Britam
With you every step of the way

BRITAM HOLDINGS PLC
2019 ANNUAL REPORT & FINANCIAL STATEMENTS


THE ICONIC AWARD-WINNING BRITAM TOWER
Work is easier when you have the best view in Africa.
The Tower has won international awards:
Emporis Skyscraper Award: The only skyscraper in Africa to win and feature among the top ten buildings in the world.
Council of Tall Building and Urban Habitat Award: Recognized for Mechanical, Electrical and Plumbing Engineering.
IFC Excellence in Design for Greater Efficiencies Award: Recognized for strategies put in place to save energy and water use.
The 31 storey tower is located in the heart of East Africa's financial capital, Upper Hill, and also encapsulates the spirit of the African renaissance.
Features
• 11-storey parking silo for 1,000 cars
• State-of-the-art security system
• High speed lifts
• Advanced telecommunications infrastructure
• Six storey atrium with a sky glass zen garden(s)
KENYA | UGANDA | TANZANIA | RWANDA
SOUTH SUDAN | MOZAMBIQUE | MALAWI
www.britam.com
BritamEA
BritamEA
Head Office: Britam Tower, Hospital Road, Upper Hill
Tel: (254-20) 2833000, (254-703) 094000 | Email: info@britam.com

WELCOME TO BRITAM HOLDINGS PLC **2019 ANNUAL REPORT**

The report has been prepared in compliance with the best practice and relevant accounting frameworks to cater for the needs of both the current and prospective investors. It is aligned to the requirements of the Kenya Companies Act, 2015 and the Capital Markets Authority (CMA) guidelines.

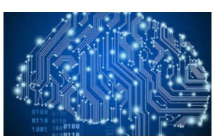
The Annual Report and Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The report is part of our commitment to be transparent and accountable to our stakeholders.

The Annual Report and Financial Statements were audited by PricewaterhouseCoopers LLP and received an unqualified opinion (page 73).

Our Vision
To be the leading diversified financial services company in our chosen markets across Africa by 2020.

Our Mission
Providing you with financial security every step of the way.

Our Goal
We aim to provide our clients, with an unmatched offering, ensuring first class solutions that help secure the future.



Our Values
- Respect
- Integrity
- Innovation and
- Customer Focus.

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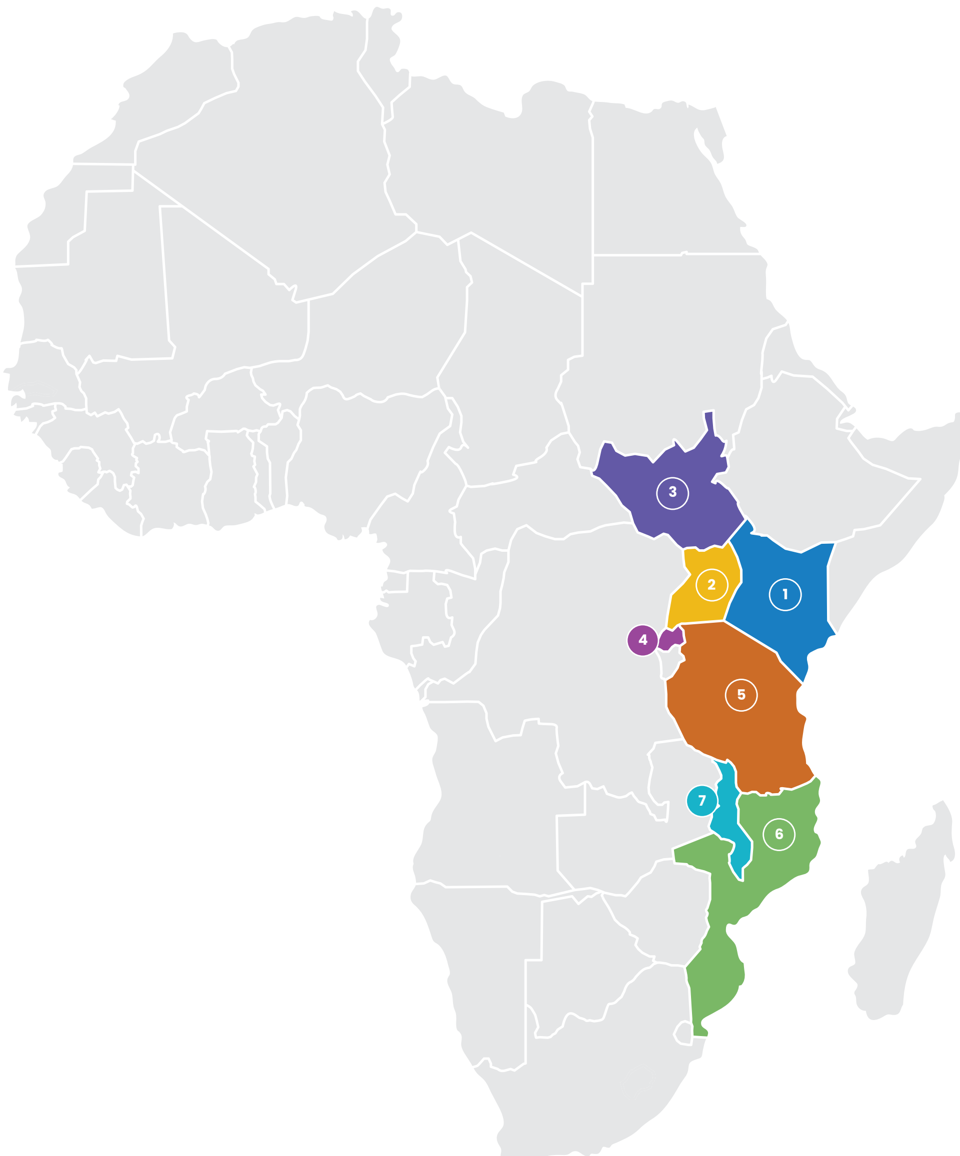
OVERVIEW

— *About Us*

Britam is a leading diversified financial services group listed on the Nairobi Securities Exchange. The Group has a 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 financial goals every step of the way.

— *Our Footprint*



1 KENYA
Established 1965
STAFF 624
BRANCHES 32

2 UGANDA
Established 2010
STAFF 55
BRANCHES 9

3 SOUTH SUDAN
Established 2012
STAFF 17
BRANCHES 1

4 RWANDA
Established 2012
STAFF 40
BRANCHES 3

5 TANZANIA
Acquired 2014
STAFF 73
BRANCHES 8

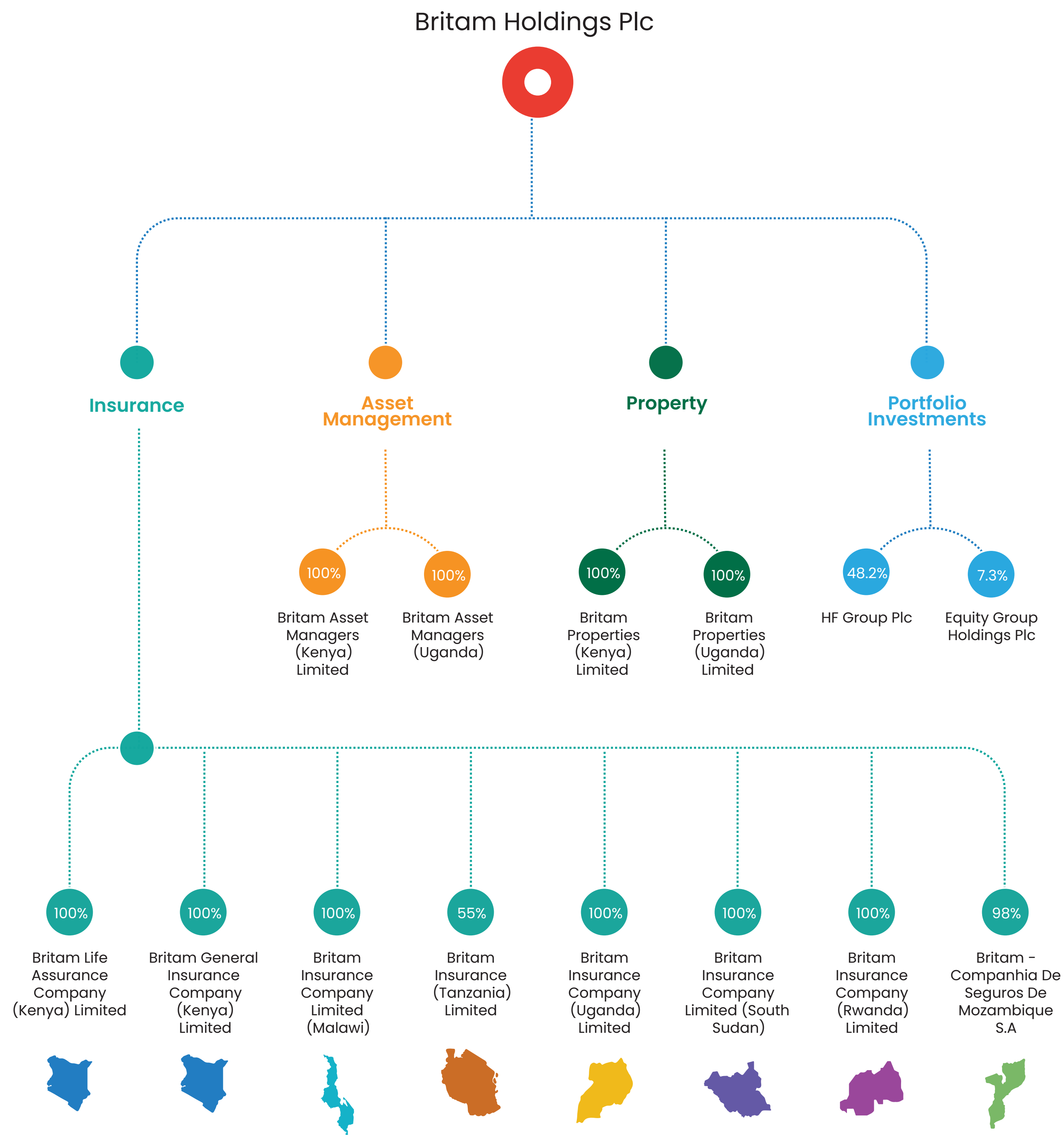
6 MOZAMBIQUE
Acquired 2014
STAFF 41
BRANCHES 4

7 MALAWI
Acquired 2014
STAFF 73
BRANCHES 3

Note: Staff and branches numbers are as at 31 Dec 2019

OVERVIEW

— Our Structure



OVERVIEW

— Our Five Year Financial Highlights

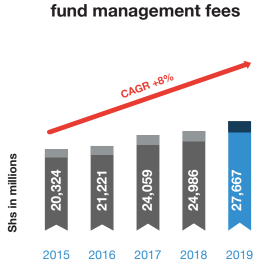
Summary statement of profit or loss and other comprehensive income

	2019	2018	2017	2016	2015
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Income					
Gross earned premiums and fund management fees	**27,667,284**	**24,986,224**	**24,058,941**	**21,221,078**	**20,324,212**
Gross earned premium	27,131,870	24,325,111	23,298,311	20,291,844	19,605,675
Net earned premium	23,109,892	21,061,660	20,298,120	17,393,585	16,373,722
Fund management fees	535,414	661,113	760,630	929,234	718,537
Investment income	6,966,794	6,667,588	4,446,714	5,223,975	4,550,017
Realised & unrealised gains/(losses) on financial assets	4,777,716	(3,049,273)	1,324,833	(2,412,009)	(2,836,211)
Commission earned & other income	1,056,436	1,052,523	1,006,377	1,225,429	1,324,922
Total income	**36,446,252**	**26,393,611**	**27,836,674**	**22,360,214**	**20,130,987**
Expenses					
Net insurance benefits and claims	15,442,505	14,247,140	12,498,761	5,001,165	10,614,215
Interest payments/increase in unit value	3,889,475	1,688,638	2,462,961	1,742,978	495,774
Operating and other expenses	8,794,161	8,244,558	7,355,818	7,094,697	6,716,741
Finance costs	234,667	905,567	1,186,147	1,177,264	802,155
Commission expense	3,461,322	3,313,922	3,520,150	3,547,258	3,291,904
Total expenses	**31,822,130**	**28,399,825**	**27,023,837**	**18,563,362**	**21,920,789**
Share of results of the associate	(53,099)	(289,656)	53,006	442,281	594,864
Profit/(loss) before income tax	**4,571,023**	**(2,295,870)**	**865,843**	**4,239,133**	**(1,194,938)**
Total comprehensive income/(loss) for the year	**5,420,656**	**(2,856,296)**	**1,908,150**	**784,673**	**(3,183,699)**
Earnings per share	1.41	(0.92)	0.26	1.26	(0.50)

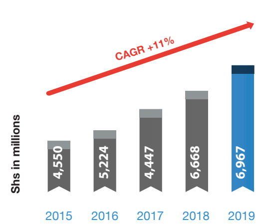
Summary statement of financial position

	2019	2018	2017	2016	2015
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Shareholders' funds	29,376,826	23,956,170	22,670,010	17,877,596	17,674,448
Total assets	125,243,565	103,656,332	99,024,857	83,642,609	77,632,352
Total liabilities	95,866,739	79,700,162	76,354,847	65,765,013	59,957,904

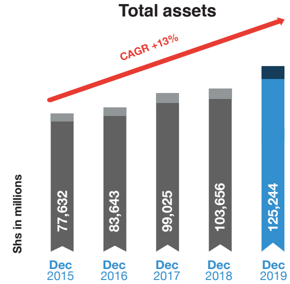
Gross earned premium and fund management fees



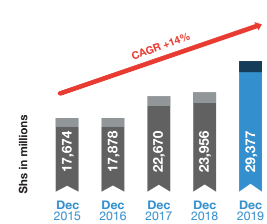
Investment income



Total assets



Shareholders' equity



OVERVIEW

— *Our Business Model*

Inputs

Intellectual Capital

This capital includes our intellectual assets such as institutional knowledge, product development capability, systems, procedures and protocols.

- Investment in information technology
- Investment in transformation and training of our proprietary distribution channel
- Strategic bancassurance partnerships
- Enterprise risk management practices
- Strong Britam brand across the region
- Specialized skills and expertise of employees and our Board

Human Capital

Our human capital consists of the competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Britam's objective.

- 900+ dedicated workforce
- 2000+ financial advisors
- Experienced leadership team
- Corporate culture based on clear ethics and values

Financial Capital

The pool of funds supporting business operations includes revenue from products and services offered to clients and investment return earned on shareholder funds.

- Shs 125 billion total assets
- Shareholders funds grew by 23% to Shs 29 bn
- Assets Under Management of Shs 227 bn

Natural Capital

Renewable and non-renewable resources used by Britam to function.

Our natural capital includes:
- Land
- Electricity
- Paper
- Water

Social Capital

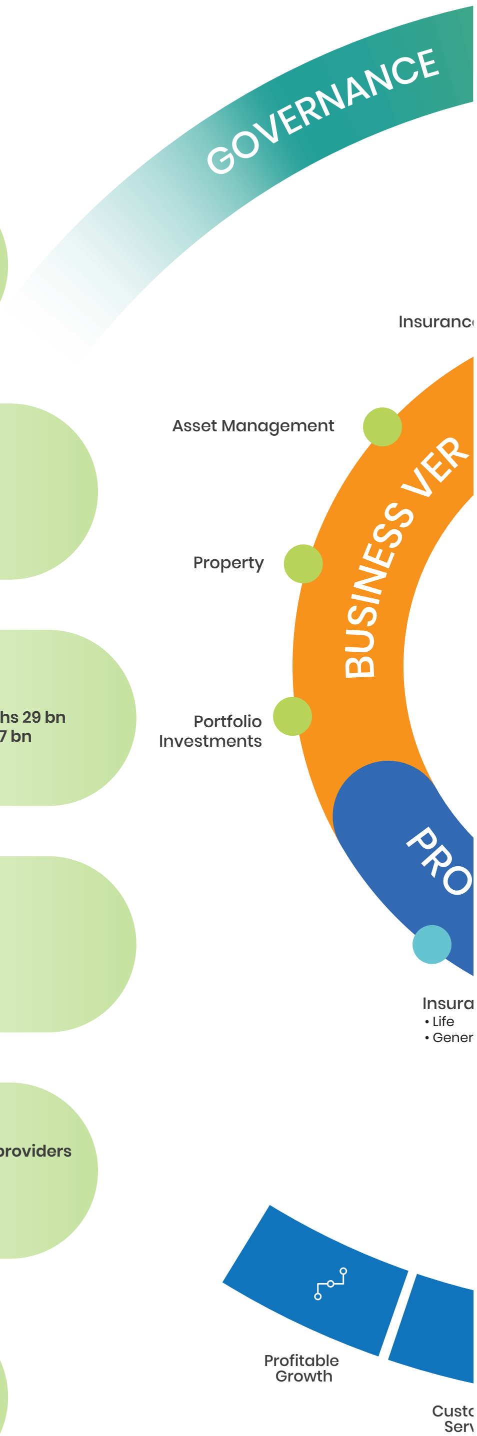
These are the strong relationships we build with stakeholders to sustain our social license to operate.

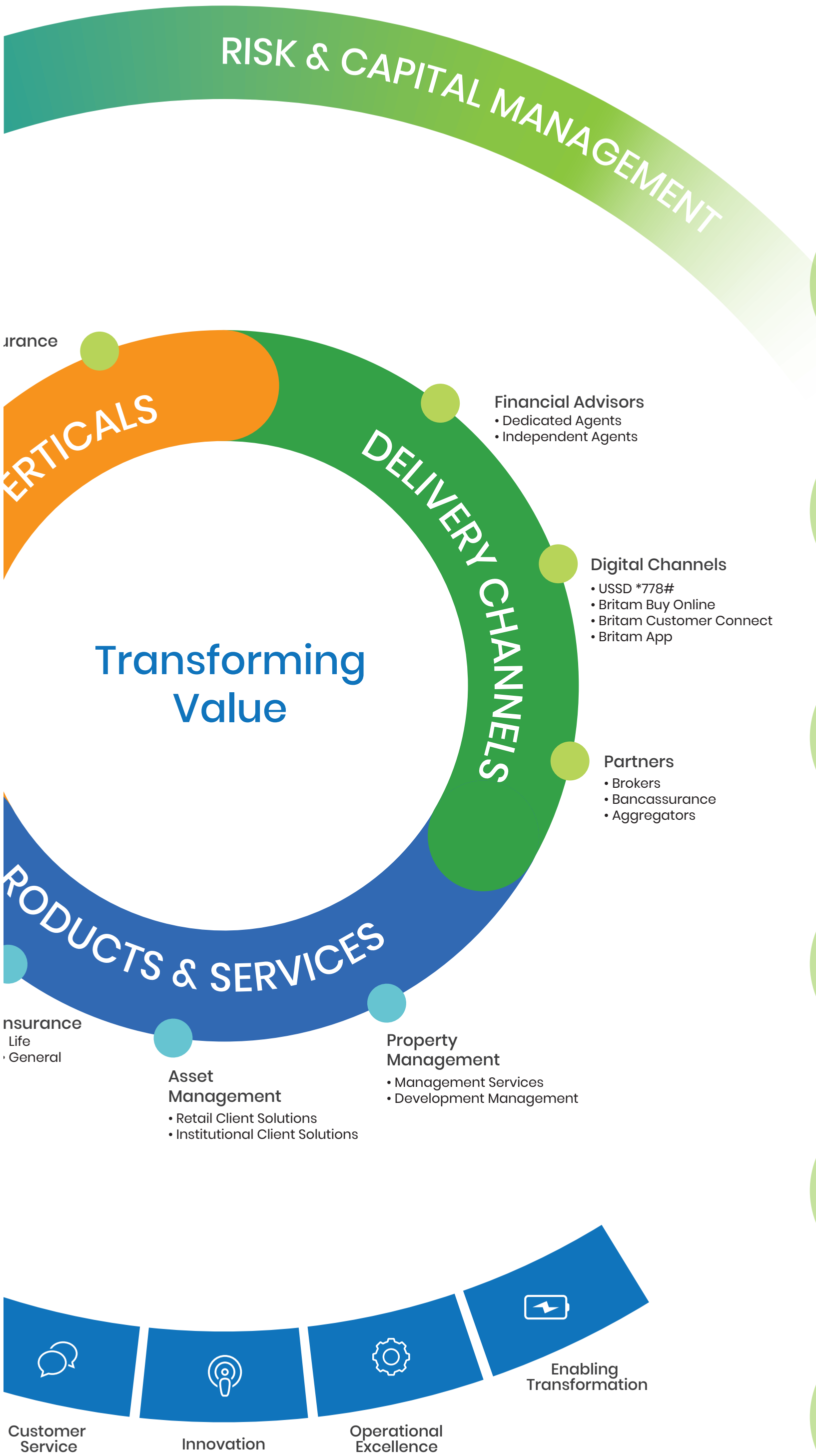
- Collaboration with partners and service providers within Service Level Agreements (SLAs)
- Stakeholder relationships

Manufactured Capital

The resources owned, leased or controlled by Britam that contribute to product or service provision.

- Branches
- Digital assets (online portals, USSD and other core applications)
- Call centres, data centres and premises for support functions





Outputs

Intellectual Capital

- Launched our 24hr Road Assistant Service – Britam 24/7
- Onboarded more than 8,000 clients through our digital platforms
- All our Financial Advisors utilizing our FA Portal System
- Rolled out diverse solutions based on our clients needs e.g. Britam Milele and Cybercrime Cover.

Employees

- Shs 3.9 billion paid in salaries & benefits
- 44% of our staff are female
- Zero work related injuries or fatalities
- Overall Engagement Score improved by +4 to 71
- Net Promoter Score (NPS) improved by + 17 to 38
- Employee Net Promoter Score (ENPS) improved by + 14 to 18

Investors

- Shs 0.25 dividend per share
- Market capitalization at Shs 23 billion from Shs 17 billion at listing driven by business growth

Customers

- 323k distinct customers (These are customers with at least one subscription).
- Customer assurance, protection and wealth creation through all key life stages
- Responsible advice on financial needs
- Financial inclusion and improved accessibility of our products

Social Impact

- Various impactful events sponsored through our Corporate Social Responsibility initiatives

Regulators

- Prudent risk management
- Business operated within our risk appetite

OVERVIEW

— *Our Stakeholder Engagement*

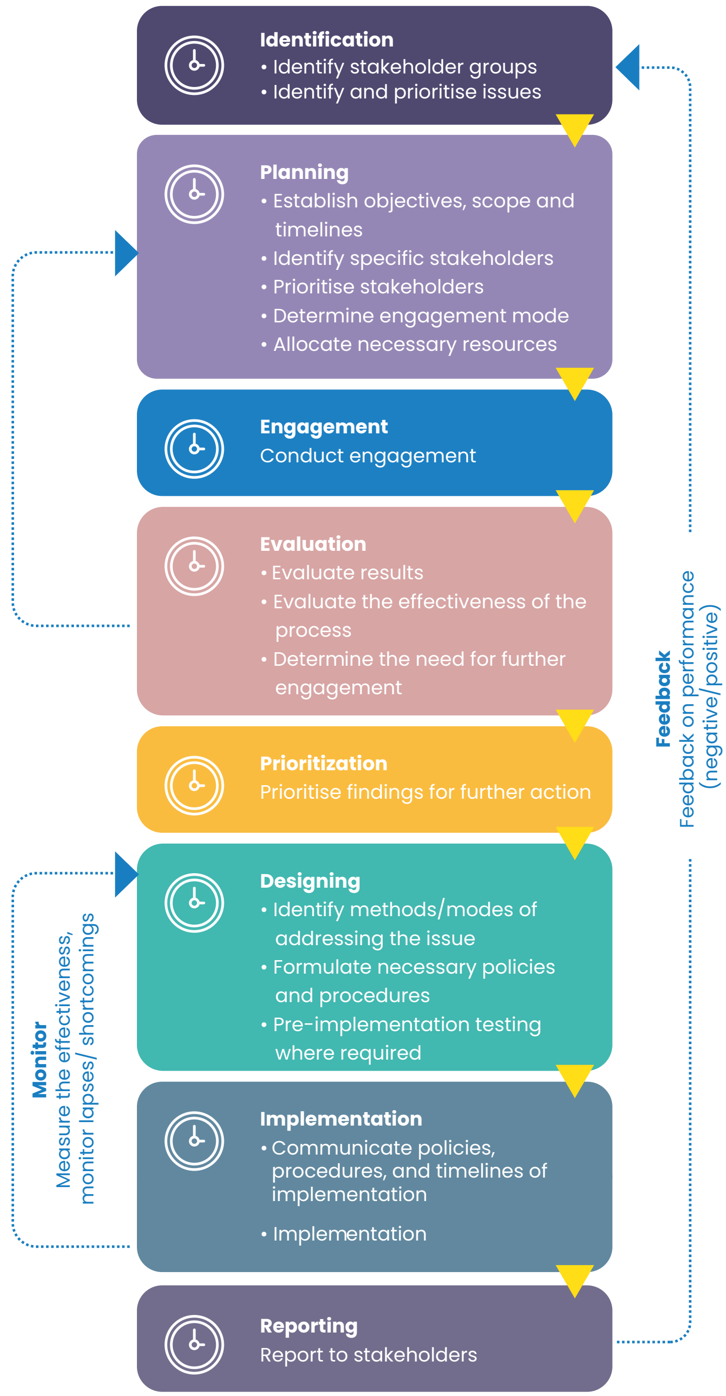
When an individual or a group can be significantly impacted by our actions, products and services, we consider that party a stakeholder. At the same time we are keenly aware that our stakeholders perceptions and behavior can impact our ability to conduct our business and meet our strategic goals.

Given this relationship, Britam must identify and effectively communicate and engage with key stakeholders so that we may better understand and address their concerns.

We strongly believe that by engaging with our stakeholders, we can sustainably meet their expectations, improve our business model and gather invaluable insights towards long term value creation.

Our Key Stakeholders

Our Stakeholder Engagement Process



OUR LEADERSHIP

— Chairman's Statement

“We are maintaining our strategy of growing our regional presence. Majority of our chosen economies continued to grow at rates higher than the average for sub-Sahara Africa during the year.”

Mr. W. Andrew Hollas

CHAIRMAN

Dear Shareholders,

It gives me pleasure on behalf of the Board of Directors of Britam Holdings Plc (the “Company”) and its subsidiaries (together the “Group”) to present the Annual Report and Financial Statements for the year ended 31 December 2019.

The year 2019 was more favourable for the Group compared to 2018. The Group achieved satisfactory performance with our strategic investments in equities realising better results. However, our property business did not perform as anticipated as the real estate market recorded low or flat growth in the year due to subdued demand. However, we remain confident of the long term returns from our investments.

Operating Environment

Global

The International Monetary Fund (IMF) estimated that the global Gross Domestic Product (GDP) slowed to 2.9 per cent in 2019 compared to 3.6 per cent in 2018. The slow-down in the global economy was on the back of trade and geopolitical tensions. The US-China Trade tensions, Brexit Deal or No Deal impasse and the Organisation of the Petroleum Exporting Countries (OPEC) supply cuts on the back of global oversupply were among the factors that contributed to the slow growth.

IMF had projected global growth to rise to 3.3 per cent in 2020 on account of signs of economic stabilisation such as the favourable news on US-China trade negotiations, an accommodative policy stance across the markets with the US embarking on several fed rate cuts in the year, similar to the continued policy rate easing seen in Japan and Europe.

On 30 January 2020, the World Health Organisation (WHO) declared that the Corona Virus disease, (COVID-19), a pneumonia of an unknown cause as a Public Health Emergency of International concern. Outbreaks have been recorded in countries around the world with drastic measures being taken, including closing borders. This pandemic has led to a slow-down in the global economy and is expected to negatively impact the local

OUR LEADERSHIP

— Chairman's Statement (Continued)

economy depending on how fast mitigations put in place help to reduce its spread among the population.

Sub-Saharan Africa

Sub-Saharan Africa GDP growth was projected at 3.2 per cent in 2019, with growth remaining static as in 2018, and slightly outperforming the 3.0 per cent growth recorded in 2017. Economic activity was dampened by softening external demand, heightened global policy uncertainty, and falling commodity prices. Domestic fragilities in several countries further constrained activity. COVID-19 is also expected to impact the economies in which we operate in negatively. We note that already various countries have closed their borders to control the spread of the virus, and this will negatively impact travel, trade, financial markets and the general population.

Kenya

GDP growth is estimated at 5.8 per cent in 2019, lower than 5.9 per cent in 2018. The reduction is primarily due to lower agricultural output and considerably weak private sector investment. The expansionary fiscal stance has resulted in crowding out of private sector investment and in an unanticipated rise in public debt.

The weakening of private investment is expected to get a relief with the lifting of the interest rate cap in November 2019. At the beginning of the year 2020, the country experienced locust invasion in a majority of the counties, which remains a major threat to food security and economic growth in addition to the negative impact of COVID-19.

Regional Countries

We are maintaining our strategy of growing our regional presence. Majority of our chosen economies continued to grow at rates higher than the average for sub-Sahara Africa in 2019. However, COVID-19 remains a potential source of risk to the performance of these economies.

In Uganda, GDP is estimated to have grown by 6.1 per cent in 2019 from 5.9 per cent in 2018. The economy continues to be supported by agriculture, infrastructure developments and increased Foreign Direct Investment in the oil and gas sectors.

Tanzania's GDP is estimated to have expanded at 5.6 per cent in 2019. The economy is expected to largely depend on public sector infrastructure projects, mining, oil and gas as well as the agricultural sectors.

Rwanda's GDP is estimated to have grown at 8.0 per cent in 2019 from 8.6 per cent in 2018. Growth is supported by high growth in services, agriculture and industrial sectors.

In Mozambique, GDP growth slowed to an estimated 2.0 per cent in 2019 from 3.4 per cent in 2018. The deceleration is mainly attributed to the negative effects of tropical cyclones Idai and Kenneth. However, GDP growth is expected to recover in 2020 after signing of major deals in the oil and gas sectors.

Malawi GDP is estimated to have grown by 4.4 per cent in 2019 from 4.0 per cent in 2018. It is projected to improve in 2020 driven by the improving agricultural sector and the expectation of a stable macroeconomic and political environment.

South Sudan has experienced calm since the signing of the peace deal in September 2018. The economy is estimated to have recovered with a growth rate of 5.8 per cent in 2019, from an estimated contraction of 3.8 per cent in 2018. The growth is driven mainly by the oil and mining sectors.

Dividend

The Board of Directors recommends a dividend for the year of Shs 630.9 million equivalent to 25 cents per share. In 2018 no dividend was paid.

Board and Governance

The Board is responsible for the Group's strategic direction, financial performance, compliance with laws and regulations, as well as ensuring the competent management of the business. It also ensures that procedures and practices are in place to protect the Group's assets and reputation.

During the year, the directors, together with senior management, attended several training sessions on Corporate Governance, Board Effectiveness, Sustainable Business Practices, and Risk Management.

OUR LEADERSHIP

— *Chairman's Statement (Continued)*

A Board Evaluation exercise was conducted in November 2019 and included the evaluation of the Board, Board Committees, the Group Managing Director and the Company Secretary. We continue to strive for excellence, and an action plan has been developed to address the issues arising from the evaluation exercise. In 2019, the Board tracked the implementation of the action plans agreed from the 2018 Board evaluation exercise.

We had the following changes in the Board:

Ms Josephine Ossiya was appointed to the Board on 15 May 2019, as an Independent Non-Executive Director. Ms Ossiya brings to the Board a wealth of experience in financial services, strategic planning, audit and treasury management.

Mr Mike Laiser, a non-executive director, retired from the Board on 15 May 2019.

I welcome Ms Ossiya and wish to sincerely thank Mr Laiser for his contribution during his tenure on the Board.

Mr George Odo, a non-executive director, resigned voluntarily from the Board on 4 July 2019 but continued to serve in the Board as a representative of Africinvest III SPV 1 which was appointed to the Board as a Corporate Director on the same date.

Future Outlook

The GDP, in Kenya, which remains our largest market and to some extent, in our regional markets is expected to decelerate substantially in 2020 due to the negative impact of the COVID-19 pandemic. Growth projection remains highly uncertain, and the outcome will largely depend on how the pandemic plays out internationally and locally, along with policy actions taken to mitigate the situation. The latest World Bank Kenya Economic Update predicts a growth of 1.5 per cent in 2020 with a potential for contraction if COVID-19 related disruptions in economic activity take longer.

We will continue to seek opportunities in the expanding middle classes, booming infrastructure investments and natural resources in our markets.

We remain steadfast in executing the final year of our 2016-2020 "Go for Gold" strategy by providing responsive, innovative and creative diversified financial solutions to our customers. We are well-positioned to capitalise on the positive developments with the requisite knowledge, expertise, experience of our staff, and an unrivalled regional network to spur us to success and sustainably grow our shareholders' wealth.

Appreciation

I wish to express my sincere appreciation to our shareholders, clients, customers and all the other stakeholders for their support during the year.

My special thanks go to my fellow directors for their wise counsel, our staff and financial advisors whose daily efforts collectively generate value for our stakeholders. I am thankful for their loyalty, commitment and dedication.

Thank you.

Mr W. Andrew Hollas

Chairman

2 April 2020

UONGOZI WETU

— Taarifa ya Mwenyekiti

Bw W. Andrew Hollas

MWENYEKITI

> "Tunaendelea na mkakati wa kukuza biashara yetu katika mataifa ya kanda ya mashariki mwa Afrika ambapo tunaendesha shughuli zetu. Uchumi wa nchi nyingi ambapo tunafanyia biashara uliendelea kukua kwa kasi ya juu mnamo 2019 kuliko kasi ya jumla ya ukuaji ya mataifa ya Afrika yaliyo kusini ya Jangwa la Sahara."

Wenyehisa wapendwa,

Ninayo furaha kwa niaba ya Bodi ya Wakurugenzi wa Britam Holdings Plc (Kampuni) na kampuni zake tanzu (ambazo zote pamoja zinaunda "Shirika") kuwasilisha ripoti ya kila mwaka na taarifa ya fedha ya mwaka uliomalizika Desemba 31, 2019.

Mwaka wa 2019 ulikuwa bora kwa Shirika ukilinganishwa na 2018. Shirika lilipata matokeo ya kuridhisha, huku uamuzi wetu muhimu wa kuwekeza katika hisa ukituletea matokeo bora. Hata hivyo, biashara yetu ya nyumba haikufanya vyema kama ilivyotarajiwa kwa vile soko la mashamba na nyumba lilikua kwa kiwango cha chini ama hata halikukua kabisa mnamo 2019 kutokana na uhaba wa wateja. Lakini bado tuna imani kwamba uwekezaji wetu utatuletea matokeo bora ya muda mrefu hatimaye.

Mazingira ya biashara

Ulimwengu

Shirika la Fedha Ulimwenguni (IMF) lilikadiria kwamba kiwango cha ustawi wa uchumi wa dunia kiliteremka hadi asilimia 2.9 mnamo 2019 ikilinganishwa na asilimia 3.6 mnamo 2018. Hali hii ilisababishwa na kupungua kwa kiwango cha ustawi wa uchumi ulimwenguni kutokana na migogoro ya kibiashara na kisiasa katika maeneo tofauti ya dunia. Mivutano ya kibiashara kati ya Amerika na Uchina, vuta nikuvute ya azimio la Uingereza kujiondoa katika Jumuiya ya Ulaya kwa masharti nafuu, na uamuzi wa Shirika la Mataifa Yanayotoa Mafuta kwa Wingi Ulimwenguni (OPEC) kupunguza kiasi cha bidhaa hiyo kutokana na kuwepo kwa mafuta mengi katika masoko ya dunia, ni baadhi ya mambo yaliyochangia kushuka kwa kiwango cha uchumi.

IMF ilikadiria ukuaji wa asilimia 3.3 ulimwenguni mnamo 2020 ikitilia maanani ishara za hali ya uchumi kuimarika kutokana na uwezekano wa habari njema kuibuka Amerika na Uchina zikifanya mashauriano ya kibiashara, kauli za sera za maafikiano kote katika masoko, huku Amerika ikichukua hatua kupunguza viwango vya riba za mikopo kwa mara kadhaa, sawa na ilivyoshuhudiwa katika Japan na Ulaya ambapo sera ya kuendelea kupunguza viwango vya faida za mikopo.

UONGOZI WETU

— *Taarifa ya Mwenyekiti (Inaendelea)*

Lakini mambo yalibadilika Januari 30, 2020, wakati Shirika la Afya Ulimwenguni (WHO) lilipoutangaza ugonjwa wa Coronavirus (COVID-19) unaosababisha homa ya mapafu isiyo ya kawaida kuwa suala la dharura la afya ya jamii duniani. Maambukizi yameenea katika mataifa mbalimbali na kulazimisha nchi nyingi kuchukua hatua kali, ikiwa ni pamoja na kufunga mipaka ya kimataifa. Uchumi wa dunia umepata pigo kubwa na madhara yake yatabainika kulingana na kasi ya hatua zinazowekwa kuzuia maenezi zaidi miongoni mwa watu.

Nchi za Afrika kusini ya Jangwa la Sahara

Kiwango cha ustawi wa kiuchumi wa mataifa ya Afrika yaliyo kusini ya Jangwa la Sahara kilitarajiwa kukua kwa asilimia 3.2 mnamo 2019, kiwango sawa na cha 2018, na cha juu kidogo kuliko asilimia 3.0 iliyorekodiwa 2017. Shughuli za kiuchumi zilididimizwa na kupungua kwa mahitaji ya huduma na bidhaa kutoka nje ya mataifa hayo, kuongezeka kwa hali ya wasiwasi kuhusiana na sera ya kimataifa, na kushuka kwa bei za bidhaa. Udhoofu wa ndani katika baadhi ya mataifa uliathiri uchumi. Inatarajiwa kwamba janga la COVID-19 litaathiri uchumi wa nchi ambapo Britam inafanyia biashara. Tayari mataifa mengi yamefunga mipaka ya kimataifa ili kuzuia kuenea kwa virusi vya Corona, hatua ambayo bila shaka itaathiri usafiri, biashara, masoko ya fedha na raia wote kwa jumla.

Kenya

Inakadiriwa uchumi ulistawi kwa asilimia 5.8 ikilinganishwa na asilimia 5.9 mnamo 2018. Hali hiyo ilitokana na kupungua kwa mavuno ya shughuli za kilimo na kudhoofika kwa uwekezaji wa sekta ya binafsi. Sera ya serikari ya kuongeza matumizi ya fedha imesababisha kuzorota kwa uwekezaji wa sekta binafsi na katika kuongezeka kwa deni la umma.

Kudhoofika kwa uwekezaji binafsi kunatarajiwa kubadilika kufuatia kuondolewa kwa viwango vya riba mnamo Novemba, 2019. Mwanzoni mwa mwaka wa 2020, nchi ilivamiwa na nzige ambao ni tishio kubwa kwa uwezo wa taifa kujitosheleza kwa chakula na ustawi wa kiuchumi. Uvamizi huu unaongezea madhara ya janga la COVID-19.

Nchi za kanda

Tunaendelea na mkakati wa kukuza biashara yetu katika mataifa ya kanda hili ambapo tunaendesha shughuli zetu. Uchumi wa nchi nyingi ambapo tunafanyia biashara uliendelea kukua kwa kasi ya juu kuliko ile ya jumla ya mataifa ya Afrika yaliyo kusini ya Jangwa la Sahara mnamo 2019. Hata hivyo, janga la COVID-19 ni tishio kwa ustawi wa uchumi wa nchi hizo.

Uchumi wa Uganda ulikua kwa takribani asilimia 6.1 mnamo 2019 ikilinganishwa na asilimia 5.9 mnamo 2018. Uchumi huo umeendelea kutegemea kilimo, muundo msingi na kuongezeka kwa kiasi cha uwekezaji wa moja kwa moja wa kigeni katika shughuli za mafuta na gesi.

Inakisiwa uchumi wa Tanzania ulistawi kwa asilimia 5.6 mnamo 2019. Uchumi unatarajiwa kutegemea zaidi hatua ya serikali kugharamia miradi ya muundo msingi, uchimbaji madini, mafuta na gesi, pamoja na shughuli za kilimo.

Uchumi wa Rwanda unakisiwa kukua kwa asilimia 8.0 mnamo 2019, ikilinganishwa na asilimia 8.6 mnamo 2018. Inakadiriwa kwamba kiwango cha ustawi wa uchumi kitaendelea kutegemea shughuli za huduma, kilimo na viwanda.

Nchini Msumbiji, kiwango cha ukuaji wa uchumi kilishuka hadi karibu asilimia 2.0 mnamo 2019 kutoka asilimia 3.4 mnamo 2018. Hali hiyo ya kuzorota kwa uchumi ilitokana na madhara ya vibunga Idai na Kenneth. Hata hivyo, uchumi unatarajiwa kunufaika kufuatia kutiwa saini kwa mikataba ya biashara kubwa za mafuta na gesi.

Inakadiriwa kuwa uchumi wa Malawi ulikua kwa asilimia 4.4 mnamo 2019 kutoka asilimia 4.0 mnamo 2018. Inabashiriwa uchumi utategemea kuimarika kwa shughuli za kilimo na pia matarajio ya uthabiti wa mazingira ya uchumi na ya kisiasa.

Tangu kutiwa sahihi kwa mkataba wa amani mnamo Septemba 2018, Sudan Kusini imeendelea kufurahia utulivu. Inakisiwa uchumi wa nchi hiyo umefufuka na kukua kwa asilimia 5.8 mnamo 2019 ikilinganishwa na kupungua kwa takribani asilimia 3.8 mnamo 2018. Ustawi huo umetokana hasa na kuimarika kwa shughuli za mafuta na madini.

