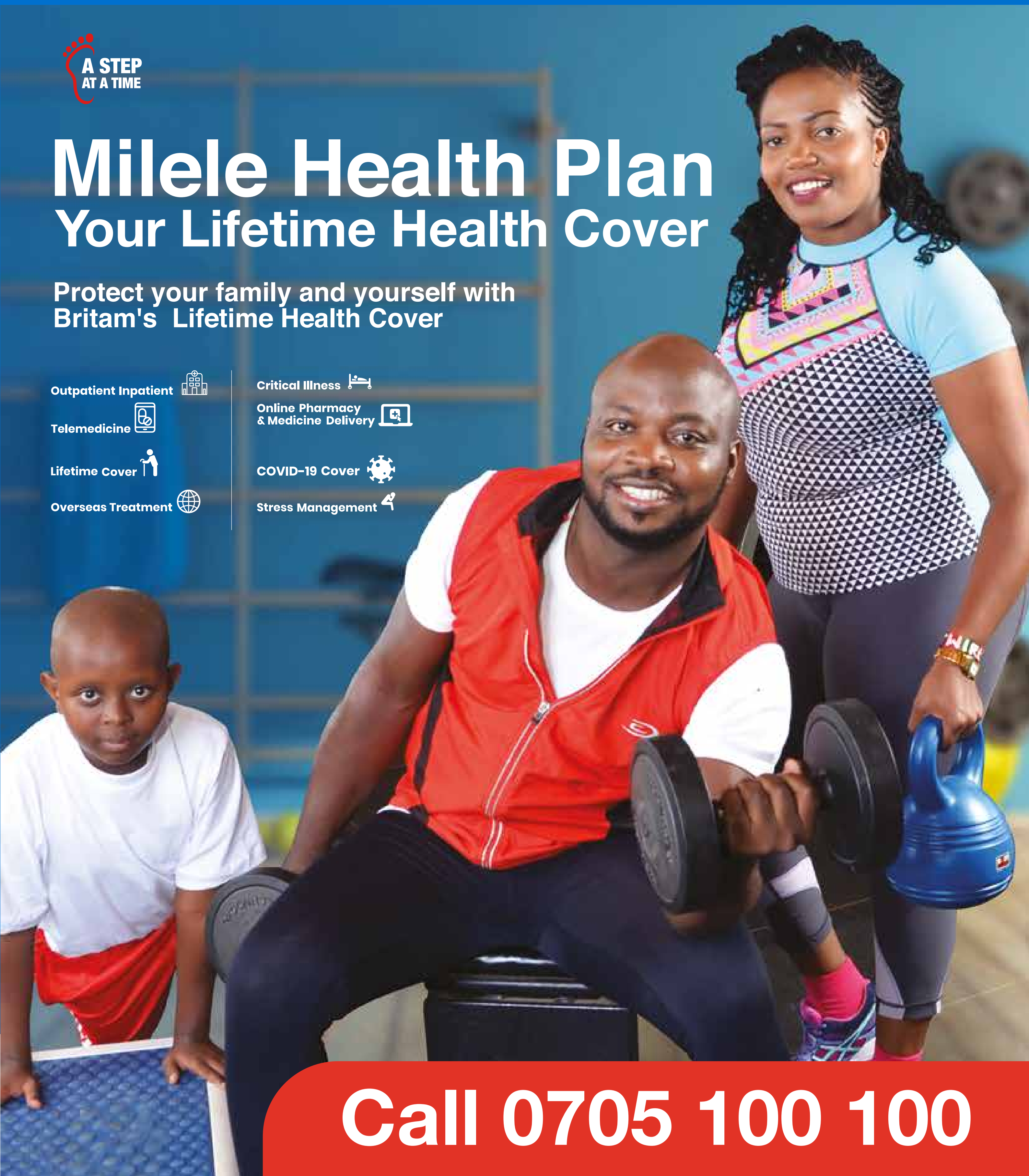
Britam
With you every step of the way

BRITAM HOLDING PLC

2020 | INTEGRATED REPORT & FINANCIAL STATEMENTS

TOWARDS CUSTOMER CENTRICITY TO GROW VALUE FOR CUSTOMERS AND SHAREHOLDERS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ABOUT BRITAM HOLDINGS Plc

Britam Holdings Plc 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.

Our integrated report is our primary report prepared for all stakeholders, and includes information relating to our external operating environment, business model, stakeholders, key risks and opportunities, governance and leadership, strategy and other material matters.

ABOUT THIS REPORT

As Britam Holdings Plc, we strive to continuously incorporate the principles of integrated thinking into our business and ultimately our reporting. The goal is to support our key stakeholders understand how we define, measure, and report on value creation.

Britam 2020 Integrated Report

This integrated report is a demonstration of our commitment to and strategy for creating value for our stakeholders. This report contains information on our financial and non-financial performance for the financial year 2020.

Our integrated report is our primary report prepared for the providers of financial capital, and includes information relating to our external operating environment, business model, key stakeholders, key risks and opportunities, material matters, and strategy.

We are committed to the principles of Integrated Reporting as they align with sustainable, long term value creation and with our mission to offer our customers financial security EVERY STEP OF THE WAY.

Target audience

This Integrated Report is our primary report to our investors. However, it also contains information relevant to other key stakeholders.

Feedback

At Britam Holdings Plc, we value your feedback as we endeavour to provide accurate, transparent and balanced information to our stakeholders.

We invite you to contact the Investor Relations Department on +254 0705 100 100 or Investorrelations@britam.com should you have any questions.

2016-2020 Strategic Focus

- Profitable Growth
- Customer Service
- Innovation
- Operational Excellence
- Enabling transformation

Our Stakeholders

- Shareholders and Investment Community
- Regulators & Government Agencies
- Customers
- Suppliers
- Strategic Partners
- Employees Financial Advisors
- Other Internal Stakeholders
- The Media
- The Wider Community

Our Material Matters

- Regulatory Environment
- International Business Performance
- Investment Asset Performance
- Operational Efficiency
- Fraud Risks

2021-2025 Strategic Focus

Re-ground business Customer at the heart

- Organise for the future
- Embed customer centricity
- Leverage data & analysis

Transform for future Led by new segment units

- Optimise approach to customer
- Unlock next tier of customers
- Forge strategic partnerships
- Expand regional footprint

Enanble the journey Address performnace challenges

- Turnaround key cost drivers
- Shift investment strategy

Reporting Scope and Boundary

This Integrated Report covers the period 1 January to 31 December 2020, and was compiled with information that the Board of Directors (the Board) and Management (Executive Committee) believe is relevant and material to provide an integrated view of the Group's performance.

To reflect how we create value, this report focuses on the performance of the Group across our geographical footprint covering Kenya and the International markets:

