 (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	2014 Shs'000	2015 Shs'000	2016 Shs'000	2017 Shs'000	2018 Shs'000	Total Shs'000
Estimate of ultimate claims costs:						
– at end of accident year	3,201,096	4,813,690	3,552,951	3,536,219	6,881,629	21,985,585
– one year later	3,336,529	4,892,301	3,653,888	3,714,660	-	15,597,378
– two years later	3,337,851	4,877,832	3,709,838	-	-	11,925,521
– three years later	3,336,425	4,707,141	-	-	-	8,043,566
– four years later	3,367,889	-	-	-	-	3,367,889
Current estimate of cumulative claims	**3,367,889**	**4,707,141**	**3,709,838**	**3,714,660**	**6,881,629**	**22,381,157**
Add: Incurred but not reported	106,425	246,858	344,498	481,950	1,530,909	2,710,640
Add: Liability in respect of prior years	348,784	-	-	-	-	348,784
Less: Cumulative payments to date	(3,258,888)	(4,384,791)	(3,400,766)	(3,034,717)	(5,234,520)	(19,313,682)
Liability included in the statement of financial position	**564,210**	**569,208**	**653,570**	**1,161,893**	**3,178,018**	**6,126,899**

42 Movements in insurance liabilities and reinsurance assets

	2018			2017		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Notified claims	4,456,821	(2,258,247)	2,198,574	3,446,020	(1,384,100)	2,061,920
Incurred but not reported	2,471,489	(385,849)	2,085,640	2,248,846	(345,134)	1,903,712
Total at beginning of year	**6,928,310**	**(2,644,096)**	**4,284,214**	**5,694,866**	**(1,729,234)**	**3,965,632**
Cash paid for claims settled in year	(7,285,610)	1,910,486	(5,375,124)	(6,128,771)	993,339	(5,135,432)
Increase in liabilities:						
- arising from current year claims	4,796,750	(1,160,719)	3,636,031	5,412,400	(2,488,041)	2,924,359
- arising from prior year claims	1,687,449	64,062	1,751,511	1,949,815	579,840	2,529,655
Total at end of year	**6,126,899**	**(1,830,267)**	**4,296,632**	**6,928,310**	**(2,644,096)**	**4,284,214**
Notified claims	3,416,259	(1,388,940)	2,027,319	4,456,821	(2,258,247)	2,198,574
Incurred but not reported	2,710,640	(441,327)	2,269,313	2,471,489	(385,849)	2,085,640
Total at the end of year	**6,126,899**	**(1,830,267)**	**4,296,632**	**6,928,310**	**(2,644,096)**	**4,284,214**

43 (i) Long term insurance contract liabilities – Group

The Group valued its long term insurance business liabilities using the Gross Premium Valuation (GPV) methodology in compliance with the requirements of the Insurance Act as amended by the Finance Act 2016 and as required by the Insurance Regulatory Authority (IRA). 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).

Valuation assumptions

The key assumptions are summarized below:

(a) Mortality

The prescribed mortality assumptions are; the AKI KE 01/03 for both conventional life and annuities business. The same assumptions were used in 2016.

(b) Interest rate

The Insurance Regulations (IRA issued) prescribes a 20% 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 2016 the NPV regime was used to value liabilities where the interest rate used was prescribed as 10%.

(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.

43 (i) Long term insurance contract liabilities – Group (continued)

The table below provides details of the GPV valuation margins and capital charges:

Assumption	Valuation Margins on Best Estimate Liabilities	Capital Charges 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 re-covery 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	20% decrease	10% decrease
Surrenders	10% (increase or decrease in surrender rate depending on which alternative gives rise to an in-crease in the liability of the policy con-cerned)	N/A
Expenses & Expense in-flation	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 policyhold-ers 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 (ii) Actuarial value of long term liabilities

	2018			2017		
	Ordinary Life	Group life	Total	Ordinary Life	Group life	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year as stated	**14,161,023**	**1,995,119**	**16,156,142**	**10,335,499**	**1,961,213**	**12,296,712**
Surrenders and annuity payments	(3,134,071)	(887,462)	(4,021,533)	(2,691,952)	(672,816)	(3,364,768)
Change in the period (net)	5,477,899	391,199	5,869,098	3,937,627	(173,652)	3,763,975
New business	2,271,743	1,053,525	3,325,268	2,579,849	880,374	3,460,223
Change in Actuarial Reserves	**4,615,571**	**557,262**	**5,172,833**	**3,825,524**	**33,906**	**3,859,430**
At end of year	**18,776,594**	**2,552,381**	**21,328,975**	**14,161,023**	**1,995,119**	**16,156,142**

44 Payable under deposit administration contracts

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 6% for the year (2017: 10%).