Mgawo wa faida

Bodi ya Wakurugenzi inapendekeza wenyehisa wa Shirika walipwe mgawo wa faida wa Shs 630.9 milioni kwa mwaka wa 2019, kiasi ambacho ni sawa na senti 25 kwa kila hisa. Wenyehisa hawakulipwa mgawo wowote wa faida 2018.

UONGOZI WETU

— Taarifa ya Mwenyekiti (Inaendelea)

Bodi ya Wakurugenzi na udhibiti wa shirika

Ni jukumu la Bodi kusimamia na kutoa mwelekeo wa kimkakati kwa Shirika, masuala ya kifedha, uzingatiaji wa sheria na kanuni, pamoja na kuhakikisha usimamizi thabiti wa biashara. Bodi huhakikisha pia kuna taratibu na kanuni za kulinda na kukinga rasilmali za Kampuni na kuitunzia heshima na sifa yake.

Mnamo 2019, Wakurugenzi pamoja na wasimamizi wakuu wa Shirika walihudhuria vikao kadhaa vya mafunzo ya udhibiti wa Shirika, Bodi yenye kuleta matokeo yanayotakiwa, mazoea endelevu ya biashara, na taratibu za kukabiliana na mambo yawezayo kuathiri biashara.

Shughuli ya kuitathmini Bodi ilifanyika Novemba, 2019, na ilihusisha utathmini wa Bodi, kamati za Bodi, Meneja Mkuu Mkurugenzi wa Shirika na Katibu wa Kampuni. Tunaendelea kujitahidi kufikia kiwango cha juu zaidi cha ubora. Mpango umeandaliwa kusudi kushughulikia masuala yaliyotokana na utathmini huo. Mnamo 2019, Bodi ilifuatilia utekelezwaji wa mipango iliyokubaliwa kufuatia utathmini wa Bodi wa 2018.

Bodi ilikuwa na mabadiliko yafuatayo:

Bi Josephine Ossiya aliteuliwa kujiunga na Bodi mnamo Mei 15, 2019, akiwa mkurugenzi asiye mwajiriwa. Bi Ossiya ameiletea Bodi ujuzi mwingi wa maswala ya fedha, mipango ya kimkakati, ukaguzi wa hesabu na taratibu za biashara, na masuala ya usimamizi wa hazina.

Bw Mike Laiser, mkurugenzi ambaye hakuwa mwajiriwa wa Shirika, alijiuzulu kuanzia Mei 15, 2019.

Ninamkaribisha Bi Ossiya na kumshukuru Bw Laiser kwa mchango wake kwa muda aliotumikia bodi.

Bw George Odo, mkurugenzi asiye mwajiriwa wa Shirika alijiuzulu kwa hiari kutoka kwa Bodi mnamo Julai 4, 2019, lakini ataendelea kuhudumu akiwa mwakilishi wa Africinvest III SPV 1, shirika lililoteuliwa kwa Bodi likiwa Mkurugenzi Shirika mnamo siku hiyo hiyo.

Matarajio

Katika Kenya, ambayo ingali soko letu kubwa, na kwa kiwango fulani katika masoko yetu ya kanda hii, ustawi wa kiuchumi unatarajiwa kushuka kwa kiwango kikubwa katika mwaka wa 2020 kutokana na madhara ya janga la COVID-19. Bado pana shaka kuhusu ubashiri wa viwango vya ustawi wa uchumi, na matokeo kamili yatategemea maenezi na madhara ya janga hili kimataifa na nchini, pamoja na sera zitakazotekelezwa kukabiliana na janga hili. Ripoti ya hivi karibuni ya Benki ya Dunia kuhusu hali ya kiuchumi ya Kenya inabashiri kiwango cha ustawi cha asilimia 1.5, huku kukiwa na tishio la kiwango hicho kushuka zaidi kulingana na muda ambapo athari za COVID-19 zitaendelea kuvuruga uchumi.

Tutaendelea kutafuta nafasi za kuhudumia watu wanaozidi kuongezeka wa tabaka ya katikati, na uwekezaji unaovuma katika miradi ya muundo msingi na pia mali asili katika masoko yetu.

Tuko imara katika utekelezaji wa mwaka wetu wa mwisho wa mkakati wa 2016-2020 ambao kauli mbiu yake ni “Go for Gold” kwa kutoa huduma vumbuzi na bunifu za masuala ya fedha zinazowavutia wateja, na kutilia maanani mahitaji na uwezo wao wa kifedha. Tunayo nafasi nzuri ya kunufaika kutokana na maendeleo yanayojitokeza tukitegemea maarifa yetu hitajika, utaalamu wetu, tajriba na mtandao wa kanda ya mashariki mwa Afrika usio na ushindani, hivyo kutuwezesha kufaulu na kuhakikishia wenyehisa wetu ukuaji wa mali yao.

Shukrani

Ninawashukuru wenyehisa wetu, wateja na washika dau wote kwa jinsi walivyotuunga mkono kwa dhati katika mwaka wa 2019.

Shukrani maalumu ziwaendee wakurugenzi wenzangu kwa ushauri wao wa busara, wafanyakazi wetu na washauri wa kifedha kwa wateja ambao juhudi zao za pamoja za kila siku huletea washika dau wetu manufaa. Ninawashukuru kwa uaminifu wao, moyo wa kujituma na kujitolea.

Asanteni.

Bw W. Andrew Hollas

Mwenyekiti

Aprili 2, 2020

OUR LEADERSHIP

— Group Managing Director's Statement

"We continue to focus on delivering value for our shareholders, providing superior products and services to our customers, and positively impacting the communities in the areas where we live and work"

Dr. Benson I. Wairegi, EBS
GROUP MANAGING DIRECTOR

Dear Shareholders,

This year we delivered better results through execution of our "Go for Gold" 2016-2020 Strategy. The 2019 results are a significant improvement from the previous financial year. We continue to focus on delivering value for our shareholders, providing superior products and services to our customers, and positively impacting the communities in the areas where we live and work.

We achieved sustainable growth and optimisation of returns from all our businesses both in Kenya and in the other markets where we operate.

Group Financial Performance

The Group's total assets grew by 20.8 per cent to Shs 125.2 billion in 2019 up from Shs 103.7 billion in 2018. This growth enabled the Group to maintain its market leadership position, especially in long term life business where we have a market share of 25 per cent. Assets Under Management achieved an accelerated growth of 55 per cent to Shs 227.0 billion from Shs 146.6 billion in 2018. Gross earned premiums registered a growth of 11.5 per cent to Shs 27.1 billion from 24.3 billion in 2018.

The improvement can be attributed to several factors within the operating environment, which include; an improved performance of the stock market where the Group reported an unrealised gain from investment in listed equities of Shs 3.4 billion compared to a loss of Shs 1.7 billion in 2018. The improvement in the stock market was primarily because of the repeal of the interest rate cap law that resulted in an upward re-pricing of large-cap banking stocks.

In addition, the performance was impacted by our investment in HF Group which registered improved results. The share of loss of the associate was Shs 53.1 million in 2019 compared to a share of loss of Shs 289.7 million in 2018. This represents an improvement of 82 per cent in the performance of the associate. In light of the turnaround in performance and lifting of the rate capping law, no impairment of the investment in the associate has been booked while in 2018, we had an impairment of Shs 1.6 billion.

Overall, the Group reported a profit before tax of Shs 4.6

OUR LEADERSHIP

— *Group Managing Director's Statement (Continued)*

billion compared to a loss before tax of Shs 2.3 billion in 2018. The Group's total income grew by 38 per cent to Shs 36.4 billion compared to Shs 26.4 billion in 2018.

The Group performance is reviewed as follows: Life Assurance, General Insurance, Asset Management, International Division and Property as highlighted below:

Life Assurance

The embedded value, which measures the performance and economic value of a Life Assurance company, increased to Shs 16.9 billion from Shs 13.8 billion in 2018, representing a return of 26.9 per cent. This performance is an indicator that the Life Assurance business is writing profitable business that will generate additional value to the shareholders in future.

The Life Business reported a profit before tax of Shs 3.6 billion against a loss before tax of Shs 775.1 million in 2018. The 2019 results were significantly impacted by the following:

Improvement in our associate business performance: In 2019, the performance of our Associate was a significant improvement. The life company's share of associate's loss was Shs 13.8 million from a share of loss of Shs 173.1 million in 2018.

Equities performance: Improvement in the operating environment, especially after the repeal of interest rate caps in the fourth quarter of 2019 led to improved performance of the stock market, especially banking stocks. This improvement reversed the unrealised losses the Company had booked in 2018 from its investments in equities. The Life business quoted ordinary shares recorded unrealised fair value gains of Shs 1.98 billion compared to unrealised fair value losses of Shs 1.12 billion in 2018.

Property performance: The investment income in our life business was negatively impacted by an impairment of Shs 597.6 million. This impairment was majorly on account of lower than expected occupancy rates in some of our properties.

General Insurance

The General Insurance Kenya business reported a loss before tax of Shs 306.3 million compared to a loss before tax of Shs 40.0 million in 2018. Gross earned premiums decreased by 2 per cent to Shs 8.0 billion from Shs 8.2 billion in 2018 in our efforts to improve the quality of business underwritten.

Micro-insurance had an 11 per cent growth in Gross Written Premiums with a profit before tax of Shs 13.6 million.

Asset Management

The Asset Management business recorded a 55 per cent growth in Assets under Management (AUM) to Shs 227.0 billion from Shs 146.6 billion in 2018, but registered a loss before tax of Shs 155.2 million.

International Division

In line with our regional expansion and diversification strategy, we continue to focus on increasing operations to gain scale as we continue to improve underwriting quality in our regional business.

The international division continues to increase its contribution to the Group's performance. It accounted for 19 per cent of the net insurance business revenue, and 11 per cent of the total income of the Group in 2019.

The division contributed profitably to the group. We recorded a profit before tax in Uganda and South Sudan while Tanzania, Malawi, Mozambique and Rwanda recorded losses during the year.

Property

The residential and the commercial sectors continue to face subdued demand amidst increased supply. The construction of Kilimani serviced apartments is scheduled to be completed in the current financial year and is expected to improve the performance of our property business.

Britam Tower, the Group's flagship 31-storey Grade A office building, has been leasing with notable progress registered so far. The building offers 330,000 square feet of lettable space.

Strategic Focus

We have made significant strides in our "Go for Gold" 2016 – 2020 Strategy. The strategy is driven by five strategic pillars of profitable growth, customer service, innovation, operational excellence and enabling transformation. The

OUR LEADERSHIP

— *Group Managing Director's Statement (Continued)*

execution of our strategy has been instrumental in our success thus far in addition to laying a strong foundation for the future. Highlights of key achievements include:

- Making all our businesses profitable. Other than our property business and general Insurance business in Kenya and in some of the regional markets, the rest of the businesses returned a profit in 2019.
- Implemented an IT infrastructure that made it possible to launch many critical systems such as Enterprise Resource Planning (ERP) system, Taleo, iSupply, INSIS, Moneyware, Imagenow, and Data analytics tools.
- Digitised our customers experience journey through self- support options with platforms such as Britam App and customer portals, USSDs, and a state of the art 24-hour customer contact centre.
- Operationalisation and rollout of Financial Advisors (FA) portal.
- Launched several innovative products: Investment products such as Imarika and Unit Trusts, insurance products and enhancements such as Britam Millele, Cybercrime Cover and Britam 24/7 Rescue Service among others.
- Britam Tower – an award-winning iconic 31 storey building was completed in the same strategic period.
- Launch of AMC Uganda, an asset management company as part of our diversification initiative.
- Electronic delivery of policy documents to our customers upon issuance is now done through email, reducing the previous delivery times via postal or physical deliveries while reducing our carbon footprint.
- Launching the Britam Leadership and Innovation Centre that will serve as a learning centre for our staff and also our innovation hub.

In 2020, we will develop our new strategy for the period 2021 onwards. The new strategy will build upon the foundation laid by our "Go for Gold" strategy and provide the Group with a strong growth momentum into the future.

Future Outlook

In 2020, the markets have experienced downward trends due to the COVID-19 pandemic spreading across the world, and we expect this to have a negative impact on the projected economic growth rates.

We are optimistic that a solution will be developed to contain the COVID-19 pandemic. We are adhering to all Government directives and also maintaining a healthy workplace for our staff, customers and stakeholders. We have also implemented business continuity measures that include remote working to ensure that we continue to serve our customers.

Despite the constraints, we will strive to continue building a sustainable business and conducting ourselves in the highest levels of ethics and integrity as we serve our customers in line with our mission "providing you with financial security EVERY STEP OF THE WAY".

Britam remains a strong business, with the requisite financial strength, good client relationships and top of class talent as we continue to execute the final year of our "Go for Gold" strategy.

We will increase our efforts in optimising the utilisation of our assets to increase productivity and grow value for our shareholders and all our stakeholders.

Appreciation

I would like to express my gratitude to all our stakeholders, especially our esteemed clients and business partners, for their continued support. I look forward to working closely with them to help them achieve and exceed their financial security and investment objectives.

I remain grateful to the Board, management, staff and our award-winning financial advisors for their continued support, hard work, dedication and commitment to the business.

I look forward to better years ahead.

Dr Benson I. Wairegi, EBS
Group Managing Director
2 April 2020

UONGOZI WETU

— Taarifa ya Meneja Mkurugenzi wa Shirika

Dkt Benson I. Wairegi

MENEJA MKURUGENZI WA SHIRIKA

> **"Tutaendelea kutilia mkazo juhudi za kuwanufaisha wenyehisa wetu, kutoa bidhaa na huduma za kiwango cha juu kwa wateja wetu, na kuinua kiwango cha maisha pamoja na riziki za jamii za watu kote katika maeneo ambapo tunaishi na kufanyia kazi."**

Wenyehisa wapendwa,

Mwaka huu tulipata matokeo bora zaidi kwa kuendelea kuutekeleza mkakati wetu wa msimu wa 2016-2020 wenye kauli mbiu "Go for Gold". Matokeo ya 2019 yameimarika pakubwa yakilinganishwa na ya mwaka uliotangulia. Tutaendelea kutilia mkazo juhudi za kuwanufaisha washika dau wetu, kutoa bidhaa na huduma za kiwango cha juu kwa wateja wetu, na kuinua kiwango cha maisha pamoja na riziki za jamii za watu kote katika maeneo ambapo tunaishi na kufanyia kazi.

Tulipiga hatua endelevu ya ukuaji na kupata mapato ya juu kutoka kwa biashara zetu zote nchini Kenya na kwenye masoko mengine ambapo tunafanyia biashara.

Hali ya kifedha ya Shirika

Mali ya jumla ya Shirika iliongezeka kwa asilimia 20.8 hadi Shs 125.2 bilioni mnamo 2019 kutoka Shs 103.7 bilioni mnamo 2018 na kuliwezesha Shirika kuendelea kushikilia uongozi katika soko, hasa biashara ya muda mrefu ya bima ya maisha ambapo tunashikilia asilimia 25 ya soko. Kitengo cha mfuko wa mali za amana kilikua kasi kwa asilimia 55 hadi Shs 227.0 bilioni kutoka Shs 146.6 bilioni mnamo 2018. Mapato ya jumla ya bima zilizoandikishwa na kulipiwa yaliongezeka kwa asilimia 11.5 hadi Shs 27.1 bilioni ikilinganishwa na Shs 24.3 bilioni mnamo 2018.

Mapato hayo mazuri yameletwa na mambo kadhaa katika mazingira yetu ya biashara, ikiwa ni pamoja na matokeo bora katika soko la hisa ambapo thamani ya hisa ambazo Shirika limenunua iliongezeka hadi Shs 3.4 bilioni ikilinganishwa na hasara ya Shs 1.7 bilioni mnamo 2018. Hali katika soko la hisa iliimarika hasa kutokana na kufutiliwa mbali kwa sheria iliyowekea benki viwango vya riba za mikopo na faida za akiba, hatua iliyosababisha kupanda kwa bei za hisa za benki.

Kadhalika, mapato yetu yalimarika kutokana na uwekezaji wetu katika HF Group, kampuni ambayo matokeo yake yaliimarika pia. Fungu letu la hasara katika Kampuni hiyo lilikuwa Shs 53.1 milioni mnamo 2019 ikilinganishwa na fungu la hasara la Shs 289.7 milioni mnamo 2018. Kiwango hiki kinaashiria kuimarika kwa matokeo ya mshirika huyo wetu kwa asilimia 82. Kutokana na mafanikio hayo na pia kufutiliwa mbali kwa sheria iliyowekea benki viwango vya riba za mikopo na faida za akiba, thamani ya kampuni hiyo mshirika wetu haijateremshwa, ilhali mnamo 2018, ilishuka kwa Shs 1.6 bilioni.

UONGOZI WETU

— Taarifa ya Meneja Mkurugenzi wa Shirika (Inaendelea)

Kwa jumla, Shirika lilipata faida ya Shs 4.6 bilioni kabla ya ushuru, ikilinganishwa na hasara ya Shs 2.3 bilioni kabla ya ushuru mnamo 2018. Pato la jumla la Shirika liliongezeka kwa asilimia 38 hadi Shs 36.4 bilioni ikilinganishwa na Shs 26.4 bilioni mnamo 2018.

Mpangilio wa shughuli za Shirika ni kama ifuatavyo: bima ya maisha, bima ya kawaida, mfuko wa mali ya amana, kitengo cha kimataifa na biashara ya nyumba, kama inavyofafanuliwa hapa chini: -

Bima ya maisha

Thamani ya biashara ya bima ya maisha iliongezeka hadi Shs 16.9 bilioni kutoka Shs 13.8 bilioni mnamo 2018, kiwango ambacho ni ongezeko la asilimia 26.9. Hii ni ishara kwamba biashara ya bima ya maisha inaleta faida na ni shughuli ambayo itawapatia wenyehisa manufaa zaidi katika siku zijazo.

Biashara ya bima ya maisha iliripoti faida ya Shs 3.6 bilioni kabla ya ushuru ikilinganishwa na hasara ya Shs 775.1 milioni kabla ya ushuru mnamo 2018. Matokeo ya 2019 yaliinuliwa pakubwa na yafuatayo: -

Kuimarika kwa matokeo ya kampuni mshirika wetu: Mnamo 2019, matokeo ya mshirika wetu yaliimarika kwa kiwango cha haja. Fungu la hasara kwa Kampuni ya Bima ya Maisha katika shughuli za mshirika wetu lilikuwa Shs 13.8 milioni ikilinganishwa na fungu las hasara ya Shs 173.1 milioni mnamo 2018.

Bei za hisa: Kuimarika kwa mazingira ya biashara, hasa kufuatia kufutiliwa mbali kwa sheria iliyowekea benki viwango vya faida ya akiba na riba za mikopo katika robo ya nne ya 2019, kulichangia kuimarika kwa soko la hisa, na hasa kuongezeka kwa bei za hisa za benki. Hali hii ilifuta hasara ya daftarini ambayo Kampuni ilipata mnamo 2018 kutokana na kushuka kwa thamani ya hisa ilizokuwa imenunua wakati huo. Hisa za kawaida za biashara ya maisha ziliandikisha ongezeko la thamani ya daftarini ya Shs 1.98 bilioni ikilinganishwa na hasara ya daftarini ya Shs 1.12 bilioni mnamo 2018.

Mapato ya biashara ya nyumba: Mapato ya kuekeza ya bishara yetu ya Bima ya maisha yaliathiriwa na makadirio ya hasara ya Shs 597.6 milioni. Thamani ya mapato ya kitengo hiki ilishuka kutokana na uhaba wa wapangaji katika baadhi ya majengo yetu.

Bima ya kawaida

Shughuli za biashara ya bima za kawaida katika Kenya ziliandikisha hasara ya Shs 306.3 milioni kabla ya ushuru ikilinganishwa na hasara Shs 40.0 milioni kabla ya ushuru mnamo 2018. Pato la jumla la bima zilizoandikishwa lilishuka kwa asilimia mbili hadi Shs 8.0 bilioni kutoka Shs 8.2 bilioni mnamo 2018 katika juhudi zetu za kuimarisha kiwango cha huduma kwa shughuli zilizoandikishiwa bima.

Bima ya biashara ndogo ilikua kwa asilimia 11 katika jumla ya bima zilizoandikishwa na kupata faida ya Shs 13.6 milioni kabla ya ushuru.

Usimamizi wa mali ya amana

Shughuli za biashara ya mfuko wa mali ya amana zilikua kwa asilimia 55 hadi Shs 227.0 bilioni kutoka Shs 146.6 bilioni mnamo 2018 lakini ilisajili hasara ya Shs 155.2 milioni kabla ya ushuru.

Kitengo cha kimataifa

Kuambatana na mkakati wetu wa kutafuta masoko zaidi katika kanda na kupanua bidhaa na huduma tunazotoa, lengo letu litazidi kongeza zaidi shughuli zetu ili kupata mazao zaidi, huku tukiendelea kuimarisha kiwango cha shughuli za uandikishaji bima katika biashara yetu ya kanda.

Kitengo cha kimataifa kimeendelea kuongeza mchango wake kwa matokeo ya Shirika. Kilichangia asilimia 19 ya mapato ya biashara ya bima na asilimia 11 ya mapato ya jumla ya Shirika mnamo 2019.

Kitengo hiki kiliongezea faida kwa Shirika.Tulipata faida kabla ya ushuru nchini Uganda na Sudan Kusini, ilhali tulipata hasara katika Tanzania, Malawi, Msumbiji na Rwanda mnamo 2019.

Biashara ya nyumba

Biashara ya nyumba za makao na biashara imeendelea kukabiliwa na tatizo la uhaba wa wapangaji, ilhali idadi ya majumba inazidi kuongezeka. Inatarajiwa ujenzi wa jumba la ghorofa la makao katika mtaa wa Kilimani, Nairobi, utakamilika katika mwaka huu wa fedha. Ujenzi huo unatarajiwa kuimarisha matokea ya biashara ya nyumba.

Britam Tower, jumba kuu la Shirika na la kifahali lenye ghorofa 31 na afisi za Gredi A, limeendelea kuvutia wapangaji. Lina nafasi ya kukodishwa ya futi 330,000 mraba.

UONGOZI WETU

— Taarifa ya Meneja Mkurugenzi wa Shirika (Inaendelea)

Msukumo wa kimkakati

Tumepiga hatua muhimu katika kuutekeleza mpango wa mkakati wa 2016-2020 ambao kauli yake mbiu ni "Go for Gold". Mpango huo una nguzo tano muhimu za kimkakati, nazo ni kustawi na kuinua kiwango cha faida, huduma kwa wateja, uvumbuzi, utendakazi wa hali ya juu na kuwezesha mabadiliko. Mpango huu umekuwa muhimu kwa mafanikio ambayo tumeyapata kufikia sasa na umechangia katika kuweka msingi thabiti wa siku zijazo. Vidokezi vya mafanikio muhimu tuliyoyapata ni pamoja na:

- Kuhakikisha biashara zetu zinaleta faida. Isipokuwa biashara zetu ya nyumba na bima ya kawaida nchini Kenya na katika baadhi ya masoko ya kanda, shughuli ziingine zote za biashara zilileta faida mnamo 2019.
- Kutekelezwa kwa muundo msingi wa teknolojia ya habari na mawasiliano ya kisasa (IT) kumefanikisha kuanzishwa kwa taratibu kadhaa muhimu za kieletroniki, kama vile mfumo wa upangaji wa rasilmali na shughuli za biashara (ERP), mifumo ya Taleo, isupply, INSIS, Moneyware, Imagenow na ala za kutathmini data.
- Kutoa huduma za kidigitali kwa wateja ambazo zimewawezesha kupata huduma zetu moja kwa moja kupitia kwa majukwaa kama vile Britam App na mlango wa kidigitali wa wateja, kuhudumia wateja kwa kutuma na kupokea ujumbe mfupi wa simu (USSDs) na kituo cha simu cha kisasa kinachofunguliwa kwa masaa 24 ili kuhudumia wateja.
- Kuzinduliwa kwa mlango wa kidigitali wa washauri wa masuala ya fedha kwa wateja wetu.
- Tumeanzisha huduma kadhaa bunifu nazo ni pamoja na shughuli za uwekezaji kama vile Imarika, amana ya vikundi, huduma za bima kama vile Britam Milele, bima ya kujikinga na uhalifu wa mifumo ya teknolojia, huduma ya uokoaji ya Britam24/7, na huduma nyinginezo.
- Britam Tower ni jumba la ghorofa 31 lililojinyakulia tuzo na ambalo ujenzi wake ulikamilika katika kipindi cha mpango wa mkakati tunaouzingatia.
- Kuanzishwa kwa AMC Uganda ambayo ni kampuni ya usimamizi wa mfuko wa mali za amana katika juhudi zetu za upanuzi wa biashara.
- Utoaji wa hati za bima kieletroniki kwa wateja kupitia kwa barua pepe na hivyo kupunguza muda uliokuwa ukitumika awali wa kutuma hati hizo kwa posta, na wakati huo huo kupunguza uchafuzi wa mazingira kwa hewa chafu ya kaboni.
- Kuanzishwa kwa Britam Leadership and Innovation Centre kutoa mafunzo kwa wafanyakazi na kuwapatia wabunifu na wazinduzi nafasi za kubuni.

Katika mwaka wa 2020, tutatayarisha mpango mpya wa mkakati wa kipindi kitakachoanzia mwaka wa 2021. Mpango huo utajengwa katika msingi uliowekwa na mkakati wa "Go for Gold" na kulipatia Shirika msukumo thabiti wa ustawi wa siku zijazo.

Matarajio

Mnamo 2020, masoko yamezoroteshwa na janga la COVID-19 ambalo limeenea duniani, na bila shaka litaathiri viwango vya ustawi wa kiuchumi vinavyotarajiwa.

Tuna matumaini kwamba suluhisho litapatikana ya kukabiliana kikamilifu na janga la COVID-19. Tunazingatia maagizo yote ya Serikali na kuhakikisha kanuni za afya zinafuatwa katika maeneo ya kazi na wafanyakazi wetu, wateja na washika dau. Tumetekeleza pia hatua za dharura za kuendelea kufanya kazi, ikiwa ni pamoja na kufanyia kazi nje ya afisi ili kuhakikisha tunawahudumia wateja wetu.

Licha ya changamoto hizi, tutaendeleza juhudi za kujenga biashara endelevu huku tukizingatia viwango vya juu iwezekanavyo vya maadili na uaminifu tukiwahudumia wateja wetu kuambatana na lengo letu la "kuwapatia kinga kifedha kila hatua njiani".

Britam ingali biashara imara yenye uwezo hitajika wa kifedha, uhusiano mwema na wateja, wafanyakazi wenye talanta za hali ya juu huku tukiendelea kutekeleza mwaka wa mwisho wa mpango wa mkakati wa "Go for Gold".

Tutazidisha juhudi zetu katika kutumia kikamilifu mali zetu ili kuimarisha utendaji kazi na kuwazidishia faida na manufaa wenyehisa wetu na washika dau wote.

UONGOZI WETU

— Taarifa ya Meneja Mkurugenzi wa Shirika (Inaendelea)

Shukrani

Ninawashukuru kwa dhati washika dau wetu wote, na hasa wateja wetu watukuka na washirika wetu kibiashara kwa kuendelea kutuunga mkono. Ninatarajia ushirika zaidi ili kuwawezesha kutimiza na hata kuzidisha malengo yao ya kupata usalama wa kifedha na katika uwekezaji.

Ninaishukuru Bodi ya Wakurugenzi, wasimamizi, wafanyakazi na washauri hodari wa masuala ya kifedha kwa wateja wetu ambao wamejizolea tuzo nyingi kwa kuendelea kutuunga mkono, kufanya bidii kazini, kujitolea kukuza biashara yetu.

Ninatarajia kwamba miaka ijayo itakuwa bora zaidi.

Dkt Benson I. Wairegi, EBS
Meneja Mkurugenzi wa Shirika
Aprili 2, 2020

OUR LEADERSHIP

— *The Board of Directors*

Mr. W. Andrew Hollas
69 years
Group Chairman- (Independent Non-Executive Director)
Year of Appointment to Board - 2015

Education and professional background

Mr. Hollas holds a Bachelor of Arts Degree, specializing 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.

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

Other Directorship: Mr. Hollas is the Chairman Britam Asset Managers (Kenya) Limited, a subsidiary of Britam Holdings Plc.

Dr. Benson I. Wairegi, EBS
66 years
Group Managing Director
Year of Appointment to Board - 1980

Education and professional background

Dr. Wairegi holds a Honorary Doctorate Degree from Kenyatta University, a Masters of Business Administration Degree and Bachelor of Commerce Degree both from the University of Nairobi and is a Certified Public Accountant (CPA-K). He has been with Britam for 40 Years. Dr. Wairegi is the Chancellor of Kenyatta University, a former Chairman of the Association of Kenya Insurers (AKI) and former board member of the Board of Trustees of the Insurance Training and Education Trust (ITET). Dr. Wairegi has also received the second class Elder of the Burning Spear (EBS) recognition for his contribution to nation building within the financial services sector and is a Fellow of the Kenya Institute of Management.

Other Directorships: Dr. Wairegi is a Director of the following subsidiaries of Britam Holdings Plc: Britam Life Assurance Company (Kenya) Limited, Britam Asset Managers (Kenya) Limited, Britam General Insurance Company (Kenya) Limited, Britam Asset Managers (Uganda) Limited, Britam Properties (Uganda) Limited, Britam Insurance Company (Tanzania) Limited and Britam Properties (Kenya) Limited. He is also a Director of HF Group Plc and Scale Up Kenya (an affiliate of Endevour Global Inc).

Dr. Peter K. Munga, EGH
76 years
Non-Executive Director
Year of Appointment to Board - 1982

Education and professional background

Dr. Munga, is a Certified Public Secretary with vast experience in both public and private sector management. He holds two honorary doctorates, Doctor of Letters (Honoris Causa) from the University of Nairobi, and Entrepreneurship (Honoris Causa) from Kenya Methodist University. He has a diploma in Human Resources and Financial Management. He has received the highest presidential award to a civilian, the First Class Chief of the Order of the Burning Spear (CBS) and also the Second Class Elder of the Golden Heart of Kenya (EGH) national decoration, for his outstanding contributions in economic development. Dr. Munga is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Ltd, Freshco Seeds Ltd and Murang'a Water and Sewerage Company (MWASCO). He is the current Chancellor of Pioneer International University. He also holds the Yara Prize for Green Revolution in Africa Laureate 2009 award. He is a retired Deputy Secretary in the Government of Kenya. He is the founder and former Chairman of Equity Bank Limited, former Chairman of National Oil Corporation of Kenya (NOCK).

Other Directorship: Dr. Munga is a director of the following subsidiaries of Britam Holdings Plc: Britam Life Assurance Company (Kenya) Limited, Britam Asset Managers (Kenya) Limited, Britam Insurance Company (Tanzania) Limited and Britam Properties (Kenya) Limited. He is also a Director of HF Group Plc. He is the chairman for Britam Life.

OUR LEADERSHIP

— The Board of Directors (Continued)

Mr. Jimnah M. Mbaru, EBS
72 Years
Non-Executive Director
Year of Appointment to Board - 1984

Education and professional background

Mr. Mbaru holds a Master of Business Administration Degree 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 the Chairman of Dyer and Blair Investment Bank Limited and a former Chairman of the Nairobi Securities Exchange and is a former member of the National Economic and Social Council.

Other Directorships: Mr. Mbaru is a director of Britam Properties (Kenya) Limited a subsidiary of Britam Holdings Plc and a director of Occidental Insurance Limited, Nairobi Securities Exchange and Sanlam Africa Core Real Estate Investors Limited.

Ms. Caroline Kigen
47 years
Independent Non-Executive Director
Year of Appointment to Board - 2017

Education and professional background

Ms. Kigen holds a Bachelor of Commerce (Accounting) Degree and a Master of Business Administration Degree from the University of Nairobi. She is a Certified Public Accountant (CPA, K) and a Member and Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK). She has wide experience in accounting, financial management and corporate governance. She has been the CEO of ICPAK during which the Institute participated in policy making in Kenya and beyond. She has also worked as an accounting lecturer at both the University of Nairobi and Strathmore University. At PricewaterhouseCoopers, she has worked in audit and assurance. Ms. Kigen has extensive Board experience having served in various boards and committees locally and internationally including at the International Federation Of Accountant's (IFAC).

Other Directorship: Ms. Kigen is a Director of Britam Life Assurance Company (Kenya) Limited, a subsidiary of Britam Holdings Plc.

Mr. Mohamed S. Karama
46 years
Independent Non-Executive Director
Year of Appointment to Board - 2017

Education and professional background

Mr. Karama holds a Bachelor of Science Degree from University of Maryland and 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. He has been a partner at Pricewaterhousecoopers, leading advisory services both in Kenya and in the United States. His global experience in both developed and emerging markets spans over 20 years.

Other Directorship: Mr. Karama is a Director of Britam Life Assurance Company (Kenya) Limited, a subsidiary of Britam Holdings Plc.

OUR LEADERSHIP

— *The Board of Directors (Continued)*

Mr. Stephen O. Wandera
60 years
Non-Executive Director
Year of Appointment to Board - 2016

Education and professional background

Mr. Wandera holds a Bachelor of Arts Degree and a Master of Business Administration Degree, both from the University of Nairobi. He has over thirty-eight years' experience in the insurance industry and is also a Fellow of the Chartered Insurance Institute (FCII) and Chartered Insurer. He is the immediate past Principal Executive Director (Business) at Britam Holdings Plc, overseeing the business aspects of all the Group Subsidiaries. He retired as an employee of Britam Holdings Plc on 31 December 2019, having served the company for over 26 years. He is also a past Chairman of the Association of Kenya Insurers (AKI) and a former Governor of the Kenya Private Sector Alliance (KEPSA).

Other Directorship: Mr. Wandera is a director of the following subsidiaries of Britam Holdings Plc; 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 (Tanzania) Limited, Britam Insurance Company (Malawi) Limited. He is also a director of Century Developments Limited.

Ms. Josephine Ossiya
47 years
Independent Non-Executive Director
Year of Appointment to Board - 2019

Education and professional background

Ms. Ossiya holds a Bachelor of Commerce Degree from Makerere University, Uganda and a Master of Business Administration degree in International Business from Liverpool University, UK. She is a member of the Institute of Certified Public Accountants of Uganda (ICPAU), a Fellow of the Association of Chartered Certified Accountants UK (ACCA), a Member of Institute of Internal Auditors Inc US (IIA) and a member of the Institute of Corporate Governance of Uganda. She has over 20 years' experience in financial services, strategic planning, audit and treasury. She has worked in various sectors including energy, oil and gas, pension, financial services, real estate and tele-communication. Her work has been extensively within Africa, in Uganda, Ghana, Kenya, DR Congo, Zambia and South Africa.

Other Directorships: Ms. Ossiya is a Director of the following subsidiaries of Britam Holdings Plc: Britam Insurance Company (Uganda) Limited and Britam Asset Mangers (Uganda) Limited. She is also a board member of the Bank of Uganda.

Mr. Christopher Minter
53 Years
Non-Executive Director
Year of Appointment to Board - 2018

Education and professional background

Mr. Minter holds a Master of Law and History Degree from the University of Cambridge and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is the Head of Principal Investments & Acquisitions at Swiss Re Ltd and has over 25 years' experience in Investment Management, Private Equity, Corporate Development and Finance. Prior to joining Swiss Re, he held a number of senior positions at Deutsche Bank. He also worked for PricewaterhouseCoopers in Prague and Zurich, where he advised international clients across a range of transactions and situations.

OUR LEADERSHIP

— The Board of Directors (Continued)

Mr. George Odo
54 years
Representative of AfricInvest III SPV 1 (Corporate Director)
Year of Appointment to Board - 2019

AfricInvest III SPV 1 background

AfricInvest is registered in the Republic of Mauritius and is a consortium of AfricInvest Fund III LLC, Deutsche Investitions-und Entwicklungs-gesellschaft mbH, (DEG), the German development finance corporation, The Nederlandse Financierings-Maatschappij voor Ontwickkelingslanden N.V. (FMO), the Netherlands-based bilateral development bank, and Societe de Promotion et de Participation pour la Cooperation Economique, (Proparco), the French State registered development finance corporation.
It is uniquely positioned as one of the most experienced private equity investors in the region, with dedicated investment teams focused on North Africa and Sub-Saharan Africa, employing around 75 professionals based in 9 offices, of which 8 are in Africa, 1 in France.
AfricInvest has over USD. 1.5 Billion assets under management and has invested in more than 150 companies across 25 African countries in a variety of high growth sectors. It maintains a broad network of high quality executives across Africa, offering extensive expertise in key growth industries, including financial services, agribusiness, consumer/retail, education and healthcare.
Africinvest provides its portfolio companies with valuable strategies, financial, technical and commercial advice, capitalizing on the deep knowledge of its team in a wide range of sectors. Moreover, it 's extensive network of commercial relationships offers portfolio companies access to an even broader range of expertise and potential partnerships.

Ms. Marianne Loner
63 years
Non-Executive Director
Year of Appointment to Board - 2017

Education and professional background

Ms. Loner holds a Master in Business Administration from the Graduate School of Business Administration New York University. She has over thirty years' experience in financial services and asset management.

Other Directorship: Ms. Loner is a Director of Britam Life Assurance Company (Kenya) Limited, a subsidiary of Britam Holdings Plc. She also serves as a Director at Sura Asset Management S.A. Colombia, Procredit Holdings AG & Co Frankfurt, Procredit Bank SA Romania, and Amundi Planet Sicav-SIF, Luxembourg.

Mrs. Nancy K. Kiruki
46 years
Company Secretary

Education and professional background

Mrs. Kiruki holds a Master of Laws Degree (LL.M) from the University of Cape Town and a Bachelor of Laws Degree (LL.B) from the University of Nairobi. She is also a Certified Public Secretary (CPS), 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. She is the Director, Legal and Company Secretary and has been with Britam Group for over 10 years. Prior to her current role, she was the Director Legal and Human Resources at Britam.

EXECUTIVE MANAGEMENT - CORPORATE

Dr. Benson I. Wairegi, EBS
Group Managing Director

Ms Gladys Karuri
Principal Executive Director

Dr. Muthoga Ngera
Corporate & External Affairs Director

Mrs. Nancy Kiruki
Director, Legal & Company Secretary

Mr. Kennedy Aosa
Director, International Insurance Business

Ms. Betty Mwangi
Group Commercial Director

Mr. James Maitho
Director, Human Resources

Ms. Fridaclare Katusya
Group Chief Finance Officer

Mr. Jude Anyiko, CFA
Group Chief Investment Officer

Mr. Jack Maina
Group Chief Operating Officer

Mr. Levi Nyakundi
Director, Marketing & Corporate Communication

Mr. Steve Magati
Group Head of Internal Audit

Mrs. Carol Misiko
Group Chief Risk & Compliance Officer

Ms. Susan Kariuki
Chief Actuary & Head of Product Development

Mr. Edward Kuria
Chief of Staff

EXECUTIVE MANAGEMENT - BUSINESS LEADERS

Mr. Ambrose Dabani
Chief Executive Officer,
Britam Life Assurance Company (K) Limited

Mr. Jackson Theuri
Ag. Chief Executive Officer,
Britam General Insurance Company (K) Limited

Mr. Kenneth Kaniu
Chief Executive Officer,
Britam Asset Managers (K) Limited

Mr. Saurabh Sharma
General Manager, Micro Insurance

Mr. John Githinji
Chief Executive Officer,
Britam Insurance Company (South Sudan) Limited

Mr. Grant Mwenechanya
Chief Executive Officer,
Britam Insurance Company (Malawi) Limited

Mr. Raymond Komanga
Chief Executive Officer,
Britam Insurance Company (Tanzania) Limited

Mr. Allan Mafabi
Chief Executive Officer,
Britam Insurance Company (Uganda) Limited

Mr. Martin Mandivenga
Chief Executive Officer,
Britam Compnhia De Seguros De Moçambique, SA

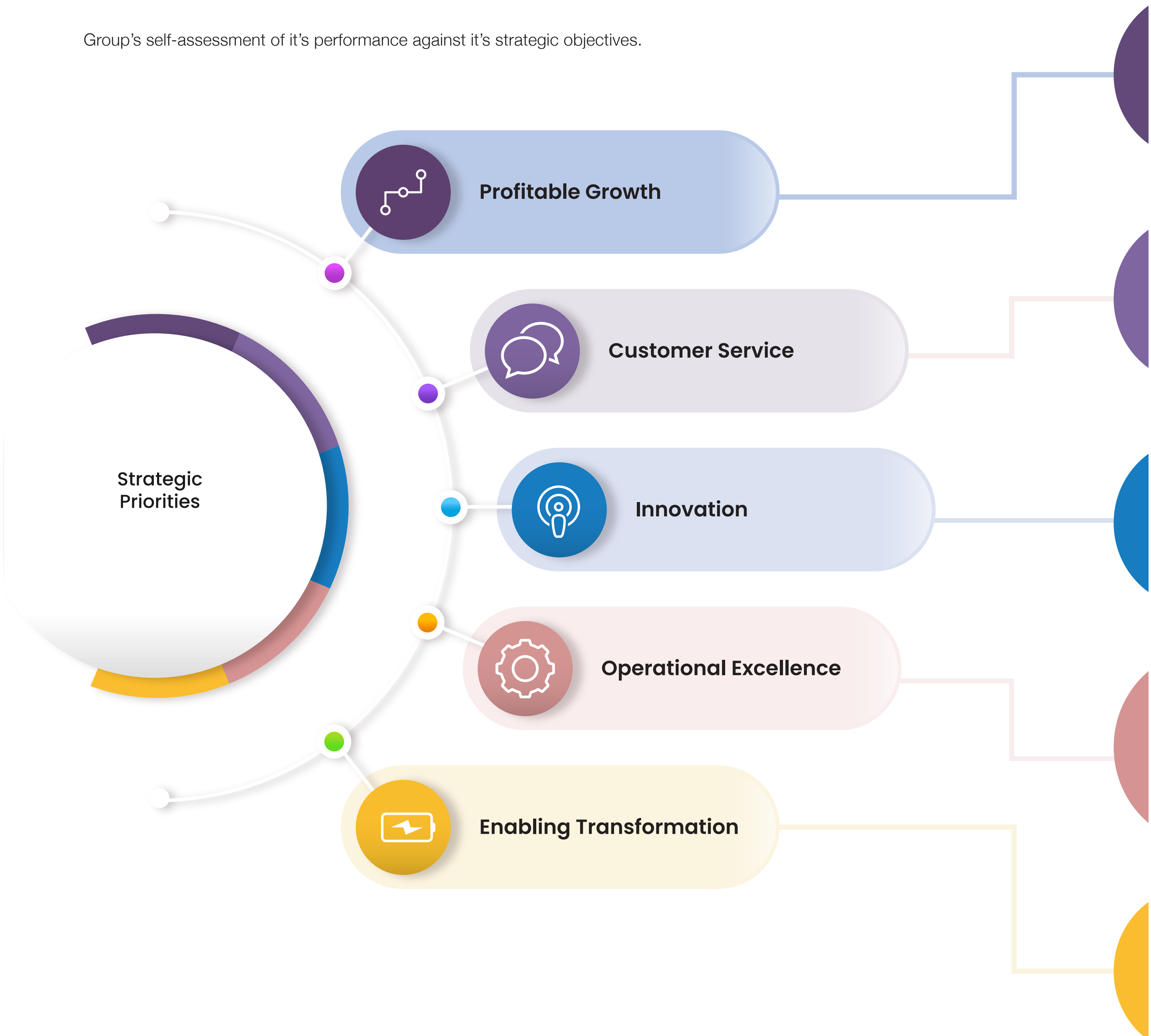
Mr. Raphael Mwito
Ag. Head of Property Services

Mr. Ronald Kasolo
General Manager,
Britam Asset Managers Company (Uganda) Limited

OUR PERFORMANCE

— Our Strategic Performance

Group's self-assessment of it's performance against it's strategic objectives.