Kenya businesses

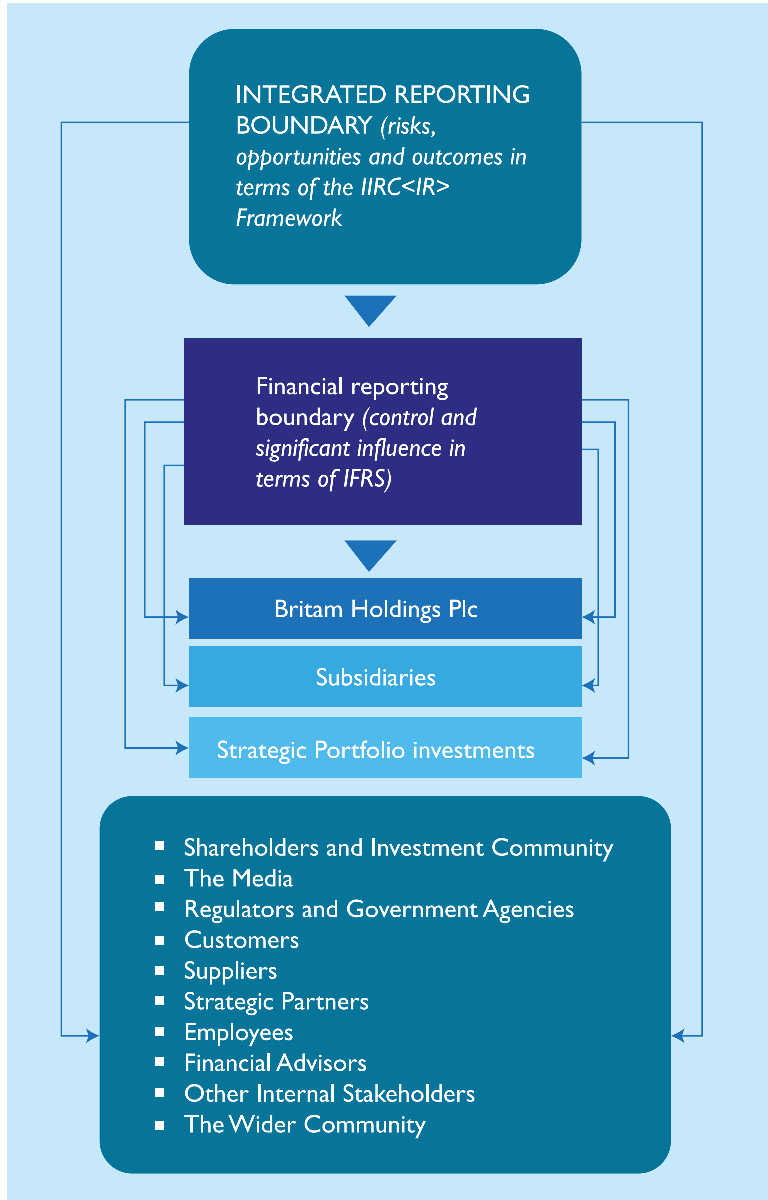
Our primary operations are in Kenya and currently generates over 70% of the Group's Gross Earned Premiums and Fund Management Fees. The Kenyan operations offers the following: Life Assurance, General Insurance and Asset Management services.

Our strategic portfolio investments are also in entities incorporated in Kenya.

International businesses

Our growing international operations are made up of the Group's subsidiaries in the following countries: South Sudan, Uganda, Rwanda, Tanzania, Malawi and Mozambique.

We offer General Insurance solutions in these countries with our operations in Uganda also offering Asset Management services.



Materiality

We focus to report on those material matters that could have a direct or indirect impact on our ability to create or preserve value for the Group and our stakeholders in the short, medium and long term.

We consider both internal and external influences when identifying our material matters and, once identified, we prioritise these matters according to the likelihood and potential impact. Finally, we integrate the identified material matters into our strategy. Going forward we will review our material matters annually.

We identified the following material matters in the financial year 2020

- Regulatory Environment
- International Business Performance
- Investment Assets Performance
- Operational Efficiency
- Fraud Risks

For more information on our material matters, refer to page 38.

Frameworks and Compliance

This report has been prepared with the guidance of the International Integrated Reporting Framework (the Framework). We appreciate that this report represents our commitment to a holistic value creation and reporting approach in our business and that we are focused on continuous improvement. This will be achieved through a commitment to the application of integrated thinking to our strategy, operations, stakeholder engagements, and value-added reporting.

The report is aligned to the requirements of the Kenya Companies Act, 2015, Capital Markets Authority (CMA) guidelines, and the Nairobi Securities Exchange (NSE) requirements. The Group's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The report is a critical component of our commitment and promise to be transparent and accountable to our stakeholders.

Assurance

The Group follows a combined assurance process

01 **First line of defence,** comprises our operational employees, who are required to completely understand their roles and responsibilities and carry them out correctly, consistently, and completely.

02 **Second line of defence** consisting of our oversight functions, including risk and compliance management. These functions define work practices, monitor adherence to policies, and oversee the first line of defence with regards to risk and compliance.

03 **Third line of defence,** which comprises the internal and external assurance providers and the Board. Internal and external auditors regularly review the first and second lines of defence to ensure that they are carrying out their responsibilities as required. The board plays an oversight role and is responsible for approving the work and reports reviewed by the audit committee, among others.

Our assurance process is applied in the compilation of the integrated report. The board, its relevant committees and management were involved in approving financial statements and the report's disclosures.

This report builds on the detailed monthly performance reports compiled and reviewed by management and, as such, management reviews are integral to its overall assurance.

The Group annual financial statement were independently assured by the external auditors, PricewaterhouseCoopers (PwC).

This report in its entirety was not independently assured.

Forward-looking statements

Statements relating to future operations and performance of the Group are not guarantees of future operating or financial results. They involve uncertainty, as they rely on future circumstances – some of which are beyond the Group's control. Therefore, the ultimate results and outcomes may differ.

Board Approval

The Board, supported by the Audit Committee, is ultimately responsible for overseeing the integrity and completeness of this Integrated Report. The board has applied its collective mind to the preparation and presentation of the information in this report. The Board believes the report addresses all material issues and presents a balanced and fair account of the group's performance for the reporting period, as well as an accurate reflection of our strategy and direction. On the recommendation of the Audit Committee, the Board approved on 28 April 2021 the Britam Holdings Plc 2020 Integrated Report which includes the annual report and financial statements for the financial year 2020.

For and on behalf of the Board

Mr. Mohamed S. Karama
Acting Chairman

Mr. Tavaziva Madzinga
Group Managing Director

GROUP OVERVIEW

Who we are

Britam Holdings Plc 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 philosophies

01 **Our Vision**

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

02 **Our Mission**

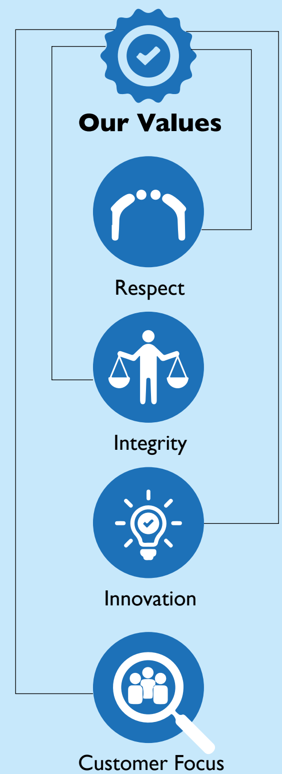
Providing you with financial security EVERY STEP OF THE WAY.

03 **Our Goal**

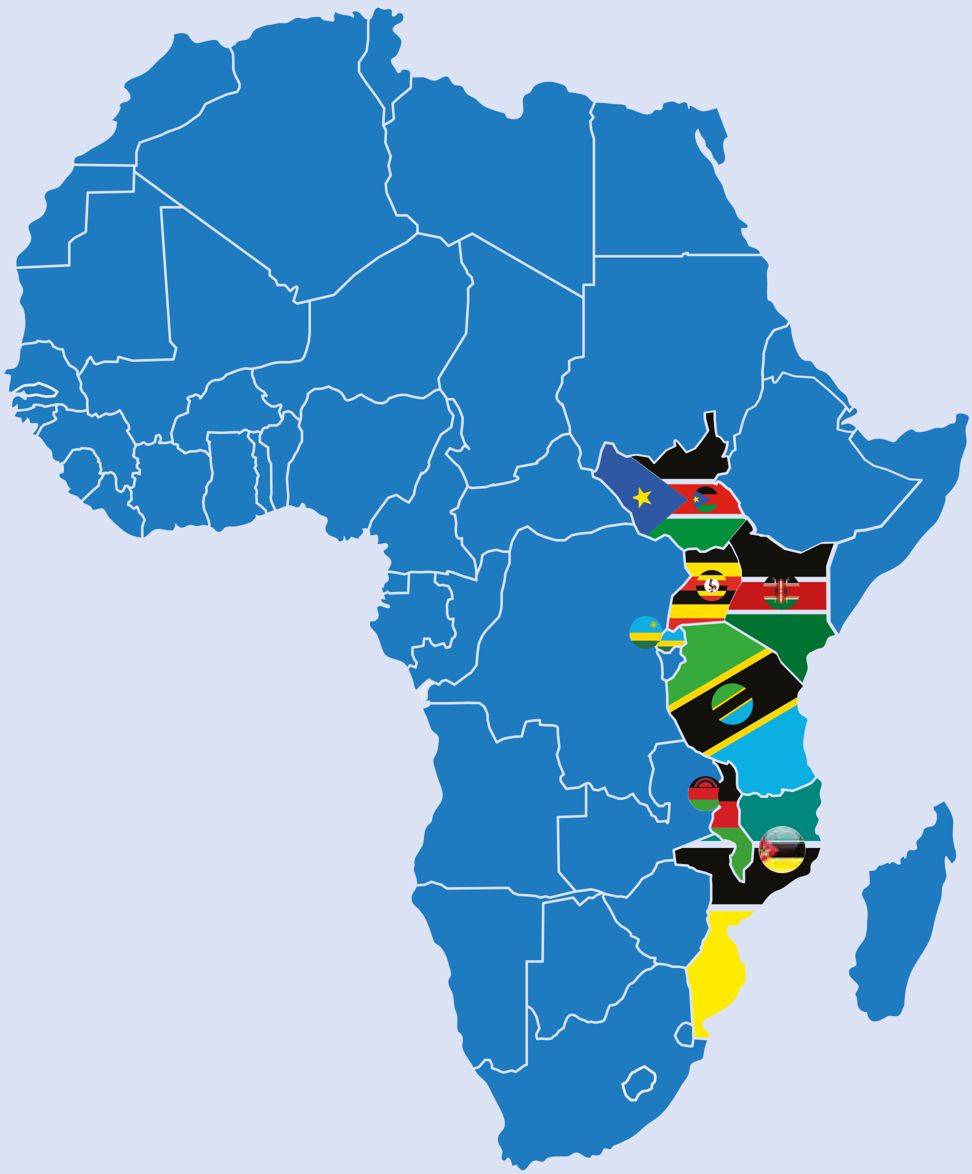
We aim to provide our clients, with an unmatched offering, ensuring first class solutions that help secure the future.