	Group	
	2018	2017
	Shs'000	Shs'000
At start of year	28,017,662	21,839,735
Pension fund deposits received	8,190,708	6,596,029
Surrender and annuities paid	(3,865,311)	(2,799,395)
Interest payable to policyholders (Note 14)	1,831,852	2,381,293
At end of year	**34,174,911**	**28,017,662**

45 Liabilities under investment contracts

	Group	
	2018	2017
	Shs'000	Shs'000
At start of the year	4,025,506	4,910,059
Net investments	594,554	573,867
Liabilities released for payments:	(1,473,520)	(1,540,087)
Fair value (loss)/gain on investments (Note 14)	(143,214)	81,668
At end of year	**3,003,326**	**4,025,507**

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

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:

	2018			2017		
	Insurer's share	Reinsurers' share	Gross	Insurer's share	Reinsurers' share	Gross
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of year	3,630,061	942,006	4,572,067	3,563,949	796,402	4,360,351
(Decrease)/increase in the year (net)	(74,059)	198,240	124,181	66,112	145,604	211,716
At end of year	**3,556,002**	**1,140,246**	**4,696,248**	**3,630,061**	**942,006**	**4,572,067**

47 Other payables

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Accrued expenses	552,012	657,162	64,580	6,172
Premiums paid in advance	171,782	563,085	-	-
Stale cheques	-	742	-	-
Accrued dividends payable	147,153	15,388	146,603	14,838
Payables to staff	-	18,517	-	4,626
Trade payables	87,415	110,578	-	-
Government taxes & statutory deductions	128,217	458,577	20,145	13,441
Payables for property funds	-	867,140	-	-
Other liabilities	1,640,368	860,664	80,321	58,856
Total other payables	**2,726,947**	**3,551,853**	**311,649**	**97,933**

There are no individually significant items under other liabilities category. Other payables are classified as current liabilities

48 Cash generated from/(used in) operations

Reconciliation of profit before tax to cash generated from/ (used in) operations:

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
(Loss)/profit before tax	(2,295,870)	865,843	(749,462)	(505,163)
Adjustments for:				
Depreciation of leasehold improvements and equipment (Note 23)	316,697	344,910	12,171	14,367
Amortisation of intangible assets (Note 24)	351,529	265,159	24,965	22,724
Net (loss) /income from investment properties	(507,207)	607,261	8	55,019
Interest and dividend income	(6,160,381)	(5,053,975)	(1,416,621)	(802,540)
Net realised gains/(loss) on financial assets	(41,898)	88,308	(7,376)	1,192
Net fair value gains on financial assets at fair value through profit or loss	3,091,170	(1,413,141)	1,029,259	(278,515)
Translation differences	(25,052)	(135,278)	1,767	11,850
Share of profit of the associates	289,657	(53,006)	116,593	(21,336)
Finance costs	905,567	1,186,147	716,501	1,025,131
Gain on disposal of fixed assets	(1,977)	(2,271)	(1,769)	-
Changes in:				
- Receivables arising out of direct insurance arrangements	(155,727)	228,237	-	-
- Receivables from related party		-	(879,842)	(174,815)
- Re-insurers' share of insurance liabilities	581,855	(1,047,543)	-	-
- Receivables arising out of reinsurance arrangements	(57,833)	458,534	-	-
- Unearned premiums	124,181	211,716	-	-
- Retirement benefit asset	10,371	(52,326)	-	-
- Other payables	(824,904)	1,108,280	213,708	(290,727)
- Deferred acquisition costs	(17,905)	(5,947)	-	-
- Other receivables	(299,665)	168,212	604,916	554,292
- Payable to related party		-	130,972	(927,542)
- Insurance contract liabilities	4,325,180	5,151,325	-	-
- Liabilities under investment contracts	(1,022,182)	(884,552)	-	-
- Payable under deposit administration contracts	6,157,249	6,177,927	-	-
- Payables arising out of reinsurance arrangements	500,661	207,472	-	-
- Payables arising out of direct insurance arrangements	-	(11,708)	-	
- Restricted cash	1,590	(1,142)	-	-
Cash generated from/ (used in) operations	**5,245,106**	**8,408,442**	**(204,210)**	**(1,316,063)**

49 Retirement benefit

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 profit or loss statement in the year to which they relate. The scheme is open to new entrants.