Our Objective	Our Performance in 2019
• Make all businesses profitable. • Be the market leader in all our chosen markets. • Be a truly diversified financial services group.	• Reported a profit before tax of Shs 4.6 billion compared to a loss before tax of Shs 2.3 billion in 2018. • Continued leadership in Life Insurance with a 25 percent market share in long term business in Kenya. • Britam continues to offer a wide range of financial solutions in life assurance, general insurance, health insurance, retirement planning, asset management, property and banking.
• Ensure a "one stop shop" and a seamless experience for clients. • Engage in continuous brand building to become the trusted partner to our clients.	• Ensured continuous customer interaction through our 24-hour customer experience center. • Increased customer satisfaction through our Online Self Service Portal and Britam App. • Increased customer convenience by rolling out E-Policies for our Life products.

• Increase our share of wallet by designing products with customers in mind and deliver them in a timely manner.
• Develop innovative partnerships and distribution channels to increase our market penetration.
	• Continued innovation in our products and services:
	  • Launched our 24hr Road Assistant Service – Britam 24/7.
	  • Onboarded more than 8,000 clients through our digital platforms.
	  • All our Financial Advisors utilizing our FA portal system.
	  • Rolled out diverse solutions based on our clients' needs e.g. Britam Milele and Cybercrime cover.

• Improve operational efficiency and cost-to-income ratio to 35 percent by 2020. • Ensure optimum underwriting quality and reduce loss ratios to below 50 percent.	• Data analytics: Use of continued data analytics in our medical and motor book to detect fraud and drive efficiency. • Data analytics enabled by our investment in systems – INSIS and AIMs. • Revised processes: Rollout of IPA and ImageNow has enabled us to be more efficient and cost save by digitizing some of our back office operations.
• Create a high performance, proactive culture and motivated team. • Develop an IT ecosystem that supports digital enterprise.	• Continuous focus on high performance based on revised performance matrix across the Group and revised incentive structures and talent management framework. • Ensuring continued learning and innovation through our Britam Leadership and Innovation Centre.

OUR PERFORMANCE

— Our Strategic Performance (Continued)

Our Strategy has been enabled by our investment in technology and development of our people:

- We continue to create value for our employees through leadership and technical training and global mobility opportunities across all our businesses and regions.
- We enhanced and upgraded our core systems to meet business needs, automate business lines and mitigate risks.
- Enhanced our digital channels ability to serve and delight our customers as well as increase revenue generating capabilities.
- These investments have enabled us to create value for our customers through the following;
  - » Customer convenience;
  - » Process innovation (operational excellence); and
  - » Product and service innovation

Customer Convenience:

Our customer satisfaction has improved greatly with our Net Promoter Score (NPS) currently at +30. This has been enabled through continuous customer interaction through our 24-hour service center and online service portals. Likewise, we also increased our customer's convenience by enabling our online sales platform for some of our key products.

Britam Enabled Omnichannel Experience

45% of customers are still walk-ins

55% of customers are now utilizing our non-physical infrastructure

40%+ growth of visitors on our customer portal from January 2019

Collectively **>8000** customers were onboarded through our digital platforms

Process Innovation (Operational Excellence)

Financial Advisors Portal

Automated the sales process and integrated it with our back-end office activities – Document and Data Operation center (DDO).

Provide our customers with E-Policies reducing the Turnaround Time (TAT) from the quote to the delivery process..

Same Day approval for quotes sent via the FA Portal, and

Same Day policy issuance for M-pesa and receipted funds.

IPA Enabled Medical Claims Process

Significant reduction in our claims TAT and ability to pay suppliers within 30 days.

Medical claims for our General Insurance division are processed within our DDO Centre. The Centre is equipped with Intelligent Process Automation (IPA) – that is used to automate repetitive, manual, time-consuming rule based tasks or to establish a fully automated end-to-end process with the aid of a “software robot”

OUR PERFORMANCE

— Our Strategic Performance (Continued)

Product and Service Innovation

Britam 24/7 Rescue Service

In 2019, we launched our Britam 24/7 Road Assistance Rescue Service.

More than **80% of towing services** have involved our 24/7 Rescue facility leading to a **– 22% reduction** in towing costs and increasing our customer satisfaction.

Britam Milele

Our innovative inpatient medical cover offers our customers innovative packages including a **lifetime cover,** oversees treatment, free personal accident and critical illness cover among many more benefits.

>200 policies sold since launch.

OUR PERFORMANCE

— Our Financial Review

The operating environment recorded a positive trend with the stock market being regarded as the best performing frontier market leading to satisfactory performance of our strategic investments in equities. However, our property business did not perform well on account of subdued demand.

Gross Earned Premiums

The insurance business revenue recorded a growth of 11.5 percent with the Kenya insurance business registering a 9 percent growth. The international businesses registered a higher growth rate of 22 percent and contributed to insurance business revenue of Shs 5.2 billion (2018: Shs 4.3 billion), which accounted for 19 percent (2018: 18 percent) of the total insurance business revenue.

Investments and Other Income

Dividends and interest income increased by 25 percent from Shs 6.2 billion in 2018 to Shs 7.7 billion.

Income from investment property - which comprises rental income, fair value movements in investment properties and investment in property funds decreased by 247 percent to register a loss of Shs 747.0 million as a result of revaluation losses recorded in the year on the back of depressed property market from a gain of Shs 507.2 million in 2018.

The Group's investment in equities returned unrealised fair value gains amounting to Shs 3.4 billion (2018: Loss of Shs 1.7 billion) and fair value gains on disposal of shares of Shs 410.0 million (2018: Shs 18.5 million). These have been accounted for in the consolidated statement of profit or loss. In addition, revaluation gains of Shs 2.3 billion (2018: Loss of Shs 594.4 million) were recognised in the statement of comprehensive income. The fair value gains are due to the bullish market we experienced in the equities market at the Nairobi Securities Exchange.

The share of loss of the associate accounted for Shs 53.1 million (2018: Shs 289.7 million) in the Group profit before tax, an improvement of 82 percent indicating an improvement in the performance of the associate. In light of this performance, the lifting of the capping laws and the projected future performance of the associate, no additional impairment in the investment in the associate has been booked in 2019 (2018: impairment of Shs 1.6 billion).

Net Insurance Benefits and Claims

Net insurance benefits increased by 8 percent from Shs 14.2 billion in 2018 to Shs 15.4 billion in 2019. This was driven by 8 percent growth (Shs 723 million) in net benefits for the long term business. Given its size and nature, the life business accounts for more than 60 percent of the consolidated claims for the group. The growth in the claims (net benefits) is in line with the growth in the life business topline of 17 percent and the decline in the yield curve resulting in higher reserves.

Operating Expenses

Cost to income ratio is a key focus for 2016 - 2020 strategy and therefore significant and deliberate efforts and structures are continually being implemented to ensure our strategic cost objectives are achieved.

Operating expenses increased by 7 percent from 2018. The main categories of expenses are employee costs, technology related costs, business acquisition costs and office rent.

Most of these costs increased during the period for various reasons ranging from inflation and realignments in the business to investments for business growth and support.

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 profit before tax of Shs 4.6 billion compared to a loss before tax of Shs 2.3 billion last year, and a total comprehensive income of Shs 5.4 billion compared to a total comprehensive loss of Shs 2.9 billion in 2018. The main contributor to the difference between the reported profit before tax and the total comprehensive income in 2019 is the gains resulting from the revaluation of the strategic investment in Equity Group Holdings Plc, which is marked to market.

OUR PERFORMANCE

— Our Financial Review (Continued)

Capital Adequacy and Solvency Margins

The Group ensures that its available resources are allocated in a way that is capital efficient, meets the Group's risk appetite and ensures that optimal returns are made while ensuring compliance with various regulations that govern most of its businesses; with 11 out of the 13 entities within the Group being regulated. Details of capital and solvency positions for the Group companies are disclosed in Note 52(e).

Consolidated Statement of Financial Position

We have reported an increase of 20.8 percent in total assets during the year while shareholders' funds have grown by 23.0 percent. The international businesses accounted for 7 percent of the total assets of the group, which remained unchanged from 2018.

Outlook

The year 2020 presents a challenging macro environment. Signs of likely negative impact on the Group are already emerging attributed to new global and regional risks including COVID-19 and the locust invasion. This is in addition to a decline in stock market performance.

OUR PERFORMANCE

— Our People

Our "people" vision remains "To transform Britam into an employer of choice, with loyal, motivated engaged staff." We pride ourselves at creating a very dynamic and energetic organisation, thanks to our people.

The delivery of our strategy is enabled through the skills, experience and, most importantly, the passion of our people. We understand that a quality and engaged workforce is critical to our success. These are our greatest assets and we invest in them to realize their full potential.

Benefits to Britam Employees

Competitive and Fair Remuneration

Britam's remuneration philosophy is to link reward to performance. Senior management who develop and execute strategy have a higher proportion of variable pay.

Career Advancement

Our comprehensive programmes identify and nurture scarce human capital. This is done through:

- Performance and talent management
- Leadership and management development programmes
- Internal and external technical training
- Performance objectives linked to strategy
- International mobility programmes and
- Graduate Trainee Programme

Fringe Benefits

Value-added benefits recognise practical and day-to-day employee needs and over time deliver healthier and more productive employees. These include

- Staff loans at very competitive interest rates
- Medical cover
- Pension benefit
- Group personal accident cover
- Group life cover
- Leave (Annual, Sick, Maternity, Paternity, Compassionate and Study Leave)
- Performance based bonuses
- Flexi-time work schedule

Equal Opportunity

Non-discrimination is at the centre of our culture. We believe a widely representative workforce creates a competitive advantage across our communities and markets.

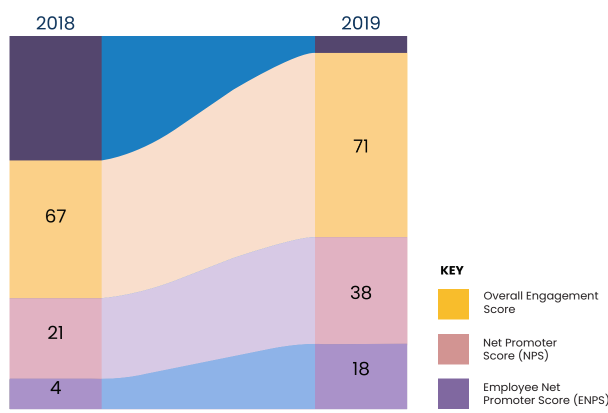
Benefits to Britam

- Ability to implement strategy and provide competitive returns on shareholder capital
- Active promotion of the Britam brand
- Maximization of opportunities from diverse and inclusive working culture
- A fair balance between performance delivery and cost of employment
- Reduced employee turnover
- Lower risks of fraud and poor productivity

We Embrace Diversity

We commit to valuing the uniqueness of people and diversity of thought particularly in relation to generation, gender and geographical differences. Embracing the diversity comes with opportunities relating to ideas, skills, competencies, experience and work ethic. This is a key enabler in driving the Group strategy.

Key HR Performance Dimensions

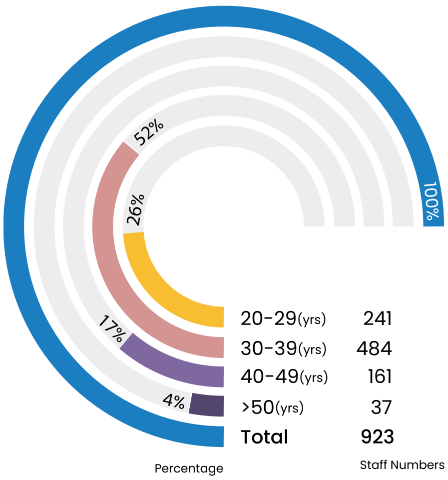


The growth in numbers on our overall engagement scores are attributed to the fact that all employees have a greater understanding of their role, it's expectations of and the impact it has to the organization.

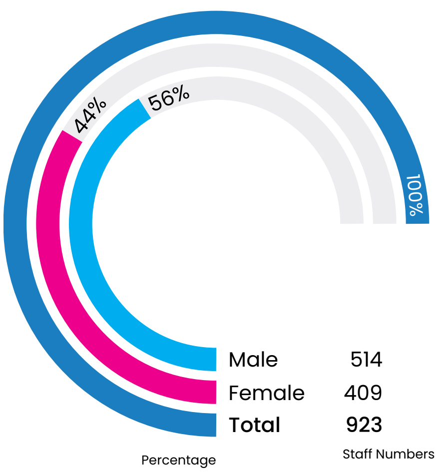
OUR PERFORMANCE

— Our People (Continued)

Staff Age Distribution (Yrs)



Staff Gender Distribution



Britam Leadership and Innovation Centre

In September 2019, we launched the Britam Leadership and Innovation Centre, with the main objective of supporting Britam's transformation to a learning organization that encourages staff to increase their knowledge, competence and performance on an ongoing basis. This will be achieved through leadership, management and technical skills development, workplace coaching and mentoring. This is expected to promote continuous improvement and support the achievement of business goals, innovation and the ability to deal with change.

The Centre is an Innovation Hub, where teams conduct brainstorming sessions, focus group discussions among other innovation activities.

The Centre will serve our entire workforce across our African footprint in addition to the financial advisors and branch network. This is a clear demonstration of Britam's leadership within the industry in developing human capital across the region to support economic growth.

The Centre can accommodate approximately 150 participants at a time. Each training room is fitted with a modern video conferencing capability to allow our staff to participate in learning conducted in any of our offices in the region.

OUR PERFORMANCE

— Our People (Continued)

Having invested heavily in staff learning and development, Britam aims to attract the best and brightest talent in the industry to drive a high performance culture, staff engagement, customer satisfaction and profitability.

Britam Global Mobility Programme

During the year under review, we successfully launched our Global Mobility Programme. The programme is key to Britam's Talent Development Strategy and focuses on deploying staff across regional country businesses through role swap.

We believe that international exposure is critical in growing our regional business. It also presents an attractive development opportunity for employees. Britam is committed to investing in global mobility, mobilizing talent into the right roles, and developing a diverse talent pipeline. A total of eight staff participated in the three months programme from Uganda, Malawi, Rwanda, South Sudan, Tanzania and Mozambique.

Britam Regional Graduate Trainee Program - 2019

Our two year graduate trainee programme 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 2019, a total of 16 candidates were selected in all our international business entities. The trainees will receive a rotational experience, on-the-job training and formal technical skills training. They will also work in specific business units and departments to gain perspective of the business as a whole.

Part of the energetic Team Malawi

OUR PERFORMANCE

— Our Corporate Social Responsibility Highlights

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 reinforce the Company's corporate strategy and leverage on key focus areas of the business.

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.

Our focus areas are education, environmental conservation, water, health, disaster relief, economic empowerment, arts, culture and sports.

In 2019, we sponsored the following activities:

Britam Kenya Guineas Race Day

Spent Shs 3 million to sponsor the 2019 Britam Kenya Guineas Race Day for the sixth consecutive year. The annual event is the largest in Kenya's horse racing calendar, drawing thousands of fans. The funds raised go towards the training of local jockeys, purchase of crucial protective equipment and conservation of the forest area surrounding the Ngong Race Course.

Beyond Zero Half Marathon

Sponsored the 4th edition of the Beyond Zero Half Marathon to the tune of Shs 5 million. This initiative focuses on neglected health challenges including adolescent health; repair and reintegration of women living with obstetric fistula; social inclusion of children living with disability; increasing the engagement of men in reproductive health for their own benefit and that of their families.

Women Corporate Directors Kenya Chapter

Sponsored the Women Corporate Directors Kenya Chapter to the tune of Shs 500,000. The organization supports women directors by improving their international knowledge and connections and enables them to have more impact and influence on governance and public policy in the boardroom.

Rotary Club of Karura

Donated Shs 100,000 to the Rotary Club of Karura. The funds went towards establishing and equipping libraries at selected schools in Mathare Valley in Nairobi and Samburu County.

Extending our CSR by Leveraging on our Regional Presence

Support to Development Aid from People to People (DAPP) initiative in Malawi

In Malawi, through our subsidiary Britam Malawi, we supported the Development Aid from People to People (DAPP) initiative with a donation of one million Kwacha towards the purchase of computers for their Teacher Training Colleges. These colleges play a critical role in reducing unemployment through training and equipping of teachers for the rural primary schools. They also offer short courses in skills such as tailoring to vulnerable girls and young women to enhance their income generating capacity.

Supporting different initiatives by our communities in Uganda

In Uganda, through our subsidiary Britam Uganda, we were involved in supporting the following among other initiatives;

- Donation of a Borehole to the community of Adak in Agago District. This, through a partnership with World Vision International (Uganda)
- The NSSF Marathon targeted at improving the quality of infrastructure for Kampala Capital City Authority(KCCA) supported schools in the capital City.
- Kampala Capital City Authority Football Club (KCCAFC) through provision of Medical Insurance to the team and its administration.
- Donation of various scholastic and sanitary health items towards students of Mbuya Church of Uganda Primary School.
- Various Rotary Uganda activities with a highlight on the Rotary Club of Lubowa and Rotary Acacia Sunset club. Britam contributed towards the setting up of an accident trauma ward.

OUR PERFORMANCE

— *Our Environmental Sustainability Highlights*

Britam as a leader in its industry offers it a perfect position to pursue sustainable environmental initiatives in its operations. This is in line with international initiatives such as the United Nations Sustainable Development Goals (SDGs). Britam considers it important to not only look at the issues of today but look towards the future from a long term perspective.

The company efforts and initiatives in this regard are guided by the Environmental and Social Sustainability Policy in place.

Some of our key 2019 Environmental Sustainability Highlights include:

Britam Tower Energy and Water Saving Solutions

The 31 Storey Award-Winning Britam Tower continues to offer environmental solutions that support our environmental sustainability initiatives through adhering to international green building standards.

The key green features include but are not limited to;

- Rain water harvesting
- Water recycling and reuse facilities
- Use of water, energy saving sanitary, and light fixtures
- Maximization of the utilization of natural ventilation and daylight

The Tower is also compliant with international fire safety standards.

Digitization of Life Business Processes

In line with paperless on-boarding and servicing of all Retail clients & products, we have introduced various initiatives geared towards providing our retail life insurance and pension's customers with a full self-service Omni-channel tools and functionality. The purpose is to enhance customer experience and reduce the cost of providing services by eliminating the physical service delivery. The following are few of the paperless initiatives that we have so far rolled out;

E-Policy Delivery

The electronic delivery of Individual life policy documents enables customers to get their policies on real time basis and eliminates the need to print policy documents and the related costs such as special papers, franking machines, workstations, scanners, assembly and dispatch.

E-Statement Delivery

Customers are now receiving their monthly statements electronically without the need to visit our branches or our contact centers.

Digital On-boarding of customers

This has been achieved through USSD and the buy-online platforms for investment linked and term policies.

Processing of Premium payment through the customer portal and Mobile App

Customers can make premium payment at their own convenience by accessing the customer portal, https://customerconnect.britam.com/home or through mobile app.

Processing of Policy loans through the customer portal

Customers are now able to initiate policy loan requests without visiting our branches or calling.

Service Requests through the customer portal and mobile app

Customers can initiate service requests (SRs) through the portal or mobile app.

Digital Motor Certificates

Together with other players in the industry we continue to support our clients to accelerate the uptake of digital certificates which has achieved great slides in the following;

- Enhances traceability of the motor vehicle insurance certificate
- Reduction of fraud by ensuring that only one motor vehicle insurance certificate is issued per vehicle
- No need to worry about the loss or mutilated of motor insurance certificate, as one can always print another copy
- It's possible to query the status of their motor vehicle insurance through AKI
- Provides real-time validation for both the clients and traffic authorities.

OUR CONTROL ENVIRONMENT

Our Enterprise Risk Management (ERM) Framework

Our risk management activities ensure the long-term resilience and stability of Britam Holdings Plc. We accept the risks inherent in our core business lines of insurance and asset management. Even as we accept these inherent risks, we seek to diversify them through our scale, geographic spread, variety of products and services we offer and the channels through which we sell them.

With the premiums and fees that we receive from our customers, we invest to maximize risk-adjusted returns so that we can fulfil our promises to customers while also providing a return to our shareholders.

Because of this obligation to our customers and shareholders, we have a preference for retaining those risks that we believe we are capable of managing to generate a return.

The Elements of our ERM Framework

Britam Holdings Plc has a robust and comprehensive enterprise risk management framework comprising of a system of governance, risk management processes and a risk appetite framework.

ERM Framework

Board of Directors	Reviews and approves ERM Framework Defines and establishes risk governance structures and Systems Approves risk strategies, risk appetite and policies Achieves assurance through external and internal audit RM functions
Senior Management	Implement strategies and policies approved by the Board Accountable for governance structures, risk appetite, risk strategy and policies Approves procedures, ensures that all audit actions are implemented
Policies, Procedures and Risk Appetite	The management develops policies, procedures and risk measurement for customisation by the various business units and specific activities as appropriate
Risk Management	Establishes a set of internal controls for adoption by subsidiaries, develops effective preventative, corrective and detective controls to reduce scope of risk
Internal Controls	Establishes risk management techniques for risk identification, measuring and monitoring and reporting and adoption
Risks: Strategic, Financial, Operational, Compliance	Group owner for each risk type

OUR CONTROL ENVIRONMENT

Types of Risk Inherent In Our Business Model

As a diversified financial services group, Britam Holdings Plc has 3 types of risk that are inherent to our business model.

Risks that customers transfer to us:

- **Life Insurance risk:** Includes the risk that our annuity customers will live longer than we expect (*longevity risk*), the risk that our customers with life protection may not reach their expected lifespans (*mortality risk*), the risk that costs to administer policies exceed our expectation (e*xpense risk)* and the risk that customers lapse or surrender their policies prematurely (*persistency risk)*.
- **General Insurance risk:** This is the risk arising from loss events such as fire, flooding, theft or accidents.
- **Accident and Health Insurance risk:** This is the risk that covers healthcare costs and loss of earnings arising from customer falling ill or facing injuries.

Risks arising from our investments and other core activities:

- **Credit/Counterparty risk:** Credit and counterparty risks are about the likelihood that money lent or contracts entered into with third parties may not be honoured and we then have principal and interest at risk, i.e. an event of default, and on our ability to take on large insurance risks.
- **Liquidity risk:** This is the risk of not being able to make payments as they become due because there are insufficient assets in cash and near cash instruments.
- **Market risk:** This is the risk that results from fluctuations in the value of assets, including equity prices, property prices, foreign exchange, inflation and interest rates.

Risks from our operations:

- **Operational risk:** These are direct or indirect losses that arise from inadequate or failed internal processes, people and systems, fraud or external events including changes in the regulatory environment.
- **Strategic risk:** This is the risk that may arise from poor business decisions, substandard execution of decisions, inadequate resource allocation or failure to respond well to changes in the business environment.

Our Risk Management Principles

The risk management and control model deployed by Britam Holdings Plc is based on the principles set down 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:

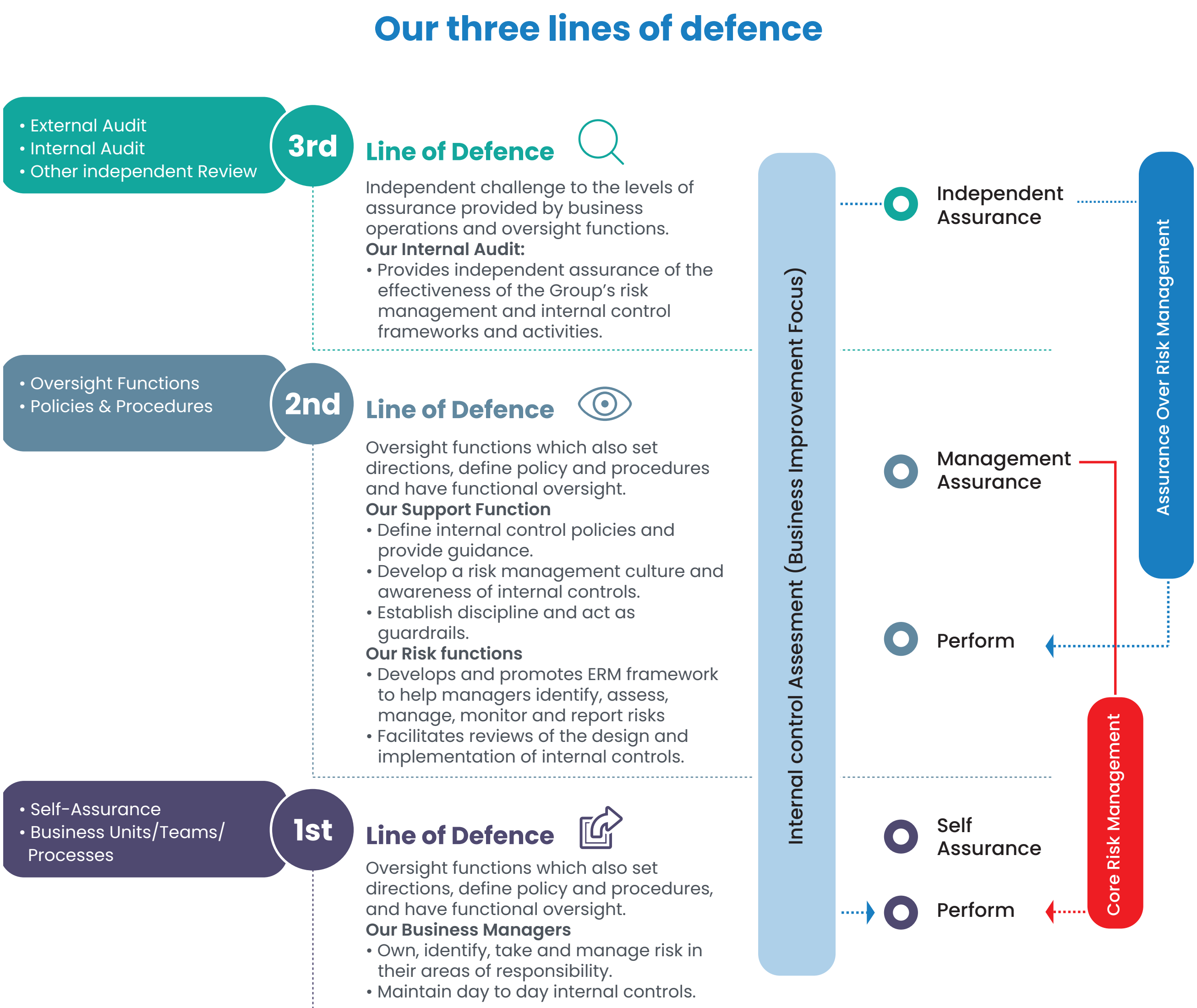
- **An advanced and comprehensive risk management policy, with a forward-looking approach** that allows the Group to maintain an appropriate risk profile, through a risk appetite approved by the Board of Directors and the identification and assessment of all risks.
- **A model predicated on autonomous subsidiaries with robust governance** based on a delegation of authority and organization structure that separates the risk management and control functions from the business operations. This clearly defined delegation of authority ensures that subsidiaries are accountable for the risk they take on, and their incentives are aligned with the overall business objectives.
- **Information and technology driven processes** aimed to identify, develop, manage and report on risks to the appropriate levels.

OUR CONTROL ENVIRONMENT

- **A risk culture integrated throughout the Group** composed of a series of attitudes, values, skills and action guidelines to deal with identified 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, stress testing and scenario analysis, risk reporting framework, budgetary processes, etc.) make up elements of our risk management and control framework.

How we Share our Risk Management Responsibilities



OUR CONTROL ENVIRONMENT

Overview of our Principal Risks

INSURANCE RISK

Risk Description	Source of Risk	Mitigation
The risk that the claims and premium liabilities estimated is lower than the actual claims that the company ends up settling in the case of an insured event materialising.	▪ Higher claims liabilities than projected. ▪ Higher premium 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 these risks

MARKET RISK

Risk Description	Source of Risk	Mitigation
The risk that the financial assets held reduce in value below the value at the time of acquisition or the carrying value. 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 and/or diversification of equity holdings 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 foreign currency risk. ▪ Hedging of foreign currency transaction risk through holding matching currency assets. ▪ Operating within the risk appetite limits for property to avoid over-exposure.

CREDIT 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 and registers a loss on the transaction.	▪ Premium receivables – i.e. outstanding premium/funds from clients and intermediaries such as brokers. ▪ Reinsurance exposures – i.e., reinsurers share of liabilities and any outstanding commissions and claims. ▪ Bank deposits. ▪ Corporate bonds and commercial papers. ▪ 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 from 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 and financial advisors in terms of mortgages, car loans, and other facilities. There is a rigorous underwriting process.

OUR CONTROL ENVIRONMENT

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**
The risk of loss resulting from inadequate or failed internal processes, people and systems or external events.	▪ People ▪ Process ▪ Systems ▪ External events ▪ Cybersecurity	A comprehensive operational risk management framework has been deployed with the following key components: ▪ Risk and control self-assessments ▪ Key Risk Indicators ▪ Operational risk incidents management

Other Material and Emerging Non – Financial Risks

Compliance Risks

Britam minimises compliance risk by ensuring that activities of the Group are conducted in accordance with all regulations, codes of conduct and standards of good practice applicable in all the jurisdictions it operates in, as well as conforming to internal policies and standards of operation, and with the highest ethical standards.

At a minimum, all activities and operational areas of Britam are governed by policy. The Group believes that no customer relationship is worth compromising its commitment to combating money laundering and terrorism financing.

Environmental and Social (E&S) Risks

We recognise that the focus on the societal impact of businesses and performance on wider Environmental, Social and Governance (ESG) factors continues to evolve rapidly, with increasing interest from a wide range of stakeholders including clients, investors, policy makers and regulators. We will maintain and enhance our focus on integrating these issues with our core business strategy, ensuring we manage and deliver societal impact in a way that generates enduring long-term returns for investors and society.

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 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:

- Comply with the E&S Management Policy;
- Ensure that where appropriate environmental and social risk mitigation clauses are integrated into contracts; and
- Monitor compliance with the E&S policy and procedures.

OUR CONTROL ENVIRONMENT

Other Material and Emerging Non – Financial Risks *(continued)*

Fraud Risks

Britam is focused on fraud prevention through focused fraud awareness training and fraud risk assessments. Britam Group is in the process of implementing its fraud management framework to pro-actively identify potential fraudulent activities before they crystallize to losses.

This will ensure that fraudulent activities are reduced to a minimum level through proactive detection and response. Britam also has a whistle blowing hotline that helps management to be informed at an early stage about suspected fraudulent, immoral, unethical or malicious activities or misconduct and take appropriate actions that will deter and prevent such activities.

Cyber Security Risks

Cybercrime is a growing threat globally. Cybercriminals are also getting more aggressive. In the financial sector, it poses a serious challenge, since the financial services players are custodians of confidential customer information.

Britam has invested more in sophisticated software to prevent cyber-attacks and has deployed increased resources including more personnel to analyse our cyber security and perform risk assessments.

Data Protection and Privacy Risks

Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and 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. We also carry out regular penetration testing of our systems.


Milele Health Plan
Health for Life
• Lifetime Cover
• Overseas Treatment
• Free Personal Accident & Critical illness cover
• Free professional consultation in stress management, nutrition & health
• Family Planning
Regulated by Insurance Regulatory Authority
For more info, call 0705 100 100
info@britam.com
www.britam.com
BritamEA
BritamEA

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement

Britam Holdings Plc is committed to the highest standards of corporate governance and business ethics and recognizes 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.

The Board of Directors ("Board") of Britam Holdings Plc ("Company") recognizes that it has responsibilities to its shareholders, customers, employees, business partners as well as to the communities in which the entities it controls operates.

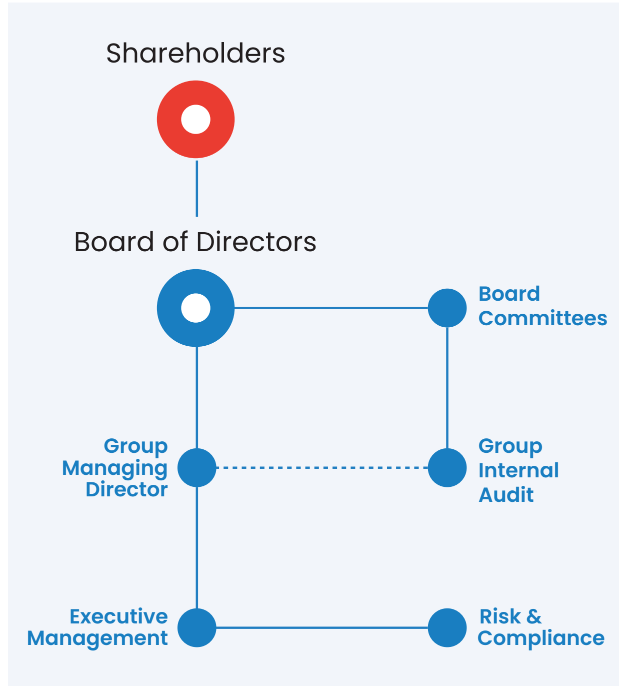
The Board and management of the Company continues to comply with Corporate Governance Guidelines as prescribed by regulatory authorities that govern its operations and that of its subsidiaries including the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

This statement details key corporate governance practices of Britam Holdings Plc and its subsidiaries.

Governance Structure

The governance structure of Britam Holdings Plc comprises of several governance bodies with well-defined roles and responsibilities, greater accountability and clear reporting lines. These include the Board, Board Committees, Management and Management Committees. The Board and Board Committees are responsible for setting strategy, risk appetite and oversight. Management and Management Committees are responsible for executing strategy and driving performance. Strategic business units and support functions are responsible and accountable for conducting operations and assuming risk under the purview of Management.

The fundamental relationships between the Shareholders, the Board, Executive Management is illustrated alongside;



Statement of Compliance

Britam Holdings Plc continues to adhere to its continuing obligations as a listed company in compliance with CMA listing regulations, the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (The CMA Corporate Governance Code) 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 Articles of Association.

Board Management

The Board of Directors meets at least once every quarter and operates within a formal schedule based on the agreed Board work plan and Board calendar. 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 Group in accordance with the Board instructions.

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

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 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. 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, and approved by the Board;
- The Board's primary responsibilities include determining the Company's purpose and values, 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 Group Managing Director;
- The roles of the Chairman and Group Managing Director 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; and
- The Board may take independent professional advice in furtherance of its duties.

Board Composition

The Board of Directors is made up of eleven (11) members as at the end of the reporting year, of whom two (2) are executive director and nine (9) are non-executive directors. The Chairman and three (3) of the non-executive directors are independent directors as defined by the CMA 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) and assists the Board in discharging its responsibilities.

Board Diversity

The Company seeks to have a Board that has the right mix of individuals with relevant attributes, skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide management in ensuring the highest performance of the Company.

The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to effectively deliver the strategy of the Company.

In terms of gender ratio the Board has a ratio of men to women of 73% to 27%. The target is to have a minimum of 33% of either gender.

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

Separation of Roles of the Board Chair and Group Managing Director

In line with best practice in Corporate Governance, the positions of Chairman and Group Managing Director are separate, facilitating the balance of power and authority. The Board Charter, which is regularly reviewed also provides for a clear definition of the roles and responsibilities of the Board Chairman, Directors, Group Managing Director and the Company Secretary.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness. The Chairman is also responsible for ensuring that the interests of the Company's shareholders, including minority shareholders, are safeguarded. The Chairman promotes good corporate governance and the highest standards of integrity and probity throughout the company.

The Group Managing Director has overall responsibility for the performance of the business and provides leadership to management in the day to day operations and implements strategies, plans, objectives and budget approved by the Board.

The Chairman and the Group Managing Director, meet from time to time in between Board meetings to set Board agenda, to discuss current and future developments and any material issue impacting the Company.

The non-executive Directors contribute to the development of the Company's strategy by bringing an objective and independent view on matters, challenging management constructively using their expertise. The directors ensure that the Company has in place internal controls as well as a robust system of risk management, and that the financial information released to the market and shareholders is accurate. They remain bound by fiduciary duties and duties of care and skill.

The Company Secretary plays a critical role in facilitating good corporate governance and has the responsibilities which include ensuring conduct of the Board and general meetings in accordance with the Group's Articles of Association, the Board Charter and relevant legislation, maintaining statutory registers, assisting directors with respect to their duties and responsibilities by ensuring good information flow and ensuring compliance with all relevant statutory and regulatory requirements.

Board Induction

Each new director on appointment is provided with a comprehensive and tailored induction covering the Group's business and operations and their legal and regulatory obligations. The new non-executive Directors also receive a full induction programme which consists of a series of meetings with senior executives to enable new directors familiarize themselves with the business. They also receive comprehensive guidance from the Company Secretary on Directors' duties and responsibilities.

An induction pack which comprises the Articles of Association, Board Charter, Directors' guide, organizational structure and information on the overview of the organization and its strategy is availed to the director.

The Company as part of the requirement to continuously develop knowledge and skills, ensures that the directors undergo training on corporate governance and other trainings that are relevant and useful in the performance of their roles.

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 Britam must be at arm's length and fully disclosed to the Board, which must consider and approve it. A director must recuse him/herself from discussing or voting on matters of real and with the 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 through the Nairobi Securities Exchange (NSE) without being in contravention of any statutory requirements. The Board complied with all the policies herein.

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

Board changes in the year

Mr. Mike Laiser an Independent non-executive director retired from the Board on 15 May 2019. Ms. Josephine Ossiya was appointed on 15 May 2019 as an Independent non-executive director. Mr. George Odo a non-executive director resigned voluntarily from the Board on 4 July 2019 but continued to serve in the Board as he was appointed as the representative of Africinvest III SPV. 1, which was appointed to the Board as a Corporate Director on 4 July 2019. Mr. Stephen Wandera having retired from employment of Britam Holdings Plc on 31 December 2019 is now a non-executive director of the Board.

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 2019 and the Annual General Meeting. Further, the Board reviewed its composition during the year and recommended for appointment by the shareholders one new director with a variety of skills and experience. The new director has been taken through an intensive induction to understand the Company and the roles of the Board.

The Directors attended training sessions on Corporate Governance, Effective Board and Risk Management. The sessions were a total of 18 training hours.

A Board Evaluation exercise was conducted in November 2019. This included the evaluation of the Board, Board Committees, 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 2019, the Board tracked the implementation of the action plans agreed from the 2018 Board evaluation exercise.

Board Evaluation

The Board reviews its performance and that of the Board Committees, individual directors, the Group Managing Director and the Company Secretary annually. The evaluation is conducted by an external consultant electronically and in a confidential manner.

The review in respect of the 2019 financial year was conducted by Dorion Associates. The evaluation process was based on some detailed questionnaires which were distributed electronically. The results were collated confidentially and results thereof reviewed and feedback presented to the Board.

The detailed questionnaire examined the balance of the skills of the directors, the operation of the Board practice, including governance issues, and the content of the Board meetings. The feedback process is used to identify opportunities to improve the performance of the Board and the Directors.

Engagement with Shareholders

Britam Holdings Plc is committed to giving its shareholders appropriate information and facilities to enable them to exercise their rights effectively. As a result, the Company seeks to provide shareholders with information that is timely, of high quality and relevant to their investment and listens and responds to their feedback. The Board recognizes the importance of maintaining transparency and accountability to its shareholders and works to ensure that all shareholders are treated equitably and their rights are protected.