04 **Brand Position**

With YOU every step of the way.

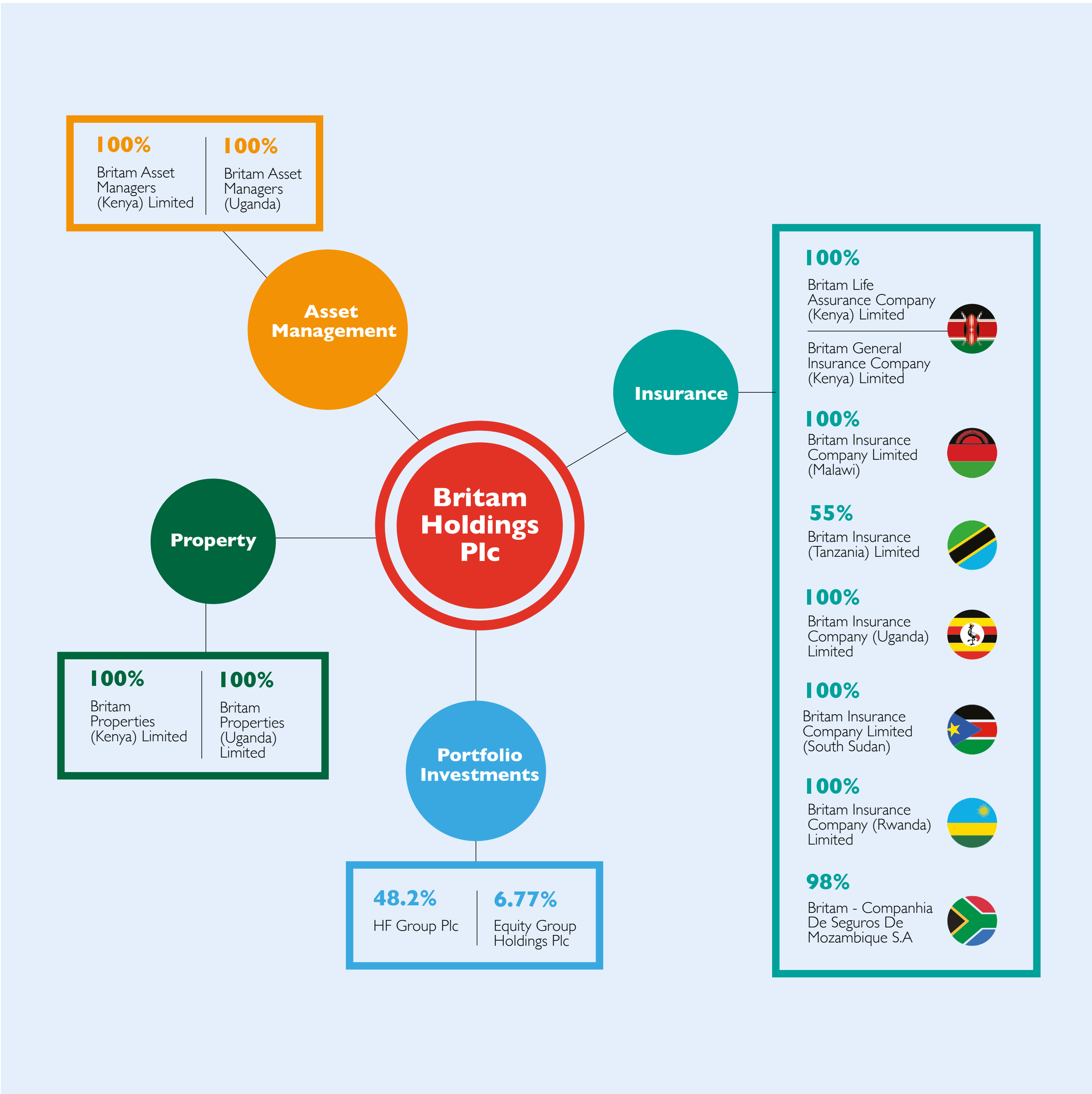


Our Footprint



			Staff	Branches
1	KENYA	Established 1965	642	32
2	UGANDA	Established 2010	56	9
3	SOUTH SUDAN	Established 2012	16	1
4	RWANDA	Established 2012	41	3
5	TANZANIA	Acquired 2014	64	8
6	MOZAMBIQUE	Acquired 2014	42	4
7	MALAWI	Acquired 2014	68	2

Our Group Structure



What we do

Our Value Creating Propositions

Kenya

- Life Assurance
- General Insurance
- Investment Management
- Property Development & Management

International

- General Insurance
- Investment Management
- Property Development & Management

The key features and details of our propositions are briefly highlighted below:

General Insurance

- Monetary benefit: to compensate for loss of physical property, loss of trading income or liability incurred. It includes motor, property, engineering, guarantee, liability and accident.

- Health benefit: comprehensive health management solutions

Life Insurance

- Risk products: monetary benefits to compensate for the financial impact of unexpected events such as death, disability, trauma and retrenchment.

- Investment products: facilitate wealth accumulation and providing for income through a full range of investment options.

- Retirement fund administration: providing solutions for income at retirement.

Investment Management

- Retail client solutions: offering savings options through a range of collective investment schemes and wealth management solutions

- Institutional client solutions: through traditional and alternative asset management solutions locally and offshore.

Property Development & Management

- Property Management Services
- Facilities Management Services

Five Year Financial Performance summary

Summary Statement of Profit or Loss and Other Comprehensive Income	2020	2019	2018	2017	2016
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Gross earned premiums and fund management fees	**28,821,159**	**27,667,284**	**24,986,224**	**24,058,941**	**21,221,078**
Gross earned premium	28,199,619	27,131,870	24,325,111	23,298,311	20,291,844
Net earned premium	23,145,633	23,109,892	21,061,660	20,298,120	17,393,585
Fund management fees	621,540	535,414	661,113	760,630	929,234
Investment income	7,927,048	6,966,794	6,667,588	4,446,714	5,223,975
Realised & unrealised gains/(losses) on financial assets	(2,537,790)	4,777,716	(3,049,273)	1,324,833	(2,412,009)
Commission earned & other income	996,517	1,056,436	1,052,523	1,006,377	1,225,429
Total income	**30,152,948**	**36,446,252**	**26,393,611**	**27,836,674**	**22,360,214**
Expenses					
Net insurance benefits and claims	18,649,372	15,442,505	14,247,140	12,498,761	5,001,165
Interest payments/increase in unit value	2,759,170	3,889,475	1,688,638	2,462,961	1,742,978
Operating and other expenses	13,455,260	8,794,161	8,244,558	7,355,818	7,094,697
Finance costs	361,547	234,667	905,567	1,186,147	1,177,264
Commission expense	3,802,160	3,461,322	3,313,922	3,520,150	3,547,258
Total expenses	**39,027,509**	**31,822,130**	**28,399,825**	**27,023,837**	**18,563,362**
Share of results of the associate	(823,049)	(53,099)	(289,656)	53,006	442,281
Profit/(loss) before income tax	**(9,697,610)**	**4,571,023**	**(2,295,870)**	**865,843**	**4,239,133**
Total comprehensive income/(loss) for the year	**(11,679,122)**	**5,420,656**	**(2,856,296)**	**1,908,150**	**784,673**
Earnings/(Losses) per share	(3.62)	1.41	(0.92)	0.26	1.26

Summary Statement of Financial Position	2020	2019	2018	2017	2016
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Shareholders' funds	17,066,832	29,376,826	23,956,170	22,670,010	17,877,596
Total assets	136,962,471	125,243,565	103,656,332	99,024,857	83,642,609
Total liabilities	119,895,639	95,866,739	79,700,162	76,354,847	65,765,013

Our Operating Environment

From early 2020, the World braced the devastating effects of the Covid-19 pandemic leading to a global recession. Many Nations and economies were affected. Kenya and the regional economies were not spared either and were hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path.