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 registered with the Retirements Benefits Authority of Kenya. The Scheme is established under a trust and governed by Trustees who are responsible for the overall management of the Scheme. 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 in respect of defined benefit scheme are determined as follows:

	2018 Shs'000	2017 Shs'000
Present value of funded obligations	(479,800)	(438,927)
Fair value of plan assets	738,576	703,987
Asset ceiling adjustment (10% of Present Value of funded obligations)	(47,980)	(43,893)
Total	**210,796**	**221,167**
Asset in the statement of financial position	**210,796**	**221,167**

The movement in the defined benefit obligation over the year was as follows:

	2018 Shs'000	2017 Shs'000
At start of year	**438,927**	**416,982**
Current service cost	6,602	10,948
Interest cost	53,500	52,593
Impact of change in financial assumptions	14,478	30,268
Experience adjustments	(11,851)	(47,020)
Benefits paid	(21,856)	(24,844)
At end of year	**479,800**	**438,927**

49 Retirement benefit (continued)

The movement in the fair value of the plan assets is as follows:

	2018 Shs'000	2017 Shs'000
At start of year	**703,987**	**627,521**
Interest income	87,446	82,237
Re-measurements:		
Return on plan assets	(44,023)	(15,908)
Employer contributions	8,489	32,310
Employee contributions	6,845	6,185
Expenses paid	(2,312)	(3,514)
Benefits paid	(21,856)	(24,844)
At end of year	**738,576**	**703,987**

The amounts recognised in the income statement for the year are as follows:

	2018 Shs'000	2017 Shs'000
Current service cost	6,602	10,948
Interest income	(33,946)	(29,644)
Contributions received from members	(6,845)	(6,185)
Expenses paid	2,312	3,514
Total included in employee benefit expense (Note 15)	**(31,877)**	**(21,367)**

The amounts recognised in other comprehensive income statement for the year are as follows:

	2018 Shs'000	2017 Shs'000
Gain/(loss) on pension benefit obligations	(2,628)	16,752
Loss on pension benefit assets	(44,023)	(15,908)
Asset ceiling adjustment (10% of present value of funded obligations)	(4,087)	(2,195)
Amounts recognised through other comprehensive income statement (Note 26)	**(50,738)**	**(1,351)**

The principal actuarial assumptions used in the valuations were as follows:

	2018	2017
Discount rate	12.50%	13.00%
Future salary increases	7.00%	10.00%
Future pension increases	0.00%	0.00%

49 Retirement benefit (continued)

The sensitivity of the present value of funded obligations to changes in the principal assumptions are:

	GROUP			
	2018		2017	
	Present Value Shs'000	Change %	Present Value Shs'000	Change %
+100bp in Discount Rate	(5.37%)	(5.37%)	411,983	-6.14%
-100bp in Discount Rate	0.05%	0.05%	469,431	6.95%
+1% in Salary increases	3.16%	3.16%	440,575	0.38%
-1% in Salary increases	(5.37%)	(5.37%)	437,330	-0.36%
+0.5% in Pension increases	0.05%	0.05%	452,992	3.20%

50 Weighted average effective interest rates

The following table summarises the weighted average effective interest rates at the year-end on the principal interest-bearing investments:

	GROUP	
	2018	2017
Mortgage loans	8.12%	8.01%
Policy loans	14.5%	14.5%
Government securities	12.65%	12.54%
Deposits with financial institutions	9.50%	9.75%
Corporate bond	12.79%	12.88%

Deposits with financial institutions have an average maturity of 3 months (2018: 3 months).