Communication with the shareholders is through the annual report, full-year and half-yearly financial results, and briefings. We post all material investor information on the website www.britam.com. Shareholders are encouraged to visit the website for general information about the Company and to view the annual report. We also organize local and international investor roadshows and attend investor conferences to meet investors and shareholders.

The Company additionally releases material information to the Capital Markets Authority and the Nairobi Securities Exchange in line with all disclosure requirements in the Capital Markets Act as well as all other relevant regulations.

The Shareholders are facilitated and also strongly encouraged to attend and participate in the Annual

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

General Meeting. At the meeting, a reasonable opportunity is provided for shareholders to ask questions or make comments on the management and performance of the Company.

Engagement with shareholders is guided by Stakeholders Engagement Policy. Handling of disputes with internal and external parties are guided by the Dispute Resolution Policy a copy of which can be obtained from the company website.

All shareholders queries, application for registration of transfer of shares of the Company, immobilization of shares and dividend queries as well as the collection of share certificates and dividend cheques are handled by the Company's appointed share Registrar; Image Registrars Limited. The Registrar can be reached at their offices on 5 th Floor, Absa Towers (formerly Barclays Plaza) Loita Street, P.O Box 9287- 00100 Nairobi or through the e-mail address info@image.co.ke and also through the telephone numbers 0709170000, 0724699667, 0735565666.

Business Management

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

The Board recognizes 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.

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 in the year under review: -

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

Governance Audit

In line with the CMA Corporate Governance Code for Issuers of Securities to the Public, a governance audit was conducted on the Company in December 2019. The Governance Audit Report is included in pages 65 to 66

Statutory Audit

Appointment of Auditors

The Group's policy on appointment and rotation of statutory auditors provides for rotation of auditors every 4 years. The appointment process follows the procurement process as approved by the Group Board with the final approval of auditors by the Company's shareholders at the AGM. At every AGM, the shareholders approve the reappointment of auditors.

Independence of Statutory Auditors

Britam has measures in place to ensure the auditors maintain their independence at all times. This is achieved through oversight by the Board Audit Committee whose charter includes;

- Reviewing the independence, objectivity and effectiveness of the external auditor including their quality control procedures;
- Review the scope and extent of both audit and non-audit services provided to the company by the external auditors and any associated fees and terms of engagement, including the assessment of the non-impairment of the auditor's judgement and independence; and
- Ensure that the external auditor submits a formal written statement delineating all relationships between themselves and the Company (confirming their independence).

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

Board members' attendance

Members	Meetings Attended	Meetings eligible to attend	Percentage
Mr. Andrew Hollas (Chairman)	10	10	100%
Dr. Peter K. Munga	6	10	60%
Mr. Jimnah M. Mbaru	5	10	50%
Dr. Benson I. Wairegi	9	10	90%
Mr. Stephen Wandera	9	10	90%
Mr. Mike Laiser*	5	5	100%
Mr. Mohamed S. Karama	10	10	100%
Ms. Caroline J. Kigen	5	10	50%
Ms. Marianne Loner	9	10	90%
Mr. George Odo/ Africinvest III SPV 1	8	10	80%
Mr. Christopher Minter	8	10	80%
Ms. Josephine Ossiya**	5	5	100%

* retired from the Board on 15 May 2019

**appointed to the Board on 15 May 2019

Board Activities in 2019

The key Board activities for the year include:

- Review of the Board composition resulting in enhanced skills, mix, diversity and expertise. The Board also attended training and participated in Board evaluation.
- The Board commissioned a Governance Audit for the year 2019.
- Commissioned a review of the Articles of Association and Board Charter of Britam Holdings Plc and the Kenyan subsidiaries to align the constitutive and governance documents with the changes in the companies and in legislations.
- Held a corporate governance and effective Board training to enhance directors' and senior management contribution, effectiveness and share best corporate governance practices.

Committees of the Board

The Board is responsible for the management of the Group. It has delegated the detailed roles and responsibilities to five committees which meets at least three times a year. Each of the Committee is guided by specific terms of reference which are reviewed regularly and a work plan drawn and approved 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 2019 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 2019, the Committee reviewed internal controls, 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 Audit Committee Charter to align the same with the changes in laws and regulations and to take into account recent changes in best corporate governance practices.

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

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

Members	Status	Attended/ Eligible to attend	Percentage
Ms. Caroline J. Kigen (Chairperson)	Independent Non-Executive Director	3/6	50%
Mr. Mike Laiser*	Independent Non-Executive Director	3/3	100%
Mr. Mohamed S. Karama	Independent Non-Executive Director	6/6	100%
Ms. Josephine Ossiya**	Independent Non-Executive Director	3/3	100%

* retired from the Board on 15 May 2019

** appointed to the Board on 15 May 2019

Investments and Strategy Committee

The Investments and Strategy Committee determines the Group's investment strategy and policy and considers the proposed strategic investments and makes a recommendation to the Board. It also maintains an interactive strategic planning, implementation and monitoring process with management.

In 2019, the Committee reviewed the performance of the Company against the set strategy. It assisted management in the development of a corporate strategy, regularly reviewed the investment policy statements, standards, and procedures, reviewed the performance of the Company's investments portfolio, developed investment strategies for achieving the investment objective, assessed new investment opportunities, ensured that Management had the business plans and resources necessary to implement its Strategy and provided strategic direction for IT, procurement across the business to ensure effective and timely implementation of special projects.

The Committee reviewed the proposed 2020 strategic initiatives, financial plans and budgets proposed by management and recommended the same to the Board for approval. It also considered and reviewed a number of investment policies including but not limited to the dividend policy and liquidity management policy, which was recommended to the Board for approval.

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

Members	Status	Attended/ Eligible to attend	Percentage
Dr. Peter K. Munga (Chairman)	Non-Executive Director	2/4	50%
Mr. Jimnah M. Mbaru	Non-Executive Director	0/4	0%
Mr. Mohamed S. Karama	Independent Non-Executive Director	4/4	100%
Dr. Benson Wairegi	Executive Director	4/4	100%
Mr. George Odo/ Africinvest III 1	Non-Executive Director	3/4	75%

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, 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.

In 2019, the Committee continuously reviewed the risk profile and risk philosophy of the Company; ensured risk mitigation strategies were implemented; reviewed risk identification and measurement methodologies; monitored material or potential breaches of the Company's risk management strategy; and assessed and monitored the effectiveness of internal controls in place.

The Committee considered and recommended for Board approval a number of risk related policy including the Whistleblowing Policy.

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

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

Members	Status	Attended/ Eligible to attend	Percentage
Mr. Mike Laiser* (Chairman till 15 May 2019)	Independent Non-Executive Director	2/2	100%
Ms. Marianne Loner (Chairperson)	Non-Executive Director	5/5	100%
Ms. Caroline Kigen	Independent Non-Executive Director	3/5	60%
Mr. Stephen Wandera	Executive Director	4/5	80%
Mr. Christopher Minter	Non-Executive Director	1/1	100%

*retired from the Board on 15 May 2019

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.

During the year 2019, the Committee reviewed performance of senior management, compensation and bonus for senior management, approved the overall budgeted remuneration for the Company, reviewed the Organization Structure to ensure alignment with strategy and ensuring talent alignment and approved the annual staff complement. The Committee also implements group-wide HR and talent management policies to ensure alignment with local requirements, reviews the HR policies to ensure alignment with industry standards and adherence to the Labour Laws and regulations.

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

Members	Status	Attended/ Eligible to attend	Percentage
Mr. Andrew Hollas (Chairman)	Independent Non-Executive Director	5/5	100%
Dr. Peter K. Munga	Non-Executive Director	4/5	80%
Dr. Benson I. Wairegi	Group Managing Director	5/5	100%

Nomination and Governance Committee

The Committee reviews proposals for the appointment of new directors and ensures the Group adheres to the Corporate Governance Guidelines. The Committee is guided by the Articles of Association, the Board Charter, the Board Diversity Policy and the Board Selection Procedure Manual.

In 2019, the Committee coordinated the search and appointment of directors by reviewing and considering proposals for the appointment of new directors. The Committee reviewed the Britam Boards and Board Committees composition to ensure the mix of membership was appropriate and compatible with the needs of the Board and its Committees. It considered succession planning for Board, Board committees and Group Managing Director. The committee ensured that the principles of good governance were adhered to at all times.

The Committee also facilitated the review of Board performance and Board evaluation, the Governance Audit Process, Articles of association and Board Charter review and approved the guideline for virtual meetings.

OUR CORPORATE GOVERNANCE

— Our Corporate Governance Statement (Continued)

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

Members	Status	Attended/ Eligible to attend	Percentage
Mr. Andrew Hollas (Chairman)	Independent Non-Executive Director	4/4	100%
Dr. Peter K. Munga	Non-Executive Director	4/4	100%
Mr. Jimnah M. Mbaru	Non-Executive Director	0/4	0%
Dr. Benson I. Wairegi	Group Managing Director	4/4	100%

Policies

Britam Holdings Plc as part of implementation of best corporate governance practices and in compliance with the regulatory requirements has in place policies and practices to promote a culture of compliance, honesty and ethical behaviour. The policies stipulate the obligations of the organization to different stakeholders. The policies apply to all employees, directors, contractors and consultants working for the group.

The board in carrying out its mandate is also guided by the policies in place which include but are not limited to the following:-

- Dispute Resolution Policy
- Board Diversity Policy
- Insider Trading Policy
- Procurement Policy

Procurement Policy

The Group has put in place a procurement policy that encourage and promote fair and transparent procurement processes. The focus is to build and support mutually beneficial relationships with our suppliers. A management tender committee oversees award of tenders and there is sufficient assurance for procurement processes.

Insider Trading Policy

The Company has a policy on insider trading. Directors and staff are made aware that they ought not to trade in the Company's shares while in possession of any material insider information that is not available to the public or during a closed period. To ensure compliance with the Companies Act, 2015 the Company communicates 'closed' periods for trading in its shares.

Whistle Blowing Policy

Britam Holdings Plc ("the Group") directors, employees and stakeholders are expected to carry out their duties as required and conduct themselves in a professional manner at all times and in ways that bring credit to themselves and the Company. Employees are required to observe high standards of business and personal ethics, honesty and integrity in fulfilling their responsibilities within all applicable laws and regulations. The Whistleblowing Policy which is available on the Company's website, is intended to provide guidance to stakeholders who may have major concerns over any wrongdoing within the Group and its subsidiaries relating to unlawful conduct, financial malpractice or dangers to the public or the environment.

The policy provides for confidential and anonymous communication channels to raise concerns. The channels are supported and monitored independently through the following channels; Email: britam@whistleblowing.co.za Website: www.whistleblowing.co.za Fax: +28522816 Postal Address: P.O. Box 51006 Musgrave 4062.

Code of Conduct

The code of conduct which is available on the Company's website covers areas of transparency, accountability, confidentiality, equitable and fair treatment, fairness, misuse of position and information and prevention of corruption. The Company has adopted a zero tolerance approach to corruption, bribery and unethical business practices. The code sets out clear behavioural requirements.

OUR CORPORATE GOVERNANCE

— Shareholding report

Directors' Shareholding at 31 December 2019

No.	Names	Roles	Shares
1	Mr. W. Andrew Hollas	Chairman	-
2	Dr. Benson I. Wairegi	Group Managing Director	101,089, 300
3	Mr. Jimnah M. Mbaru	Director	194,800,100
4	Dr. Peter K. Munga	Director	75,000,000
5	Mr. Stephen O. Wandera	Director	50,000
6	Mr. Mike Laiser	Director	-
7	Mr. Mohamed S. Karama	Director	-
8	Ms. Caroline J. Kigen	Director	-
9	Ms. Marianne Loner	Director	-
10	Africinvest III SPV 1	Director	442,779,881
11	Mr. Christopher Minter	Director	-
12	Josephine Ossiya	Director	-

Share Capital

The authorised and issued share capital of Britam consists of only ordinary shares as disclosed on Note 16 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.

OUR CORPORATE GOVERNANCE

— Shareholding report (Continued)

Shareholding Distribution

The table below provides details of the number of shareholders and shares held within each of the bands/ranges stated in the register of members as at 31 December 2019.

Shareholder Volume Analysis

No.	Shareholding	No. of Shareholders	No. of Shares held	Percentage Shareholding
1	1 to 500	3,646	887,201	0.04%
2	501 to 5000	16,010	37,656,178	1.49%
3	5001 to 10000	2,332	18,313,843	0.73%
4	10001 to 100000	2,102	54,786,172	2.17%
5	100001 to 1000000	192	54,121,774	2.14%
6	1000001 and above	38	2,357,721,648	93.43%
	Grand totals	**24,320**	**2,523,486,816**	**100.00%**

Top Ten Shareholders

No.	Names	Shares	Percentage
1	AfricInvest III SPV 1	442,779,881	17.55%
2	Equity Holdings Limited	405,000,000	16.05%
3	Standard Chartered Nominees Resident A/C Ke003819	398,504,000	15.79%
4	Standard Chartered Nominees Non-Resident A/C Ke11396	230,564,205	9.14%
5	Standard Chartered Nominees Non-Resident A/C Ke11752	224,187,697	8.88%
6	Mr. Jimnah M. Mbaru	194,800,100	7.72%
7	Dr. Benson I. Wairegi	101,089,300	4.01%
8	Dr. Peter K. Munga	75,000,000	2.97%
9	Dr. James N. Mwangi	75,000,000	2.97%
10	Standard Chartered Nominees Non-Resident A/C Ke10085	39,349,800	1.56%
11	Others	337,211,833	13.36%
	Grand totals	**2,523,486,816**	**100.00%**

Shareholders Category Summary

Investor Pool	Records	Shares	Percentage
Local institutions	811	808,707,100	32.05%
Local individuals	23,402	608,998,524	24.13%
Foreign investors	107	1,105,781,192	43.82%
Grand totals	**24,320**	**2,523,486,816**	**100.00%**

OUR CORPORATE GOVERNANCE

— Directors Remuneration Report

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 year 2019 saw the appointment of an additional director to serve the growing diversification needs of the Group. There were also increased Board activities including a strategy retreat and training for which directors received sitting allowances. This has led to the increase in the directors' remuneration and expenses in 2019.

Non-Executive Directors

The remuneration of the directors is based on the demands made on them and compares favourably with relevant peer 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.

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 in-patient medical cover of Shs 200 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.

Directors Remuneration Report 2019

Name	Position	Annual retainer	Sitting allowances	Other allowances	Salaries & Other benefits	Total	No. of meetings attended
Mr. W. Andrew Hollas	Chairman	1,400,000	2,250,000	3,780,000	-	7,430,000	19/19
Dr. Peter K. Munga	Non-Executive Director	2,600,000	2,212,500	-	-	4,812,500	16/23
Mr. Jimnah M. Mbaru	Non-Executive Director	1,200,000	375,000	-	-	1,575,000	5/18
Mr. Mike Laiser*	Non-Executive Director	350,000	650,000	-	-	1,000,000	8/8
Mr. Mohamed S. Karama	Non-Executive Director	1,200,000	2,550,000	-	-	3,750,000	20/20
Ms. Caroline J. Kigen	Non-Executive Director	1,200,000	1,600,000	-	-	2,800,000	11/21
Ms. Marianne Loner	Non-Executive Director	1,200,000	2,025,000	-	-	3,225,000	14/15
Mr. George Odo/AfricInvest III SPV 1**	Non-Executive Director	1,200,000	1,762,500	-	-	2,962,500	11/14
Mr. Christopher Minter	Non-Executive Director	-	-	-	-	-	9/11
Ms. Josephine Ossiya***	Non-Executive Director	1,850,000	2,530,000	-	-	4,380,000	8/8
Dr. Benson I. Wairegi	Group Managing Director	-	-	-	98,626,386	98,626,386	22/23
Mr. Stephen O. Wandera****	Non-Executive Director	-	-	-	52,746,708	52,746,708	13/15
Total		**12,200,000**	**15,955,000**	**3,780,000**	**151,373,094**	**183,308,094**	

*Mr. Mike Laiser retired from the Board on 15 May 2019.

**Mr. George Odo voluntarily resigned from the Board on 4 July 2019 and his nominating shareholder Africinvest III SPV 1 was appointed to the Board as a Corporate Director on 4 July 2019, but he remained the representative of the corporate director.

***Ms. Josephine Ossiya was appointed to the Board on 15 May 2019.

OUR CORPORATE GOVERNANCE

— Directors Remuneration Report (Continued)

****Mr. Stephen Wandera is the immediate former Principal Executive Director (Business) at Britam Holdings Plc, overseeing the business aspects of all the Group subsidiaries. He retired as an employee of Britam Holdings Plc on 31 December 2019, having served the company for over 26 years. Effective 1 January 2020, Mr. Stephen Wandera is a non-executive director of Britam Holdings Plc and other subsidiaries in the Britam Group.

Directors Remuneration Report 2018

Name	Position	Annual retainer	Sitting allowances	Other allowances	Salaries & Other benefits	Total	No. of meetings attended
Mr. W. Andrew Hollas	Chairman	1,400,000	2,725,000	3,780,000	-	7,905,000	20/20
Dr. Peter K. Munga	Non-Executive Director	2,600,000	3,275,000	-	-	5,875,000	18/24
Mr. Jimnah M. Mbaru	Non-Executive Director	1,200,000	1,300,000	-	-	2,500,000	9/20
Mr. Mike Laiser	Non-Executive Director	700,000	1,675,000	-	-	2,375,000	18/18
Mr. Mohamed S. Karama	Non-Executive Director	1,200,000	2,200,000	-	-	3,400,000	15/18
Ms. Caroline J. Kigen	Non-Executive Director	1,200,000	2,427,700	-	-	3,627,700	16/18
Ms. Marianne Loner	Non-Executive Director	700,000	1,500,000	-	-	2,200,000	10/10
Mr. George Odo*	Non-Executive Director	350,000	525,000	-	-	875,000	3/3
Mr. Christopher Minter**	Non-Executive Director	-	-	-	-	-	-
Dr. Benson I. Wairegi	Group Managing Director	-	-	-	81,604,600	81,604,600	20/20
Mr. Stephen O. Wandera	Principal Executive Director - Business	-	-	-	40,907,000	40,907,000	13/14
Total		**9,350,000**	**15,627,700**	**3,780,000**	**122,511,600**	**151,269,300**	

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

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

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 2019, there was one training sessions and one board evaluation session. In 2018, there were three 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:** The remuneration for Non-executive Directors remained unchanged in 2019.

OUR CORPORATE GOVERNANCE

— Directors Remuneration Report (Continued)

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 Human Resources 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 with the market and 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 by the Board Compensation and Human Resources Committee. Only 70 percent of the bonus is paid in cash while the balance is retained and paid in subsequent two years as a deferred bonus.

Executive directors have individual contracts which are detailed below:

Dr. Benson I. Wairegi, Group Managing Director

Dr. Wairegi's contract of service commenced on 1 January 2018 and runs for a period of three years 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 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 remuneration for Dr. Wairegi for the last two years was as per the table above:

	2019	2018
Salary and allowances	65,865,600	63,252,000
Bonus	13,475,723	-
Non-cash benefits	1,061,064	1,231,000
Gratuity	18,223,999	17,121,600
Total Pay	**98,626,386**	**81,604,600**

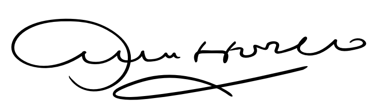
Mr. Stephen O. Wandera, Principal Executive Director – Business

Mr. Wandera's employment contract expired on reaching the Company HR policy's age of retirement of 60 years, which was reached on 31 December 2019. The Employment contract provided for a monthly pension contribution at 7.5 percent of the basic salary in accordance with the HR Policy. It also provided for a car benefit, residential security (guard and house alarm), medical cover and loans at staff rates. The employment contract provided for a notice period of three months. It did not provide for gratuity payment but provided that severance pay in the event he was made redundant or invited to take early retirement would be calculated on one month's total remuneration for every completed year of service.

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

	2019	2018
Salary and Allowances	41,736,000	39,788,000
Bonus	10,046,244	-
Non-Cash Benefits	964,464	1,119,000
Total Pay	**52,746,708**	**40,907,000**

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 51 (v) of the financial statements.



Mr. W. Andrew Hollas

Chairman

2 April 2020

OUR CORPORATE GOVERNANCE

GOVERNANCE AUDIT REPORT FOR THE YEAR 2019

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 Act and 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.

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.

OUR CORPORATE GOVERNANCE

GOVERNANCE AUDIT REPORT FOR THE YEAR 2019

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.

Catherine Musakali

FCS. Catherine Musakali, ICPSK GA. No 006

For Dorion Associates

2 April 2020

For more information about this GAR, please contact:

Catherine Musakali – cmusakali@dorion.co.ke

OUR CORPORATE GOVERNANCE

STATEMENT OF THE RESPONSIBILITIES OF THE DIRECTORS

The Kenya Companies Act, 2015 requires Directors 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.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code") requires listed companies 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 Code further requires that after undergoing the Governance Audit, the Directors should provide an explicit statement on the level of compliance.

The Directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practice, the requirements of the Kenya Companies Act, the Code and the Governance Audit Tool developed by the Institute of Certified Secretaries ("ICS"). The responsibility includes planning, designing and maintaining governance structures that ensure effective 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.

The Directors also accept responsibility for putting in place an effective and efficient Management Team and effective internal control and risk governance systems that are designed to promote good governance practice.

The Directors accept that the independent Governance Audit does not relieve them of their responsibilities.

The Directors are not aware of any material governance issues that may adversely impact the operations of the Company.

As required by the Code, therefore the Directors commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code, and adopted best practices in Corporate Governance in order to deliver long term value to stakeholders.

The Directors have adopted this Governance Audit report for the year ended 31 December 2019, 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 2 April 2020.

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

Our **Financial** Statements

REPORT OF THE DIRECTORS

The Board of Directors have the pleasure in presenting the 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 2019, 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 insurance, investment management, property businesses and private equity. The Company is an investments holding entity.

RESULTS AND DIVIDEND

Profit after tax of Shs 3,542,625,000 (2018: Loss after tax of Shs 2,210,285,000) has been added to the retained earnings.

The Directors recommend the payment of a dividend of Shs 0.25 per share totalling to Shs 630,872,000 for the year ended 31 December 2019 (2018: Nil).

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 11 percent to Shs 27.7 billion. The Kenya Insurance businesses recorded a premium growth of 9 percent. However, our regional businesses grew at a faster rate of 22.0% contributing 19 percent of the Group’s topline.

The embedded value for the Life business increased to Shs 17 billion with a significant return of 26.9 percent given the economic environment at the moment.

The Group’s total assets increased to Shs 125.2 billion with net assets at Shs 29.4 billion.

The Group returned a profit before income tax of Shs 4.6 billion from a loss before income tax of Shs 2.3 billion reported in 2018 and total comprehensive income of Shs 5.4 billion compared to a loss of Shs 2.9 billion in 2018. The recovery of the NSE and improved performance of the strategic investments saw the Group record unrealised gains on listed equities of Shs 3.4 billion compared to an unrealised loss Shs 3.2 billion in 2018.

The asset management business continued its accelerated growth achieving Assets Under Management (AUM) of Shs 227.0 billion, a 55 percent growth from last year. The shareholders’ funds have increased by 23.0% as a result of current year profitability.

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.

REPORT OF THE DIRECTORS *(continued)*

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.

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 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. We are committed to ensuring compliance with the environmental and social criteria stipulated by our providers of capital.

Human Capital

The Group's greatest strength and the reason for its market leadership is its human capital, with the number of employees over 900 in 2019 and 2018, and over 2,000 Financial Advisors.

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. To ensure that efforts and performance is appropriately measured, all employees personal scorecards have been aligned to the Group strategy's specific initiatives.

Corporate Social Responsibility

We continue to give back to our communities by volunteering our time, engaging with diverse publics and our stakeholders through our 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

We are optimistic that a solution will be developed to contain the COVID-19 pandemic. We are adhering to all Government directives and also maintaining a healthy workplace for our staff, customers and stakeholders. We have also implemented business continuity measures that include remote working to ensure that we continue to serve our customers.

In 2020, the markets have had downward trends due to the COVID-19 pandemic spreading across the world and we expect this to have an impact on the projected economic growth rates. Despite the constraints, we will strive to continue building a sustainable business and conduct ourselves in the highest levels of ethics and integrity as we serve our customers in line with our mission "providing you with financial security EVERY STEP OF THE WAY".

Britam remains a strong business, with the requisite financial strength, good client relationships and top of class talent as we continue to execute the final year of our "Go for Gold" strategy. We will increase our efforts in optimizing the utilization of our assets to increase productivity and grow value for our shareholders and all our stakeholders.

REPORT OF THE DIRECTORS *(continued)*

DIRECTORS

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

Mr. W. Andrew Hollas	Chairman	Mr. Mohamed S. Karama	
Dr. Benson I. Wairegi	Group Managing Director	Ms. Caroline J. Kigen	
Mr. Jimnah M. Mbaru		Ms. Marianne Loner	
Dr. Peter K. Munga		Mr. George Odo / Africinvest III SPV 1*	
Mr. Stephen O. Wandera		Mr. Christopher Minter	
Mr. Mike Laiser	Retired on 15 May 2019	Ms. Josephine Ossiya	Appointed 15 May 2019

*Mr George Odo, a non-executive director, resigned voluntarily from the Board on 4 July 2019 but continued to serve in the Board as a representative of Africinvest III SPV 1 which was appointed to the Board as a Corporate Director on the same date.

DISCLOSURES TO AUDITORS

The directors confirm that with respect to each director at the time of approval of this report:

a) there was, as far as each director is aware, no relevant audit information of which the Company's and Group's auditor is unaware; and

b) each director had taken all the steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's and Group's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP were appointed during the year and, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015.

The Directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and associated fees on behalf of the shareholders.

BY ORDER OF THE BOARD

Nancy Kiruki

Company and Board Secretary

2 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group at the end of the financial year and of their financial performance for the year then ended. The directors are responsible for ensuring that the Company and Group keep proper accounting records that are sufficient to show and explain the transactions of the Company and Group; disclose with reasonable accuracy at any time the financial position of the Company and Group; and that enables them to prepare financial statements of the Company and Group that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Company and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii) Selecting suitable accounting policies and then applying them consistently; and

iii) Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Company's and Group's 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's and Group's 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 2 April 2020 and signed on its behalf by:

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITAM HOLDINGS PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Britam Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 208, which comprise the consolidated statement of financial position at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2019, and the Company statement of profit or loss and other comprehensive income, Company statement of changes in equity and Company statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Britam Holdings Plc give a true and fair view of the financial position of the Group and the Company at 31 December 2019 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 in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the 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 matters

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITAM HOLDINGS PLC *(Continued)*

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Valuation of insurance contract liabilities	
As described in Notes 40 and 42 of the financial statements, the Group's insurance contract liabilities comprise long-term policyholder liabilities, outstanding claims and incurred but not reported (IBNR). The valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. For the long-term policyholder liabilities, both economic and non -economic assumptions are made. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on past experience. For general insurance, the key assumptions employed in the reserving calculations include: loss ratios, estimates of the frequency and severity of claims. Claims incurred but not reported (IBNR) are determined by projecting ultimate claim losses based on current loss rates or claim experience. Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can result in a material impact to the valuation.	Agreed a sample of the claims paid and outstanding to supporting documentation and comparing the claim payments in 2019 to the reserves previously held, as applicable; Compared the data used in the valuation to the existing policyholder data; Tested the reasonableness of claims outstanding balances by comparing the recorded amounts to the latest available information on source documents; Used our internal actuarial experts to assist us in assessing the appropriateness of the methodology and the reasonableness of the assumptions used by management in the estimation of reserves at 31 December 2019; Validated the reasonableness of the economic assumptions to market observable data and non-economic assumptions against the Group's past experience; Performed sensitivity analysis of the outcome based on the significant assumptions; Checked the consistency of the reserving methods and assumptions against prior years; Tested the robustness of the reserving process by performing an actual vs expected analysis on prior years' reserves for any surpluses or shortfalls; and Assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITAM HOLDINGS PLC *(Continued)*

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Valuation of investment properties The Group has a diverse investment properties portfolio and applies either the market approach, the contractor cost approach or the income approach depending on the property's highest and best use to determine the fair value. As explained in Note 27 of the financial statements, the Group uses external independent property valuers to determine the fair values of investment properties at the year end. The valuation models involve significant estimates and assumptions of unobservable inputs such as comparable market prices based on location of the property, projected future cash flows, future rent escalations, exit values and the discount rates. The fair values of the investment properties are highly sensitive to the changes in the underlying estimates and assumptions.	Assessed management's processes and controls over the valuation of investment properties, including the oversight from those charged with governance. Evaluated the objectivity, independence and expertise of the external independent valuation specialists. Assessed the appropriateness of the valuation methodology used and the reasonableness of the applicable assumptions depending on the type of property. Where possible, we tested the mathematical accuracy of the valuation models. Agreed the carrying amounts and the related valuation gains/losses of the investment properties in the financial statements to the independent valuers reports. Assessed the adequacy of the disclosures in the financial statements.
Impairment assessment of the investment in associate As described in Note 24 of the financial statements, the Group assesses the carrying amount of the investment in associate for impairment by comparing the carrying amount of the investment to its recoverable amount using the discounted cash flow approach. The discounted cash flow approach involves significant estimates and assumptions of unobservable inputs such as projected cash flows, discount rate and terminal growth rate. Changes in these assumptions could result in material variations in the recoverable amount.	Assessed management's processes and controls for determination of the carrying values of investment in associate, including the oversight from those charged with governance. Assessed the appropriateness and consistency of the valuation method used. Tested the reasonableness of the projected cash flows based on the past performance of the investment. Tested the reasonableness of the discount rate and terminal growth rate used in the valuation against market observable data. Tested the mathematical accuracy of the computations. Evaluated the adequacy and consistency of disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITAM HOLDINGS PLC *(Continued)*

Other information

The other information comprises 5 Year financial highlights, Chairman's statement, Group Managing Director's statement, Financial review, Statement of corporate governance, Directors' remuneration report, Governance audit report, Enterprise risk management report, Strategy report, Report of the Directors, Statement of Directors' Responsibilities and Corporate Information which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will 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 have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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, 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.

Auditor's 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITAM HOLDINGS PLC *(Continued)*

Auditor's responsibilities for the audit of the financial statements (continued)

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 the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITAM HOLDINGS PLC *(Continued)*

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 the directors on pages 69 to 71 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 62 to 64 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers LLP

Certified Public Accountants Nairobi

2 April 2020

CPA Bernice Kimacia, Practising certificate No. 1457

Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
	Notes	2019	2018
		Shs'000	Shs'000
Revenue			
Gross earned premium	4	27,131,870	24,325,111
Less: Reinsurance premium ceded	4	(4,021,978)	(3,263,451)
Net earned premiums	**4**	**23,109,892**	**21,061,660**
Fund management fees	4	535,414	661,113
Net (loss)/income from investment properties and property funds	5	(747,036)	507,207
Interest and dividend income	6	7,713,830	6,160,381
Net realised gains on financial assets at fair value through profit or loss	7	477,661	41,898
Net unrealised fair value gains/(losses) on financial assets	8	4,300,055	(3,091,171)
Commission earned	9	999,870	857,381
Other income	10	56,566	195,142
Total income		**36,446,252**	**26,393,611**
Expenses			
Insurance claims and loss adjustment expenses	11	11,979,820	10,704,713
Amount recoverable from reinsurers	11	(1,689,234)	(1,630,406)
Change in actuarial value of policyholders benefits	11	5,151,919	5,172,833
Net insurance benefits and claims	**11**	**15,442,505**	**14,247,140**
Interest payments/increase in unit value	12	3,889,475	1,688,638
Operating and other expenses	13 (i)	8,794,161	8,244,558
Finance costs	14	234,667	905,567
Commission expense	15	3,461,322	3,313,922
Total expenses		**31,822,130**	**28,399,825**
Profit/(loss) before share of the associate's results		**4,624,122**	**(2,006,214)**
Share of loss of associate accounted for using the equity method	24 (i)	(53,099)	(289,656)
Profit/(loss) before income tax		**4,571,023**	**(2,295,870)**
Income tax (expense)/credit	25	(1,028,398)	85,585
Profit/(loss) for the year		**3,542,625**	**(2,210,285)**
Profit/(loss) attributable to:			
Owners of the parent		3,558,283	(2,229,955)
Non-controlling interests	26 (iii)	(15,658)	19,670
Earnings per share for profit/(loss) attributable to the owners of the parent			
- Basic and diluted (Shs per share)	19	1.41	(0.92)

The notes on pages 89 to 208 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	2019	2018
		Shs'000	Shs'000
Profit/(loss) for the year		**3,542,625**	**(2,210,285)**
Other comprehensive income/(loss) items, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on revaluation of land and buildings	21	(236,169)	7,396
Gain/(loss) on revaluation of financial assets at fair value through other comprehensive income	25	2,262,408	(594,413)
Re-measurement of the net defined benefit asset	25	(50,625)	(35,517)
Total items that will not be reclassified to profit or loss		**1,975,614**	**(622,534)**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive (loss)/income from the associate accounted for using the equity method	25	(1,369)	17,138
Exchange differences on translation of foreign operations	25	(96,214)	(40,615)
Total items that may be subsequently reclassified to profit or loss		**(97,583)**	**(23,477)**
Total other comprehensive income/(loss)		**1,878,031**	**(646,011)**
Total comprehensive income/(loss) for the year		**5,420,656**	**(2,856,296)**
Attributable to:			
-Owners of the parent		5,436,314	(2,875,966)
-Non-controlling interests	26 (iii)	(15,658)	19,670

Items in the statement above are disclosed net of tax.

The notes on pages 89 to 208 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	Notes	Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	16	252,344	252,344
Share premium	16	13,237,451	13,237,451
Other reserves	17	17,112,694	11,756,927
Accumulated losses	18	(1,306,941)	(1,387,488)
Shareholders' funds		**29,295,548**	**23,859,234**
Non-controlling interests	26 (iii)	81,278	96,936
Total equity		**29,376,826**	**23,956,170**
Assets			
Property and equipment	21	1,134,752	1,365,422
Intangible assets	22	2,099,919	2,122,184
Right of use asset	23 (i)	752,613	-
Investment in associate	24 (i)	2,870,170	2,923,611
Goodwill	26 (i)	1,558,433	1,558,433
Deferred income tax	36	777,550	633,484
Retirement benefit asset	48	168,038	210,796
Investment properties	27 (i)	15,762,202	15,927,529
Investment in property funds	27 (ii)	652,291	575,021
Financial assets at fair value through other comprehensive income	28	7,231,563	4,710,653
Financial assets at fair value through profit or loss	29	57,751,830	39,281,935
Government securities and corporate bonds at amortised cost	30	15,679,639	16,157,018
Mortgage loans and receivables	31	1,171,693	1,209,394
Loans and receivables to policyholders	32	1,511,273	1,301,118
Receivables arising out of reinsurance arrangements	33 (i)	502,722	703,320
Receivables arising out of direct insurance arrangements	33 (iii)	1,689,488	2,317,194
Reinsurers' share of insurance liabilities	34	3,742,258	3,145,058
Deferred acquisition costs	35	525,997	482,053
Other receivables	37	1,624,170	1,944,610
Current income tax	25 (b)	381,045	320,498
Restricted cash	38 (ii)	80,608	45,601
Cash and cash equivalents	38 (i)	7,575,311	6,721,401
Total assets		**125,243,565**	**103,656,332**
Liabilities			
Deferred income tax	36	3,721,212	2,831,319
Insurance contract liabilities	39	33,784,402	28,221,461
Payable under deposit administration contracts	43	42,515,955	34,174,911
Liabilities under investment contracts	44	3,002,142	3,003,326
Unearned premiums	45	5,357,764	4,696,248
Lease liability	23 (ii)	844,046	-
Payables arising from reinsurance arrangements	33 (ii)	1,319,214	1,252,887
Borrowings	14	2,352,716	2,786,861
Other payables	46	2,886,175	2,726,947
Current income tax	25 (b)	83,113	6,202
Total liabilities		**95,866,739**	**79,700,162**
Net assets		**29,376,826**	**23,956,170**

The notes on pages 89 to 208 are an integral part of these financial statements.

The financial statements on pages 79 to 208 were authorised and approved for issue by the Board of Directors on 2 April 2020 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

For the year ended 31 December 2019	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total equity	Non-controlling interests	Total equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	
At start of year		**252,344**	**13,237,451**	**11,756,927**	**(1,387,488)**	**23,859,234**	**96,936**	**23,956,170**
Comprehensive income								
Profit for the year		-	-	3,433,768	124,515	3,558,283	(15,658)	3,542,625
Other comprehensive income, net of tax		-	-	1,878,031	-	1,878,031	-	1,878,031
Total comprehensive income for the year		**-**	**-**	**5,311,799**	**124,515**	**5,436,314**	**(15,658)**	**5,420,656**
Transfer to other reserves	17	-	-	43,968	(43,968)	-	-	-
Total transactions with owners of the parent recognised directly in equity		**-**	**-**	**43,968**	**(43,968)**	**-**	**-**	**-**
At end of year		**252,344**	**13,237,451**	**17,112,694**	**(1,306,941)**	**29,295,548**	**81,278**	**29,376,826**

The notes on pages 89 to 208 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2018	Notes	Share capital	Share premium	Other reserves	Retained earnings/ (Accumulated losses)	Total equity	Non-controlling interests	Total equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of the year		**216,260**	**7,706,782**	**13,579,959**	**1,089,743**	**22,592,744**	**77,266**	**22,670,010**
Impact of initial application IFRS 9		-	-	(63,269)	(444,339)	(507,608)	-	(507,608)
Share of associate's initial application of IFRS 9 and IFRS 15		-	-	(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	17	-	-	35,735	(35,735)	-	-	-
Transactions with owners								
Issue of shares	16	36,084	5,530,669	-	-	5,566,753	-	5,566,753
Dividends:							-	-
- 2017 final dividends	20	-	-	-	(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)**	**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 89 to 208 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended	
		2019	2018
	Notes	Shs'000	Shs'000
Cashflows from operating activities			
Cash generated from operations	47	9,600,994	5,496,143
Interest paid on lease liability	23 (ii)	(118,202)	-
Income tax paid	25	(504,040)	(665,134)
Net cash generated from operating activities		**8,978,752**	**4,831,009**
Investing activities			
Purchase of property and equipment	21	(312,738)	(168,403)
Purchase of intangible assets	22	(348,424)	(366,838)
Purchase of investment property	27 (i)	(462,109)	(1,321,910)
Purchase of property funds	27 (ii)	(362,953)	(63,586)
Proceeds from disposal of property funds	27 (ii)	103,877	475,059
Proceeds from disposal of fixed assets		-	11,205
Purchase of quoted shares at fair value through profit or loss	29 (i)	(103,506)	(1,267,763)
Proceeds of disposal of quoted ordinary shares at fair value through profit or loss		2,091,329	168,008
Purchase of unit trusts	29 (iii)	(46,450)	(732,147)
Proceeds from disposal of unit trusts		1,854,198	1,456,066
Purchase of government securities at fair value through profit or loss	29 (iv)	(21,652,090)	(14,136,531)
Proceeds from disposal of government securities at fair value through profit or loss		4,178,856	4,367,776
Purchase government securities held at amortised cost	30 (i)	(1,048,984)	(1,924,719)
Maturities of government securities at amortised cost	30 (i)	1,232,465	2,878,647
Purchase of corporate bonds at amortised cost	30 (ii)	-	(2,500)
Maturities of corporate bonds at amortised cost	30 (ii)	348,690	177,171
Mortgage loans advanced	31	(117,205)	(150,777)
Mortgage loans repayments	31	280,245	202,650
Policy loans advanced	32	(1,438,600)	(1,212,025)
Policy loans repayments	32	1,448,168	1,154,578
Dividends received from associate	24	-	59,754
Dividends received from equity investments at fair value through profit or loss	6	556,670	537,566
Dividends received from equity investments at fair value through other comprehensive income	6	270,339	270,338
Rent and interest received		6,007,339	4,203,979
Net cash used in investing activities		**(7,520,883)**	**(5,384,402)**
Cash flows from financing activities			
Issue of new shares	16	-	5,720,000
Dividends paid		-	(756,911)
Proceeds from borrowings	14	3,563,831	2,774,000
Repayment of bank loan	14	(3,999,250)	(1,819,000)
Repayment of medium term note	14	-	(6,000,000)
Interest paid	14	(103,333)	(1,066,450)
Payment of the principal portion of the lease liability	23(ii)	(65,207)	-
Net cash used in financing activities		**(603,959)**	**(1,148,361)**
Increase in cash and cash equivalents		853,910	(1,701,754)
Cash and cash equivalents at start of year		6,721,401	8,423,155
Cash and cash equivalents at end of year	**38 (i)**	**7,575,311**	**6,721,401**

The notes on pages 89 to 208 are an integral part of these financial statements.