According to World Bank, Kenya's Real Gross Domestic Product (GDP) growth is projected to decelerate from an annual average of 5.7 percent (2015-2019) to around 1.0 percent in 2020. The downside risks include a protracted global recession undermining Kenya's export and remittance inflows, fiscal slippages and weather-related shocks. The regional economies face relatively similar adverse prospects.

The regional currencies also depreciated in 2020 with the Kenyan currency depreciating at c7.7 percent to USD since the beginning of 2020. The weakening of the local currencies was attributable to weaker inflows from foreign currency receipts which led to dwindling foreign exchange reserves and later due to increased dollar demand from merchandise importers as the easing of coronavirus restrictions continued to jumpstart economic activities.

The performance of the stock market as represented by the NSE 20 Index depreciated in the year by 30 percent as companies braced the ravaging impacts of the pandemic on consumers' disposable incomes. This was after a significant appreciation of 18 percent following the repeal of the interest rate cap in November 2019 which had led to a repricing of banking stocks.

The regulatory environment remains a significant force in the industry. Amendments to the Kenya Insurance Act published in 2019 included the definition of index-based insurance and micro-insurance, extended the Commissioner's powers to require any member of an insurance group to provide any information necessary for group-wide supervision, harmonised the power of the Minister, extended the delivery of policies to include email, removed the requirement to publicise lost policies, and further regulated complaints against insurers and insurance fraud.

The most critical aspect of the amendment was the replacement of section 156, requiring cash before cover. This is what is commonly referred to as cash and carry regulations. This amendment is meant to enhance the prompt payment of premiums to underwriters while eliminating the long standing problem of outstanding premiums.

The Risk-Based Capital requirements was to come into force in Kenya in June 2020 but was extended to the end of 2020. Uganda and Rwanda have also made progress in the implementation of this regulation. This is critical as insurers will be required to maintain adequate capital commensurate with their risk profiles. Smaller entities may opt to merge so as to meet the capital requirements.

The period to exit from a guaranteed fund asset class was reduced to a maximum of one year as provided in the exit clause of the deposit administration agreement. This new regulation took effect on 1 January 2020 and will impact the level of short term liquidity maintained by insurers.

The low insurance penetration remains relatively low in Kenya and the region. Retail insurance continues to be viewed as a luxury hence subduing uptake. In addition, there is relatively high proportion of population in informal employment in these markets where the appreciation of insurance is low.

The low penetration presents an opportunity for the insurance industry players. The growing middle class, improving financial literacy levels, and deepening penetration and adoption of technology are expected to increase the demand and uptake of insurance products.

Despite the negative impacts of the pandemic we continue to see increasing uptake of products through online platforms. Underwriters are increasingly serving their customers through portals, APPs and USSD based channels.

In summary our operating environment presents a mixture of risks and opportunities in almost equal measure and our strategy is crafted to respond to them.

The low penetration presents an opportunity for the insurance industry players. The growing middle class, improving financial literacy levels, and deepening penetration and adoption of technology are expected to increase the demand and uptake of insurance products.

Chairman's Statement

Mr. Mohamed S. Karama

Acting Chairman

Dear Esteemed Shareholders,

On behalf of the Board of Directors of Britam Holdings Plc, I am honoured to present our Integrated Report for the financial year ended 31 December 2020. This is part of our commitment to give our stakeholders more information on how we create value for them.

The Group reported a loss before tax of Shs 9.7 billion compared to a profit before tax of Shs 4.6 billion in 2019. Of this loss, Shs 2.3 billion related to a fair valuation loss due to poor equities performance and Shs 2.0 billion related to property impairments. The unfavorable operating environment adversely impacted our investment in associate – HF Group Plc - contributing to the Group results a share of loss at Shs 823 million and a reduction in the value of this investment by Shs 603 million.

The results were further depressed by a provision for investment losses of Shs 5.2 billion being the level of support to be offered to Britam Wealth Management Fund LLP, a Fund managed by Britam Asset Managers which is a fully owned subsidiary of Britam Holdings PLC. The Board and the shareholders are committed to ensuring all entities meet their obligations as they fall due.

Operating environment

The Covid-19 pandemic triggered the deepest global recession in decades, leading to an unprecedented scale of economic, business and social disruptions. This has resulted in contractions across the economies on a global scale.

In an effort to mitigate the spread of the pandemic, governments introduced measures to control its spread by enforcing various movement restrictions. This was mainly in the form of partial or total lockdown of economic and social activities. This led to major disruptions in the various sectors of the economies.

However, in the last quarter of 2020, there were signs of GDP rebounds in some large advanced economies amid concerns of the pandemic's resurgence. Further, at the turn of the year, there was growing optimism with some countries already commencing to vaccinate their populations. The prospect of durable containment of the pandemic hinges on the successful rollout of the vaccines. This is expected to pave the way for the journey to the much-awaited economic recovery and normalisation of livelihoods.

The pandemic has had far-reaching downside impacts with the global economy projected to contract by 5.2 percent from a 2.4 percent growth in 2019. Sub Saharan GDP is expected to decline by 3.7 percent from a growth of 2.4 percent in 2019. In Kenya, projected GDP growth for 2020 is estimated at only one percent from 5.4 percent in 2019. Similarly, the outlook in our regional markets for 2020 mirrors the Kenyan environment with significant declines in GDP growth.

At Britam, we had to relook at our priorities. Top on the list was the safety and wellbeing of our staff across our footprint. We facilitated most of them to work from home and enhanced the Covid-19 pandemic safety protocols across all our offices and branches. Aided by our technology platform our staff were able to seamlessly carry out their functions and continue serving our customers. We continue to monitor the measures we have introduced to ensure our staff and indeed all our stakeholders remain safe until we return to normalcy.

However, there is increased optimism going into 2021 with economic growth in Kenya and in our regional markets forecast to resume although at a modest pace.

Dividend

In light of the drop in financial performance in the year, the Board of Directors did not declare a dividend for the financial year 2020. In 2019, a dividend of Shs 631 million representing 25 cents per ordinary share was declared and paid in 2020.

Board and Governance

In the year under review, the Board was involved in the succession process of both Chairman and the Group Managing Director. This culminated in the successfully appointment of a Deputy Chairman and a new Group Managing Director.

The Board has also undertaken a governance review to further enhance its efficiency and effectiveness. The Board previously had five committees, namely: Audit, Risk and Compliance, Investment and Strategy, Compensation and HR and Nomination and Governance. In 2021 the Board in line with the new organizational strategic priorities, reviewed and consolidated its Committees to four, namely: Audit, Risk and Compliance Investment and Strategy, Customer Experience and Innovation and Nomination and Remuneration.

In summary, we had the following changes in the Board;

Mr. Tavaziva Madzinga was appointed the Group Managing Director on 1 February 2021 and as a Director of the Board on 17 February 2021. He has over 20 years experience in the Insurance industry and has served in various capacities which include CEO Swiss Re (UK & Ireland), Managing Director Swiss Re Middle East & Africa, Regional CEO South & East Africa Old Mutual.