51 Commitments

(i) Capital commitments

The Group's capital commitments were as follows:

	GROUP	
	2018 Shs'000	2017 Shs'000
Investment properties	1,508,187	2,517,614
Property funds	-	867,140
Investment in information technology software	637,149	906,442

51 Commitments (continued)

(ii) Operating lease commitments

There are no future minimum operating lease commitments under non-cancellable operating leases for the company, for the Group were as follows:

	Receivable		Payable	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Not later than 1 year	184,419	144,681	103,213	150,011
Later than 1 year but not later than 5 years	300,333	511,996	126,993	583,319
Later than 5 years	16,538	37,280	17,339	38,361
Total	**501,290**	**693,957**	**247,545**	**771,691**

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 tax authorities as a result of an assessment carried out in 2017 in Uganda. The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any material changes from the amounts already provided for in this financials.

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 Plc (formally" 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 are summarised below: -

Subsidiary	Date of incorporation	Date operations commenced	Licensed Business	Principal 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, Kenya
Britam Properties(Kenya) Limited	2012	2014	Property development	Not applicable
Britam Asset Managers (Uganda)	2012	2017	Fund management services	Capital Markets Authority, Uganda
Britam Properties (Uganda) Limited	2017	2017	Property development	Not applicable

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 attract 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.

53 Related party transactions and balances (continued)

(i) Outstanding balances with subsidiaries

Due to related parties – Company	2018 Shs'000	2017 Shs'000
Britam Life Assurance Company (Kenya) Limited	337,380	206,409
Britam General Insurance Company (Kenya) Limited		-
Britam Insurance Company Limited (Malawi)		-
Total	**337,380**	**206,409**
Due from related parties – Company		
Britam Asset Managers Limited	22,781	2,637
Britam General Insurance Company (Kenya) Limited	607,870	1,229
Britam Insurance Company (Uganda) Limited	78,374	63,720
Britam Insurance Company Limited (South Sudan)	80,553	75,589
Britam Insurance Company (Rwanda) Limited	14,868	21,663
Britam Properties Limited	182,075	103,249
Britam Companhia De Seguros De Mozambique S.A.	41,603	9,840
Britam Insurance Company Limited (Malawi)	106,003	51,149
Britam Insurance (Tanzania) Limited	89,957	14,915
Total	**1,224,084**	**343,991**
Less: Provision for loss allowance	(250)	-
Net amount at end of year	**1,223,834**	
Movement in provision for loss allowance:		
At 1 January	-	-
Increase	250	-
At 31 December	250	-

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

(ii) Dividends received

Group	2018 Shs'000	2017 Shs'000
Dividends received from HF Group Plc	59,754	83,583
Dividends received from Equity Group Holdings Plc	590,419	605,125
Total	**650,173**	**688,708**

Company	2018 Shs'000	2017 Shs'000
Dividends received from HF Group Plc	24,500	33,939
Dividends received from Equity Group Holdings Plc	342,782	360,782
Dividends received from subsidiaries	692,074	130,000
Total	**1,059,356**	**524,721**

53 Related party transactions and balances (continued)

(iii) Transactions with related banks

a) Investment information

The Group has invested in 297,399,443 (2017: 299,899,443) ordinary shares of Equity Group Holdings Plc (EGH) valued at Shs 10,364,371,000 (2017: Shs 11,921,003,000). Fair value gains relating to the disposal of the EGH shares totalled to Shs 71,961,000 (2017 loss: Shs 71,961,000). Fair value losses on revaluation of the EGH shares totalled to Shs (1,457,257,271) (2017 gain: Shs 2,924,547,000).

The Group also holds 48.42% (2017: 48.82%) of the ordinary shares of HF Group Plc 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 have been disclosed in that note.

b) Business relationships

Various group entities transact business with HF Bank (a wholly owned subsidiary of HF Group Plc) and Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc).

	2018 Shs'000	2017 Shs'000
Gross earned premiums		
Equity Bank Limited	1,716,397	1,779,296
HF Bank	305,695	322,759
Net claims incurred		
Equity Bank Limited	938,025	716,040
HF Bank	124,355	189,393

c) Outstanding balances

The table below discloses the net balances due from Equity Bank and HF Bank resulting from the business transacted

	2018 Shs'000	2017 Shs'000
Equity Bank Limited	405,351	378,859
HF Bank	23,707	29,388
Total	**429,058**	**408,247**

In relation to the amounts due from Equity Bank Limited, a provision of Shs 14,886,999 (2017: 1,116,630) has been recognised.