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	2019	2018
		Shs'000	Shs'000
Income			
Net loss from investment in property funds	5	(74,548)	(8)
Interest and dividend income	6	1,250,942	1,416,620
Net realised fair value gains	7	98,621	7,376
Net unrealised fair value gains/(losses)	8	1,447,070	(1,029,259)
Other income	10	9,639	10,427
Total income		**2,731,724**	**405,156**
Expenses			
Operating and other expenses	13 (i)	358,797	321,524
Finance costs	14	649,426	716,501
Total expenses		**1,008,223**	**1,038,025**
Profit/(loss) before share of the associate's results		1,723,501	(632,869)
Share of loss of the associate accounted for using the equity method	24 (i)	(21,376)	(116,593)
Profit/(loss) before income tax		**1,702,125**	**(749,462)**
Income tax expense	25	(17,933)	(17,139)
Profit/(loss) for the year		**1,684,192**	**(766,601)**
Other comprehensive income/(loss) items, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation of financial assets at fair value through other comprehensive income	28	1,659,238	(435,939)
Total items that will not be reclassified subsequently to profit or loss		**1,659,238**	**(435,939)**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive (loss)/income from the associate accounted for using the equity method	24 (i)	(3,765)	8,405
Total items that may be subsequently reclassified to profit or loss		**(3,765)**	**8,405**
Total other comprehensive income/(loss)		**1,655,473**	**(427,534)**
Total comprehensive income/(loss) for the year		**3,339,665**	**(1,194,135)**

The notes on pages 89 to 208 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2019	2018
		Shs'000	Shs'000
CAPITAL EMPLOYED			
Share capital	16	252,344	252,344
Share premium	16	13,237,451	13,237,451
Other reserves	17	4,219,804	2,564,331
Retained earnings	18	1,766,774	82,582
Shareholders' funds		**19,476,373**	**16,136,708**
REPRESENTED BY:			
Assets			
Property and equipment	21	189,404	78,053
Intangible assets	22	95,174	104,519
Right of use asset	23 (i)	167,938	-
Investment in associate	24 (i)	1,151,794	1,176,935
Investment in subsidiary companies	26 (ii)	7,417,447	6,999,737
Investment in property funds	27 (ii)	616,330	759,164
Quoted ordinary shares at fair value through other comprehensive income	28	4,759,746	3,100,508
Financial assets at fair value through profit or loss	29	4,478,722	3,159,349
Receivables from related parties	51	825,990	1,223,834
Other receivables	37	48,180	47,902
Current income tax recoverable		3,879	-
Cash and cash equivalents	38 (i)	1,458,153	1,310,543
Total assets		**21,212,757**	**17,960,544**
Liabilities			
Lease liability	23(ii)	208,294	-
Borrowings	14	861,928	1,174,807
Amounts due to related parties	51	551,803	337,380
Other payables	46	114,359	311,649
Total liabilities		**1,736,384**	**1,823,836**
Net assets		**19,476,373**	**16,136,708**

The notes on pages 89 to 208 are an integral part of these financial statements.

The financial statements on pages 79 to 208 were authorised and approved for issue by the Board of Directors on 2 April 2020 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

For the year ended 31 December 2019	Notes	Share capital	Share Premium	Other reserves	Retained earnings	Total Equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year		**252,344**	**13,237,451**	**2,564,331**	**82,582**	**16,136,708**
Total comprehensive income						
Profit for the year		-	-	-	1,684,192	1,684,192
Share of associate's other comprehensive loss	24(i)	-	-	(3,765)	-	(3,765)
Fair value gain on financial assets at fair value through other comprehensive income	28	-	-	1,659,238	-	1,659,238
Total comprehensive income for the year		**-**	**-**	**1,655,473**	**1,684,192**	**3,339,665**
At end of year		**252,344**	**13,237,451**	**4,219,804**	**1,766,774**	**19,476,373**

For the year ended 31 December 2018	Notes	Share capital	Share Premium	Other reserves	Retained earnings	Total Equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year		**216,260**	**7,706,782**	**2,991,865**	**1,692,035**	**12,606,942**
Impact of initial application of IFRS 9		-	-	-	(7,582)	(7,582)
Impact of initial application of IFRS 9 share of associate's IFRS 9 and IFRS 15	24(i)	-	-	-	(78,359)	(78,359)
Comprehensive income						
Loss for the year		-	-	-	(766,601)	(766,601)
Share of associate's other comprehensive income	24(i)	-	-	8,405	-	8,405
Fair value gain on financial assets at fair value through other comprehensive income	28	-	-	(435,939)	-	(435,939)
Total comprehensive income for the year		**-**	**-**	**(427,534)**	**(766,601)**	**(1,194,135)**
Transactions with owners						
Issue of shares	16	36,084	5,530,669	-	-	5,566,753
Dividends:						
- 2017 final dividends		-	-	-	(756,911)	(756,911)
Total transactions with owners		**36,084**	**5,530,669**	**-**		**4,809,842**
At end of year		**252,344**	**13,237,451**	**2,564,331**	**82,582**	**16,136,708**

The notes on pages 89 to 208 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

		For the yearended	
		2019	2018
	Notes	Shs'000	Shs'000
Operating activities			
Cash used in operations	47	162,914	(198,440)
Interest paid on lease liability	23(ii)	(35,308)	-
Income tax paid		(17,933)	(17,139)
Net cash used in operating activities		**109,673**	**(215,579)**
Investing activities			
Purchase of property and equipment	21	(135,220)	(59,667)
Purchase of intangible assets	22	(16,762)	(2,261)
Increase in investment in subsidiaries		(417,711)	(159,193)
Purchase of property funds	27(ii)	-	(17,547)
Proceeds from disposal of investment in property funds	27(ii)	68,286	198,149
Proceeds of disposal of quoted shares at fair value through profit and loss		255,577	-
Purchase of unit trusts	29(iii)	(46,450)	-
Purchase of government securities	29(iv)	(1,182,815)	(1,207,676)
Proceeds from disposal of government securities at fair value through profit or loss		1,187,435	957,376
Dividends received from associate	24(i)	-	24,500
Dividends received from Subsidiaries	6	667,000	692,074
Dividends received from equity investments at fair value through profit or loss	6	164,847	164,847
Dividends received from equity investments at fair value through other comprehensive income	6	177,934	177,934
Interest received		224,989	226,070
Net cash generated from investing activities		**947,110**	**994,606**
Cash flows from financing activities			
Issues of new shares	16	-	5,720,000
Dividends paid		-	(756,911)
Bank loan received	14(i)	3,199,443	2,774,000
Bank loan repaid	14(i)	(3,999,250)	(1,819,000)
Medium term note redeemed	14(i)	-	(6,000,000)
Interest paid	14(i)	(103,333)	(1,066,450)
Payment of the principal portion of lease liability	23(i)	(6,033)	-
Net cash used in financing activities		**(909,173)**	**(1,148,361)**
Net increase in cash and cash equivalents		147,610	(369,334)
Cash and cash equivalents at start of year		1,310,543	1,679,877
Cash and cash equivalents at end of year	**38(i)**	**1,458,153**	**1,310,543**

The notes on pages 89 to 208 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Britam Holdings Plc Limited is incorporated in Kenya under the Companies Act as a public limited company, and is domiciled in Kenya. The Company was first incorporated in Kenya on 26 July 1995 under the name British- American Financial Services Limited, changed its name to Britak Investments Company Limited on 25 September 2003 and again to British-American Investments Company (Kenya) Limited on 5 May 2006 all under certificate number C 66029. On 29 February 2012. The Company changed its status from a private liability limited company to a public limited company after listing in 2011 on the Nairobi Securities Exchange. British-American Investments Company (Kenya) Limited then became Britam Holdings Limited on 5 August 2015. 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 management companies:
  - 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 48.22% 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.

The financial statements, except for cashflow information, are prepared using the accrual basis of accounting.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

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 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 2019. The adoption of these new and revised standards has not resulted in material changes to the Group's accounting policies except for IFRS 16 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 54 (i).

IFRS 16 Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, under IAS 17.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening balance sheet on 1 January 2019. The details of the changes in accounting policy are disclosed below:

a. Definition of Lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. At inception of a contract, the Group now assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset to a customer for a period of time in exchange for consideration.

b. The Group as a Lessee

As a lessee, the Group leases various assets, mainly offices. These lease contracts are typically made for fixed periods of 1 to 6 years, but may have extension/ termination options. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for the qualifying leases (i.e. these leases are on balance sheet).

Contracts may contain both lease and non-lease components. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

i) Leases previously classified as operating leases under IAS 17

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

b) Accounting standards and disclosures *(continued)*

i) Adoption of new and/or revised standards and amendments to existing standards (continued)

IFRS 16 Leases *(continued)*

the lessee's incremental borrowing rate as of 1 January 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 16.30%.

Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all its leases.

The adoption of IFRS 16 did not affect the impairment calculations and did not require the recognition of an additional impairment loss as part of the transition adjustments.

The Group has used a number of practical expedients permitted by the standard when applying IFRS 16 for the first time to leases previously classified as operating leases under IAS 17. In particular:

i) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

ii) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.

iii) Accounting for operating leases with a remaining lease term of less than 12 months at 1 January 2019 as short-term leases.

iv) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

v) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

vi) A lease item (contract) that can be leased separately is considered low value if it is below the threshold of USD 5,000.

vii) The Group has also elected to reassess whether a contract is, or contains a lease at the date of initial application.

viii) Short-term leases and leases of low value are excluded in the computation of lease liabilities and right of use assets.

ii) Leases previously classified as finance leases under IAS 17

Currently, the Group does not have any finance leases as lessee.

c. The Group as a Lessor

The Group leases out its investment property, including own property. The Group has classified these leases as operating leases.

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

d. Impact on Financial Statements

I. Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities;

The impact on transition is summarised below:

	1 January 2019
Description	**Shs'000**
Right of use asset	912,872
Lease liabilities	849,505
Prepayment	73,869

The net impact on retained earnings on 1 January 2019 was nil.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
b) Accounting standards and disclosures *(continued)*
i) Adoption of new and/or revised standards and amendments to existing standards (continued)
IFRS 16 Leases *(continued)*

II. Measurement of lease liabilities

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 16.30%.

	1 January 2019
Description	**Shs'000**
Operating lease commitments at 31 December 2018 disclosed under IAS 17	1,033,867
Discounted using the Company's incremental borrowing rate at 1 January 2019	912,872
Lease liabilities recognised at 1 January 2019	849,505

III. Measurement of right of use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 1 January 2019.

ii) New and revised standards effective in future periods

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

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 has power over the investee, 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 IFRS 9 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
c) Consolidation *(continued)*
i) Subsidiaries (continued)

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 24 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 and Company 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 at both the Company and Group level. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

c) Consolidation *(continued)*

iv) Investments in associate companies (continued)

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.

v) Property partnerships

Where the Group owns a majority stake in certain property partnerships and controls the management of those properties, including the power over all significant decisions around the use and maintenance of those properties, they are classified as businesses, and the Group consolidates its interest in those property partnerships.

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 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, ordinary life, Group life, credit life, Annuities, Unit-linked products and pension 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 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.

Short term/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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

d) Insurance contracts *(continued)*

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, premiums are deferred and recognised as income over the life of the insurance cover.

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, claims 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 premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

The liabilities are recalculated at each financial reporting date using the appropriate assumptions.

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 payable and deferred acquisition costs ("DAC")

Commissions 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

d) Insurance contracts *(continued)*

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 (receivables arising out of reinsurance arrangements), as well as longer term receivables (reinsurers' share of insurance liabilities) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Reinsurance receivables arise from claims already paid that will be recovered from the reinsurers. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

Receivables and payables related to insurance contracts and investment contracts

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

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

Salvage and subrogation reimbursements

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

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

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

e) Functional currency and translation of foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

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

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 and financial assets at fair value through profit or loss are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised 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 *Financial Reporting in Hyperinflationary Economies*. 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 2019 are a conversion factor of 2,936 (2018: 1,737) to one USD and a CPI of 1.69 (2018: 2).

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

g) Income

i) Commissions

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

ii) 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 over time. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument.

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

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

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a contract 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.

Variable consideration is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

iii) Interest income

Interest income for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, is recognised within 'Interest and dividend income' (Note 6) in the profit or loss. For interest-bearing financial instruments measured at amortised cost, interest income is computed 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.

iv) Dividend income

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

v) Rental income

Rental income is recognised as income in the period in which it is earned. Rental income is stated net of rental expenses incurred.

vi) 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.

Unrealised gains and losses are calculated as the difference between fair value of the investments at the end of the period less and at the beginning of the period/purchase date.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

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 fair value gains or losses 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.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced or sold. All other repairs and maintenance outlays are charged to the statement of profit or loss during the financial period in which they are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

i) Property and equipment *(continued)*

Land and work in progress are 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

Software licence costs and computer software that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

j) Intangible assets *(continued)*

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash generating unit 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. 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 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

The Group's financial assets are 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, corporate bonds portfolio, direct insurance and reinsurance receivables, other receivables, mortgage loans, loans and receivables to policyholders, investment in liquid funds, receivables, deposits with financial institutions and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
m) Financial instruments *(continued)*

Classification of financial assets at fair value through other comprehensive income

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

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

The Group holds part of its equity investments 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. A majority of the Group's financial liabilities are measured at fair value and hence holding the assets on a different bases creates an accounting mismatch.

The Group holds the following assets in this category; part of its government securities 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.
- 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, borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
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 2019		At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
		Shs' 000	Shs' 000	Shs' 000	Shs' 000
Financial assets					
Quoted ordinary shares	28,29 (i)	-	11,587,595	7,231,563	18,819,158
Unquoted ordinary shares	29 (ii)	-	9,649	-	9,649
Government securities	29 (iv),30 (i)	15,057,530	42,758,237	-	57,815,767
Corporate bonds	30 (ii)	622,109	-	-	622,109
Unit trusts	29 (iii)	-	3,396,349	-	3,396,349
Investment in property funds	27(ii)	-	652,291	-	652,291
Other receivables	37	1,624,170	-	-	1,624,170
Investment in liquid funds	38(i)	34,688	-	-	34,688
Mortgage loans and receivables	31	1,171,693	-	-	1,171,693
Loans and receivables to policyholders	32	1,511,273	-	-	1,511,273
Receivables arising out of reinsurance arrangements	33(i)	502,722	-	-	502,722
Receivables arising out of direct insurance arrangements	33(iii)	1,689,488	-	-	1,689,488
Restricted cash	38(ii)	80,608	-	-	80,608
Deposits with financial institutions	38(i)	6,810,651	-	-	6,810,651
Cash and bank balances	38(i)	885,606	-	-	885,606
Total financial assets		**29,990,538**	**58,404,121**	**7,231,563**	**95,626,222**
Financial liabilities					
Payable under deposit administration contracts	43	-	42,515,955	-	42,515,955
Liabilities under investment contracts	44	-	3,002,142	-	3,002,142
Borrowings	14(i)	2,352,716	-	-	2,352,716
Payables arising from reinsurance arrangements	33(ii)	1,319,214	-	-	1,319,214
Other payables	46	2,886,175	-	-	2,886,175
Total financial liabilities		**6,558,105**	**45,518,097**	**-**	**52,076,202**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

m) Financial instruments *(continued)*

At 31 December 2019		At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
		Shs' 000	Shs' 000	Shs' 000	Shs' 000
COMPANY					
Financial assets					
Quoted ordinary shares	28,29(i)	-	4,142,167	4,759,746	8,901,913
Investment in property funds	27(ii)	-	616,330	-	616,330
Other receivables	37	48,180	-	-	48,180
Investment in liquid funds	38(i)	34,688	-	-	34,688
Amounts due from related parties	51(ii)	825,990	-	-	825,990
Deposits with financial institutions	38(i)	1,416,466	-	-	1,416,466
Cash and bank balances	38(i)	8,808	-	-	8,808
Total financial assets		**2,334,132**	**4,758,497**	**4,759,746**	**11,852,375**
Financial liabilities					
Borrowings	14(i)	861,928	-	-	861,928
Amounts due to related parties	51(ii)	551,803	-	-	551,803
Other payables	46	114,359	-	-	114,359
Total financial assets		**1,528,090**	**-**	**-**	**1,528,090**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
m) Financial instruments *(continued)*

GROUP

At 31 December 2018		At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
		Shs' 000	Shs' 000	Shs' 000	Shs' 000
Financial assets					
Quoted ordinary shares	28,29(i)	-	9,743,172	4,710,653	14,453,825
Unquoted ordinary shares	29(ii)	-	9,619	-	9,619
Government securities	29(iv),30(i)	15,212,824	24,798,519	-	40,011,343
Corporate bonds	30(ii)	944,194	-	-	944,194
Unit trusts	29(iii)	-	4,730,625	-	4,730,625
Investment in property funds	27(ii)	-	575,021	-	575,021
Other receivables	37	1,944,610	-	-	1,944,610
Investment in liquid funds	38(i)	1,063,596	-	-	1,063,596
Mortgage loans and receivables	31	1,209,394	-	-	1,209,394
Loans and receivables to policyholders	32	1,301,118	-	-	1,301,118
Receivables arising out of reinsurance arrangements	33(i)	703,320	-	-	703,320
Receivables arising out of direct insurance arrangements	33(iii)	2,317,194	-	-	2,317,194
Restricted cash	38(ii)	45,601	-	-	45,601
Deposits with financial institutions	38(i)	3,216,913	-	-	3,216,913
Cash and bank balances	38(i)	2,691,928	-	-	2,691,928
Total financial assets		**30,650,692**	**39,856,956**	**4,710,653**	**75,218,301**
Financial liabilities					
Payable under deposit administration contracts	43	-	34,174,911	-	34,174,911
Liabilities under investment contracts	44	-	3,003,326	-	3,003,326
Borrowings	14(i)	2,786,861	-	-	2,786,861
Payables arising from reinsurance arrangements	33(ii)	1,252,887	-	-	1,252,887
Other payables	46	2,726,947	-	-	2,726,947
Total financial liabilities		**6,766,695**	**37,178,237**	**-**	**43,944,932**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
m) Financial instruments *(continued)*

At 31 December 2018		At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Total
		Shs' 000	Shs' 000	Shs' 000	Shs' 000
COMPANY					
Financial assets					
Quoted ordinary shares	28, 29(i)	-	2,872,468	3,100,508	5,972,976
Investment in property funds	27(ii)	-	759,164	-	759,164
Other receivables	37	47,902	-	-	47,902
Investment in liquid funds	38(i)	869,180	-	-	869,180
Amounts due from related parties	51(ii)	1,223,834	-	-	1,223,834
Deposits with financial institutions	38(i)	437,804	-	-	437,804
Cash and bank balances	38(i)	9,328	-	-	9,328
Total financial assets		**2,588,048**	**3,631,632**	**3,100,508**	**9,320,188**
Financial liabilities					
Borrowings	14(i)	1,174,807	-	-	1,174,807
Amounts due to related parties	51(ii)	337,380	-	-	337,380
Other payables	46	311,649	-	-	311,649
Total financial liabilities		**1,823,832**	**-**	**-**	**1,823,832**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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. 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

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

- 12-month ECL, i.e. credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date, or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument.

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, 12month 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. Forwardlooking

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
m) Financial instruments *(continued)*

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 thinktanks 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;
- 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.

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 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 52 (b).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

m) Financial instruments *(continued)*

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

Financial asset	Default event
Cash and Deposits with financial institutions	• Contractual cash flows default • Debt restructure/Debt covenant breach • Bank closure • Bank Run • Filing of bankruptcy • Bank takeover by Regulator • Bank insolvency
Corporate Debt	• Contractual cash flows default • Debt covenant breach • Closure of institution • Filing of bankruptcy
Government Securities	• Significant fall in tax collection rates • Significant natural disaster events • Default warning from Brenton Woods Institutions • Junk rating of sovereign debt • Debt Restructure events
Receivables – Related parties, Premium Debtors and Reinsurance Debtors Other Receivables including Outstanding Dividends, Advances to Agents and Staff.	• Contractual cash flows default • Filing of bankruptcy • Significant natural disaster events • Loss of source of income

(iii) Credit-impaired financial assets

A financial asset is creditimpaired 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 creditimpaired 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) Writeoff 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. 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. The assessment of the probability of default and loss given default is based on historical data adjusted by forwardlooking 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 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 IFRS 16 Leases.

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 12month ECL at the current reporting date, except for assets for which simplified approach was used.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
2. Summary of significant accounting policies *(continued)*
m) Financial instruments *(continued)*

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.

vii) Financial guarantee contracts

Financial guarantee contracts issued by the Group or held by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified holder fails to make a payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract is initially recognised at fair value. The fair value of a financial guarantee contract is calculated as the present value of the difference between the net contractual cash flows required under a debt instrument, and the net contractual cash flows that would have been required without the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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.

For property funds where the Group does not have the irrevocable asset management agreement over the mutual funds and in which it has not invested significantly, factors such as the existence of control through voting rights held by the Group in the fund or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the Group has control, joint control or significant influence. Control is assessed in terms of the variability of returns from the Group's involvement in the funds, the ability to use power to affect those returns and the significance of the Group's investment in the funds. Based on the assessment of control or significant influence over these funds, the Group has concluded that it does not control the property funds.

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. 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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

q) Employee benefits *(continued)*

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.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

r) Income tax *(continued)*

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.

u) Share capital

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

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

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

v) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

a) Recognition of a lease

At the commencement date, the Group shall recognise a right-of-use asset and a lease liability.

At commencement or on modification of a contract that contains a lease component, the Group allocates the

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

v) Leases *(continued)*

consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of real estate the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

b) Measurement

The Group measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, the Company recognises depreciation of the right-of-use asset and interest on the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the Group is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

i) Right of use asset

At the commencement date, the Group shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;

The right-of-use asset is subsequently measured applying a cost model. The Group shall measure the right-of-use asset at cost:

- Less any accumulated depreciation and any accumulated impairment losses; and
- Adjusted for any remeasurements of the lease liability.

The Group shall apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset and IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

ii) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, the Group shall measure the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group determines its incremental borrowing rate as the risk free rate adjusted for beta and country risk premium.

iii) Reassessment of the lease liability

After the commencement date, the Group shall remeasure the lease liability to reflect changes to the lease payments. The Group shall recognise the amount of the remeasurements of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group shall recognise any remaining amount of the remeasurements in profit or loss.

iv) Lease modifications

The Group shall account for a lease modification as a separate lease if both:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

v) Leases *(continued)*

v) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (leases whose term is less than 12 months). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

c) The Group as the lessor – Investment properties leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include Consumer Price Index (CPI) increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees or security deposits for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

As a lessee, the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

2. Summary of significant accounting policies *(continued)*

v) Leases *(continued)*

The Group does not have any finance leases as a lessee under IAS 17 or IFRS 16.

W) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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:

a) Accounting estimates

Valuation of insurance contract liabilities

The value of the insurance contract liabilities have been valued based on various models.

For long term insurance contract liabilities, assumptions have been made for various items including mortality, interest and inflation rates. The details of these are set out in Note 42 (i).

For short term insurance contract liabilities, details are set out in Note 40.

Valuation of financial assets

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 52 (f).

Fair valuation of investment properties and property funds.

The fair value model has been applied in accounting for investment property. The Group commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the locations and types of investment properties valued to determine the fair value of the investment property as at 31 December 2019 and 31 December 2018 using either the market approach, the contractor cost approach or the income approach. The current valuation of the investment properties is based on the property's highest and best use.

Whether land and building meet criteria to be classified as investment property is as disclosed in Note 2 (l).

Impairment of financial assets

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

- 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 52 (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 52 (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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. Critical accounting estimates, judgements and assumptions *(continued)*

a) Accounting estimates *(continued)*

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 52 (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 52 (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 52 (b) for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

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 48.

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.

Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. 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 26 (i).

Impairment of associate

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. Critical accounting estimates, judgements and assumptions *(continued)*

a) Accounting estimates *(continued)*

estimates relate to the determination of the projected cash flows and the discount rate.

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 24 (iii).

Lease term in lease contracts

Critical estimates are made by management in determining lease terms in lease contracts. Specifically in determining which leases will be extended and renewed on expiry of the non-cancellable lease term. Estimates are also made on the discount rate.

Impairment of non-financial assets

Critical estimates are made by management in assessment of impairment for non-financial assets. Significant estimates relate to the determination of the projected cash flows and the discount rate.

Income taxes

Significant judgement 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 the business. The company 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 amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Consolidation of property funds

Judgement is required in the assessment of whether the Group has control, joint control or significant influence over property partnership. Control is assessed in terms of the variability of returns from the Group's involvement in the funds, the ability to use power to affect those returns and the significance of the Group's investment in the funds. Based on the assessment of control or significant influence over these funds, the Group has concluded that it does not control the property funds.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgement in determining:

- The classification of financial assets and liabilities;
- Whether assets are impaired; and
- Recoverability of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4. 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					
	2019			2018		
	Gross revenue	Reinsurance ceded	Net revenue	Gross revenue	Reinsurance ceded	Net revenue
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Insurance business – premium						
Long term insurance business						
- Ordinary life	11,802,637	(5,686)	11,796,951	9,526,974	(24,524)	9,502,450
- Group life	2,039,140	(248,950)	1,790,190	2,306,431	(203,491)	2,102,940
Total long term business	**13,841,777**	**(254,636)**	**13,587,141**	**11,833,405**	**(228,015)**	**11,605,390**
Short term insurance business						
- Engineering	764,625	(703,023)	61,602	592,209	(490,191)	102,018
- Fire	1,405,994	(949,404)	456,590	1,357,124	(872,079)	485,045
- Motor	4,420,136	(330,786)	4,089,350	4,305,511	(305,816)	3,999,695
- Personal accident and medical	3,971,185	(757,985)	3,213,200	3,870,716	(560,855)	3,309,861
- Micro insurance	769,490	(29)	769,461	689,516	29	689,545
- Other classes	1,958,663	(1,026,115)	932,548	1,676,630	(806,524)	870,106
Total short term business	**13,290,093**	**(3,767,342)**	**9,522,751**	**12,491,706**	**(3,035,436)**	**9,456,270**
Total insurance revenue	**27,131,870**	**(4,021,978)**	**23,109,892**	**24,325,111**	**(3,263,451)**	**21,061,660**
Asset management and property management business						
- Unit trust funds	116,484	-	116,484	120,300	-	120,300
- Discretionary and wealth management	382,557	-	382,557	420,867	-	420,867
- Alternative investments	36,373	-	36,373	119,946	-	119,946
Total asset and property management business	**535,414**	**-**	**535,414**	**661,113**	**-**	**661,113**
Total	**27,667,284**	**(4,021,978)**	**23,645,306**	**24,986,224**	**(3,263,451)**	**21,722,773**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

5. Net (loss)/income from investment properties and property funds

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Gross rental income	78,136	149,724	-	-
Less: Investment property operating expenses	(15,930)	(50,788)	-	-
Net rental income	**62,206**	**98,936**	**-**	**-**
Fair value (loss)/gain on investment properties (Note 27 (i))	(627,436)	417,595	-	-
Fair value loss on investment in property funds (Note 27 (ii))	(181,806)	(9,324)	(74,548)	(8)
Net (loss)/income from investment properties and property funds	**(747,036)**	**507,207**	**(74,548)**	**(8)**

6. Interest and dividend income

Interest from government securities at amortised cost	1,153,786	1,713,793	-	-
Interest from corporate bonds at amortised cost	72,969	130,123	-	-
Interest from deposits with financial institutions	362,302	488,490	23,799	225,272
Mortgage loan and policy loans interest income	378,008	338,917	-	-
Interest from intercompany balances	-	-	117,732	76,975
Interest computed using effective interest method	**1,967,065**	**2,671,323**	**141,531**	**302,247**
Interest from government securities at fair value through profit or loss	4,834,992	2,582,745	98,180	79,518
Interest from investments in liquid funds	84,764	98,409	1,450	-
Dividend from subsidiaries	-	-	667,000	692,074
Dividends from quoted ordinary shares at fair value through profit or loss	556,670	537,566	164,847	164,847
Dividends from quoted ordinary shares at fair value through other comprehensive income	270,339	270,338	177,934	177,934
Total interest and dividend income	**7,713,830**	**6,160,381**	**1,250,942**	**1,416,620**

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

Realised gain on government securities at fair value through profit or loss	25,435	22,065	4,723	7,376
Realised gain on quoted ordinary shares at fair value through profit or loss	410,027	18,500	81,327	-
Realised gain on unit trusts	42,199	1,333	12,571	-
Total net realised gains	**477,661**	**41,898**	**98,621**	**7,376**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Fair value gains/(loss) on quoted ordinary shares fair value through profit or loss (Note 29 (i))	3,422,219	(1,674,412)	1,443,949	(403,868)
Fair value gains/(loss) on unit trusts (Note 29 (iii))	431,273	(354,735)	(3,599)	-
Fair value gains on government securities at fair value through profit or loss (Note 29 (iv))	446,563	513,067	6,720	8,255
Fair value gains/(loss) on financial assets through profit or loss	**4,300,055**	**(1,516,080)**	**1,447,070**	**(395,613)**
Impairment of investment in associate (Note 24 (iii))	-	(1,575,091)	-	(633,646)
Total net unrealised fair value gains/(losses)	**4,300,055**	**(3,091,171)**	**1,447,070**	**(1,029,259)**

9. Commission earned

	Group	
	Shs'000	Shs'000
Long term insurance business	45,301	98,440
Short term insurance business	954,569	758,941
Total commissions earned	**999,870**	**857,381**

10. Other income

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Fee income				
- Arising on long term insurance contracts	1,060	3,878	-	-
- Arising on short term insurance contracts	118,445	75,972	-	-
Net foreign exchange (losses)/gains	(1,643)	(6,294)	808	(1,767)
Gain on disposal of property and equipment	-	1,977	-	1,769
Non-monetary (losses)/gains	(82,659)	31,346	-	-
Miscellaneous income	21,363	88,263	8,831	10,425
Total other income	**56,566**	**195,142**	**9,639**	**10,427**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

11. Insurance claims and loss adjustment expenses

	Group					
	2019			2018		
	Long-term business	Short-term business	Total	Long-term business	Short-term business	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Insurance contracts with fixed and guaranteed terms						
- Death, maturity and surrender benefits	3,182,113	-	3,182,113	2,913,175	-	2,913,175
- Bonuses	1,554,745	-	1,554,745	1,228,272	-	1,228,272
Change in actuarial value of policy holders' liabilities (Note 42 (ii))	5,151,919	-	5,151,919	5,172,833	-	5,172,833
Claims payable by principal class of business:				-	-	-
- Engineering	-	225,735	225,735	-	474,402	474,402
- Fire	-	367,867	367,867	-	(286,384)	(286,384)
- Motor	-	3,492,376	3,492,376	-	3,015,573	3,015,573
- Personal accident and medical	-	2,284,624	2,284,624	-	2,390,441	2,390,441
- Micro insurance	-	424,503	424,503	-	375,377	375,377
- Other classes	-	447,857	447,857	-	593,857	593,857
Total insurance claims and loss adjustment expenses	**9,888,777**	**7,242,962**	**17,131,739**	**9,314,280**	**6,563,266**	**15,877,546**
Less: Reinsurers' share	(94,220)	(1,595,014)	(1,689,234)	(242,342)	(1,388,064)	(1,630,406)
Total long term and short term	**9,794,557**	**5,647,948**	**15,442,505**	**9,071,938**	**5,175,202**	**14,247,140**

12. 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 43 and 44. 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.

	Group	
	2019	2018
	Shs'000	Shs'000
Interest on deposit administration contracts (Note 43)	3,611,050	1,831,852
Fair value gain/(loss) on investment contracts (Note 44)	278,425	(143,214)
Total interest payments / increase in unit value	**3,889,475**	**1,688,638**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13. (i) Operating and other expenses (by nature)

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Staff costs (Note 13 (ii))	3,934,103	3,657,445	59,712	43,649
Sales, marketing and brand management	1,587,109	1,288,527	10,675	8,805
General office management expenses	724,728	856,493	55,899	134,117
Information technology (ICT) costs	520,379	416,170	29,738	26,188
Amortisation of intangible assets (Note 22)	409,169	351,529	26,107	24,965
Professional fees	393,126	360,678	34,095	10,816
Depreciation on property and equipment (Note 21)	312,339	316,697	23,869	12,171
Premium tax, levies and duty	264,734	304,107	-	-
Depreciation on right of use asset (Note 23 (ii))	220,007	-	46,389	-
Office rent and service charge	183,166	394,118	2,099	4,803
Provision for expected credit losses	(102,754)	15,656	(4,671)	(1,079)
Directors' emoluments (Note 51 (v))	69,220	65,239	19,558	19,305
Directors' expenses	96,911	69,558	50,726	30,014
Repairs and maintenance costs	76,517	70,971	115	5,004
Training and development	65,401	43,860	1,261	1,262
Auditor's remuneration	40,006	33,510	3,225	1,504
Total operating and other expenses	**8,794,161**	**8,244,558**	**358,797**	**321,524**

(ii) Staff costs

	Group		Company	
	2019	2018	2019	2018
Staff costs include the following:				
Salaries and wages	3,734,084	3,460,917	56,234	39,319
Retirement benefits costs			-	-
- Defined contribution scheme	167,500	187,511	3,461	3,835
- Defined benefit scheme (Note 48)	(24,760)	(31,877)	-	-
- Social security benefits costs	57,279	40,894	17	495
Total staff costs	**3,934,103**	**3,657,445**	**59,712**	**43,649**

The number of persons employed by the Group at the year-end was 923 (2018: 901).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14. (i) Borrowings

The total borrowings include a bank loan of Shs 376,274,000 (2018: Shs 1,160,000,000) at a fixed interest rate of 12% per annum and other borrowings of Shs 1,927,502,000 (2018: Shs 1,612,054,000) at various interest rates. 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 drawdown facility with a bank which has been secured with quoted ordinary shares valued at Shs 8,452,884,000 (2018: Shs 5,506,224,000). The balance of the undrawn short-term facility is Shs 3,625,000,000 at 31 December 2019 (2018: 840,000,000). Other borrowings relate to amounts borrowed by the Property Companies for use in purchasing properties. The security for other borrowings is the property purchased. Other borrowings in the Company relates to a financial guarantee to a third party in relation to amounts borrowed by Britam Properties (Kenya) Limited.

In 2018, the Company redeemed the 5-year medium term note in 2018 that had been issued. 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 borrowings are carried at amortised cost and their fair value approximates their carrying amounts. Here below is a table showing the breakdown of the borrowings:

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Balance at 1 January				
- Britam 2014 (MTN) 5 year corporate note	-	6,000,000	-	6,000,000
- Bank loan	1,174,807	205,000	1,174,807	205,000
- Other borrowings	1,612,054	996,064	-	-
Additions				
- Bank loan	3,199,443	2,774,000	3,199,443	2,774,000
- Other borrowings	364,388	-	485,654	-
Accrued Interest				
- Bank loan	1,274	14,807	1,274	14,807
- Other borrowings	-	615,990	-	-
- Britam 2014 (MTN) 5 year corporate bond principal redeemed	-	(6,000,000)	-	(6,000,000)
Other repayments	(3,999,250)	(1,819,000)	(3,999,250)	(1,819,000)
Balance at 31 December	**2,352,716**	**2,786,861**	**861,928**	**1,174,807**
Interest paid				
- Britam 2014 (MTN) 5 year corporate note	-	1,037,400	-	1,037,400
- Bank loan	103,333	29,050	103,333	29,050
Total Interest paid	**103,333**	**1,066,450**	**103,333**	**1,066,450**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14. (i) Borrowings *(continued)*

The table below shows the breakdown of the finance costs:

Finance costs	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Britam 2014 (MTN) 5 year corporate note	-	681,856	-	681,856
Bank loan	84,516	34,645	84,516	34,645
Other borrowings	31,949	189,066	485,654	-
Interest on related party balance	-	-	43,948	-
Interest expense on lease liability (Note 23 (ii))	118,202	-	35,308	-
Total finance cost	**234,667**	**905,567**	**649,426**	**716,501**

The weighted average effective interest rate on borrowings as 31 December 2019 was 12% (2018: 12%).

14. (ii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods:

	Group	
	2019	2018
	Shs'000	Shs'000
Cash and cash equivalents (Note 38 (i))	7,575,311	6,721,401
Liquid investments (Note 29)	57,751,830	39,281,935
Borrowings (Note 14(i))	(2,352,716)	(2,786,861)
Lease liabilities (Note 23 (ii))	(844,046)	-
Net debt	**62,130,379**	**43,216,475**
Cash and liquid investments	65,327,141	46,003,336
Gross debt – fixed interest rates	(3,196,762)	(2,786,861)
Net debt	**62,130,379**	**43,216,475**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

14. (ii) Net debt reconciliation *(continued)*

	Liabilities from financing activities			Other assets		
	Borrowings	Leases	Sub-total	Cash equivalents	Liquid investments	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Net debt as at 1 January 2018	**(7,963,470)**	**-**	**(7,963,470)**	**8,423,155**	**30,611,376**	**31,071,061**
Cash flows	6,111,450	-	6,111,450	(1,701,754)	8,670,561	13,080,257
Foreign exchange adjustments	(25,052)	-	(25,052)	-	-	(25,052)
Other	(909,791)	-	(909,791)	-	-	(909,791)
Net debt at 31 December 2018	**(2,786,863)**	**-**	**(2,786,863)**	**6,721,401**	**39,281,937**	**43,216,475**
Recognised on adoption of IFRS 16	-	(849,505)	(849,505)	-	-	(849,505)
Cash flows	538,791	183,409	722,200	853,910	18,469,893	20,046,004
Leases - additions	-	(59,748)	(59,748)	-	-	(59,748)
Other	(104,645)	(118,202)	(222,847)	-	-	(222,847)
Net debt at 31 December 2019	**(2,352,716)**	**(844,046)**	**(3,196,763)**	**7,575,311**	**57,751,830**	**62,130,379**

15. Commission expense

	Group	
	2019	2018
	Shs'000	Shs'000
Long term insurance business		
- Ordinary life	1,324,624	1,325,365
- Group life	115,325	145,607
- Deposit administration	62,381	89,247
Total long term insurance business	**1,502,330**	**1,560,219**
Short term insurance business		
- Engineering	136,968	105,127
- Fire	303,686	269,682
- Marine	81,724	94,254
- Motor	456,530	437,056
- Personal accident and medical	552,897	494,235
- Micro insurance	77,139	70,347
- Theft	48,906	44,099
- Others	142,684	131,519
Total short term insurance business	**1,800,534**	**1,646,319**
Asset management business		
- Unit trust funds	37,596	46,308
- Discretionary and Wealth management	120,862	61,076
Total asset management business	**158,458**	**107,384**
Total commissions payable	**3,461,322**	**3,313,922**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. Share capital - Company

Group and Company	Number of shares	Ordinary shares	Share premium	Total
	Thousands	Shs'000	Shs'000	Shs'000
1 January 2018	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 and 1 January 2019	**2,523,487**	**252,344**	**13,237,451**	**13,489,795**
31 December 2019	**2,523,487**	**252,344**	**13,237,451**	**13,489,795**

*Issue of shares presented net of issue costs of Shs 153,247,000.

Ordinary shares

The total number of authorised shares is 3 billion with par value of 10 cents per share (2018: 3 billion with par value of 10 cents). The number of shares issued is 2,523 million with par value of 10 cents per share as at 31 December 2019 (2018: 2,523 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, totalling Shs 5,720,000,000.

17. 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 retained 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
17. Other reserves *(continued)*

Group	Fair value reserve	Revaluation reserve	Foreign currency translation reserves	General reserves	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
At 1 January 2019	**8,032,788**	**330,916**	**(887,198)**	**4,280,421**	**11,756,927**
Revaluation loss on buildings (Note 21)	-	(236,169)	-	-	(236,169)
Revaluation gains on quoted ordinary shares at fair value through other comprehensive income (Note 25)	1,659,238	-	-	603,170	2,262,408
Share of associate other comprehensive income (Note 25)	-	-	-	(1,369)	(1,369)
Re-measurement of the net defined benefit asset (Note 25)	-	-	-	(50,625)	(50,625)
Surplus for life business	-	-	-	3,433,768	3,433,768
Transfer from retained earnings (Note 18)	-	-	-	43,968	43,968
Currency translation losses (Note 25)	-	-	(96,214)	-	(96,214)
At 31 December 2019	**9,692,026**	**94,747**	**(983,412)**	**8,309,333**	**17,112,694**
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 impact of initial application of IFRS 9	-	-	-	(81,419)	(81,419)
Revaluation gains on building (Note 21)	-	7,396	-	-	7,396
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 25)	(435,939)	-	-	(158,474)	(594,413)
Share of associate other comprehensive income (Note 25)	-	-	-	17,138	17,138
Re-measurement of the net defined benefit asset (Note 25)	-	-	-	(35,517)	(35,517)
Surplus for life business	-	-	-	(1,068,068)	(1,068,068)
Transfer from retained earnings (Note 18)	-	-	-	35,735	35,735
Currency translation gains (Note 25)	-	-	(40,615)	-	(40,615)
At 31 December 2018	**8,032,788**	**330,916**	**(887,198)**	**4,280,421**	**11,756,927**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

17. Other reserves *(continued)*

Company	Other reserves
	Shs '000
At 1 January 2019	**2,564,331**
Revaluation gains on quoted ordinary shares at fair value through other comprehensive income (Note 28)	1,659,238
Share of associate other comprehensive income (Note 24(i))	(3,765)
At 31 December 2019	**4,219,804**
At 1 January 2018	**2,991,865**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 28)	(435,939)
Share of associate other comprehensive income (Note 24(i))	8,405
At 31 December 2018	**2,564,331**

18. Accumulated losses

	Group	Company
	Shs '000	Shs '000
At 1 January 2019	**(1,387,488)**	**82,582**
Profit for the year	124,515	1,684,192
Transfer to general reserve (Note 17)	(43,968)	-
At 31 December 2019	**(1,306,941)**	**1,766,774**
At 1 January 2018	**332,832**	**935,124**
Impact of initial application of IFRS 9	(444,339)	(7,582)
Share of associate's impact of initial application of IFRS 9 (Note 24(i))	(78,359)	(78,359)
Loss for the year	(1,161,887)	(766,601)
Transfer to general reserve (Note 17)	(35,735)	-
At 31 December 2018	**(1,387,488)**	**82,582**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. 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 2019 or 31 December 2018.