Chairman's Statement (Continued)

The Board is confident that the Group will benefit greatly from his skills, knowledge, and experience. I assure him of my support and that of the Board.

Mr. Walter Andrew Hollas, a Non-Executive Independent Director and the immediate former Chairman of the Board retired on 1 February 2021 and I was appointed as the Acting Chairman on the same date. This followed my earlier appointment as the Deputy Chairman of the Board on 12 May 2020.

I sincerely thank Mr. Hollas for his great leadership during his tenure on the Board. He successfully steered the Board at a time when the Group was undergoing fundamental changes. These include the entry of strategic international investors, the succession process for the Group Managing Director, and navigating the Group at the height of the Covid-19 pandemic.

Mr. Stephen Wandera, a Non-Executive Director retired voluntarily from the Board on 29 June 2020. I thank Mr. Wandera for his contribution during his time on the Board and for his long service to the Group in different leadership capacities.

Change of Group Leadership

The Group Managing Director, Dr. Benson Wairegi retired on 31 December 2020 having served the organisation diligently for more than 40 years. Over this period, he oversaw its growth and expansion from a small home service insurance company to a diversified financial services Group listed at the Nairobi Securities Exchange with operations in the East, Central, and Southern Africa Region. Dr. Wairegi has also been instrumental in the growth and development of the insurance industry and the wider financial services industry.

On my behalf and of the Board, I take this opportunity to acknowledge and extend sincere gratitude and appreciation to Dr. Wairegi for his visionary and transformational leadership and long service to the organisation. We wish him every success in his future endeavors.

Investment in HF Group

At the beginning of the current financial year. The Group injected Shs 1 billion Tier 2 capital in its associate - HF Group. The investment was informed by the need to support the turnaround strategy and the business transformation initiatives ongoing. These are expected to see the business transform into a full-service bank. The cash will support the meeting of regulatory capital levels, boost its liquidity and enhance its capacity to lend more backed by the enhanced reserves.

2021-2025 Strategy Development

The year 2020 marked the end of the 2016-2020 strategic period during which the Group realised a mixed set of results. The International Business division recorded a remarkable turnaround and now generates in excess of 25% of the Group revenues whilst making a strong profit contribution. We also launched the Asset Management business in Uganda which has since recorded a profit. The headwinds brought by the Covid-19 pandemic and a sustained downturn in the property market depressed returns from our investments and property portfolios.

It is against this backdrop that the Group launched the development of a new five-year strategy. This is expected to be completed within the first half of the current financial year. The new strategic plan will not be business as usual as we recognise that our sector faces disruption from non-traditional competitors such as Insuretechs, international and regional players as evidenced by recent mergers and acquisitions and increasing tie-ups between banks and insurers. Customer preferences are also shifting which has been accelerated by the Covid-19 pandemic. Customers are now prioritising more complete digital journeys.

The group is therefore shifting into more customer-centric and agile ways of working. The focus is on seeking to leverage new digital technologies and partnerships which we will layer on top of our existing capabilities to make the most of our scale to create new forms of advantages.

New Customer-Centric Organisation

As part of a business strategy review for the period 2021- 2025, the Board announced a new organisational structure. The aim is to transform Britam Group into a more customer-centric organisation, away from traditional product-focused teams in favor of lean, agile customer-focused teams supported by platform capabilities.

We are repositioning the Group to respond to the changing environment by placing customers at the heart of everything we do, leveraging partnerships, digital innovations and data analytics to drive decision making, and delighting our customers. Importantly too, we are embedding a new organisation culture; one of entrepreneurial innovativeness and agile thinking.

This re-organisation will not only lead to a leaner executive team with fewer reporting layers, but will also support the company's ability to respond proactively in an increasingly competitive business environment and cost competitiveness.

Outlook

The year 2021 is a special one for the Group as it marks the beginning of a new five-year strategic period. We are focused on the progressive and sustained realisation of the value to customers and shareholders.

As the economy and the business environment recovers from the effects of the Covid-19 pandemic, we are aligning our business to take advantage of the improving operating environment across our regional footprint.

Chairman's Statement (Continued)

Your Board will continue monitoring the Group's delivery of the new strategy. There will be increased attention on sustainably growing the business by seeking emerging opportunities in our markets, embedding customer-centricity, optimising the returns from our assets and making the business future-fit by increasing the momentum in the digitisation of our processes.

Appreciation

All the milestones achieved would not have been possible without the support of our key stakeholders especially our customers, partners, and regulators.

I thank my fellow directors for their wise counsel, management and staff and financial advisors for their loyalty, dedication, and commitment during the year.

Last but not least, our investors and other members of the investment community for their support and confidence in the future of this company.

Thank you.

Mr. Mohamed Karama
Acting Chairman

Taarifa ya Mwenyekiti

Bw. Mohamed S. Karama

Kaimu Mwenyekiti

Wenyehisa watukufu,

Kwa niaba ya Bodi ya Wakurugenzi wa Britam Holdings Plc, ninayo heshima kuwasilisha ripoti ya biashara zetu zote ya mwaka wa kifedha uliomalizika Desemba 31, 2020. Hii ni sehemu ya wajibu wetu kuwapatia washika dau habari zaidi kuhusu jinsi tunawaongezea thamani.

Shirika liliripoti hasara ya Shs 9.7 bilioni kabla ya kutoa ushuru ikilinganishwa na faida ya Shs 4.6 bilioni kabla ya kutoa ushuru mnamo 2019. Hasara hii ni pamoja na Shs 2.3 bilioni iliyosababishwa na kushuka kwa bei ya hisa zisizo na riba ya kudumu kufuatia ukadiriaji wa thamani yake na Shs 2.0 bilioni kutokana na kudhoofika kwa thamani za nyumba. Hali hii mbaya ya mazingira ya biashara iliathiri uwekezaji wetu katika kampuni mshirika — HF Group Plc — ambayo ilichangia Shs 823 milioni kwa hasara ambayo shirika lilipata, nayo thamani ya kitega uchumi hicho ikapunguka kwa Shs 603 milioni.

Matokeo yaliathiriwa zaidi na kinga ya madeni ya uwekezaji ya Shs 5.2 bilioni, kiasi ambacho ni mchango wa Shirika kwa Britam Wealth Management Fund LLP, lililo chini ya usimamizi wa Britam Asset Managers, kampuni tanzu inayomilikiwa na Britam Holdings PLC. Bodi na wenyehisa wamejitolea kuhakikisha shughuli zetu zote za biashara zinatimiza majukumu yake kikamilifu kila inapohitajika kufanya hivyo.

Mazingira ya biashara

Janga la Covid-19 linaloukumba ulimwengu wote lilisababisha uchumi kudorora pakubwa na kwa kiwango ambacho hakijawahi kushuhudiwa duniani kwa miaka mingi. Matokeo yake yamekuwa ni kuzorota kwa uchumi na biashara na kuvurugwa kwa shughuli za kijamii. Viwango vya uchumi duniani vimeshuka.

Kwenye juhudi za kuzuia kuenea zaidi kwa ugonjwa huo, serikali ziliweka vikwazo mbali mbali vya usafiri na ujumuikaji. Maeneo mengi yalifungwa na shughuli za kijamii zikabanwa, hali iliyovuruga na kukwamisha sekta mbali mbali za uchumi.

Hata hivyo, katika robo ya mwisho ya 2020, ishara za ukuaji wa kiwango cha uchumi zilianza kujitokeza katika baadhi ya mataifa makubwa kiuchumi, huku kukiwa na wasiwasi kuhusu tishio la kuzuka upya kwa janga hilo. Kadhalika, kufikia mwisho wa mwaka na mwaka mpya ukianza, matumaini yalizidi kuongezeka baada ya baadhi ya nchi kuanza kampeni za kuwapatia chanjo watu wake kuwakinga kutokana na ugonjwa huo. Kuvumbuliwa na kupatikana kwa urahisi kwa chanjo mbali mbali kutasaidia pakubwa kukinga watu kabisa kutokana na maambukizi ya Covid-19. Hilo likifanyika, matarajio makubwa ya kufufuka kwa uchumi na kurejelea kwa shughuli za kujipatia riziki yatatimia.