d) Banking relationships

The group carries out normal banking transactions with Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc) and HF Bank (a wholly owned subsidiary of HF Group Plc) which are related parties. The balances held as at 31 December were as below:

	2018 Shs'000	2017 Shs'000
Equity Bank Limited	629,275	498,968
HF Bank	464,046	6,323
Total	**1,093,321**	**505,291**

53 Related party transactions and balances (continued)

(iv) Mortgage loans to Directors of the Group

	2018 Shs'000	2017 Shs'000
Loans to Directors		
At start of year	**177,075**	**203,832**
Loans advanced during the year	-	28,900
Interest charge for the year	15,943	17,723
Loan repayments	(22,189)	(73,379)
At end of year	**170,829**	**177,076**

Mortgage loans are given to both executive and non- executive Directors. The loans are fully secured and attract interest at 6% per annum (2017: 6% per annum) for executive Directors and at 14.5% per annum (2017: 14.5% per annum) for non-executive Directors.

(v) Directors' emoluments

	Group		Company	
	2018 Shs'000	2017 Shs'000	2018 Shs'000	2017 Shs'000
Directors' fees	61,459	59,834	15,525	14,150
Directors' other remuneration	3,780	3,780	3,780	3,780
Total	**65,239**	**63,614**	**19,305**	**17,930**

The above relates to payments made to non-executive Directors.

(vi) Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, 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:

	Group	
	2018 Shs'000	2017 Shs'000
Salaries and other short-term employment benefits	488,900	538,689
Retirement benefits costs		
- defined contribution scheme	10,411	13,046
- Social security benefits costs	6,705	14,030
- Other benefits	7,905	7,728
Total	**513,921**	**573,493**

(vii) Transactions with other related parties

The Group has also invested Shs 4,730,625,000 (2017: Shs 5,807,945,000) in the various British-American unit trust funds. The investment in property funds and in liquid funds of Shs 8,850,954,000 (2017: Shs 9,271,750,000) and Shs 1,063,596,000 (2017: Shs 869,180,000) respectively are both managed by Britam Asset Managers Limited.

(viii) Loans from shareholders

There were no loans from shareholders outstanding at 31 December 2018 (2017: Nil).

54 Events after reporting date

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure in or adjustment to these financial statements.

55 New and revised Accounting standards

i) New and revised IFRS that are effective for the year ending 31 December 2018

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: • 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 • 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.	The Group fully adopted IFRS 9

55 New and revised Accounting standards (continued)

i) New and revised IFRS that are effective for the year ending 31 December 2018 (continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
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.	No impact to the financials

55 New and revised Accounting standards (continued)

i) New and revised IFRS that are effective for the year ending 31 December 2018 (continued)

<table>
<tr><th>New standard and/ or amendments</th><th>Details of the amendments</th><th>Assessment of the impact on the Group financial statements</th></tr>
<tr><td>Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

(Effective for annual periods beginning on or after 1 January 2018)</td><td>1. 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.

2. 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.</td><td>No impact to the financial statements.</td></tr>
</table>

55 New and revised Accounting standards (continued)

i) New and revised IFRS that are effective for the year ending 31 December 2018 (continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IAS 40 Transfer of investment property. *(Effective for annual periods beginning on or after 1 January 2018)*	Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight	No impact to the financial statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration issued *(Effective for annual periods beginning on or after 1 January 2018)*	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.	No impact to the financial statements.

55 New and revised Accounting standards (continued)

ii) New and revised IFRS that are not mandatorily effective (but allow early application) for the year ending 31 December 2018 (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 anticipates impact to its financial statements.
IFRS 17 Insurance Contracts Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The Group anticipates significant impact to its financial statements.

55 New and revised Accounting standards (continued)

ii) New and revised IFRS that are not mandatorily effective (but allow early application) for the year ending 31 December 2018 (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)*	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.
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.

NOTICE OF THE ANNUAL GENERAL MEETING

To the Shareholders of Britam Holdings Plc

NOTICE IS HEREBY GIVEN THAT THE 23rd ANNUAL GENERAL MEETING of the Company will be held at Safari Park Hotel, Nairobi on Friday, 21st June 2019 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 2018, together with the Chairman's, Directors' and Auditors' reports thereon.

4. To note that the directors do not recommend the payment of a dividend for the financial year ended 31st December 2018.