	2019	2018
Profit/(loss) attributed to equity holders (Shs' thousands)	3,558,283	(2,229,955)
Weighted number of ordinary shares in issue (thousands)	2,523,487	2,433,266
Basic and diluted earnings per share (Shs)	**1.41**	**(0.92)**

20. Dividends per share

Proposed dividends are not recognised until they have been declared at an annual general meeting. The directors propose to pay a dividend of Shs 0.25 per share totalling to Shs 630,872,000 for the year ended 31 December 2019 (2018: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

21. Property and equipment

	Land and Buildings	Leasehold improvements	Leasehold Improvements WIP	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
GROUP	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
2019							
Cost or valuation							
1 January 2019	651,425	572,654	59,319	109,410	1,056,391	779,731	3,228,930
Additions	-	195,532	(59,319)	16,412	94,895	65,218	312,738
Disposals	-	-	-	(3,525)	-	(171)	(3,696)
Revaluation loss	(236,169)	-	-	-	-	-	(236,169)
Reclassifications	-	82	-	-	791	(873)	-
Translation differences	(17)	9,144	-	1,382	14,865	2,401	27,775
At 31 December 2019	**415,239**	**777,412**	**-**	**123,679**	**1,166,942**	**846,306**	**3,329,578**
Depreciation							
1 January 2019	(141)	431,855	-	85,501	757,971	588,322	1,863,508
Charge for the year	597	54,236	-	10,375	125,398	121,733	312,339
Reclassifications	-	82	-	-	791	(873)	-
Disposals	-	-	-	(203)		(40)	(243)
Translation differences	2	7,106	-	1,275	8,991	1,848	19,222
At 31 December 2019	**458**	**493,279**	**-**	**96,948**	**893,151**	**710,990**	**2,194,826**
Net book value							
At 31 December 2019	**414,781**	**284,133**	**-**	**26,731**	**273,791**	**135,316**	**1,134,752**
GROUP							
2018							
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	7,396	-	-	-	-	-	7,396
Transfer from intangible assets (Note 22)	-	4,330	-	-	-	-	4,330
Reclassification	-	(4,299)	-	-	4,632	(333)	-
Translation differences	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)	-
Disposals	(586)	(1,800)	-	(15,035)	(4,497)	(832)	(22,750)
Translation differences	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**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

21. Property and equipment *(continued)*

In the opinion of the Directors, there is no impairment of property and equipment. The valuation of land and buildings was carried out by independent, registered professional valuers, Gimco Limited at 31 December 2019. The revaluation loss Shs 236,169,000 (2018: Gain Shs 7,396,000) was debited to other comprehensive income. The amount is shown in `other reserves' in shareholders' equity (Note 17) which are not distributable. The depreciation which would be attributable to the gain on revaluation is immaterial. The fair values arising from the open market valuation of land and 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.

COMPANY

	Leasehold Improvements	Leasehold Improvements WIP	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2019						
Cost or valuation						
At 1 January 2019	14,843	59,319	25,370	20,283	13,751	133,566
Additions	130,563	(59,319)	-	49,290	14,686	135,220
At 31 December 2019	**145,406**	**-**	**25,370**	**69,573**	**28,437**	**268,786**
Depreciation						
At 1 January 2019	8,895	-	25,055	13,400	8,163	55,513
Charge for the year	10,767	-	315	8,672	4,115	23,869
Disposal						
At 31 December 2019	**19,662**	**-**	**25,370**	**22,072**	**12,278**	**79,382**
Net book value						
At 31 December 2019	**125,744**	**-**	**-**	**47,501**	**16,159**	**189,404**
2018						
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**

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

		Group
	2019	2018
	Shs'000	Shs'000
Cost	392,095	392,095
Accumulated depreciation	(335,758)	(325,956)
Net book value	**56,337**	**66,139**

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22. 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 2018	2,734,092	113,257	2,847,349	163,930	7,407	171,337
Transfer to property and equipment (Note 21)	(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 differences	9,305	-	9,305	-	-	-
At 31 December 2018	**3,170,315**	**55,728**	**3,226,043**	**173,598**	**-**	**173,598**
At 1 January 2019	3,170,315	55,728	3,226,043	173,598	-	173,598
Capitalised	200,234	(181,483)	18,751	-	-	-
Additions	225,706	122,718	348,424	16,762	-	16,762
Translation differences	17,424	3,037	20,461	-	-	-
At 31 December 2019	**3,613,679**	**-**	**3,613,679**	**190,360**	**-**	**190,360**
Accumulated amortisation and impairment						
At 1 January 2018	751,944	1,818	753,762	44,114	-	44,114
Amortisation charge	349,687	1,842	351,529	24,965	-	24,965
Translation differences	(1,431)		(1,431)	-	-	-
At 31 December 2018	**1,100,199**	**3,660**	**1,103,859**	**69,079**	**-**	**69,079**
Amortisation charge	409,169	-	409,169	26,107	-	26,107
Translation differences	4,391	(3,660)	730	-	-	-
At 31 December 2019	**1,513,760**	**-**	**1,513,758**	**95,186**	**-**	**95,186**
Net book value						
At 31 December 2018	**2,070,115**	**52,069**	**2,122,184**	**104,519**	**-**	**104,519**
At 31 December 2019	**2,099,919**	**-**	**2,099,919**	**95,174**	**-**	**95,174**

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

Intangible assets are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

22. Intangible assets *(continued)*

Internally generated software development costs: Since 2014, the Group has had an ongoing project of implementing new information technology (IT) systems. The project will enable the Group achieve a complete transformation from the 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-to-day 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 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.

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.

23. Leases

The Group leases various assets, mainly offices. These lease contracts are typically made for fixed periods of 1 to 6 years, but may have extension/termination options.

(i) Amounts recognised in the balance sheet

(i) Right of use assets

The movement in the right of use asset over the year was as follows:

	Group	Company
	2019	2019
	Shs'000	Shs'000
Day 1 IFRS 16 Adjustment	**912,872**	**214,327**
Additions	59,748	-
Depreciation charge for the year (Note 13 (i))	(220,007)	(46,389)
At 31 December	**752,613**	**167,938**

The right of use asset is a non-current asset.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23. Leases *(continued)*

(ii) Lease liabilities

The movement in the lease liabilities over the year was as follows:

	Group	Company
	2019	2019
	Shs'000	Shs'000
Day 1 IFRS 16 Adjustment	**849,505**	**214,327**
Additions	59,748	-
Interest on lease liabilities (Note 14(i))	118,202	35,308
Lease payments	(183,409)	(41,341)
At 31 December	**844,046**	**208,294**

The split in the lease liabilities was as follows:

	Group	Company
	2019	2019
	Shs'000	Shs'000
Current	183,409	41,341
Non-current	660,637	166,953
	844,046	**208,294**

The total cash outflow for leases in the year was:

	Group	Company
	2019	2019
	Shs'000	Shs'000
Interest paid on lease liabilities	118,202	35,308
Payments of principal portion of the lease liability	65,207	6,033
	183,409	**41,341**

(ii) Amounts recognised in the profit or loss account

	Group	Company
	2019	2019
	Shs'000	Shs'000
Depreciation on right of use assets (Note 13(i))	220,007	46,389
Interest on lease liabilities (Note 14(i))	118,202	35,308
Expenses relating to short-term leases	37,583	-
Expenses relating to leases of low-value assets that are not shown above as short-term leases	16,808	-
At 31 December	**392,600**	**81,697**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23. Leases *(continued)*

(iii) Minimum lease payments receivable on leases of investment properties

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating leases under IFRS 16

	Group	
	2019	**2018**
	Shs'000	**Shs'000**
Within 1 year	64,842	64,842
Between 1 and 2 years	66,699	64,842
Between 2 and 3 years	66,699	66,699
Between 3 and 4 years	55,555	66,699
Between 4 and 5 years	55,555	55,555
Later than 5 years	55,555	23,381
At 31 December	**364,905**	**342,018**

24. Investment in associate – Group and Company

(i) Details of the investment

The investment in associate at 31 December 2019 represents an equity interest of 48.22% (2018: 48.22%) 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.

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.

		% of ownership interest			
		Group		Company	
Name of entity	**Place of business/ country of incorporation**	**2019**	**2018**	**2019**	**2018**
HF Group Plc	Kenya	48.22%	48.22%	19.41%	19.41%

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. Investment in associate – Group and Company *(continued)*

(i) Details of the investment *(continued)*

The movement in investment in associate is as follows:

	Group		Company	
	2019	2018	2019	2018
	HF Group Plc	HF Group Plc	HF Group Plc	HF Group Plc
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	**2,923,611**	**5,021,902**	**1,176,935**	**2,021,628**
Share of associate's initial application of IFRS 9	-	(194,671)	-	(78,359)
Share of associate's loss for the year	(53,099)	(289,656)	(21,376)	(116,593)
Share of associate's other comprehensive profit	(342)	20,881	(3,765)	8,405
Dividends received in the year	-	(59,754)	-	(24,500)
Impairment	-	(1,575,091)	-	(633,646)
At 31 December	**2,870,170**	**2,923,611**	**1,151,794**	**1,176,935**

At 31 December 2019, the Group's interest in HF Group Plc which is listed on the Nairobi Securities Exchange was Shs 1,198,184,000 (2018: Shs 1,075,769,000) when computed using the NSE share price of Shs 6.46 (2018: Shs 5.8).

The associate has contingent liabilities relating to two ongoing court cases as below.

- ICEA LION Group (ICEA) has sued HFC Limited, a subsidiary of HF Group Plc, and others for loss of funds.
- Sharok Kher Mohamed sued HFC Limited, a subsidiary of HF Group Plc, for selling his property by public auction in 2000. The plaintiff was awarded judgment against HFC Limited. HF Limited have appealed against the judgment and the matter is pending in the Supreme Court.

The Directors of HF Group Plc are of the opinion that the defence against the two court cases will be successful.

(ii) Goodwill

The table below shows the goodwill that arose from the investment in HF Group Plc.

	Group	Company
	Shs'000	Shs'000
At start and end of year	1,629,813	595,569

(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 there was no additional impairment at 31 December 2019 (2018: impairment loss of Shs 1,575,091,000). The impairment indicators that were generally considered are the declines in listed share price, the net assets valuation of the associate in comparison to its market capitalization and the changes in the regulatory environment for banks as a result of the interest rate capping regulations effected in August 2016 which was lifted in November 2019. The Bank has been strong in implementing its turnaround strategy and has in 2019 posted improved performance in comparison to 2018.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. Investment in associate – Group and Company *(continued)*

(iii) Impairment assessment *(continued)*

The recoverable amount Shs 3,317,441,000 calculated based on the value in use exceeded carrying value by Shs 417,220,000. The value in use was computed as the present value of the future cash flows expected using a pre-tax discount rate of 33.8% (2018: 31.8%) determined as the Company' cost of capital. A terminal growth rate of 5% (2018: 5%) was used. The equity risk premium applied was 11.5%. This resulted in nil impairment loss for both Group and Company for the year ended 31 December 2019 (2018: Group Shs 1,575,091,000, Company Shs 633,646,000). The impairment loss is included in the 'unrealized 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.

Sensitivity analysis

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the investment in the associate to changes in the principal assumptions is:

Assumption	Assumption value as per valuation	Reasonable possible shift	Change in the fair value of the investment in associate (+1%)	Change in the fair value of the investment in associate(-1%)
			Shs'000	Shs'000
Average projected cash flows	3,921,048	5%	165,872	(165,872)
Pre-tax discount rate	34%	1%	(144,273)	155,383
Terminal growth rate	5%	1%	64,530	(60,192)

(iv) Summarised financial information for associate

Summarised statement of profit or loss and other comprehensive income

	2019	2018
	Shs'000	Shs'000
Interest income	5,116,580	6,045,521
Interest expense	(3,148,869)	(3,779,848)
Impairment losses on mortgages and advances	(350,441)	(375,908)
Other income	1,405,330	1,327,998
Other expenses	(3,160,402)	(3,860,507)
Loss before income tax	**(137,802)**	**(642,744)**
Income tax	27,694	44,526
Loss after tax	**(110,108)**	**(598,218)**
Other comprehensive income, net of tax	72,973	43,125
Total comprehensive loss for the year	**(37,135)**	**(555,093)**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

24. Investment in associate – Group and Company *(continued)*

(iv) Summarised financial information for associate *(continued)*

Summarised statement of financial position

	2019	2018
	Shs'000	Shs'000
Total assets	56,454,918	60,549,350
Total liabilities	46,212,698	50,178,118
Net assets	10,242,220	10,371,232
Customer deposits	37,399,987	34,720,824
Loans and advances	38,551,968	43,186,081

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

		Group		Company
	HF Group	HF Group	HF Group	HF Group
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Opening net assets 1 January	**10,371,232**	**11,435,693**	**10,371,232**	**11,435,693**
Loss for the year	(110,108)	(598,218)	(110,108)	(598,218)
Other comprehensive income	72,973	43,125	72,973	43,125
Impact of initial application of IFRS 9	-	(402,048)	-	(402,048)
Impact of initial application of IFRS 16	(91,877)	-	(91,877)	-
Transactions with owners recorded directly in equity	-	(121,162)	-	(121,162)
Other adjustments	-	13,842	-	13,842
Closing net assets	**10,242,220**	**10,371,232**	**10,242,220**	**10,371,232**
Interest in associate Group 48.22% (2018: 48.22%) Company 19.41% (2018: 19.41%)	4,939,236	5,013,963	1,998,349	2,017,770
Goodwill (Note 24 (ii))	1,629,813	1,629,813	595,569	595,569
Provision for impairment	(3,720,165)	(3,720,165)	(1,436,404)	(1,436,404)
Other adjustments	21,286	-	4,280	-
Carrying value	**2,870,170**	**2,923,611**	**1,151,794**	**1,176,935**

Summarised statement of cash flows for HF Group

	2019	2018
	Shs'000	Shs'000
Net cash flows generated from operating activities	5,251,288	2,204,386
Net cash flows used in investing activities	(189,031)	(145,773)
Net cash flows used in financing activities	(6,233,850)	(2,712,090)
Net decrease in cash and cash equivalents	**(1,171,593)**	**(653,477)**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. Income tax

(a) Income tax expense/(credit)

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Current income tax	520,404	420,251	17,933	17,139
Deferred tax (Note 36)	507,994	(505,836)	-	-
Income tax expense/(credit)	**1,028,398**	**(85,585)**	**17,933**	**17,139**

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	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss) before income tax	**4,571,023**	**(2,295,870)**	**1,702,125**	**(749,462)**
Tax calculated at a tax rate of 30% (2018: 30%)	1,371,307	(688,761)	510,637	(224,838)
Add/(less):				
- Tax effect of income not subject to tax	(596,245)	160,345	(603,111)	172,332
- Under provision in prior year	44,987	30,468	-	-
- Deferred tax not recognised (Note 36)	94,668	129,875	82,185	7,206
- Tax effect of expenses not deductible for tax purposes	95,133	88,728	16,115	60,164
-Deferred tax on Day 1 impact of IFRS 9 adjustment through SOCE	-	193,760	-	2,275
-Deferred tax on Day 1 impact of IFRS 16 adjustment	18,548	-	12,107	-
Income tax expenses/(credit)	**1,028,398**	**(85,585)**	**17,933**	**17,139**

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. Income tax *(continued)*

(a) Income tax expense/(credit) *(continued)*

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

	2019			2018		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Currency translation losses	(96,214)	-	(96,214)	(40,615)	-	(40,615)
Re-measurement of the net defined benefit asset (Note 48)	(72,321)	21,696	(50,625)	(50,738)	15,221	(35,517)
Share of other comprehensive income from associates	(342)	(1,027)	(1,369)	20,881	(3,743)	17,138
Fair value deficit on						
– Building (Note 21)	(236,169)	-	(236,169)	10,566	(3,170)	7,396
– Financial assets at fair value through other comprehensive income (Note 28)	2,520,910	(258,502)	2,262,408	(662,330)	67,917	(594,413)
Other comprehensive income	**2,115,864**	**(237,833)**	**1,878,031**	**(722,236)**	**76,225**	**(646,011)**

(b) Current tax recoverable

Movement in the tax recoverable account is as follows:

	Group	
	2019	2018
	Shs'000	Shs'000
At 1 January	314,296	69,413
Taxation charge for the year	(520,404)	(420,251)
Tax paid	504,040	665,134
At end of year	**297,932**	**314,296**

	Group	
Split as follows;	2019	2018
	Shs'000	Shs'000
Current income tax recoverable	381,045	320,498
Current income tax payable	(83,113)	(6,202)
Net	**297,932**	**314,296**

Current tax recoverable or payable is current asset.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. (i) Goodwill on business combinations

The goodwill arose on the acquisition of Real Insurance Group (now Britam General Insurance Company (Kenya) Limited, Britam Insurance Company (Tanzania) Limited and Britam - Companhia De Seguros De Mozambique S.A.) which was concluded in 2015.

	2019	2018
	Shs'000	Shs'000
Britam General Insurance Company (Kenya) Limited	1,055,515	1,055,515
Britam Insurance Company (Tanzania) Limited	258,577	258,577
Britam - Companhia De Seguros De Mozambique S.A.	244,341	244,341
Total goodwill	**1,558,433**	**1,558,433**

In assessing impairment of 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 18% and 33.7% (2018: 27% and 38%) depending on the circumstances of the entity and terminal growth rate of 2.5% (2018: No terminal growth rate).

The recoverable amount calculated based on the value in use exceeded carrying value by Shs 9,938,296,000 (2018: Shs 3,337,596,000). A fall in the terminal rate of above 100% (2018:100%) or a rise in the discount rate of above 100% (2018:100%) 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 2019 (2018: Nil).

Goodwill on acquisition is a non-current asset.

26. (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	
			2019	2018	2019	2018
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%	-	-

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. (ii) Investment in subsidiary companies *(continued)*

	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	
			2019	2018	2019	2018
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%	-	-

The Company had the following subsidiaries at 31 December:

	% holding in equity shares		2019	2018
	2019	2018	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	391,711
Britam Insurance Company (Rwanda) Limited	100%	100%	868,795	671,688
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	461,539
Britam Insurance (Tanzania) Limited	55%	55%	303,430	299,335
Britam - Companhia De Seguros De Mozambique S.A.	98%	98%	531,728	315,220
Britam Asset Managers (Uganda) Limited	100%	100%	124,862	124,862
Total investment at Company level			**7,417,447**	**6,999,737**
Britam Properties (Uganda) Limited*	100%	100%	102,776	102,776
Britam Tower LLP**	100%	100%	8,040,905	8,275,933
Total			**15,561,128**	**15,378,446**

*This subsidiary is held by the Group through Britam Insurance Company (Uganda) Limited.
** Britam Tower LLP is held by the Group through Britam Holdings and Britam Life Assurance.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. (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 For the year ended 31 December	
	2019	2018
	Shs'000	Shs'000
Revenue	810,784	821,818
(Loss)/Profit before income tax	(40,328)	56,877
Income tax credit/(expense)	6,770	(13,302)
Total comprehensive income	**(49,784)**	**23,336**

Summarised statement of financial position

	Britam Insurance (Tanzania) Limited as at 31 December	
	2019	2018
	Shs'000	Shs'000
Current		
Assets	1,738,548	1,622,646
Liabilities	(1,511,154)	(1,344,059)
Total current net assets	**227,394**	**278,587**
Non-current		
Assets	68,673	63,169
Total non-current net assets	**68,673**	**63,169**
Net assets	**296,067**	**341,756**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

26. (ii) Investment in subsidiary companies *(continued)*

Summarised statement of cash flows

	Britam Insurance (Tanzania) Limited For the year ended 31 December	
	2019	2018
	Shs'000	Shs'000
Cash generated from operations	170,808	(627,584)
Income tax paid	(14,363)	(467)
Net cash generated from operating activities	156,445	(628,051)
Net cash used in (generated from) investing activities	(258,993)	228,822
Net cash used in (generated from) financing activities	(20,428)	1,241
Net decrease in cash and cash equivalents	**(122,976)**	**(397,988)**

26. (iii) Non-controlling interest

31 December 2019	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 start of year	3,356	93,580	96,936
Loss after tax attributable to non-controlling interests	(557)	(15,101)	(15,658)
Total non-controlling interests at year end	**2,799**	**78,479**	**81,278**

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
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**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
27. (i) Investment properties

	Group	
	2019	2018
	Shs'000	Shs'000
At start of year	15,927,529	14,188,024
Additions during the year	462,109	1,321,910
Fair value (losses)/gains (Note 5)	(627,436)	417,595
At end of year	**15,762,202**	**15,927,529**

The Group's investment properties were revalued at 31 December 2019 and 2018 by Gimco Limited, Tyson Limited and Knight Frank who are registered professional valuers. The fair value of the investment properties is determined using either the market approach, contractor cost approach or the income approach (discounted cash flows). The fair values arising from the valuation of investment property is categorised as level 2 or 3 depending on the valuation basis in the fair value hierarchy.

An investment in property is classified as a non-current asset.

The table below sets out information about significant unobservable inputs used at year end in measuring investment properties valued using the discounted cash flows approach:

Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Estimates for unobservable inputs
Valued using the Discounted Cash Flow (DCF) method. Net income is determined by considering gross income less operating expenditure. The discount rate is determined with reference to the current market conditions comparable market transactions.	The valuation is determined on the market weighted average cost of capital. Whereas tenancy, is based on projected occupancy of the property.	Increase in the discount and vacancy rate will decrease the fair value of the properties. Similar increases/ decreases in tenancy will increase/decrease the market value of the property.	Discount rate; 14.45% Exit value multiple 14

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27. (i) Investment properties *(continued)*

Sensitivity analysis

Assumption	Assumption value as per valuation	Reasonable possible shift	Change in the fair value of the investment property
			Shs '000
Discount rate	14.45%	0.5%	203,784
Exit value multiple	14	1%	73,147

27. (ii) Investment in property funds

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	575,021	995,818	759,164	939,774
Additions	362,953	63,586	-	17,547
Disposals	(103,877)	(475,059)	(68,286)	(198,149)
Fair value (loss) (Note 5)	(181,806)	(9,324)	(74,548)	(8)
At end of year	**652,291**	**575,021**	**616,330**	**759,164**

The Group's investment in property funds were revalued at 31 December 2019 and 2018 by Gimco Limited, Tyson Limited and Knight Frank who are registered professional valuers. The fair value of the investment property funds is determined using the market approach. The fair values arising from the valuation of investment in property funds is categorised as level 2 or 3 in the fair value hierarchy.

Investment in property funds are classified as a non-current asset.

28. Financial assets at fair value through other comprehensive income

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,710,653	5,372,983	3,100,508	3,536,447
Fair value gains/(losses) (Note 25)	2,520,910	(662,330)	1,659,238	(435,939)
At end of year	**7,231,563**	**4,710,653**	**4,759,746**	**3,100,508**

Quoted ordinary shares at fair value through other comprehensive income are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. Financial assets at fair value through profit or loss

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Quoted ordinary shares (Note 29 (i))	11,587,595	9,743,172	4,142,167	2,872,468
Unquoted ordinary shares (Note 29 (ii))	9,649	9,619	-	-
Unit trusts (Note 29 (iii))	3,396,349	4,730,625	42,851	-
Government securities (Note 29 (iv))	42,758,237	24,798,519	293,704	286,881
Total	**57,751,830**	**39,281,935**	**4,478,722**	**3,159,349**

(i) Quoted ordinary shares

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	9,743,172	10,299,329	2,872,468	3,276,336
Additions	103,506	1,267,763	-	-
Disposals	(1,681,302)	(149,508)	(174,250)	-
Fair value gains/(losses) (Note 8)	3,422,219	(1,674,412)	1,443,949	(403,868)
At end of year	**11,587,595**	**9,743,172**	**4,142,167**	**2,872,468**

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

(ii) Unquoted ordinary shares

	Group	
	2019	2018
	Shs'000	Shs'000
At start of year	9,619	9,455
Translation differences	30	164
At end of year	**9,649**	**9,619**

Unquoted ordinary shares at fair value through profit or loss are classified as current assets. Please see Note 52(f) for their fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. Financial assets at fair value through profit or loss *(continued)*

(iii) Unit trusts

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,730,625	5,807,946		
Additions	46,450	732,147	46,450	-
Disposals	(1,811,999)	(1,454,733)		
Fair value gains/(losses) (Note 8)	431,273	(354,735)	(3,599)	-
At end of year	**3,396,349**	**4,730,625**	**42,851**	**-**

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	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Treasury bills and bonds maturing				
- Within 1 year	676,816	1,111,377	-	286,881
- In 1 – 5 years	6,827,824	5,252,914	80,633	-
- After 5 years	35,253,597	18,434,228	213,071	-
Total	**42,758,237**	**24,798,519**	**293,704**	**286,881**
Treasury bills and bonds movement				
- At start of the year	24,798,519	14,494,632	286,881	20,950
- Additions	21,652,090	14,136,531	1,182,815	1,207,676
- Fair value gains (Note 8)	446,563	513,067	6,720	8,255
- Disposals and maturities	(4,153,421)	(4,345,711)	(1,182,712)	(950,000)
At end of year	**42,758,237**	**24,798,519**	**293,704**	**286,881**

30. Government securities and corporate bonds at amortised cost

	Group	
	2019	2018
	Shs'000	Shs'000
Government securities (Note 30 (i))	15,057,530	15,212,824
Corporate bonds (Note 30 (ii))	622,109	944,194
Total	**15,679,639**	**16,157,018**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. Government securities and corporate bonds at amortised cost *(continued)*

(i) Government securities

	Group	
	2019	2018
	Shs'000	Shs'000
Treasury bills and bonds maturing		
- Within 1 year	2,852,434	961,100
- In 1 – 5 years	5,186,123	5,948,731
- After 5 years	7,019,467	8,310,932
Total	**15,058,024**	**15,220,763**
At start of year	15,220,763	16,200,057
Amortization	20,742	(25,366)
Additions	1,048,984	1,924,719
Maturities	(1,232,465)	(2,878,647)
At end of year	**15,058,024**	**15,220,763**
Less: Provision expected credit losses	(494)	(7,939)
Net amount at end of year	**15,057,530**	**15,212,824**
Movement in provision for expected credit losses:		
At 1 January	7,939	8,247
Decrease in the year	(7,445)	(308)
At 31 December	**494**	**7,939**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

30. Government securities and corporate bonds at amortised cost *(continued)*

(ii) Corporate bonds

	Group	
	2019	2018
	Shs'000	Shs'000
Maturing Profile		
- Within 1 year	410,642	515,111
- In 1 – 5 years	270,744	518,150
- After 5 years	-	-
Total	**681,386**	**1,033,261**
At start of year	1,033,261	1,218,485
Amortization	(3,185)	(10,553)
Additions	-	2,500
Maturities	(348,690)	(177,171)
At end of year	**681,386**	**1,033,261**
Less: Provision for expected credit losses	(59,277)	(89,067)
Net amount at end of year	**622,109**	**944,194**
Movement in provision for expected credit losses:		
At 1 January	89,067	36,680
Decrease in the year	(29,790)	52,387
At 31 December	**59,277**	**89,067**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31. Mortgage loans

	Group	
	2019	2018
	Shs'000	Shs'000
Gross loans start of year	1,258,222	1,217,364
Loans advanced during the year	117,205	150,777
Interest charged	121,773	92,731
Loan repayments at year end	(280,245)	(202,650)
Total loan amount at end of year	**1,216,955**	**1,258,222**
Less: Provision for expected credit losses	(45,262)	(48,828)
Net loan amount at end of year	**1,171,693**	**1,209,394**
Movement in provision for expected credit losses:		
At 1 January	48,828	36,580
Decrease	(3,566)	12,248
At 31 December	**45,262**	**48,828**
Lending commitments:		
Mortgage loans approved by investment committee but not disbursed as at 31 December	51,017	66,928
Mortgage loans maturity profile		
- Within 1 year	30,021	13,986
- In 1 – 5 years	193,759	198,290
- After 5 years	993,175	1,045,946
At end of year	**1,216,955**	**1,258,222**

Mortgages are fully secured on the mortgage properties and staff mortgages are charged interest at 6% (2018: 6%). The difference between the staff rate and market rate is treated as a company cost and expensed as incurred. Mortgage loans to Directors are disclosed in Note 51 (iv).

32. Loans and receivables to policyholders

	Group	
	2019	2018
	Shs'000	Shs'000
At start of year	1,301,118	1,076,466
Loans advanced during the year	1,438,600	1,212,025
Surrenders	1,520	(5,679)
Loan repayments	(1,448,168)	(1,154,578)
Accrued interest at year end	218,203	172,884
At end of year	**1,511,273**	**1,301,118**

Loans and receivable to policyholders are current assets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(i) Receivables arising out of reinsurance arrangements

	Group	
	2019	2018
	Shs'000	Shs'000
At start of year	1,127,398	897,986
Movement	(244,782)	229,412
At end of year	**882,616**	**1,127,398**
1 – 60 days	211,291	111,091
61– 90 days	73,854	201,673
91 - 180 days	11,258	75,749
Over 180 days	586,213	76,201
Impaired	-	662,684
Gross	**882,616**	**1,127,398**
Provision for expected credit losses	(379,894)	(424,078)
Net	**502,722**	**703,320**
Movements in the provision for expected credit losses		
At 1 January	424,078	252,499
(Decrease)/increase	(44,184)	171,579
At 31 December	**379,894**	**424,078**

(ii) Payables arising out of reinsurance arrangements

	Group	
	2019	2018
	Shs'000	Shs'000
At start of year	1,252,887	752,226
Movement	66,327	500,661
At end of year	**1,319,214**	**1,252,887**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

33. Receivables and payables arising out of reinsurance and direct insurance arrangements - Group *(continued)*

(iii) Receivables arising out of direct insurance arrangements

	Group	
	2019	2018
	Shs'000	Shs'000
Gross receivables	**2,252,581**	**2,875,096**
Provision for expected credit losses	(563,093)	(557,902)
Net receivables	**1,689,488**	**2,317,194**
Movements in the provision for expected credit losses :		
At 1 January	557,902	446,668
Increase	5,191	111,234
At 31 December	**563,093**	**557,902**
Ageing profile		
1 – 60 days	1,337,653	1,614,524
61 – 90 days	204,026	277,604
91 - 180 days	710,902	982,968
Total	**2,252,581**	**2,875,096**

34. Reinsurers' share of insurance liabilities

	Group	
	2019	2018
	Shs'000	Shs'000
Reinsurers' share of:		
- Notified claims outstanding – long term	103,439	174,545
- Notified claims outstanding – short term (Note 41)	1,535,274	1,388,940
- Unearned premium (Note 45)	1,526,723	1,140,246
- Claims incurred but not reported (Note 41)	576,822	441,327
At end of year	**3,742,258**	**3,145,058**

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

35. Deferred acquisition costs

	2019	2018
	Shs'000	Shs'000
At start of year	482,053	464,147
Net movement in the year	43,944	17,906
At end of year	**525,997**	**482,053**

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

36. Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018: 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

	31 December 2019	2019 Movement	31 December 2018	2018 Movement	31 December 2017
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment:					
- on historical cost basis (buildings)	(101,412)	(14,871)	(86,541)	(161,162)	74,621
Provisions	454,687	211,018	243,669	(5,384)	249,053
Tax losses brought forward:	1,289,420	266,516	1,022,904	126,084	896,820
IFRS 9 provisions through equity	-	(193,760)	193,760	193,760	-
IFRS 16 impact	18,548	18,548	-	-	-
Less: Deferred tax asset not recognised:					
-Britam Properties Co. Limited	(33,162)	(33,162)	-	-	-
-Britam Insurance Co. Rwanda Limited	(101,989)	20,680	(122,669)	2,084	(124,752)
-Britam Holdings Plc	(734,735)	(82,185)	(652,550)	(7,206)	(645,344)
Life fund surplus	(3,735,019)	(938,611)	(2,796,408)	627,646	(3,424,054)
Net deferred income tax liability	**(2,943,662)**	**(745,827)**	**(2,197,835)**	**775,822**	**(2,973,656)**
Reconciliation:					
Income statement					
Credit (Note 25)	-	-	-	505,836	-
Charge (Note 25)	-	(507,994)	-	-	-
Other comprehensive income (Note 25)	-	(237,833)	-	76,226	-
IFRS 9 provisions through equity	-	-	-	193,760	-
Total		**(745,827)**		**775,822**	**-**
Statement of financial position					
Deferred income tax asset	777,550	144,066	633,484	183,086	450,398
Deferred income tax liability	(3,721,212)	(889,893)	(2,831,319)	592,736	(3,424,054)
Net deferred income tax liability	**(2,943,662)**	**(745,827)**	**(2,197,835)**	**775,822**	**(2,973,656)**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

36. Deferred income tax *(continued)*

COMPANY

The deferred tax asset for the Company has not been recognised as in the assessment of the Directors, the Company is unlikely to generate sufficient taxable profits that can be set off against the tax losses within the 10 year period permitted by the Kenyan Income Tax Act. Deferred tax assets/liabilities are classified as non-current assets/liabilities.

	31-12-19 December	2019 Movement	31-12-18 December	2018 Movement	31.12.17
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment:					
- on historical cost basis	(14,361)	(6,275)	(8,086)	2,538	(10,624)
Provisions	4,333	6,859	(2,526)	(3,913)	1,387
Tax losses brought forward	732,656	71,769	660,887	6,306	654,581
IFRS 9 provisions through equity	12,107	9,832	2,275	2,275	-
Deferred tax asset not recognised	(734,735)	(82,185)	(652,550)	(7,206)	(645,344)
Net deferred income tax liability	**-**	**-**	**-**	**-**	**-**

37. Other receivables

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Staff and agents loans	100,459	121,508	-	2,154
Car loans and premium financing loans	216,493	467,707	-	-
Accrued income	21,748	53,972	-	-
Dues from managed funds	12,725	9,038	-	-
Refundable deposits	54,400	63,136	-	-
Recoverable VAT on rental commercial properties	207,515	156,033	-	-
Due from Motor pool	36,218	45,577	-	-
Prepayments	100,320	210,916	3,819	2,789
Other assets	1,069,847	1,057,034	44,361	43,443
Total	**1,819,725**	**2,184,921**	**48,180**	**48,386**
Less: Provision for expected credit losses	(195,555)	(240,311)	-	(484)
Net amount at end of year	**1,624,170**	**1,944,610**	**48,180**	**47,902**
Movement in provision for expected credit losses:				
At 1 January	240,311	121,125	484	-
(Decrease)/increase	(44,756)	119,186	(484)	484
At 31 December	**195,555**	**240,311**	**-**	**484**

There are no individually significant items under other assets category. All other receivables are classified as current. The carrying value of other receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

38. (i) Cash and cash equivalents

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

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits with financial institutions	6,810,651	3,216,913	1,416,466	437,804
Investment in liquid funds	34,688	1,063,596	34,688	869,180
Cash and bank balances	885,606	2,691,928	8,808	9,328
Cash and cash equivalents	**7,730,945**	**6,972,437**	**1,459,962**	**1,316,312**
Less: Provision for expected credit losses	(155,634)	(251,036)	(1,809)	(5,769)
Net amount at end of year	**7,575,311**	**6,721,401**	**1,458,153**	**1,310,543**
Movement in provision for expected credit losses:				
At 1 January	251,036	38,770	5,769	7,504
(Decrease)/increase	(95,402)	212,266	(3,960)	(1,735)
At 31 December	**155,634**	**251,036**	**1,809**	**5,769**

38. (ii) Restricted cash

Restricted cash	**80,608**	**45,601**	**-**	**-**

Investments in liquid funds are investments in the wealth management funds product by Britam Asset Managers Limited. The wealth management funds 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 2019 was 9.50% (2018: 9.50%).

Cash and cash equivalents of Shs 80,608,000 (2018: Shs 45,601,000) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

39. Insurance contract liabilities

	Group	
	2019	2018
	Shs'000	Shs'000
Long term insurance contracts		
- Claims reported and claims handling expenses	475,696	765,587
- Actuarial value of long term liabilities (Note 42 (ii))	26,480,894	21,328,975
Total – long term	**26,956,590**	**22,094,562**
Short term insurance contracts		
- Claims reported and claims handling expenses (Note 41)	3,796,365	3,416,259
- Claims incurred but not reported (Note 41)	3,031,447	2,710,640
Total – short term (Notes 41)	**6,827,812**	**6,126,899**
Total gross insurance liabilities	**33,784,402**	**28,221,461**

Insurance contract liabilities are classified as non-current liabilities.

Liability adequacy tests were performed on the adequacy of the contract liabilities and the results are satisfactory.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

40. Short-term 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.

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	2015	2016	2017	2018	2019	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Estimate of ultimate claims costs:						
- at end of accident year	4,329,329	3,331,386	3,472,018	3,579,480	5,234,167	19,946,380
- one year later	4,863,622	3,596,270	4,113,455	3,911,785	-	16,485,132
- two years later	4,877,229	3,722,709	4,129,476	-	-	12,729,414
- three years later	4,992,108	3,835,316	-	-	-	8,827,424
- four years later	5,136,958	-	-	-	-	5,136,958
Current estimate of cumulative claims	**5,136,958**	**3,835,316**	**4,129,476**	**3,911,785**	**5,234,167**	**22,247,702**
Add: Incurred but not Reported	231,460	221,866	321,615	508,327	1,748,179	3,031,447
Add: Liability in respect of prior years	453,898	-	-	-	-	453,898
Less: Cumulative payments to date	(4,706,033)	(3,589,214)	(3,671,215)	(3,216,198)	(3,722,575)	(18,905,235)
Liability included in the statement of financial position	**1,116,283**	**467,968**	**779,876**	**1,203,914**	**3,259,771**	**6,827,812**

Accident year	2014	2015	2016	2017	2018	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	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**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

41. Movements in insurance liabilities and reinsurance assets

	2019			2018		
Short term insurance business	**Gross**	**Reinsurance**	**Net**	**Gross**	**Rein-surance**	**Net**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
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 beginning of year	**6,126,899**	**(1,830,267)**	**4,296,632**	**6,928,310**	**(2,644,096)**	**4,284,214**
Cash paid for claims settled in year	(6,344,787)	993,952	(5,350,835)	(7,285,610)	1,910,486	(5,375,124)
Increase in liabilities:						
- arising from current year claims	6,836,799	(1,049,317)	5,787,482	4,796,750	(1,160,719)	3,636,031
- arising from prior year claims	208,901	(226,464)	(17,563)	1,687,449	64,062	1,751,511
Total at end of year	**6,827,812**	**(2,112,096)**	**4,715,716**	**6,126,899**	**(1,830,267)**	**4,296,632**
Notified claims	3,796,365	(1,535,274)	2,261,091	3,416,259	(1,388,940)	2,027,319
Incurred but not reported	3,031,447	(576,822)	2,454,625	2,710,640	(441,327)	2,269,313
Total at the end of year	**6,827,812**	**(2,112,096)**	**4,715,716**	**6,126,899**	**1,830,267)**	**4,296,632**

42. (i) Long term insurance contract liabilities - group

The Group values 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). The GPV methodology is widely used and is deemed a best practice as it results in more accurate, market consistent reserves. This basis contains prudent margins for adverse experience in mortality, expenses, withdrawals and investment return.

Reinsurer's share of insurance liabilities are shown in Note 34.

The liabilities are calculated in-house by the Actuarial department and reviewed for adequacy by the Appointed Actuary (QED Actuaries & Consultants (Pty) Ltd). The GPV methodology contains margins for adverse experience in mortality, expenses, withdrawals and investment return.

Valuation assumptions

The valuation was carried out at 31 December 2019. The valuation currency is Kenyan Shillings. The key assumptions in the valuation of long-term liabilities are summarised below:

a) Mortality

The prescribed mortality assumptions are; 90% of the AKI KE 01/03 for both conventional life and annuities business (90% of AKI KE 01/03 in 2018).

b) Interest rate

The Insurance Regulations (IRA issued) prescribes a 10% risk margin to the risk free yield curve as the investment return assumption and for discounting the cash flows (benefits & expenses less premiums and investment income).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

42. (i) Long term insurance contract liabilities - group *(continued)*

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.

Sensitivity analysis

The sensitivity of the GPV results to certain key assumptions has been tested by calculating the effect of assumptions not being met. The results of the sensitivity analysis are summarized below:

	2019	2019	2018	2018
	Shs'000	% Change	Shs'000	% Change
Main basis	71,998,988	0.0%	58,507,211	0.0%
Expenses plus 10%	73,141,772	1.6%	59,042,358	0.9%
Mortality and other claim experience plus 20%	72,144,434	0.2%	58,617,304	0.2%
Interest rate less 2%	75,810,861	5.3%	61,807,180	5.6%
Withdrawals plus 20%	71,596,067	-0.6%	58,048,755	-0.8%

As seen from the table, the valuation results depend on the assumptions made. If these assumptions are not realised in practice, the surplus in the life fund will differ from expected.

Over the two periods, sensitivities for the different assumptions are largely similar. Variability of future interest rates will have the largest impact on the valuation results. These variabilities will particularly impact Individual Life and Annuities. These classes of business have long-term cash flows with durations of 13 to 15 years that are subject to discounting for the purpose of valuations.

It should be noted that the sensitivity calculations have been done independently. This means that interactions between various factors have not been considered. For instance, in the event of withdrawals increasing, it is likely that per policy expenses will also increase. An interplay of the figures indicated in the table above is necessary in case various scenarios are considered. This has not been allowed for in the sensitivity analysis above.

A liability adequacy test has been performed at 31 December 2019.

Adequacy of IBNR reserves/AvE: A review was performed on the claims that emerged during the year ended 31 December 2019, to determine the sufficiency of the claim reserves (i.e. OCR plus IBNR) set aside on 31 December 2019.

The table below compares the claims that were expected to emerge in quarter 4 2019, based on the December 2018 reserves, and the actual claims that emerged in quarter 4 2019.