Janga lilisababisha athari nyingi, huku ikibashiriwa kwamba kiwango cha uchumi ulimwenguni kitashuka kwa asilimia 5.2 ikilinganishwa na ukuaji wa asilimia 2.4 mnamo 2019. Uchumi wa nchi za Afrika zilizo kusini ya Jangwa la Sahara unatarajiwa kudorora kwa asilimia 3.7 ikilinganishwa na ukuaji wa asilimia 2.4 mnamo 2019. Inakadiriwa kwamba uchumi wa Kenya ulistawi kwa asilimia moja mnamo 2020 ikilinganishwa na asilimia 5.4 mnamo 2019. Vivyo hivyo, hali katika masoko ya kanda mwaka wa 2020 si tofauti na ilivyo katika Kenya, huku kukiwa na kushuka pakubwa kwa viwango vya kiuchumi.

Katika Britam, ilikuwa ni lazima tuziangazie upya shughuli zetu na kuziratibu kulingana na umuhimu wake. La kwanza kabisa lilikuwa ni usalama, afya na hali njema ya wafanyakazi wetu kote katika maeneo tunakofanyia biashara. Tuliwawezesha wengi wao kufanyia kazi kutoka nyumbani na kuimarisha mikakati ya kujikinga na janga la Covid-19 katika afisi zetu zote na matawi. Teknolojia iliwasaidia wafanyakazi wetu kutekeleza majukumu yao kikamilifu na kuendelea kuhudumia wateja. Tutaendelea kuchunguza hatua tulizotekeleza kuhakikisha usalama wa wafanya kazi wetu na washika dau wote mpaka hali ya kawaida itakaporejelewa.

Hata hivyo, kuna matumaini makubwa ya hali ya mambo kubadilika 2021, huku ikikadiriwa kwamba uchumi wa Kenya na wa mataifa mengine ya Afrika tunapofanyia biashara utakua kwa kiasi.

Mgawo wa faida

Kutokana na kushuka kwa kiwango cha faida mnamo 2020, Bodi ya Wakurugenzi haikutangaza mgawo wa faida kwa wenyehisa kwa mwaka wa kifedha wa 2020. Mnamo 2019, mgawo wa faida wa Shs 630.9 milioni ulitangazwa, kiasi ambacho ni sawa na senti 25 kwa kila hisa ya kawaida. Pesa hizo zililipwa 2020.

Bodi ya Wakurugenzi na udhibiti wa shirika

Mnamo mwaka ambao tunauangazia, Bodi ilihusika kwenye shughuli za mabadiliko ya usimamizi katika ngazi za Mwenyekiti wa Bodi na Meneja Mkurugenzi wa Shirika. Matokeo yake yalikuwa ni uteuzi wa Naibu Mwenyekiti na Meneja Mkurugenzi mpya wa Shirika.

Taarifa ya Mwenyekiti (Mwendelezo)

Kadhalika, Bodi ilichunguza upya shughuli zake za udhibiti wa shirika kusudi kuimarisha utendakazi na kuleta matokeo yanayohitajika. Awali, Bodi ilikuwa na kamati tano, nazo ni: Kamati ya Ukaguzi wa Hesabu na Taratibu za Kampuni, kamati ya Hadhari na Utekelezwaji wa Matakwa, kamati ya Uwekezaji na Mikakati, Kamati ya Fidia na Masuala ya Wafanyakazi na Kamati ya Uteuzi na Uthibiti. Mnamo 2021, Bodi ikizingatia utaratibu mpya wa masuala ya kimkakati yanayopewa kipaumbele, ilitathmini na kuunganisha kamati zake matokeo yakiwa ni kubuniwa kwa kamati nne, nazo ni Kamati ya Ukaguzi wa Hesabu na Taratibu za Kampuni, Hadhari na Utekelezwaji wa Matakwa, Kamati ya Uwekezaji na Mikakati, Kamati ya Huduma kwa Wateja na Uzinduzi, na Kamati ya Uteuzi na Malipo ya Ujira.

Kwa kifupi, Bodi ilifanyiwa mabadiliko yafuatayo:

Bw Tavaziva Madzinga aliteuliwa Meneja Mkurugenzi wa Shirika mnamo Februari 1, 2021, kuchukua mahali pa Dkt Benson Wairegi aliyestaafu wadhifa huo mnamo Januari 31, 2021. Bw Madzinga aliteuliwa pia kuwa Mkurugenzi kwenye Bodi mnamo Februari 17, 2021. Ana ujuzi wa zaidi ya miaka 20 katika shughuli za bima baada ya kutumika katika nyadhifa mbali mbali ikiwa ni pamoja na kuwa msimamizi mkuu wa Swiss Re (UK & Ireland), meneja mkurugenzi wa Swiss Re Middle East & Africa, meneja mkuu msimamizi wa kampuni ya Old Mutual katika Afrika Kusini na Mashariki. Bodi ina imani kwamba Shirika litanufaika pakubwa kutokana na ustadi wake, maarifa na uzoefu wa kazi. Ninamhakikishia kwamba Bodi itamuunga mkono kikamilifu.

Bw Walter Andrew Hollas, mkurugenzi huru ambaye hakuhusika moja kwa moja na shughuli za kila siku za shirika na aliyekuwa mwenyekiti wa Bodi, alistaafu Februari 1, 2021, na nikateuliwa kaimu mwenyekiti siku hiyo hiyo. Hatua hiyo inafuatia uteuzi wangu wa awali kuwa Naibu Mwenyekiti mnamo Mei 12, 2020.

Ninamshukuru kwa dhati Bw Hollas kwa uongozi wake shupavu kwa msimu aliohudumu kwenye Bodi. Aliiongoza Bodi kwa ustadi ulioleta mafanikio wakati ambapo Shirika lilikuwa linatekeleza mabadiliko muhimu ya kimsingi. Mabadiliko hayo ni pamoja na wawekezaji wa kimkakati wa kimataifa kununua kiasi cha haja cha hisa katika Shirika, utaratibu wa mabadiliko ya wadhifa wa Meneja Mkuu wa Shirika na kuisimamia kampuni wakati janga la Covid-19 lilikuwa limechacha.

Bw Stephen Wandera, mkurugenzi huru ambaye hakuhusika moja kwa moja na shughuli za kila siku za shirika alistaafu kwa hiari mnamo Juni 29, 2020. Ninamshukuru Bw Wandera kwa mchango wake alipotumikia Bodi na kwa huduma yake ya muda mrefu kwa Shirika ambapo alishika nyadhifa tofauti za uongozi.

Mabadiliko ya Uongozi wa Shirika

Meneja Mkurugenzi wa Shirika, Dkt Benson Wairegi alistaafu Januari 31, 2021, baada ya kulitumikia shirika kwa bidii na makini kwa zaidi ya miaka 40. Kwa muda huo wote, alisimamia ukuaji wa shirika kutoka kwa kampuni ndogo iliyokuwa ikitoa huduma za bima za vifaa vya nyumbani mpaka likawa shirika kubwa linalotoa huduma anuwai za kifedha ambalo hisa zake zinauzwa katika Soko la Hisa la Nairobi na linaloendesha biashara katika nchi saba za Mashariki, Kati na Kusini mwa Afrika. Dkt Wairegi amechangia pakubwa katika ukuaji na ustawi wa shughuli za bima na huduma za kifedha.

Kwa niaba yangu na ya Bodi, ninachukua fursa hii kutambua na kumshukuru kwa dhati Dkt Wairegi kwa uongozi wake wenye maono ya mbali na kuleta mabadiliko na huduma ya muda mrefu kwa shirika. Twamtakia ufanisi katika shughuli zake zote za siku za usoni

Uwekezaji katika Shirika la HF

Mnamo mwanzo wa mwaka uliopo wa kifedha wa 2021, Britam Holding Plc iliwekeza Shs 1 bilioni kwa kampuni mshirika wake, HF Group. Uamuzi huo wa kuwekeza ulitokana na haja ya kuunga mkono juhudi za kimkakati na shughuli za kuleta mabadiliko ya kibiashara zinazoendelea katika HF Group.

Juhudi na mabadiliko hayo yanatarajiwa kubadilisha biashara ya kampuni hiyo na kuifanya benki kamili. Pesa zilizowekezwa zitawezesha HF Group kutimiza kiwango cha mtaji kilichowekwa na msimamizi mkuu wa shughuli za benki, kuinua kiwango chake cha fedha na kuimarisha uwezo wake wa kutoa mikopo ikitegemea zaidi akiba zake zilizoimarishwa.