5. Rotation and election of Directors:

    i) Mr. Mohamed S. Karama retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

    ii) Ms. Caroline J. Kigen retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director of the Company.

    iii) Ms. Marianne Loner retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director of the Company.

    iv) Mr. George Odo, who was appointed to fill a casual vacancy retires in accordance with Article 114 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

    v) Mr. Christopher Minter, who was appointed to fill a casual vacancy retires in accordance with Article 114 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

    vi) Ms. Josephine Ossiya, who was appointed to fill a casual vacancy retires in accordance with Article 114 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director of the Company.

6. To pass an ordinary resolution pursuant to Section 769 of the Companies Act, 2015, to appoint the following members of the Board Audit Committee: Ms. Caroline J. Kigen, Mr. Mohamed S. Karama and Ms. Josephine Ossiya.

7. To approve the Directors Remuneration Report for the year ended 31st December 2018.

8. To appoint PricewaterhouseCoopers (PwC) as the Auditors of the Company in accordance with Sections 721 and 724 of the Companies Act 2015, and to authorise the directors to fix their remuneration.

9. To consider any other business for which due notice has been given.

By Order of the Board

Nancy K. Kiruki

Company Secretary

P. O. Box 30375 – 00100

NAIROBI

23rd May 2019

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

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, 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, 19th June 2019 at 10.00 a.m., failing which, it will be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in pdf format.

2. In accordance with Article 150 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 21st June 2019.

TANGAZO LA MKUTANO MKUU WA MWAKA

Kwa wenye hisa wa Britam Holdings Plc

MNAARIFIWA KWAMBA MKUTANO MKUU WA 23 WA KILA MWAKA wa kampuni utafanyika katika Safari Park Hotel, Nairobi, mnamo Ijumaa, Juni 21, 2019, kuanzia saa nne za asubuhi ili kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi wa wenye hisa wanaoruhusiwa kisheria kuhudhuria na kupiga kura katika mkutano lakini wakakosa nafasi ya kufika, na kuthibitisha kuna idadi ya watu inayohitajika ili mkutano ufanyike.

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, 2018, pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi wa Hesabu.

4. Kuwafahamisha kwamba wakurugenzi hawatapendekeza malipo ya mgawo wa faida ya mwaka uliomalizika Desemba 31, 2018.

5. Kuchagua kwa zamu wakurugenzi:

    i) Bw Mohamed S. Karama anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.

    ii) Bi Caroline J. Kigen anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.

    iii) Bi Marianne Loner anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.

    iv) Bw George Odo, aliyeteuliwa kujaza nafasi iliyotokea katika bodi kabla mwaka haujamalizika na bila kuidhinishwa na wenye hisa, anastaafu kwa zamu kwa mujibu wa Kifungu 114 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.

    v) Bw Christopher Minter, aliyeteuliwa kujaza nafasi iliyotokea katika bodi kabla mwaka haujamalizika na bila kuidhinishwa na wenye hisa, anastaafu kwa zamu kwa mujibu wa Kifungu 114 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.

    vi) Bi Josephine Ossiya, aliyeteuliwa kujaza nafasi iliyotokea katika bodi kabla mwaka haujamalizika na bila kuidhinishwa na wenye hisa, anastaafu kwa zamu kwa mujibu wa Kifungu 114 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.

6. Kupitisha azimio la kawaida kwa mujibu wa Kifungu 769 cha Sheria ya Makampuni ya 2015, kuteua wakurugenzi wafuatao kuwa wanakamati wa Kamati ya Bodi ya Ukaguzi wa Hesabu na Taratibu za Kampuni: Bi. Caroline J. Kigen, Bw Mohamed S. Karama na Bi Josephine Ossiya

7. Kuidhinisha ripoti ya malipo ya wakurugenzi ya mwaka uliomalizika Desemba 31, 2018.

8. Kuwateua Messrs PricewaterhouseCoopers (PwC) kuwa wakaguzi wa hesabu za kampuni kulingana na vifungu 721 na 724 vya Sheria ya Makampuni ya 2015 na kuwaruhusu wakurugenzi kuamua malipo ya wakaguzi hao wa hesabu.