Amounts in Shs'000	Total IBNR	Expected	Actual	(Shortfall)/ Surplus on Total IBNR	(Shortfall)/ Surplus on Expected IBNR
Credit Life Business	158,262	119,530	81,028	77,234	38,502
Group Life Business	217,960	179,625	133,180	84,780	46,445

The surplus for both Group & Credit life businesses indicates that the IBNR assumptions contain sufficient margins of prudence. It also indicates that the IBNR reserve is adequate to cover fluctuations in claims experience. The projection assumptions as at December 2019 were therefore weakened from those applied as at December 2018 to reflect a faster emergence of claims.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

42. (i) Long term insurance contract liabilities - group *(continued)*

Sensitivity analysis *(continued)*

The prescribed GPV basis explicitly allows for the Best Estimate Persistency, Expenses, Expense Inflation and Prescribed Tax assumptions to be used. There are additional prescribed risk margins loaded onto the Best Estimate Assumptions as per regulations.

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

Assumption	Valuation Margins on Best Estimate Liabilities	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 recovery rates
Lapses	25% (increase or decrease in lapse rate depending on which alternative gives rise to an increase in the liability of the policy concerned)	15% increase in lapse rates for new business 5% increase in lapse rates for in force business
Interest rate	10% decrease	18% decrease
Surrenders	10% (increase or decrease in surrender rate depending on which alternative gives rise to an increase in the liability of the policy concerned)	N/A
Expenses & Expense inflation	10% increase on base expenses 10% increase of the base escalation rate	5% increase in best estimate assumption for expenses 1% increase in best estimate assumption for inflation
Catastrophe	N/A	An absolute increase in the rate of policyholders dying over the following year of 1.5 per mille.
Group/Umbrella Pension Savings Plans	N/A	1.0% increase in fund value
Deposit Administration	N/A	1.0% increase in fund value
Group Life	N/A	10% increase on premium reserves 8% increase on claims reserves
Group Credit	N/A	12% increase on premium reserves 10% increase on claims reserves

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

42. (ii) Actuarial value of long term liabilities

	2019			2018		
	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	**18,776,594**	**2,552,381**	**21,328,975**	**14,161,023**	**1,995,119**	**16,156,142**
Surrenders and annuity payments	(4,195,080)	(447,557)	(4,642,637)	(3,134,071)	(887,462)	(4,021,533)
Net change in the period	5,080,237	(437,084)	4,643,153	5,477,899	391,199	5,869,098
New business	4,006,450	1,144,953	5,151,403	2,271,743	1,053,525	3,325,268
Change in Actuarial Reserves	**4,891,607**	**260,312**	**5,151,919**	**4,615,571**	**557,262**	**5,172,833**
At end of year	**23,668,201**	**2,812,693**	**26,480,894**	**18,776,594**	**2,552,381**	**21,328,975**

The change in the period relates to changes in assumptions, both economic and non-economic assumptions.

43. 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 10% for the year (2018: 6%).

	Group	
	2019	2018
	Shs'000	Shs'000
At start of year	34,174,911	28,017,662
Pension fund deposits received	9,413,229	8,190,708
Surrender and annuities paid	(4,683,235)	(3,865,311)
Interest payable to policyholders (Note 12)	3,611,050	1,831,852
At end of year	**42,515,955**	**34,174,911**

Payable under deposit administration contracts are classified as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

44. Liabilities under investment contracts

	Group	
	2019	2018
	Shs'000	Shs'000
At start of the year	**3,003,326**	**4,025,506**
Investment contracts premium received in the year	686,681	594,554
Liabilities released for payments:	(966,290)	(1,473,520)
Fair value gain/(loss) on investments (Note 12)	278,425	(143,214)
At end of year	**3,002,142**	**3,003,326**

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.

Payable under deposit administration contracts are classified as non-current liabilities.

45. 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:

	2019			2018		
	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	3,556,002	1,140,246	4,696,248	3,630,061	942,006	4,572,067
Increase/(decrease) in the year (net)	276,849	386,477	661,516	(74,059)	198,240	124,181
At end of year	**3,832,851**	**1,526,723**	**5,357,764**	**3,556,002**	**1,140,246**	**4,696,248**

Unearned premiums are classified as current liabilities.

46. Other payables

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Accrued expenses	914,040	552,012	52,495	64,580
Premiums paid in advance	254,041	171,782	-	-
Accrued dividends payable	26,774	147,153	26,224	146,603
Trade payables	103,700	87,415	-	-
Government taxes & statutory deductions	399,030	128,217	23,037	20,145
Other liabilities	1,188,590	1,640,368	12,603	80,321
Total other payables	**2,886,175**	**2,726,947**	**114,359**	**311,649**

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

47. Cash generated from/(used in) operations

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

		Group		Company
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss) before income tax	**4,571,023**	**(2,295,870)**	**1,702,125**	**(749,462)**
Adjustments for:				
Depreciation of leasehold improvements and equipment (Note 21)	312,339	316,697	23,869	12,171
Depreciation of right of use asset (Note 23)	220,007	-	46,389	-
Amortisation of intangible assets (Note 22)	409,169	351,529	26,107	24,965
Net loss/(income) from investment properties (Note 5)	747,036	(507,207)	74,548	8
Interest and dividend income (Note 6)	(7,713,830)	(6,160,381)	(1,250,942)	(1,416,620)
Net realised gains on financial assets (Note 7)	(477,661)	(41,898)	(98,621)	(7,376)
Net fair value gains on financial assets at fair value through profit or loss (Note 8)	(4,300,055)	3,091,171	(1,447,070)	1,029,259
Translation differences	84,302	(25,052)	(808)	1,767
Share of loss of the associate (Note 24(i))	53,099	289,656	21,376	116,593
Finance costs (Note 14)	234,667	905,567	649,426	716,501
Gain on disposal of fixed assets	-	(1,977)	-	(1,769)
Provision for expected credit losses cash and cash equivalents (Note 38(i))	155,634	251,036	1,809	5,769
Changes in:				
- Receivables arising out of direct insurance arrangements	627,705	(155,727)	-	-
- Receivables from related party	-	-	397,842	(879,842)
- Re-insurers' share of insurance liabilities	(597,200)	581,855	-	-
- Receivables arising out of reinsurance arrangements	200,597	(57,833)	-	-
- Unearned premiums	661,516	124,181	-	-
- Retirement benefit asset	42,757	10,371	-	-
- Other payables	159,274	(824,904)	(197,281)	213,708
- Deferred acquisition costs	(43,944)	(17,905)	-	-
- Other receivables	320,440	(299,665)	(277)	604,916
- Payable to related party	-	-	214,422	130,972
- Insurance contract liabilities	5,562,940	4,325,180	-	-
- Liabilities under investment contracts	(1,185)	(1,022,182)	-	-
- Payable under deposit administration contracts	8,341,044	6,157,249	-	-
- Payables arising out of reinsurance arrangements	66,327	500,661	-	-
- Payables arising out of direct insurance arrangements	-	-	-	-
- Restricted cash	(35,007)	1,590	-	-
Cash generated from/ (used in) operations	**9,600,994**	**5,496,143**	**162,914**	**(198,440)**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

48. Retirement benefit

The Company originally established a contributory final salary defined benefit plan covering substantially all its employees. The plan was funded under a single trust, and the principal asset held by the Trustees was a deposit administration policy issued by the Company. Members currently contribute 7.5% of pensionable earnings. Effective January 1, 2006, the Company 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 Company. 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. Company contributions to the plan are normally determined as those required to provide all promised benefits over the long term. In compliance with the Retirements Benefits (Minimum Funding Level and Winding up of Schemes) Regulations, 2000 (Rev. 2010), the Company operated a Remedial Plan designed to restore a 100% funding ratio by the end of 2016. This was achieved, and the funding level is reviewed annually. 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 arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period to which they apply. The significant risks to which the Company is exposed through the operation of its defined benefit plan are asset mismatching risk, funding risk and pensioner longevity risk.

Asset Mismatching 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 Company 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 (12 to 13 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.

Funding Risk

Funding risk occurs because although the Remedial Plan restored a 100% funding ratio by the end of 2016, it was based on assumptions such as future investment yields, salary growth and members' options which may not be borne out in reality. To the extent that such assumptions emerge detrimentally to the remedial plan, the Company's contribution requirements will increase, possibly dramatically as the time horizon shortens.

Longevity Risk

Pensioner longevity risk reflects the fact that the liability for pensions in payment is 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 Company provides annual paid leave, the cost of which is expensed as incurred. The lack of a provision for future costs in accordance with IAS 19 is not considered to have a material impact.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

48. Retirement benefit *(continued)*

The amounts recognised in the statement of financial position are determined as follows:-

	Group	
	2019	2018
	Shs'000	Shs'000
Present value of funded obligations	(560,512)	(479,800)
Fair value of plan assets	784,602	738,576
Asset ceiling adjustment (10% of present value of funded obligations)	(56,052)	(47,980)
Asset in the statement of financial position	**168,038**	**210,796**

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

	Group	
	2019	2018
	Shs'000	Shs'000
At 1 January	**479,800**	**438,927**
Current service cost	7,755	6,602
Interest cost	57,846	53,500
Impact of change in financial assumptions	(851)	14,478
Experience adjustments	50,027	(11,851)
Benefits paid	(34,065)	(21,856)
At 31 December	**560,512**	**479,800**

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

	Group	
	2019	2018
	Shs'000	Shs'000
At 1 January	**738,576**	**703,987**
Interest income	90,485	87,446
Re-measurements:		
Return on plan assets	(15,074)	(44,023)
Employer contributions	4,804	8,489
Employee contributions	3,486	6,845
Expenses paid	(3,610)	(2,312)
Benefits paid	(34,065)	(21,856)
At 31 December	**784,602**	**738,576**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

48. Retirement benefit *(continued)*

The amounts recognised in the statement of profit or loss for the year are as follows:

	Group	
	2019	2018
	Shs'000	Shs'000
Current service cost	7,755	6,602
Interest income	(32,639)	(33,946)
Contributions received from members	(3,486)	(6,845)
Expenses paid	3,610	2,312
Total included in employee benefit expense (Note 13(ii))	**(24,760)**	**(31,877)**

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

	2019	2018
	Shs'000	Shs'000
Loss on pension benefit obligations	(49,176)	(2,628)
Loss on pension benefit assets	(15,074)	(44,023)
Asset ceiling adjustment (10% of present value of funded obligations)	(8,071)	(4,087)
Amounts recognised through other comprehensive income	**(72,321)**	**(50,738)**

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	12.50%	12.50%
Future salary increases	3.00%	7.00%
Future pension increases	0.00%	0.00%

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

	Effect of:	
	Increase	Decrease
Discount rate-100 basis points (+or-1.00% per annum)	(5.06%)	(5.37%)
Future salary increases-100 basis points (+or-1.00% per annum)	0.04%	0.05%
Future pension increases+50 basis points (+or-1.00% per annum)	3.09%	3.16%

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

49. 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	
	2019	2018
Mortgage loans	8.41%	8.12%
Policy loans	14.5%	14.5%
Government securities	12.48%	12.65%
Deposits with financial institutions	8.31%	9.50%
Corporate bond	11.83%	12.79%

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

50. Commitments

(i) Capital commitments

The Group's capital commitments were as follows:	Group	
	2019	2018
	Shs'000	Shs'000
Investment properties	1,352,022	1,508,187
Investment in information technology software	311,049	637,149

(ii) 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 2018 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

51. Related party transactions and balances

The Group is controlled by Britam Holdings Plc incorporated in Kenya being the ultimate parent. There are other companies that are related to Britam Holdings Plc 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 26(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	Insurance regulatory Authority
Britam General Insurance Company (Kenya)	2015	2016	Non-life insurance business	Insurance regulatory Authority
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
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

ii) 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% (2018: 11%) per annum.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
51. Related party transactions and balances *(continued)*
ii) Transactions in the normal course of business *(Continued)*

(i) Outstanding balances with subsidiaries

Due to related parties – Company

	2019	2018
	Shs'000	**Shs'000**
Britam Life Assurance Company (Kenya) Limited	551,803	337,380
Total	**551,803**	**337,380**

Due from related parties – Company

	2019	2018
	Shs'000	**Shs'000**
Britam Asset Managers Limited	19,949	22,781
Britam Asset Managers Company (Uganda) Limited	5,741	-
Britam General Insurance Company (Kenya) Limited	46,931	607,870
Britam Insurance Company (Uganda) Limited	57,392	78,374
Britam Insurance Company Limited (South Sudan)	114,552	80,553
Britam Insurance Company (Rwanda) Limited	10,566	14,868
Britam Properties Limited	225,591	182,075
Britam Companhia De Seguros De Mozambique S.A.	69,114	41,603
Britam Insurance Company Limited (Malawi)	131,826	106,003
Britam Insurance (Tanzania) Limited	144,357	89,957
Total	**826,019**	**1,224,084**
Less: Provision for expected credit losses	(29)	(250)
Net amount at end of year	**825,990**	**1,223,834**
Movement in provision expected credit losses		
At 1 January	250	-
(Decrease)/Increase	(221)	250
At 31 December	**29**	**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 assessed and are recoverable.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

51. Related party transactions and balances *(continued)*

ii) Transactions in the normal course of business *(continued)*

(ii) Dividends received

Group	2019	2018
	Shs'000	Shs'000
Dividends received from HF Group Plc	-	59,754
Dividends received from Equity Group Holdings Plc	590,399	590,419
Total	**590,399**	**650,173**

Company	2019	2018
	Shs'000	Shs'000
Dividends received from HF Group Plc	-	24,500
Dividends received from Equity Group Holdings Plc	342,782	342,782
Dividends received from subsidiaries	667,000	692,074
Total	**1,009,782**	**1,059,356**

(iii) Transactions with related banks

a) Investment information

The Group has invested in 275,707,143 (2018: 297,399,443) (Company 2019: 166,390,750 and 2018: 171,390,750) ordinary shares of Equity Group Holdings Plc (EGH) valued at Shs 14,750,332,000 (2018: Shs 10,364,371,000) (Company 2019: Shs 5,798,718,000 and 2018: Shs 5,972,968,000) . Fair value gains relating to the disposal of the EGH shares totalled to Shs 332,518,000 (2018 loss: Shs 71,961,000). Fair value gains on revaluation of the EGH shares totalled to Shs 5,141,938,000 (2018 gain: Shs 1,457,257,000).

The Group also holds 48.22% (2018: 48.22%) of the ordinary shares of HF Group Plc which is accounted for as an associate as disclosed in Note 24. 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 HFC Limited (a wholly owned subsidiary of HF Group Plc) and Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc).

	2019	2018
	Shs'000	Shs'000
Gross earned premiums		
Equity Bank Limited	1,982,107	1,716,397
HFC Limited	272,528	305,695
Net claims incurred		
Equity Bank Limited	837,787	938,025
HFC Limited	101,284	124,355

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

51. Related party transactions and balances *(continued)*

(iii) Transactions with related banks *(continued)*

c) Outstanding balances

The table below discloses the net balances due from Equity Bank and HFC Limited resulting from the business transacted:

	2019	2018
	Shs'000	Shs'000
Equity Bank Limited	434,365	405,351
HFC Limited	18,138	23,707
Total	**452,503**	**429,058**

d) Banking relationships

The group carries out normal banking transactions with Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc) and HFC Limited (a wholly owned subsidiary of HF Group Plc) which are related parties. The balances held at 31 December were as below:

	2019	2018
	Shs'000	Shs'000
Equity Bank Limited	791,794	629,275
HFC Limited	1,934,946	464,046
Total	**2,726,740**	**1,093,321**

(iv) Mortgage loans to Directors of the Group

	2019	2018
	Shs'000	Shs'000
Loans to Directors		
At start of year	**170,829**	**177,075**
Loans advanced during the year	22,083	-
Interest charge for the year	17,482	15,943
Loan repayments	(41,908)	(22,189)
At end of year	**168,487**	**170,829**

Mortgage loans are given to both executive and non- executive Directors. The loans are fully secured and attract interest at 6% per annum (2018: 6% per annum) for executive Directors and at 14.5% per annum (2018: 14.5% per annum) for non-executive Directors.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

51. Related party transactions and balances *(continued)*

(v) Directors' emoluments

		Group		Company
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Directors' fees	65,440	61,459	15,778	15,525
Directors' other remuneration	3,780	3,780	3,780	3,780
Salaries and other benefits	151,373	122,512	151,373	122,512
Total	**220,593**	**187,751**	**170,931**	**141,817**

The above relates to payments made to both executive and 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
	2019	2018
	Shs'000	Shs'000
Salaries and other short-term employment benefits	586,317	488,900
Retirement benefits costs		
- Defined contribution scheme	11,197	10,411
- Social security benefits costs	4,391	6,705
- Other benefits	7,600	7,905
Total	**609,505**	**513,921**

(vii) Transactions with other related parties

The Group has also invested Shs 3,396,349,000 (2018: Shs 4,730,625,000) in the various British-American unit trust funds. The investment in property funds and in liquid funds of Shs 652,291,000 (2018: Shs 575,021,000) and Shs 34,688,000 (2018: 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 2019 (2018: Nil).

52. 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*

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).

			Maximum insured loss			
Class of business		**Shs Millions**	**0 – 15**	**15 - 250**	**Over 250**	**Total**
			Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
General Insurance business – Sum assured	Motor	Gross	133,555,161	17,329,093	34,800,556	185,684,810
		Net	89,516,601	15,627,736	31,348,112	136,492,449
	Fire	Gross	61,623,518	209,548,537	1,818,448,893	2,089,620,948
		Net	37,202,873	290,221,455	771,565,752	1,098,990,080
	Personal accident	Gross	9,310,234	52,679,117	292,939,305	354,928,656
		Net	9,026,447	23,685,831	81,952,671	114,664,949
	Other	Gross	35,475,776	180,521,906	643,412,424	859,410,106
		Net	28,420,682	96,776,333	(136,633,825)	(11,436,810)
Long term business	Ordinary life	Gross	215,227,162	2,863,170	-	218,090,332
		Net	199,185,779	721,000	-	199,906,779
	Group life	Gross	252,418,775	45,273,700	547,856,290	845,548,765
		Net	247,765,013	22,851,874	510,159,062	780,775,949
	Total	**Gross**	**707,610,626**	**508,215,523**	**3,337,457,468**	**4,553,283,617**
		Net	**611,117,395**	**449,884,229**	**1,258,391,772**	**2,319,393,396**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(a) Insurance risk - Group *(continued)*

Year ended 31 December 2018

	Class of business	Shs Millions	Maximum insured loss 0 – 15	15 - 250	Over 250	Total
			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**

A 1% change in the Group's claims experience would result in a Shs 153,841,000 change in the Group's loss for the year (2018: Shs 142,471,000).

(b) Credit risk - Group and Company

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the 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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(b) Credit risk - Group and Company *(continued)*

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.

Maximum exposure to credit risk before collateral held

GROUP

Assets	Note	External credit rating	Internal Credit rating	12-month or lifetime ECL	2019	2018
					Shs'000	Shs'000
Government securities at fair value through profit or loss	29(iv)	B+	-	12 months	42,758,237	24,798,519
Government securities held at amortised cost	30(i)	B+	-	12 months	15,057,530	15,212,824
Receivables arising out of reinsurance arrangements	33(i)	AA-	-	Life time	502,722	703,320
Corporate bonds at amortised cost	30(ii)	-	Group 2	12 months	622,109	944,194
Unit trusts	29(iii)	-	Group 2	12 months	3,396,349	4,730,625
Investments in property funds	27(ii)	-	Group 2	12 months	652,291	575,021
Mortgage loans and receivables	31	-	Group 2	12 months	1,171,693	1,209,394
Loans and receivables to policy holders	32	-	Group 2	Nil	1,511,273	1,301,118
Receivables out of direct insurance arrangements	33(iii)	-	Group 2	Life time	1,689,488	2,317,194
Reinsurers' share of insurance contract liabilities	34	-	Group 2	Life time	3,742,258	3,145,058
Other receivables (excluding prepayments)	37	-	Group 2	Mix of both life time & 12	1,523,850	1,733,694
Deposits with financial institutions	38(i)	-	Group 2	12 months	6,810,651	3,216,913
Cash and bank balances (excluding cash in hand)	38(i)	-	Group 2	12 months	885,606	2,691,928
Total					**80,324,057**	**62,579,802**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(b) Credit risk - Group and Company *(continued)*

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2019 and 2018, 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, 72% of the total maximum exposure is derived from government securities (2018: 56%).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 2,750,837,815 (2018: Shs 2,909,576,907) while the surrender values of the policies with loans amounted to Shs: 6,840,404,000 (2018: Shs 6,580,520,000). In case of default the collateral would be realised thereby reducing the Group's credit risk. There were no changes in the quality of the collaterals.

Maximum exposure to credit risk before collateral held

COMPANY

Assets	Notes	External credit rating	Internal Credit rating	12-month or lifetime ECL	2019	2018
					Shs'000	Shs'000
Government securities at fair value through profit or loss	29(iv)	B+	-	12 months	293,704	286,881
Investments in property funds	27(ii)	-	Group 2	12 months	616,330	759,164
Receivables from related parties	51 (ii)	-	Group 2	12 months	825,990	1,223,834
Other receivables (excluding prepayments)	37	-	Group 2	Mix of both life time & 12	44,361	45,113
Deposits with financial institutions	38(i)	-	Group 2	12 months	1,416,466	437,804
Cash and bank balances (excluding cash in hand)	38(i)	-	Group 2	12 months	8,808	9,328
Total					**3,205,659**	**2,762,123**

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2019 and 2018, 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 deposits with financial institutions (2018: 16%). In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(b) Credit risk - Group and Company *(continued)*

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

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, significant fall in tax collection rates, significant natural disaster events, warnings from Bretton Woods Institutions, debt restructure, currency devaluation, unemployment rate growth among others.
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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(b) Credit risk - Group and Company *(continued)*

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 2019 with all other variables held constant, the impact on the ECL would be as below.

GROUP

Asset type (Shs'000)	+10% Change on PD&LGD	-10% Change on PD&LGD
Cash and bank balances	346	(342)
Deposits with financial institutions	9,384	(9,775)
Government Securities at amortized cost	147	(140)
Corporate bonds at amortised cost	6,243	(9,707)
Loans and receivables from related parties	206	(189)
Mortgage loans receivables	5,183	(5,183)
Total	**21,509**	**(25,336)**

COMPANY

Asset type (Shs'000)	+10% Change on PD&LGD	-10% Change on PD&LGD
Cash and bank balances	1	(1)
Deposits with financial institutions	379	(343)
Loans and receivables from related parties	6	(5)
Total	**386**	**(349)**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(b) Credit risk - Group and Company *(continued)*

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 modelling 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 and intermediary.

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

Stages of credit quality and expected credit loss measurement

The Group evaluates financial instruments based on their credit characteristics and assesses any changes in credit risk since origination before grouping them into stages. The groupings are reviewed and updated on a regular basis. The table below shows the staging criteria applied across financial assets.

Stage 1	Stage 2	Stage 3
Performing	**Underperforming**	**Non-performing**
No significant change in credit risk since initial recognition.	Significant increase in Credit risk since initiation. No Objective evidence of impairment	Financial instruments that have deteriorated significantly in credit quality since initial recognition. Credit impairment evident

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(b) Credit risk - Group and Company *(continued)*

Impairment and provisioning policies

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Britam uses a scoring methodology to come up with asset ECLs. The table provide details of the key principles applied over each asset class that is in scope.

Financial asset	Description	Key principles applied
Cash and bank balances	Cash assets have been defined as cash in bank, on hand or in other accounts. These excludes liquid deposits held with financial institutions	Britam annually performs the bank credit risk analysis for banking institutions, within which institutions are scored and ranked. Institutions are then assigned an internal rating rank based on the score and assigned a credit ratings with a macro economic outlook adjustment.
Deposits with financial institutions	Deposits with financial institutions are cash transfers to financial institutions for the purposes of a term investment during which the principal can be redeemed with interest earned at the call of the investor. This will exclude any cash in a bank account that is earning interest on existing balances	Britam annually performs the bank credit risk analysis for banking institutions, within which institutions are scored and ranked. Institutions are then assigned an internal rating rank based on the score and assigned a credit ratings with a macro economic outlook adjustment.
Corporate debt at amortised cost	This is secured or unsecured short term or long term debt issued by a corporation.	Britam utilizes a scoring methodology while reviewing corporate debt credit risk that evaluates the financial health of the issuer and the issue covenants. These scores are then adjusted with a macroeconomic factor.
Government Securities	This is secured or unsecured short term or long term debt issued by a sovereign Government	Britam utilizes a scoring methodology while reviewing sovereign debt credit risk. The scores are adjusted for credit risk ratings and a macro economic outlook adjustment.
Receivables from direct insurance arrangements	These are receivable that arise out of normal insurance business	Britam uses a simplified approach based on an entity's historical default rates over the expected life of the receivables and is adjusted for forward-looking estimates.
Other receivables	These are all other receivables that are neither investment assets nor insurance receivable	These are each assessed individually based on the unique factors that include the nature, aging, collateral to determine a loss rate adjusted with a macroeconomic factor

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(b) Credit risk - Group and Company *(continued)*

The Group has determined the level of risk as below

Financial asset	Credit risk attributes
Cash and bank balances Deposits with financial institutions	There has been no significant increase in credit risk as: • All cash is held with financial institutions with low risk of default. • The cash is accessible whenever needed or on maturity of the deposits • There are no adverse economic changes expected to impact the banks' ability to meet the obligations when they fall due
Government securities at amortised cost	There has been no significant increase in credit risk as: • All government paper is with the Government of Kenya with low risk of default • The Government is able to its obligations i.e. coupons and redemptions when they fall due • There are no adverse economic changes expected to impact the ability of the Government to meet its obligations when they fall due
Mortgage loans receivables	There has been no significant increase in credit risk as: • All loans are secured on the mortgaged property thus low risk of default • The collateral value covers the outstanding obligations • There are no adverse economic changes expected to impact the value of the collateral or ability of the borrowers to meet their obligations
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.
Loans to policyholders	Assessed to have a mitigated credit risk as the loans are issued based on the cumulative surrender values of the policies thus no risk of default
Receivables arising out of direct insurance arrangements	These are short term in nature and hence the simplified approach is used.
Receivables arising out of reinsurance arrangements	The reinsurance accounts are contractually cleared on a quarterly basis and incorporate premium payable and commissions and claims recoverable. They are fairly short-term in nature and hence the simplified approach is applied.
Loans and receivables from related parties	Assessed as low credit risk All related parties are under the control of the same Group with low risk of default There are no adverse economic changes expected to impact the ability of the group companies to meet their obligations
Other receivables	Incorporates different counterparties including staff, agents and others all of which are assessed independently. The simplified approach has been applied.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(b) Credit risk - Group and Company *(continued)*

The following tables explain the changes in the loss allowance in the year:

Simplified approach

The Group applies the simplified approach to compute the loss allowance for the following assets:

- Receivables from direct insurance arrangements
- Receivables arising out of reinsurance arrangements
- Other receivables

	Group Lifetime ECL	Company Lifetime ECL
	Shs'000	Shs'000
At 31 December 2018	**1,222,291**	**734**
Decrease in loss allowance arising from new financial assets derecognised in the year	(83,749)	(705)
At 31 December 2019	**1,138,542**	**29**

General approach

The Group applies the general approach to compute the loss allowance for the following assets:

- Cash and bank Balances
- Deposits with financial institutions
- Corporate Debt at amortised cost
- Government Securities at amortised cost
- Mortgage and policy loans

	Group				Company			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2018	**114,143**	**43,239**	**124,401**	**281,783**	**5,769**	**-**	**-**	**5,769**
Net staging transfers	-	-	-	-	-	-	-	-
Changes in PDs/LGDs/EADs	(66,444)	19,344	25,998	(21,102)	-	-	-	-
Net charge to profit or loss in the year	**(66,444)**	**19,344**	**25,998**	**(21,102)**	**(3,960)**	**-**	**-**	**(3,960)**
Write off	-	-	-	-		-	-	
At 31 December 2019	**47,699**	**62,583**	**150,399**	**260,667**	**1,809**	**-**	**-**	**1,809**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(b) Credit risk - Group and Company *(continued)*

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

GROUP

	Receivables arising out of direct insurance arrangements	Receivables arising out of reinsurance arrangements	Cash and bank balances	Deposits with financial institutions	Government securities at amortised cost	Corporate bonds at amortised cost	Mortgage loans receivable	Other receivables	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Loss allowance at 31 December 2017 under IAS 39	**385,657**	**252,364**	**-**	**51,422**	**-**	**-**	**39,059**	**83,774**	**812,276**
Changes on application of IFRS 9	240,006	196,346	19,756	31,069	4,998	65,503	(2,478)	141,070	696,270
Balance as at 1 January 2018	**625,665**	**448,710**	**19,756**	**82,491**	**4,998**	**65,503**	**36,581**	**224,844**	**1,508,546**
Changes in PDs/LGDs/EADs	(67,761)	(24,472)	(6,375)	40,063	2,941	23,564	15,229	32,467	15,656
New financial assets originated/purchased	-	-	-	-	-	-	-	-	-
Net charge to profit or loss in the year	**(67,761)**	**(24,472)**	**(6,375)**	**40,063**	**2,941**	**23,564**	**15,229**	**32,467**	**15,656**
Other movements with no P&L impact:									
Write-offs	-	(160)	-	-	-	-	(2,982)	(17,000)	(20,142)
Balance as at 31 December 2018	**557,902**	**424,078**	**13,381**	**122,554**	**7,939**	**89,067**	**48,828**	**240,311**	**1,504,060**
Changes in PDs/LGDs/EADs	20,118	(44,184)	(2,453)	24,380	(7,445)	(29,790)	(3,566)	(59,814)	(102,754)
New financial assets originated or purchased	-	-	-	-	-	-	-	-	-
Net charge to profit or loss in the year	**20,118**	**(44,184)**	**(2,453)**	**24,380**	**(7,445)**	**(29,790)**	**(3,566)**	**(59,814)**	**(102,754)**
Other movements with no P&L impact:									
Write-offs	(14,927)	-	(2,228)	-	-	-		15,058	(2,097)
Balance as at 31 December 2019	**563,093**	**379,894**	**8,700**	**146,934**	**494**	**59,277**	**45,262**	**195,555**	**1,399,209**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(b) Credit risk - Group and Company *(continued)*

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

COMPANY

	Cash and bank balances	Deposits with financial institutions	Loans and receivables from related parties	Other receivables	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Loss allowance at 31 December 2017 under IAS 39	**-**	**-**	**-**	**-**	**-**
Changes on application of IFRS 9	5	7,499	78	-	7,582
Balance as at 1 January 2018 – As restated	**5**	**7,499**	**78**	**-**	**7,582**
Net staging transfers	-	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-	-
New financial assets originated/purchased	9	(1,744)	172	484	(1,079)
Net charge to profit or loss in the year	**9**	**(1,744)**	**172**	**484**	**(1,079)**
Other movements with no P&L impact:					
Financial assets derecognised	-	-	-	-	-
Write-offs	-	-	-	-	-
Balance as at 31 December 2018	**14**	**5,755**	**250**	**484**	**6,503**
Net staging transfers	-	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-	-
New financial assets originated or purchased	(11)	(3,949)	(221)	(484)	(4,665)
Net charge to profit or loss in the year	**(11)**	**(3,949)**	**(221)**	**(484)**	**(4,665)**
Other movements with no P&L impact:					
Financial assets derecognised	-	-	-	-	-
Write-offs	-	-	-	-	-
Balance as at 31 December 2019	**3**	**1,806**	**29**	**-**	**1,838**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. 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 2019	Carrying values	0-3 Months	4-12 Months	1-5 Years	Over 5 Years	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Liabilities						
Insurance contract liabilities	33,784,402	(254,333)	(281,041)	10,969,829	55,553,048	65,987,503
Amounts payable under deposit administration contracts	42,515,955	1,971,207	3,942,414	41,616,759	115,250,939	162,781,319
Liabilities under investment Contracts	3,002,142	(47,025)	8,387	3,269,932	1,110,873	4,342,167
Creditors arising out of reinsurance arrangements	1,319,214	1,319,214	-	-	-	1,319,214
Borrowings:						
- Bank loan	375,000	-	375,000	-	-	375,000
- Other borrowings	1,382,952	-	-	1,382,952	-	1,382,952
Interest payable	594,764	594,764		-	-	594,764
Other payables	2,886,175	2,886,175	-	-	-	2,886,175
Total financial liabilities	**85,860,604**	**6,470,002**	**4,044,760**	**57,239,472**	**171,914,860**	**239,669,094**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(c) Liquidity risk *(continued)*

31 December 2018	Carrying values	0-3 Months	4-12 Months	1-5 Years	Over 5 Years	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Liabilities						
Insurance contract liabilities	28,221,461	650,124	1,886,601	8,499,219	36,799,714	47,835,658
Amounts payable under deposit administration contracts	34,174,911	1,350,771	2,701,543	28,508,346	78,949,291	111,509,951
Liabilities under investment Contracts	3,003,326	366,007	743,609	2,719,140	616,394	4,445,150
Creditors arising out of reinsurance arrangements	1,252,887	1,252,887	-	-	-	1,252,887
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	2,726,947	2,726,947	-	-	-	2,726,947
Total financial liabilities	**72,166,393**	**6,573,109**	**6,491,753**	**41,127,193**	**116,365,399**	**170,557,454**

COMPANY

At 31 December 2019	Carrying values	0 – 3 Months	4-12 Months	1-5 Years	Totals
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Liabilities					
Bank loan	375,000	-	375,000	-	375,000
Other borrowings	485,654	-	485,654	-	485,654
Interest payable	1,274	1,274	-	-	1,274
Other payables	114,359	114,359	-	-	114,359
Total financial liabilities	**976,287**	**115,633**	**860,654**	**-**	**976,287**

At 31 December 2018	Carrying values	0 – 3 Months	4-12 Months	1-5 Years	Totals
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Liabilities					
Bank loan	1,160,000	-	1,160,000		1,160,000
Interest payable	14,807	14,807	-	-	14,807
Other payables	311,649	311,649	-	-	311,649
Total financial liabilities	**1,486,456**	**326,456**	**1,160,000**	**-**	**1,486,456**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(c) Liquidity risk *(continued)*

The table below shows the liquidity gap assessed on the carrying values

	Group		Company	
	31 Dec 2019 Carrying values	31 Dec 2018 Carrying values	31 Dec 2019 Carrying values	31 Dec 2018 Carrying values
	Shs '000	Shs '000	Shs '000	Shs '000
Liabilities				
Insurance contract liabilities	33,784,402	28,221,461	-	-
Amounts payable under deposit administration contracts	42,515,955	34,174,911	-	-
Liabilities under investment Contracts	3,002,142	3,003,326	-	-
Creditors arising out of reinsurance arrangements	1,319,214	1,252,887	-	-
Borrowings:				
- Bank loan	375,000	1,160,000	375,000	1,160,000
- Other borrowings	1,382,952	1,400,488	485,654	-
Interest payable	594,764	226,373	1,274	14,807
Other payables	2,886,175	2,726,947	114,359	311,649
Total financial liabilities	**85,860,604**	**72,166,393**	**976,287**	**1,486,456**
Assets held for managing liquidity risk				
Cash and cash equivalents	7,575,311	6,721,401	1,458,153	1,310,542
Financial assets at fair value through profit or loss	57,751,830	39,281,935	4,478,722	3,159,349
Financials assets at Amortised costs	15,679,639	16,157,018	-	-
Financial assets at fair value through other comprehensive income	7,231,563	4,710,653	4,759,746	3,100,508
Loans and receivables	6,499,346	7,475,636	874,170	1,271,735
Total assets	**94,737,689**	**74,346,643**	**11,570,791**	**8,842,134**
Liquidity gap	**8,877,085**	**2,180,250**	**10,594,504**	**7,355,678**

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(d) Market risk *(continued)*

At 31 December 2019, if the Nairobi Securities Exchange (NSE) prices had changed by 15% (2018: 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 1,216,445,000 (2018: Shs 1,445,035,000) higher/lower, and the equity would have been Shs 1,216,445,000 (2018: Shs 1,445,035,000) higher/lower. The Company's post tax profit for the year would have been Shs. 434,927,000 (2018: Shs 430,869,000) higher/lower, and the Company's equity would have been Shs. 434,927,000 (2018: Shs 430,869,000) higher/lower.

Similarly, a change in the price by 15% (2018: 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 1,084,734,000 (2018: Shs 1,554,656,000), these equities would have been Shs 1,084,734,000 (2018: Shs 1,554,656,000) higher/lower. In the Company a change in the price by 15% (2018: 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 713,962,000 (2018: Shs 895,945,000), these equities would have been Shs 713,962,000 (2018: Shs 895,945,000) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2019, the group held shares in Equity Group Holdings Plc amounting to Shs 14,750,332,000 (2018: Shs 10,364,371,000) or 12% (2018: 10%) 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 2019, 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 1,523,953,000 (2018: Shs 90,425,000) 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 2019 and 2018.

(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 2019, if the UGX had strengthened/weakened by 5% (2018: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 5,951,000 (2018: Shs 6,753,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated Net assets.

At 31 December 2019, if the RWF had strengthened/weakened by 5% (2018: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 777,000 (2018: Shs 1,927,000) higher/lower, mainly as a result of foreign

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(d) Market risk *(continued)*

exchange gains/losses on translation of RWF denominated trade receivables and payables.

At 31 December 2019, if the TZS had strengthened/ weakened by 5% (2018: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,598,000 (2018: Shs 2,728,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of TZS denominated trade receivables and payables.

At 31 December 2019, if the MWK had strengthened/ weakened by 5% (2018: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,094,000 (2018: Shs 1,018,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MWK denominated trade receivables and payables.

At 31 December 2019, if the MZN had strengthened/ weakened by 5% (2018: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,251,000 (2018: Shs 464,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MZN denominated trade receivables and payables.

At 31 December 2019, if the SSP had strengthened/ weakened by 100% (2018: 100%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 488,000 (2018: Shs 2,203,000) 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 2019.

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 16 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 51(i) 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. Solvency margin is the difference between the required solvency as per the regulators and the actual solvency of the business.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(e) Capital management *(continued)*

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

i) Britam General Insurance Company (Kenya)Limited	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 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	1,336,846	2,146,816	1,793,943	2,624,865

ii) Britam Insurance Company (Uganda) Limited	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 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 margin	4,938,234	10,026,386	4,742,240	7,448,781

iii) Britam Insurance Company Limited (South Sudan)	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	USD'000	USD'000	USD'000	USD'000
Capital at 31 December	4,500	4,500	4,500	4,500

iv) Britam Insurance Company (Rwanda) Limited	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	Rwfs'000	Rwfs'000	Rwfs'000	Rwfs'000
Capital at 31 December	1,000,000	6,644,441	1,000,000	4,942,443
Solvency margin	500,000	1,033,290	500,000	564,267

v) Britam - Companhia De Seguros De Mozambique S.A.	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	Mzns'000	Mzns'000	Mzns'000	Mzns'000
Capital at 31 December	97,000	300,907	97,000	166,476
Solvency margin	30,091	218,000	18,219	121,678

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(e) Capital management *(continued)*

vi) Britam Insurance (Tanzania) Limited	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	TShs'000	TShs'000	TShs'000	TShs'000
Capital at 31 December	1,548,759	7,215,500	1,548,759	7,125,001
Solvency margin	2,983,307	2,004,261	3,107,834	3,115,934

vii) Britam Insurance Company Limited (Malawi)	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	Mwks'000	Mwks'000	Mwks'000	Mwks'000
Capital at 31 December	750,000	1,864,343	750,000	2,054,815
Solvency margin	1,034,286	849,242	926,285	946,607

viii) Britam Life Assurance Company (Kenya) Limited	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	Shs'000	Shs'000	Shs'000	Shs '000
Capital at 31 December	300,000	400,000	150,000	180,000
Solvency margin	6,056,581	9,111,744	4,921,621	9,590,293

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	2019 Regulatory requirement	2019 Maintained by the Company	2018 Regulatory requirement	2018 Maintained by the Company
	Shs'000	Shs'000	Shs'000	Shs '000
Capital at 31 December	10,000	80,000	10,000	80,000
Working capital at 31 December	16,348	144,148	15,652	225, 418

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. 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 2019 and 2018:

Group 2019		Level 1	Level 2	Level 3	Total
	Note	Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Financial assets at fair value through profit or loss					
- Quoted ordinary shares	29(i)	11,587,595	-	-	11,587,595
- Unquoted ordinary shares	29(ii)	-	-	9,649	9,649
- Government securities	29(iv)	-	42,758,237	-	42,758,237
- Unit trusts	29(iii)	-	3,396,349	-	3,396,349
Quoted ordinary shares at fair value through other comprehensive income	28	7,231,563	-	-	7,231,563
Property and equipment – building	21	-	414,781	-	414,781
Investment in property funds	27(ii)	-	652,291	-	652,291
Investment property	27(i)	-	6,062,202	9,700,000	15,762,202
Total assets		**18,819,158**	**53,283,860**	**9,709,649**	**81,812,667**
Liabilities					
Payable under deposit administration contracts	43	-	42,515,955	-	42,515,955
Liabilities under investment contracts	44	-	3,002,142	-	3,002,142
Total Liabilities			**45,518,097**	**-**	**45,518,097**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
52. Risk management objectives and policies *(continued)*
(f) Fair value estimation *(continued)*

Group 2018		Level 1	Level 2	Level 3	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Financial assets at fair value through profit or loss					
- Quoted ordinary shares	29(i)	9,743,172	-	-	9,743,172
- Unquoted ordinary shares	29(ii)	-	-	9,619	9,619
- Government securities	29(iv)	-	24,798,519	-	24,798,519
- Unit trusts	29(iii)	-	4,730,625	-	4,730,625
Quoted ordinary shares at fair value through other comprehensive income	28	4,710,653	-	-	4,710,653
Property and equipment – building	21	-	651,566	-	651,566
Investment in property funds	27(ii)	-	575,021	-	575,021
Investment property	27(i)	-	5,404,999	10,522,530	15,927,529
Total assets		**14,453,825**	**36,160,730**	**10,532,149**	**61,146,704**
Liabilities					
Payable under deposit administration contracts	43	-	34,174,911	-	34,174,911
Liabilities under investment contracts	44	-	3,003,326	-	3,003,326
Total Liabilities			**37,178,237**	**-**	**37,178,237**

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

Company 2019		Level 1	Level 2	Level 3	Total
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Financial assets at fair value through profit or loss					
Quoted ordinary shares	29(i)	4,142,167	-	-	4,142,167
Investment in property funds	27(ii)	-	182,121	434,209	616,330
Quoted ordinary shares at fair value through other comprehensive income	28	4,759,746	-	-	4,759,746
Total assets		**8,901,913**	**182,121**	**434,209**	**9,518,243**

Company 2018		Level 1	Level 2	Level 3	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Financial assets at fair value through profit or loss					
Quoted ordinary shares	29(i)	2,872,468	-	-	2,872,468
Investment in property funds	27(ii)	-	307,441	451,723	759,164
Quoted ordinary shares at fair value through other comprehensive income	28	3,100,508	-	-	3,100,508
Total assets		**5,972,976**	**307,441**	**451,723**	**6,732,140**

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(f) Fair value estimation *(continued)*

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
- 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 9,649,000 as at 31 December 2019 (2018: 9,619,000). The unlisted equity investment relates to Uganda Re 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	
	2019	2018
	Shs '000	Shs '000
At start of year	**9,619**	**9,464**
Additions	-	-
Translation gain	30	155
At end of year	**9,649**	**9,619**

There were no transfers in and out of level 3.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

52. Risk management objectives and policies *(continued)*

(f) Fair value estimation *(continued)*

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 2019 and 2018, 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			2019		2018	
	Notes	Fair value Level	Carrying amounts at amortised	Fair value	Carrying amounts at amortised	Fair value
			Shs '000	Shs '000	Shs '000	Shs '000
Assets						
Government securities	30(i)	Level 2	15,057,530	15,497,946	15,212,824	15,407,109
Mortgage loans and receivables	31	Level 2	1,171,693	1,171,693	1,209,394	1,209,394
Loans and receivables to policy holders	32	Level 2	1,511,273	1,511,273	1,301,118	1,301,118
Other receivables	37	Level 3	1,624,170	1,624,170	1,944,610	1,944,610
Corporate bonds	30(ii)	Level 2	622,109	622,109	944,194	944,194
Investments in liquid funds	38(i)	Level 2	34,688	34,688	1,063,596	1,063,596
Total assets			**20,021,463**	**20,461,879**	**21,675,736**	**21,870,021**
Liabilities						
Borrowings						
-Bank loan	14(i)	Level 2	375,000	375,000	1,160,000	1,160,000
-Other borrowings	14(i)	Level 3	1,382,952	1,382,952	1,400,488	1,400,488
-Interest payable	14(i)	Level 2	594,764	594,764	226,373	226,373
Other payables	46	Level 3	2,886,175	2,886,175	2,726,947	2,726,947
Total liabilities			**5,238,891**	**5,238,891**	**5,513,808**	**5,513,808**

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 52(b) for the collateral amounts for mortgage loans and receivables and loans and receivables to policy holders.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

53. 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.