Ustawi wa Kimkakati wa 2021-2025

Mwaka 2020 uliashiria kukamilika kwa msimu wa kimkakati wa 2016-2020, kipindi ambapo shirika lilipata matokeo tofauti. Kitengo cha biashara ya kimataifa kiliimarika pakubwa na sasa kinachangia zaidi ya asilimia 25 ya mapato ya Shirika huku pia mchango wake kwa faida ukiendelea kuwa mkubwa. Tulizindua biashara ya usimamizi wa fedha nchini Uganda ambayo pia imeanza kuleta faida. Misukosuko iliyoletwa na janga la Covid-19 na kuzorota kwa soko la nyumba iliathiri mapato ya uwekezaji wetu na biashara ya nyumba.

Ni katika hali hiyo ambapo kampuni ilianza kutayarisha mpango mpya wa kimkakati wa miaka mitano. Inatarajiwa mpango huo utakamilika katika nusu ya kwanza ya mwaka huu wa kifedha. Mpango huo mpya wa kimkakati hautalenga uendeshaji wa biashara kama kawaida kwani tunatambua kwamba sekta yetu inakumbwa na changamoto mpya kutoka kwa washindani tofauti na tuliowazoea kama vile kampuni zinazotumia teknolojia za kisasa za kidijitali kuendesha biashara za bima, kampuni za kimataifa na nyingine kutoka barani Afrika kama shughuli za karibuni zinavyobaini za mashirika kuungana na mengine kuuzwa, na mashirikiano ya kibiashara kati ya benki na kampuni za bima. Upendeleo wa wateja na uhuru unaopanuka wa kuchagua umesababisha mabadiliko ambayo yameharakishwa na janga la Covid-19. Wateja sasa wanapendelea kuendesha shughuli na kupata huduma kidijitali.

Ndiposa shirika linabadili mwelekeo na kutilia mkazo umuhimu wa kuwajali zaidi wateja na mbinu nyepesi za kufanya kazi. Tutatilia mkazo utumiaji wa teknolojia mpya za kidijitali na kuendeleza ushirikiano wa

Taarifa ya Mwenyekiti (Mwendelezo)

kibiashara kwa lengo la kuimarisha uwezo na vipaji tulivyonavyo kusudi tupate aina mpya za manufaa.

Shirika linalowajali zaidi wateja

Ikiwa ni sehemu ya kutathmini mkakati wetu wa biashara wa kipindi 2021-2025, Bodi ilitangaza muundo mpya wa shirika. Lengo la muundo huo lilikuwa ni kuhakikisha shirika linawajali zaidi wateja, kinyume kabisa na makundi asili yaliyojali sana bidhaa na badala yake kuwa na timu ndogo za wafanyakazi, nyepesi kwa kuwaangazia wateja na zinazoendesha shughuli zake kwa kutumia teknolojia za kisasa.

Tunalibadilisha Shirika ili kuliwezesha kushughulikia mazingira yanayobadilika kwa kuhakikisha wateja ndio kiini cha yote tuyafanyayo, kujiimarisha kwa ushirikiano wa kibiashara, uzinduzi wa kidijitali na kuchukua maamuzi yanayofungamana na utathmini wa data, na kufurahisha wateja wetu. La muhimu pia ni harakati tunazofanya za kujenga msingi wa utamaduni mpya wa shirika; utamaduni wa uzinduzi na uvumbuzi wa kibiashara, na wepesi wa kutafakari.

Matokeo ya mabadaliko hayo siyo tu kuwepo kwa kundi ndogo la maafisa wakuu wa shirika lakini pia yatawezesha kampuni kuthibiti mazingira yenye ushindani mkali wa kibiashara na bei za huduma na bidhaa badala ya kungoja kuchukua hatua washindani wakitangulia

Matarajio

Mwaka wa 2021 ni maalumu kwa shirika linapoanzisha msimu mpya wa mpango wa mikakati wa miaka mitano. Tunaangazia kuwapatia wateja na wenyehisa dau wetu thamani endelevu hatua kwa hatua. Mazingira ya uchumi na biashara yakiendelea kupata afuaeni baada ya kuathiriwa na janga la Covid-19, tunaelekeza biashara yetu kwa mfumo utakaoiwezesha kampuni kujinufaisha kutoka kwa mazingira yanayozidi kuimarika kote tunakofanyia biashara.

Bodi yenu itaendelea kuchunguza jinsi Shirika linatekeleza mikakati mipya. Tutatilia mkazo ukuaji endelevu wa biashara kwa kutafuta nafasi ibuka katika masoko yetu, kuimarisha misingi ya kuwajali wateja, kupata mapato ya juu iwezekanavyo kutoka kwa rasilmali zetu na kuhakikisha biashara yetu inaendelea hata siku zijazo kwa kuongeza kasi ya utekelezaji wa teknolojia za kidijitali.

Shukrani

Ninawashukuru washika dau wetu wakuu na hasa wateja, washirika wetu na wasimamizi kwa jinsi walivyotuunga mkono na kufanikisha pakubwa shughuli za Shirika.

Ninawashukuru wakurugenzi wenzangu kwa ushauri wao wa busara, mameneja na wafanyakazi wetu, na washauri wa kifedha kwa wateja kwa uaminifu wao, moyo wa kujituma na kujitolea mwaka wote huo.

Ninawakumbuka na kuwashukuru pia wawekezaji wetu na wahusika wengine katika jumuiya ya wawekezaji kwa kutuunga mkono na kuwa na imani na hali ya siku zijazo ya kampuni hii.

Ahsanteni

Bw. Mohamed Karama
Kaimu Mwenyekiti

Group Managing Director's Statement

Mr. Tavaziva Madzinga

Group Managing Director

An interview with the GMD

How is the transition going since your appointment in February 2021?

To begin with, this is my first official engagement with the wider shareholder community. I am honoured and humbled to be leading this great company. Britam has over 60 years of legacy that we plan to build on in the years to come.

The transition process has gone on well. I have received all the support from our outgoing GMD, Dr. Benson Wairegi. I must begin by acknowledging him for his leadership in our company over the past 40 years. Under his guidance, the Group has built a very strong foundation that will benefit our stakeholders for a long time. It is impossible to fully recognize Dr. Wairegi's many contributions during his time here. I am grateful for his service and wish him all the best in his next endeavors.

What is your take on the Britam Brand?

Britam is a strong brand that I came to know of many years ago and it enjoys recognition as among the top brands across our footprint. This is a testimony that a lot of hard work has gone into building the brand. As a testament to the strength of our Brand, currently, Britam commands a leading position in the life insurance business in Kenya with a market share of slightly above 24 percent. We are keen to continue growing the brand by becoming a more customer-centric organisation.

How do you describe the financial performance in 2020?

As our Chairman alluded to, in the financial year under review, we reported improved operating results but the overall financial performance was a decline compared to 2019. The tough operating environment attributed majorly to the Covid-19 pandemic led to significant fair valuation losses from our investment in equities, impairments on some of our property investments as demand remained subdued in the commercial and residential housing sector both direct and indirect.

The Group reported a loss before tax of Shs 9.7 billion compared to a profit before tax of Shs 4.6 billion in 2019. Poor equities performance contributed a fair value loss of Shs 2.3 billion and property impairments of Shs 2.0 billion. The unfavourable operating environment adversely impacted our investment in associate – HF Group Plc contributing to the Group results, a share of loss at Shs 823 million and a reduction in the value of this investment by Shs 603 million.

The results were further depressed by a provision for investment losses of Shs 5.2 billion being the level of support to be offered to Wealth Management Fund LLP, a Fund managed by Britam Asset Managers which is a fully owned subsidiary of Britam Holdings PLC. The Board and the shareholders are committed to ensuring all entities meet their obligations as they fall due.

However, on a positive note, our general insurance businesses reported impressive results. The regional units continued to increase their contribution to the Group's performance and profitability. They accounted for 28 percent of the Group's gross earned premium and generated a profit before tax of Shs 832 million compared to a profit before tax of Shs 38 million in 2019. The local general insurance business reported a profit before tax of Shs 374 million from a loss before tax of Shs 306 million in 2019.