9. 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 23, 2019

TANGAZO LA MKUTANO MKUU WA MWAKA (likiendelea)

KUMBUKENI KWAMBA:

1. Mwenye hisa 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 mwenye hisa 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 tano, 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 tano, Loita Street, Nairobi, mnamo ama kabla ya Jumatano, Juni 19, 2019, 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 zikiwa katika muundo wa pdf. Ikiwa ni shirika, fomu ya uwakilishi lazima ipigwe muhuri rasmi.

2. Kulingana na Kifungu 150 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 tano, Loita Street, Nairobi.

3. Wenye hisa watatasafirishwa kutoka kituo cha mabas cha Kencom hadi Safari Park Hotel kuanzia saa moja u nusu hadi saa tatu za asubuhi mnamo Juni 21, 2019.

PROXY FORM

ANNUAL GENERAL MEETING

I/We____

CSDS A/C No. ____of

(address)____being

member(s) of Britam Holdings Plc, 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 Annual General Meeting of

the Company to be held on Friday 21st June 2019 at 10.00 a.m., or at any adjournment thereof.

As witness to my/our hands this____________________day of___________________________2019

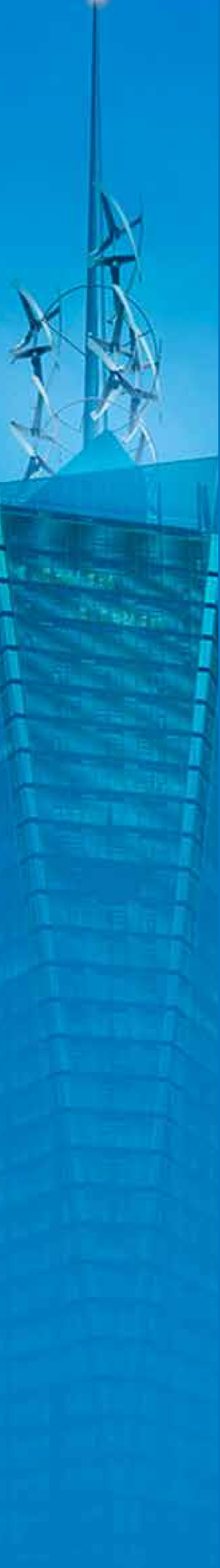
Signature(s) ____

Notes:

1. A member is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company.

2. The Proxy Form must be delivered to the office of the Company Secretary at the Company's head office situated at Britam Centre, Mara/Ragati Road, Upper Hill, P. O. Box 30375-00100, Nairobi or the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than 10.00 am on Wednesday 19th June 2019 failing which it will be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format.

NOTES



REGISTERED OFFICE

BRITAM HOLDINGS PLC

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

Ag. General Manager: Mr. Raphael Mwito

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 2833000/0703094000

Email: info@britam.com

REGIONAL SUBSIDIARIES

BRITAM INSURANCE COMPANY (UGANDA) LIMITED

CEO/ Principal Officer: Mr. Allan S. Mafabi

Plot 24A, Akii-Bua Road, Nakasero

P.O Box 36583, Kampala Uganda

Tel: (+256) 417 702 600

Email: britamug@britam.com

2 Uganda subsidiaries share physical and postal addresses with BRITAM INSURANCE COMPANY (UGANDA) LIMITED as below;

BRITAM ASSET MANAGERS (UGANDA) LIMITED

General Manager: Ronald Kasolo

Email: britamug@britam.com

BRITAM PROPERTIES (UGANDA) LIMITED

Email: britamug@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

Ag. CEO/Principal Officer: Mr. Laurence Gathanji

Kigali Investment Company, 5th Floor

P.O Box 913, Kigali, Rwanda

Tel: (+250) 252 579 031/2/3

Email: rwanda@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: britamtz@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: britammw@britam.com

BRITAM COMPANHIA DE SEGUROS DE MOÇAMBIQUE, SA

CEO/ Principal Officer: Mr. Martin Mandivenga

Av Marginal No 4067 R/C Caixa

Postal 3681,Maputo Mozambique

Tel: (+258) 21 492840/8/9

Email: britammz@britam.com

LOCALLY RELATED PARTIES

HF GROUP PLC
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Katende, Ssempebwa & Co Advocates (Uganda)
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BANKERS
Equity Bank Limited
Commercial Bank of Africa Limited
Barclays Bank of Kenya Limited
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