The segment information provided to the Executive Management Committee for the reportable segments for the year ended 31 December 2019 and 2018 is as follows:

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
53. Segmental information *(continued)*

a) Profit or loss per segment

2019	Long term insurance business	Short term insurance business	Asset Management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross revenue	**13,841,776**	**13,300,612**	**617,008**	**16,217**	**-**	**27,775,613**
Insurance premium ceded to reinsurers	(254,636)	(3,772,923)	-	-	-	(4,027,559)
Net revenue	**13,587,140**	**9,527,689**	**617,008**	**16,217**	**-**	**23,748,054**
Net income from investment property	(525,400)	-	(17,308)	(1,026,134)	(74,548)	(1,643,390)
Interest and dividend income	6,082,450	1,129,890	5,748	10,237	1,250,942	8,479,267
Net realised gains on financial assets	296,375	80,078	2,587	-	98,621	477,661
Net unrealised fair value gains on financial assets at fair value through profit or loss	2,854,707	(285)	(1,437)	-	1,447,070	4,300,055
Commission earned	45,301	954,569	-	-	-	999,870
Other operating income	9,700	21,685	7,148	17,082	9,639	65,254
Net income	**22,350,273**	**11,713,626**	**613,746**	**(982,598)**	**2,731,724**	**36,426,771**
Insurance claims and loss adjustment expenses	4,736,857	7,242,963	-	-	-	11,979,820
Insurance claims recovered from reinsurers	(94,220)	(1,595,014)	-	-	-	(1,689,234)
Change in actuarial value of policyholders benefits	5,151,919	-	-	-	-	5,151,919
Net insurance benefits and claims	**9,794,556**	**5,647,949**	**-**	**-**	**-**	**15,442,505**
Interest payments/ increase in unit value	3,889,475	-	-	-	-	3,889,475
Acquisition expenses	1,502,330	1,800,534	158,458	-	-	3,461,322
Finance costs	107,529	91,148	24,339	31,988	649,387	904,391
Expenses	3,402,393	4,442,665	587,071	144,429	358,797	8,935,355
Net expenses	**18,696,283**	**11,982,296**	**769,868**	**176,417**	**1,008,184**	**32,633,048**
Reportable segment (loss)/profit	**3,653,990**	**(268,670)**	**(156,122)**	**(1,159,015)**	**1,723,540**	**3,793,723**
Share of loss of associate	(31,723)	-	-	-	(21,376)	(53,099)
Segment (loss)/profit before tax	**3,622,267**	**(263,670)**	**(156,122)**	**(1,159,015)**	**1,702,164**	**3,740,624**
Tax expense/(credit)	(1,092,066)	75,825	31,941	(26,165)	(17,933)	(1,028,398)
Segment (loss)/profit after tax	**2,530,201**	**(192,845)**	**(124,181)**	**(1,185,180)**	**1,684,231**	**2,712,226**

The reconciliation of the segment profit after tax for all segments to the consolidated income statements is shown in Note 53 (b).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
53. Segmental information *(continued)*
a) Profit or loss per segment *(continued)*

2018	Long term insurance business	Short term insurance business	Asset Management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	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	-	-	7,377	41,898
Net unrealised fair value gains on financial assets at fair value through profit or loss	(1,950,129)	(99,213)	(12,569)	-	(1,029,260)	(3,091,171)
Commission 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	6,563,266	-	-	-	10,704,713
Insurance claims recovered from reinsurers	(242,342)	(1,388,064)	-	-	-	(1,630,406)
Change in actuarial value of policyholders benefits	5,172,833	-	-	-	-	5,172,833
Net insurance benefits and claims	**9,071,938**	**5,175,202**	**-**	**-**	**-**	**14,247,140**
Interest payments/ increase in unit value	1,688,638	-	-	-	-	1,688,638
Acquisition expenses	1,560,219	1,646,319	107,384	-	-	3,313,922
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**	**11,153,588**	**679,777**	**299,620**	**1,038,022**	**28,573,264**
Reportable segment profit	**(602,049)**	**105,263**	**99,175**	**(283,661)**	**(632,866)**	**(1,314,138)**
Share of loss of associate	(173,064)	-	-	-	(116,592)	(289,656)
Segment (loss)/profit before tax	**(775,113)**	**105,263**	**99,175**	**(283,661)**	**(749,458)**	**(1,603,796)**
Tax expense	207,545	(99,410)	(68,497)	63,086	(17,139)	85,585
Segment (loss)/profit after tax	**(567,568)**	**5,854**	**30,678**	**(220,575)**	**(766,597)**	**(1,518,209)**

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
53. Segmental information *(continued)*

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

	2019	2018
	Shs'000	Shs'000
Total profit as per segmental reporting	**2,712,226**	**(1,518,209)**
Income from intra-segmental adjustments	**-**	**-**
Intercompany loan interest income	(180,031)	(78,317)
Rental income from related parties	(61,235)	(49,850)
Management fees from related parties	(97,812)	(139,789)
Dividend from subsidiaries	(667,000)	(692,073)
Britam Tower LLP net income	705,494	-
Property and equipment revaluation adjustment (on part of building occupied by related parties)	236,169	-
Other income (mark up)	(8,688)	(10,501)
Total adjustments on income	**(73,103)**	**(970,530)**
Expenses from intra-segmental adjustments	**-**	**-**
Intercompany loan interest expense	180,031	78,317
Mark up charge	8,688	10,501
Subsidiary Loan guarantee	485,654	-
Management fees expense from related parties	97,812	139,786
IFRS 16 Interest and depreciation adjustment	70,082	-
Rental income to related parties	61,235	49,850
Total adjustments on expenses	**903,502**	**278,454**
Profit as per the consolidated income statement	**3,542,625**	**(2,210,285)**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

53. Segmental information *(continued)*

c) Other segment reporting disclosures

2019	Long term insurance business	Short term insurance business	Asset Management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation and amortisation	378,658	174,811	71,522	99	49,977	721,508
Investment in associate	1,718,376	-	-	-	1,151,794	2,870,170
Additions to non-current assets	101,269	319,443	12,565	3,202	11,226	447,705
Total assets	**87,728,673**	**19,421,560**	**993,659**	**10,174,401**	**6,925,272**	**125,243,565**
Total liabilities	**77,938,578**	**13,946,280**	**247,743**	**2,509,419**	**1,224,719**	**95,866,739**

2018	Long term insurance business	Short term insurance business	Asset Management	Property	Corporate and other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation and amortisation	361,295	217,131	52,533	132	37,136	668,227
Investment in associate	1,746,676	-	-	-	1,176,935	2,923,611
Additions to non-current assets	220,493	250,500	64,248	-	-	535,241
Total assets	**70,659,589**	**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**

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:

	2019	2018
	Shs'000	Shs'000
Kenya	22,473,063	20,806,743
Uganda	1,726,542	1,500,460
South Sudan	646,335	434,198
Rwanda	376,098	291,643
Tanzania	1,181,281	1,019,616
Malawi	965,525	806,276
Mozambique	406,769	267,076
Total	**27,775,613**	**25,126,012**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

53. Segmental information *(continued)*

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:

	2019	2018
	Shs'000	Shs'000
Kenya	115,863,424	95,950,732
Uganda	2,951,026	2,586,816
South Sudan	1,497,977	1,153,308
Rwanda	681,954	426,050
Tanzania	1,807,221	1,685,815
Malawi	1,452,785	1,259,822
Mozambique	989,178	593,789
Total	**125,243,565**	**103,656,332**

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:

	2019	2018
	Shs'000	Shs'000
Kenya	18,017,493	8,957,325
Uganda	509,668	442,187
South Sudan	62,486	26,392
Rwanda	45,647	40,153
Tanzania	68,673	63,169
Malawi	72,416	78,289
Mozambique	34,384	28,916
Total	**18,810,767**	**9,636,431**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

54. New and revised Accounting standards

i) New and revised IFRS that are effective for the year ended 31 December 2019

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Annual Improvements to IFRS Standards 2015-2017 Cycle	**IFRS 3 Business Combinations** – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. **IFRS 11 Joint Arrangements** – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. **IAS 12 Disclosure of Interests in Other Entities** – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. **IAS 23 Borrowing Costs** – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.	No impact to the financials
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Company applies significant judgement in identifying uncertainties over income tax treatments.	No impact to the financials

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

54. New and revised Accounting standards *(continued)*

i) New and revised IFRS that are effective for the year ended 31 December 2019 *(continued)*

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IFRS 9: Prepayment Features with Negative Compensation	Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.	No impact to the financials
Amendments to IAS 28: Long-term interests in associates and joint ventures	The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.	These amendments had no impact on the financial statements of the Group as the associate is being accounted for using the equity method.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).	These amendments had no impact on the financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

54. New and revised Accounting standards *(continued)*

ii) New and revised IFRS that are not mandatorily effective (but allow early application) for the year ended 31 December 2019

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 17 Insurance Contracts *Effective for annual reporting periods beginning on or after 1 January 2022*	IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to: (a) insurance contracts, including reinsurance contracts, it issues; (b) reinsurance contracts it holds; and (c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of: (a) the fulfillment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided. IFRS 17 requires an entity to recognize profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfillment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity: (a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and (b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income. The Standard is effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.	The Group anticipates significant impact to its financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

54. New and revised Accounting standards *(continued)*

ii) New and revised IFRS that are not mandatorily effective (but allow early application) for the year ended 31 December 2019 *(continued)*

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IAS 1 and IAS 8 - Definition of Materiality *Effective for annual reporting periods beginning on or after 1 January 2020*	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	The Group anticipates no impact to its financial statements.
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Effective for annual periods beginning on or after a date to be determined)*	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.	The Group anticipates no impact to its financial statements.
Amendments to IFRS 3 - Definition of a Business *Effective for annual reporting periods beginning on or after 1 January 2020*	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	The Group anticipates no impact to its financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

55. Events after reporting date

2020 presents a challenging macro environment. New global and regional risks including COVID-19, locusts' invasion and a decline in the stock market performance have emerged and have a negative impact on the Group

The COVID-19 outbreak has developed rapidly with a very high number of infections and deaths spread across the globe. In our operating markets, the confirmed infections are on the rise. Businesses have scaled back operations in an effort to contain the spread of the virus and in line with the measures taken by the respective governments to mitigate the effects of adverse developments arising from rapid transmission of the virus. These measures include; travel restrictions, limiting movement of people and gatherings, social distancing, curfews, and improvement in the level of hygiene. In addition, governments have instituted initiatives targeted towards easing economic pressures and increasing the flow of funds, tax reliefs and lowering of tax rates as well as monetary policies aimed at reducing interest rates and allowing for extended loan repayment.

Although these concerted efforts are expected to yield positive results, the directors expect this depressed economic environment to impact the Company's and the Group's business and financial results in 2020. The full impact on the company's performance is yet to be determined. The Group is continuously tracking these developing issues and has put in place measures to mitigate the impact of the outbreak to clients, employees, sales force and other stakeholders.

As at the time of release of these financial statements and based on the assessments made, the directors are not aware of any material uncertainties related to these events or conditions that may cast doubt upon the Company's and the Group's ability to continue as going concerns. Further, the directors consider the carrying value of the assets held at 31 December 2019 to be fairly stated.

OTHER CORPORATE INFORMATION

NOTICE OF THE ANNUAL GENERAL MEETING

To the Shareholders of Britam Holdings Plc

Notice is hereby given that in accordance with an Order issued by the High Court of Kenya in Miscellaneous Application No. E680 of 2020 on 29 April 2020, **the 24th Annual General Meeting** of the Company will be held via electronic communication on **Monday 29 June 2020** at 11.00 am, 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 31 December 2019, together with the Chairman's, Directors' and Auditors' reports thereon.
4. To approve the payment of a Final Dividend for the year ended 31 December 2019 of Shs 0.25 per ordinary share of Shs 0.10 each, subject to withholding tax where applicable, to shareholders on the register of members at the close of business as at 23 June 2020.
5. Rotation and Election of Directors:
   i. Dr. Peter K. Munga retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election as a director of the Company.
   ii. Mr. Jimnah M. Mbaru retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and being eligible, offers himself for re-election as a director of the Company.
   iii. Mr. Stephen O. Wandera retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and being eligible, does not offer himself for re-election as a director of the Company.
   iv. AfricInvest III SPV 1, a Corporate Director represented by Mr. George Odo that 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 itself for re-election as a director of the Company.

6. To pass an ordinary resolution pursuant to Section 769 of the Companies Act, 2015, that the following directors being members of the Board Audit Committee be elected to continue to serve as members of the said committee: Ms. Caroline J. Kigen, Mr. Mohamed S. Karama and Ms. Josephine Ossiya.
7. To receive, consider and, if deemed fit approve the Directors' Remuneration Report for the year ended 31 December 2019 and to authorise the Board to fix the remuneration of Directors.
8. To re-appoint PricewaterhouseCoopers (PwC) as 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.

NOTICE OF THE ANNUAL GENERAL MEETING *(continued)*

SPECIAL RESOLUTION:

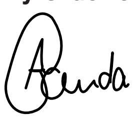
9. To consider and if deemed fit, pass the following Resolution as a Special Resolution:

    i. THAT the Articles of Association of the Company be amended as per the draft amended Articles of Association available on the Company's website ***www.britam.com***, the changes being to align the Articles of Association to the Companies Act, 2015, the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, as well as best practise.

    ii. THAT the Board of Directors be and is hereby authorised to take all such actions as are necessary to give effect to the above resolution.

10. To consider any other business for which due notice has been received.

By Order of the Board



Nancy Kiruki
Company Secretary
P. O. Box 30375 – 00100
NAIROBI

28 May 2020

NOTICE OF THE ANNUAL GENERAL MEETING *(continued)*

NOTES:

1. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related public health Regulations and directives passed by the Government of Kenya precluding *inter alia* public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Britam Holdings Plc to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

2. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange ("Public Company") to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority (CMA).

3. Britam Holdings Plc has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the Capital Markets Authority.

4. Any shareholder wishing to follow the virtual meeting should register for the AGM by dialling ***483*802#** for all networks and following the various prompts regarding the registration process. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number **(+254) 709 170 000** from 9:00 a.m. to 3:00 p.m. from Monday to Friday.

5. Registration for the AGM opens on Thursday 28 May, 2020 at 9:00 am and will close on Friday 26 June 2020 at 11:00 am. Shareholders will not be able to register after Friday 26 June at 11.00 a.m.

6. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website ***www.britam.com*** (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2019; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (iv) a copy of the No Objection issued by the CMA.

7. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   a. sending their written questions by email to ***agm@britam.com***; or

   b. shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (ask Question) on the prompts

   c. to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at Britam Tower 28th Floor or to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or

   d. sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 30375 GPO 00100 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Friday 26 June 2020 at 11:00 am.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before 11.00 am, on 28 June 2020. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before 11.00 am, on the 28 June 2020.

NOTICE OF THE ANNUAL GENERAL MEETING *(continued)*

NOTES: *(continued)*

8. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

   A proxy form is available on the Company's website via this link: ***www.britam.com***. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

   A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such corporation or Government office.

   A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 26 June 2020 at 11.00 am. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Friday 26 June at 11.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 28 June 2020 to allow time to address any issues.

9. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS)/USSD prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

10. Duly registered Shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered Shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.

11. A poll shall be conducted for all the resolutions put forward in the notice.

12. Results of the poll shall be published within 48 hours following conclusion of the AGM.

Shareholders are encouraged to continuously monitor the Company's website ***www.britam.com*** for updates relating to the AGM due to the continuous evolving situation with COVID-19 and the Government directives being subject to change.

We appreciate the understanding of our shareholders as we navigate the changing business conditions posed by COVID-19.

TANGAZO LA MKUTANO MKUU WA MWAKA

Kwa Wenyehisa wa Britam Holdings Plc

Mnaarifiwa kwamba kufungamana na agizo lililotolewa na Mahakama Kuu katika ombi nambari E680 ya 2020 ya Aprili 29, 2020, **Mkutano Mkuu wa 24 wa kila Mwaka wa Kampuni (AGM)** utafanyika kwa njia ya kielectroniki mnamo **Jumatatu, Juni 29, 2020**, kuanzia saa tano za asubuhi ili kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi wa wenyehisa wanaoruhusiwa kisheria kuhudhuria, na kuthibitisha kuna idadi ya watu inayohitajika ili mkutano ufanyike.
2. Kusoma ilani ya kuitisha mkutano mkuu wa mwaka.
3. Kupokea, kutathmini, na ikikubaliwa, kuidhinisha taarifa za jumla za hesabu zilizokaguliwa za mwaka uliomalizika Desemba 31, 2019, pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi wa Hesabu.
4. Kuidhinisha malipo ya mgawo wa mwisho wa faida ya mwaka uliomalizika Desemba 31, 2019, wa Senti 25 kwa kila hisa ya kawaida ya Senti 10, baada ya kutoa ushuru wa faida ya akiba panapofaa, kwa wenye hisa watakaokuwa kwenye rejista ya wamiliki wa kampuni kufikia Juni 23, 2020.
5. Kuchagua wakurugenzi wanaostaafu kwa zamu:
    i. Dkt Peter K. Munga anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni. Ametimiza umri wa miaka 70 na anastaafu kwa mujibu wa Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015. Kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.
    ii. Bw Jimnah M. Mbaru anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni. Ametimiza umri wa miaka 70 na anastaafu kwa mujibu wa Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015. Kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.
    iii. Bw Stephen O. Wandera anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni na ingawa anastahili, hajitolei kuchaguliwa tena kuwa mkurugenzi wa Kampuni.
    iv. AfricInvest III SPV 1, Shirika Mkurugenzi linalowakilishwa na Bw George Odo lililoteuliwa kujaza nafasi iliyotokea katika bodi kabla mwaka haujamalizika na bila kuidhinishwa na wenyehisa, linastaafu kwa mujibu wa Kifungu 114 cha Kanuni za Kampuni na kwa vile linastahili, linajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.
6. Kupitisha azimio la kawaida kwa mujibu wa Kifungu 769 cha Sheria ya Makampuni ya 2015, kwamba wakurugenzi wafuatao walio kwenye Kamati ya Bodi ya Ukaguzi wa Hesabu na Taratibu za Kampuni wachaguliwe kuendelea kutumikia kamati. Wao ni Bi Caroline Kigen, Bw Mohamed S. Karama na Bi Josephine Ossiya.
7. Kupokea, kutathmini na iwapo inafaa, kuidhinisha ripoti ya malipo ya wakurugenzi ya mwaka uliomalizika Desemba 31, 2019, na kuipatia Bodi kibali cha kuweka kiwango cha malipo kwa wakurugenzi.
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.

TANGAZO LA MKUTANO MKUU WA MWAKA *(kuendelea)*

AZIMIO MAALUMU:

9. Kutathmini na ikifaa, kupitisha azimio maalumu lifuatalo:

    i. KWAMBA Kanuni za Kampuni zifanyiwe mabadiliko kwa mujibu wa kielelezo cha Kanuni za Kampuni zilizofanyiwa mabadiliko na ambazo zinapatikana katika tovuti ya Kampuni **www.britam.com**, mabadiliko ambayo yananuiwa kuhakikisha Kanuni za Kampuni zinafungamana na Sheria ya Makampuni ya 2015, Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015, na pia taratibu zilizo bora.

    ii. KWAMBA Bodi ya Wakurugenzi imepewa kibali cha kuchukua hatua zozote zifaazo kutekeleza azimio hilo.

10. Kushughulikia suala lingine lolote na ambalo ilani ifaayo ilishatolewa awali.

Kwa Amri Ya Bodi Ya Wakurugenzi

Nancy Kiruki

Katibu wa Kampuni

S. L. P. 30375 - 00100

NAIROBI

Mei 28, 2020

TANGAZO LA MKUTANO MKUU WA MWAKA *(kuendelea)*

KUMBUKENI KWAMBA:

1. Kufuatia kuzuka na kuendelea kuenea kwa janga la Coronavirus 2019 (COVID-19) na kwa kuzingatia kanuni za afya ya jamii na maagizo yaliyotolewa na Serikali ya Kenya kupiga marufuku mikusanyiko ya umma, miongoni mwa mengine yaliyopigwa marufuku, haitawezekana, kama ilivyotazamiwa chini ya kifungu 280 cha Sheria ya Makampuni ya 2015, kwa Britam Holdings Plc kufanya mkutano mkuu wa kila mwaka utakaowaleta pamoja wenyehisa kuzingatia Kanuni za Kampuni.

2. Mnamo Aprili 29, 2020, Mahakama Kuu ya Kenya kwenye ombi nambari E680 la 2020, lililowasilishwa kufungamana na kanuni za Kifungu 280 cha Sheria ya Makampuni ya 2015, ilitoa kibali maalumu kwa kampuni yoyote iliyosajiliwa na Nairobi Securities Exchange ("Kampuni ya Umma") kuitisha na kufanya mkutano mkuu wa kila mwaka kwa mawasiliano ya simu na mitandao ya kidijitali, kwa sharti hapatakuwa na pingamizi yoyote kutoka kwa Capital Markets Authority (CMA).

3. Britam Holdings Plc imeitisha na itafanya mkutano mkuu wa kila mwaka kwa mawasiliano ya simu na mitandao ya kidijitali, baada ya kupata kibali cha kufanya hivyo kutoka kwa CMA.

4. Mwenyehisa yeyote anayenuia kushiriki katika mkutano huo kwa mawasiliano ya simu na mitandao ya kidijitali, anapaswa kujiandikisha kwa kutumia simu kwa nambari ***483*802#** katika huduma yoyote ya simu, na kufuata maagizo yote kuhusiana na utaratibu wa usajili huo. Ili kukamilisha usajili huo, wenyehisa watahitaji kuwa na nambari zao za vitambulisho au pasipoti walizozitumia wakinunua hisa au namba za akaunti zao za CDSC. Wenyehisa watakaohitaji kusaidiwa kuukamilisha usajili huo wanaweza kupiga simu kwa nambari (+254) 709 170 000 kati ya saa tatu za asubuhi na saa tisa za alasiri kati ya Jumatatu na Ijumaa.

5. Usajili kwa wanaokusudia kushiriki katika mkutano mkuu wa kila mwaka utaanza saa tatu za asubuhi mnamo Alhamisi, Mei 28, 2020, na kufungwa saa tano za asubuhi ya Ijumaa, Juni 26, 2020. Wenyehisa hawataweza kujiandikisha kushiriki katika mkutano huo baada ya saa tano za asubuhi mnamo Juni 26, 2020.

6. Kwa mujibu wa Kifungu 283(2)(c) cha Sheria za Makampuni, hati zifuatazo zinapatikana katika tovuti ya kampuni, **www.britan.com**:

   i. Nakala ya ilani hii na fomu ya uteuzi wa wawakilishi katika mkutano;
   ii. Taarifa za hesabu za kampuni zilizokaguliwa za mwaka 2019;
   iii. Nakala ya agizo la Mahakama Kuu kuhusiana na ombi nambari E680 la 2020; na
   iv. Nakala ya kibali cha CMA kuruhusu mkutano kufanyika.

7. Mwenyehisa yeyote anayenuia kuuliza swali ama kuhitaji ufafanuzi wa suala lolote kuhusiana na mkutano mkuu wa kila mwaka anaweza kufanya hivyo kwa:

   a. Kuandika na kutuma barua ya maswali kwa barua pepe kupitia kwa **agm@britam.com**; au

   b. Wenyehisa ambao watakuwa wamejiandikisha kushiriki katika mkutano huo wataweza kuuliza maswali kwa huduma ya ujumbe mfupi wa simu (SMS) wakitumia nambari ***483*802#** kwa kuchagua 'uliza swali' kwenye jukwaa la kukumbusha maneno;

   c. Iwapo itawezekana, mwenyehisa apeleke barua ya maswali iliyo na anwani yake ya posta au ya barua pepe katika afisi zilizosajiliwa za Kampuni kwenye ghorofa ya 28 ya Britam Tower, Upperhill, Nairobi, ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, ghorofa ya tano ya ABSA Towers (zamani Barclays Plaza), Loita Street, Nairobi; au

   d. Kutuma maswali yakiwa na anwani ya posta au ya barua pepe ya mwenyehisa kwa njia ya barua za kusajiliwa kwa Kampuni akitumia anwani S.L.P. 30375 GPO 00100 Nairobi.

TANGAZO LA MKUTANO MKUU WA MWAKA *(kuendelea)*

KUMBUKENI KWAMBA: *(kuendelea)*

Wenyehisa wakiwasilisha maswali au hoja za kuomba ufafanuzi, wanapaswa kujitambulisha kikamilifu, yaani jina kamili na nambari ya kitambulisho, pasipoti au akaunti ya CDSC.

Ni lazima maswali yote na hoja za kuomba ufafanuzi yaifikie Kampuni mnamo au kabla ya saa tano za asubuhi ya Ijumaa, Juni 26, 2020.

Baada ya kupokea maswali na hoja za ufafanuzi, Wakurugenzi wa Kampuni watatoa majibu na ufafanuzi hitajika na kuyatuma wakitumia anwani za posta au barua pepe zilizoandamana na barua za wenyehisa masaa 12 kabla ya saa tano za asubuhi mnamo Juni 28, 2020. Orodha kamili ya maswali yaliyopokewa, na majibu yake itachapishwa kwenye mtandao masaa 12 kabla ya saa tano za asubuhi mnamo Juni 28, 2020.

8. Kufungamana na Kifungu 298(1) cha Sheria ya Makampuni, wenyehisa wanaostahili kuhudhuria na kupiga kura katika mkutano wana haki kisheria kumchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yao. Si lazima mwakilishi awe mwenyehisa wa kampuni. Iwapo mwenyehisa hakumteua Mwenyekiti wa mkutano kuwa mwakilishi wake, mteuliwa anahitaji kuwa na simu ya mkono.

   Fomu ya kumteua mwakilishi inaweza kupatikana katika tovuti ya kampuni, **www.britam.com.** Fomu zinapatikana pia kwenye afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, ghorofa ya tano ya ABSA Towers (zamani Barclays Plaza), Loita Street, Nairobi.

   Ni lazima fomu ya uwakilishi ijazwe kikamilifu na kutiwa sahihi na mwenye hisa au wakili wake. Iwapo mteuzi ni shirika, barua ya uteuzi wa mwakilishi ni lazima iwe na muhuri rasmi wa shirika au saini ya afisa au wakili wa shirika, ama afisi ya Serikali.

   Fomu iliyojazwa itumwe kwa barua pepe kwa **info@image.co.ke** au ipelekwe kwenye afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, ghorofa ya tano ya ABSA Towers (zamani Barclays Plaza), Loita Street,S.L.P 9287 -00100 GPO Nairobi, mnamo ama kabla ya saa tano za asubuhi ya Ijumaa, Juni 26, 2020. Yeyote aliyeteuliwa kumwakilisha mwenyehisa anapswa kupeana namba yake ya simu kwa Kampuni mnamo au kabla ya saa tano za asubuhi ya Ijumaa, Juni 26, 2020. Mwenyehisa yeyote ambaye fomu yake ya kumteua mwakilishi mkutanoni itakataliwa atapashwa habari kabla ya Juni 28, 2020 kusudi kutoa muda wa kushughulikia masuala yoyote.

9. Mkutano utaletwa moja kwa moja kupitia kwa anwani ambayo itatumiwa wenyehisa waliojiandikisha kushiriki. Wenyehisa waliojiandikisha pamoja na wawakilishi wao watapata ujumbe mfupi wa kuwakumbusha kuhusu mkutano masaa 24 kabla hujaanza. Ujumbe wa pili wa kuwakumbusha utatumwa saa moja kabla ya mkutano kuanza na kuwapatia anwani ya kuwawezesha kushiriki kwa simu au mitandao ya kidijitali.

10. Wenyehisa waliojiandikisha pamoja na wawakilishi watapata ajenda na kushiriki mkutanoni kwa simu na mitandao ya kidijitali. Wenyehisa waliojiandikisha pamoja na wawakilishi wataweza kupiga kura (kufuatia maagizo ya mwenyekiti) kwa njia ya ujumbe mfupi.

11. Maazimio yote yaliyopendekezwa katika ilani hii yatapigiwa kura mkutanoni.

12. Matokeo ya kura yatachapishwa katika muda wa masaa 48 baada ya mkutano kumalizika.

   Wenyehisa wanahimizwa kuendelea kuingia kwenye tovuti ya kampuni, **www.britam.com** ili kupata yanayoendelea kuhusiana na mkutano mkuu wa kila mwaka kutokana na hali inayozidi kubadilika kila kukicha ya COVID-19, na habari kuhusu maagizo mbali mbali yanayoendelea kutolewa na Serikali.

Tunatambua jinsi wenyehisa wetu wanaelewa vile mambo yalivyo, huku tukiendelea kukabiliana na mabadiliko ya hali ya biashara ambayo yamesababishwa na COVID-19.

Britam
With you every step of the way

Britam Holdings Plc
ANNUAL GENERAL MEETING PROXY FORM

I / We ____

____

CDS Account No. ______________________________ of P.O. BOX ______________________________

being a member(s) of **Britam Holdings Plc**, hereby appoint ____

____

of (address): ____

and of Mobile Telephone number: ____ 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 via electronic communication on Monday 29th June 2020 at 11.00 a.m., or at any adjournment thereof.

As witness to my/our hands this _________ day of ________________ 2020

Signature(s) ____

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy: ....

....

....

Proxys' Mobile Number [ ]

Please tick **ONE** of the boxes below and return to Image Registrars at P.O. Box 9287 – 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of Registration

I / We approve to register to participate in the virtual Annual General Meeting to be held on 29 June 2020. [ ]

Consent for use of the Mobile Number provided

I/ We give my/our consent for the use of the mobile number provided for purposes of voting at the AGM. [ ]

Signature: ....

Date: ....

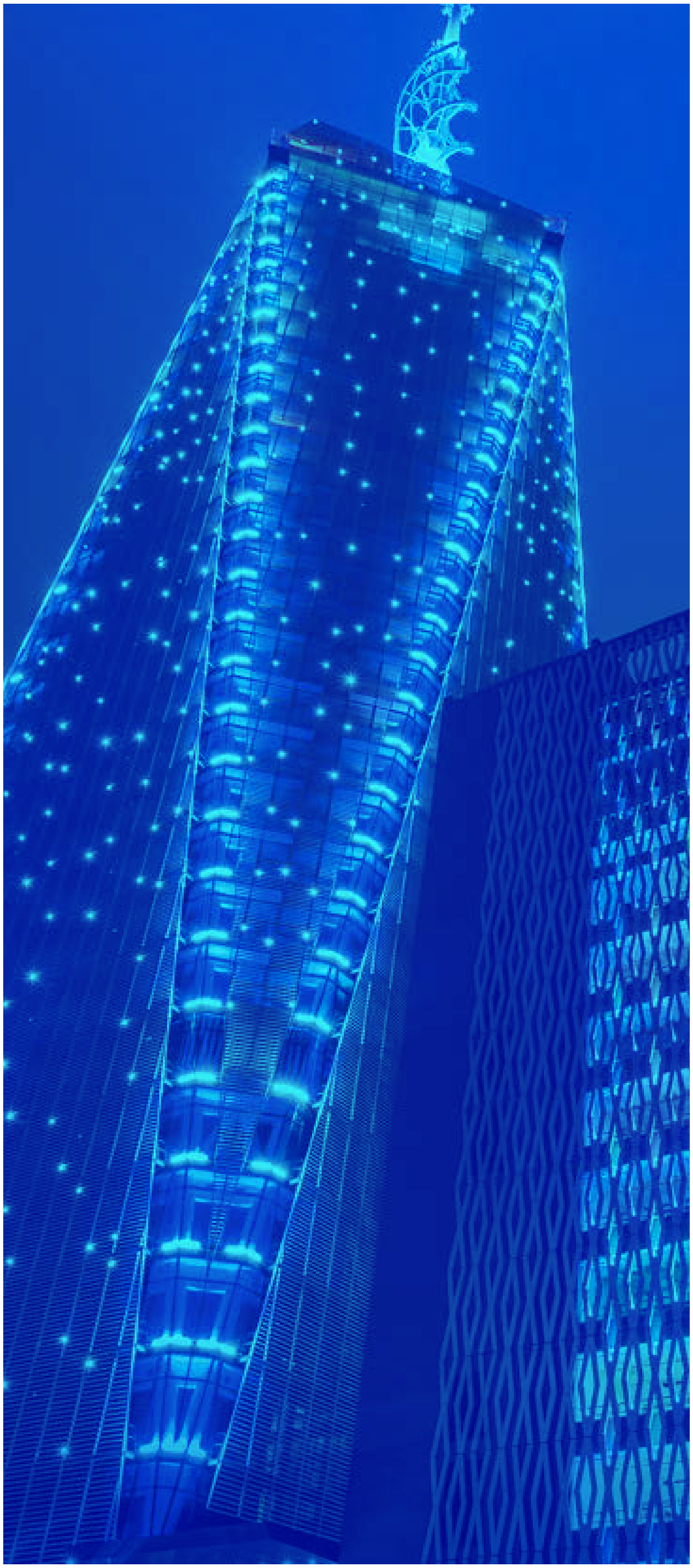
ANNUAL GENERAL MEETING PROXY FORM

NOTES:

If a member is unable to attend personally, this proxy form should be completed, duly signed and delivered to the offices of the Company's shares registrar, Image Registrars Limited, 5th floor Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, P.O Box 9287-00100 GPO Nairobi or be scanned and emailed to **info@image.co.ke**,to be received not later than 11.00 am Friday 26 June 2020 i.e. 48 hours before the meeting or any adjournment thereof.

1. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Friday 26 June 2020 at 11.00 am.
2. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 28 June 2020 to allow time to address any issues.
3. This proxy form must be signed by the appointor or his attorney duly authorized in writing.
4. In case of a member being a corporate body, the Proxy Form must be under given under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
5. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. A proxy need not to be a shareholder of the Company.
6. Completion and submission of the Proxy Form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

NOTES



CORPORATE INFORMATION

REGISTERED OFFICE

BRITAM HOLDINGS PLC
Britam Tower
Hospital Road
Upper Hill
P.O. Box 30375, 00100 Nairobi, Kenya
Tel: (+254) 020 2833 000/2710 927
Fax: (+254) 020 2722 157
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

The local subsidiaries share the physical and postal addresses below;

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

BRITAM LIFE ASSURANCE COMPANY (KENYA) LIMITED
CEO/Principal Officer: Mr. Ambrose Dabani
E-mail: insurance@britam.com

BRITAM GENERAL INSURANCE COMPANY (KENYA) LIMITED
Ag.CEO/Principal Officer: Mr. Jackson Theuri
Email: info@britam.com

BRITAM ASSET MANAGERS (KENYA) LIMITED
CEO/Principal Officer: Mr. Kenneth Kaniu
E-mail: assetmanagement@britam.com

BRITAM PROPERTIES (KENYA) LIMITED
Ag. Head of Property Services: Mr. Raphael Mwito
E-mail: Property@britam.com

REGIONAL SUBSIDIARIES

BRITAM INSURANCE COMPANY (UGANDA) LIMITED
CEO/ Principal Officer: Mr. Allan Mafabi
Plot 24A, Akii-Bua Road, Nakasero
P.O. Box 36583, Kampala Uganda
Tel: (+256) 312 305 600
Email: britamug@britam.com

Two Uganda subsidiaries share physical and postal addresses with BRITAM INSURANCE COMPANY (UGANDA) LIMITED as below;

BRITAM ASSET MANAGERS (UGANDA) LIMITED
General Manager: Mr. 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 Githinji
The Britam Place, Hai Malakal Juba, South Sudan
Tel:(+211) 911 006 001/3
Email: britamss@britam.com

BRITAM INSURANCE COMPANY (RWANDA) LIMITED
Ag.CEO/Principal Officer: Mr. Kennedy Aosa
Kigali Investment Company, 5 th 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. Raymond Komanga
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
Rehani House
Kenyatta Avenue/Koinange Street
Nairobi Kenya
Tel: (+254) 020 3262000
Email: info@hfgroup.co.ke

EQUITY GROUP HOLDINGS PLC
Equity Centre
Upper Hill - Hospital Road
Nairobi Kenya
Tel: (+254) 020 2262000,
Email: info@equitybank.co.ke

SHARE REGISTRAR

Image Registrars Limited
Barclays Plaza, 5th Floor
Loita Street
P.O. Box 9287-00100, Nairobi
Tel: (+254) 020 2230330
Email: info@image.co.ke

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road
P.O. Box 43963 – 00100 Nairobi, Kenya
Nairobi, Kenya
T: +254 (20)285 5000
F: +254 (20)285 5001

SECRETARY

Nancy Kiruki
Britam Tower
Hospital Road
Upper Hill
P.O. Box 30375-00100 Nairobi, Kenya

ACTUARIAL SERVICES

QED Actuaries and Consultants (Pty) limited
Sandton, South Africa.

Triangle Actuarial Services
Wake Forest, North Carolina, USA

LEGAL ADVISORS

Kaplan & Stratton, Advocates
CMS Daly Inamdar Advocates
Bowmans (previously Coulson Harney Advocates)
Walker Kontos Advocates
Ngatia and Associates
South Sudan Associated Advocates
Katende, Ssempebwa & Co Advocates (Uganda)
FK Advocates (Rwanda)
Tanscar Attorneys (Tanzania)
E&C Lawyers (Malawi)
Costa Amanze (Mozambique)

BANKERS

Equity Bank Kenya Limited
NCBA Bank Kenya Plc
Absa Bank Kenya Plc
Citibank N.A. Kenya
Standard Chartered Bank Kenya Limited
Co-operative Bank of Kenya
HFC Limited
Kenya Commercial Bank Kenya Limited
National Bank of Kenya
SBM Bank Kenya Limited
Stanbic Bank Kenya
Kenya Women Microfinance Bank
SMEP Microfinance Bank Limited

If you have questions regarding the content of this annual report please contact us at **investorrelations@britam.com**

Head Office: Britam Tower, Hospital Rd, Upper Hill

Tel: (254-20) 2833000, (254-703) 094000 | Email: info@britam.com

KENYA | UGANDA | TANZANIA | RWANDA
SOUTH SUDAN | MOZAMBIQUE | MALAWI

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