The Group's total underlying operating costs also declined by 6.4 percent attributable to prudent cost control measures.

The Group has continued to be resilient in its cash generating ability delivering positive operating cash flows of Shs 7.6 billion and significantly growing its investments in fixed income return assets. The total assets for the Group have closed at Shs 137 billion, a 9 percent growth from 2019 with assets under management closing at Shs 250 billion.

What are your key priority areas in 2021?

I have a number of priorities and I will highlight them in no specific order.

First is to reground the business by placing the customer at the heart of everything we do; the business will be organised along our current and emerging customer segments for a start. We will then embed customer-centricity by developing deep and actionable understanding of the customer, inculcate a strong customer-focused culture, systems, and processes. Our target is to complete the transformation to the customer-focused organisation model by the beginning of May 2021. The focus will then shift to the delivery of results.

Led by the new customer segment units, we will complete the development of our 2021 strategic plan also targeted within the first half of the financial year 2021.

Group Managing Director's Statement (Continued)

This will involve applying our customer insights in a deeper way; their needs, aspirations and coming up with the most efficient ways to reach them. This will then guide our investment priorities, key decisions, and our behaviours across our footprint.

The key initiatives envisaged here include optimizing our go-to-market approach, developing targeted and customised offerings, delivering outcomes and experiences that delight our customers. We will also be leveraging strategic partnerships to drive scale and unlock the next tier of customers whilst examining our regional footprint and beyond for other opportunities.

In the last financial year, our international insurance businesses did well. We want to sustain and accelerate this trend by focusing on growing these businesses and tailoring them to local customer needs. In addition, we will capitalise on the successes, lessons learned so far and talent from these markets to build an expansion playbook to identify and enter new markets.

To enable this transformation journey, we will be addressing the performance challenges we experienced in recent years by critically re-examining our key cost drivers. We are already taking measures to address high staff costs. In addition, we will use data and analytics to excel in underwriting and claims.

Another focus area is the review of and optimisation of the profile and returns from our investments. As you are aware, the Group has significant investments in property and portfolio holdings in the banking sector. We are keen to realise optimal returns and reduce earnings volatility from these investments.

These efforts will not be possible without a strong team. We will deliberately build a great team that has the best work environment and offers career development prospects. My endeavor is for every employee to have the opportunity and the space to give their best while at the same time find a balance between work and other interests in life.

What should shareholders expect?

We are keen to unlock the value of the company and grow stakeholders' value. Shareholders are our main stakeholders as providers of financial capital. We are keen to sustainably grow the return to the shareholders both in terms of share price growth and dividends.

After your appointment, you commenced with an announcement of a new target operating model and a new customer-centric organisational structure? What are the objectives of this process?

The main objective of this process is to make the organization customer-centric, more efficient, and competitive. The earlier structure based on the line of businesses was not customer-centric, had a high-cost base relative to our peers making the business uncompetitive when it comes to pricing.

The new model will result in a leaner executive team with fewer reporting layers that will support the company's growth in an increasingly competitive business environment.

Other benefits expected from this process are a significant improvement in our service standards, reduction in corporate and shared service costs and unnecessary overlaps in our operations.

The insurance industry Kenya's suffers from historical reputational challenges. How do you intend to deal with this?

This is an industry-wide problem that is also partly accountable for the low insurance penetration in Kenya and in the region. We believe this will be gradually addressed as we get closer to our customers, understand them better, offer them top of class customer experience, and real value for their money.

We recognise that the customer has changed over time and we are positioning the organisation for enhanced digital innovation in its solutions and product development. We believe the customer of the future is in this space. Our new model is premised on offering affordable solutions to the needs of our different categories of customers.

We will also continue working closely with other partners especially the industry associations and the regulators to support initiatives aimed at improving the sustainability of the insurance industry as a whole.

Your closing remarks

This is to appreciate all our stakeholders for their different contributions to the success of this company. Special mention to our over 2,000 financial advisors who have given the company its competitive advantage and pride by their commitment, hard work and loyalty. I can assure them that the company will continue to accord them the support they need as they serve our customers.

Our staff for their dedication and efforts in building the resilience of the company over time. This has placed the company in a position to serve our customers even in the midst of challenging times like the one occasioned by the Covid-19 Pandemic.

Our Board and the shareholders, for the support this far even as we make critical but necessary decisions to enhance the competitiveness and sustainability of the business.

Thank you

Mr. Tavaziva Madzinga

Group Managing Director

Taarifa ya Meneja Mkurugenzi

Mr. Tavaziva Madzinga

Group Managing Director

Ana kwa ana na Meneja Mkurugenzi

Mabadiliko ya usimamizi wa shirika yanaendeleaje tangu ulipoteuliwa mnamo Februari 2021?

Ninaanza kwa kusema kwamba ni fursa yangu rasmi ya kwanza kujumuika na jamii ya wenyehisa. Ninanyenyekea kwa heshima kuu niliyotunukiwa ya kuiongoza kampuni hii mashuhuri na yenye uwezo mkubwa. Britam ina tajriba ya miaka zaidi ya 60, msingi ambao tunapanga kuutumia kuendelea kuijenga kampuni miaka mingi ijayo.

Utaratibu wa mabadiliko ya uongozi umeendelea vyema. Nimepata msaada wote ninaouhitaji kutoka kwa mtangulizi wangu anayeondoka, Dkt Benson Wairegi. Ninatanguliza kwa kumshukuru kwa uongozi wake wa kampuni kwa zaidi ya miaka 40. Chini ya uongozi wake, Shirika limejenga msingi thabiti ambao utanufaisha washika dau wetu kwa muda mrefu. Ni vigumu kumshukuru kikamilifu Dkt Wairegi kwa mchango wake mkubwa katika muda wote aliotumikia shirika. Ninamshukuru kwa huduma yake na kumtakia kila la heri katika yote anayojihusisha nayo.

Una maoni gani kuhusu chapa ya Kampuni ya Britam?

Britam ni kampuni ya nguvu ambayo nilipata kuifahamu miaka mingi iliyopita. Inatambuliwa kuwa miongoni mwa kampuni zinazoongoza katika nchi tunapofanyia biashara. Huu ni ushahidi kwamba kazi nyingi imefanywa kuijenga kampuni hii. Ili kuthibitisha uthabiti wa shirika letu, Britam inashika nafasi ya kwanza katika biashara ya bima ya maisha nchini Kenya ambapo inashikilia zaidi ya asilimia 24 ya soko. Tuko makini kuendelea kuikuza kampuni kwa kutilia mkazo mfumo wa shirika kuwajali zaidi wateja.

Umeionaje hali ya matokeo ya kifedha ya shirika hili katika mwaka wa 2020?

Kama alivyodokeza mwenyekiti wetu, katika mwaka wa kifedha ambao tunauangazia, matokeo ya uendeshaji biashara yalikuwa mema lakini hali ya kifedha ilishuka ikilinganishwa na ilivyokuwa mnamo 2019. Hali ngumu ya biashara iliyozoroteshwa hasa na janga la Covid-19 ambayo ilisababisha kushuka kwa thamani ya uwekezaji wetu katika masoko ya hisa na amana, na kudorora kwa thamani ya uwekezaji wetu katika nyumba kutokana na kupunguka kwa wanunuzi wa nyumba za biashara na makao.

Shirika liliripoti hasara ya Shs 9.7 bilioni kabla ya kutoa ushuru ikilinganishwa na faida ya Shs 4.6 bilioni kabla ya kutoa ushuru mnamo 2019. Hasara hii ni pamoja na Shs 2.3 bilioni iliyosababishwa na kushuka kwa bei ya hisa zisizo na riba ya kudumu kufuatia ukadiriaji wa thamani na Shs 2.0 bilioni kutokana na kudhoofika kwa nyumba. Hali hii mbaya ya mazingira ya biashara iliathiri uwekezaji wetu katika kampuni mshirika — HF Group Plc — ambayo ilichangia Shs 823 milioni kwa hasara ambayo shirika lilipata, nayo thamani ya kitega uchumi hicho ikapunguka kwa Shs 603 milioni.

Matokeo yaliathiriwa zaidi na kinga ya madeni ya uwekezaji ya Shs 5.2 bilioni, kiasi ambacho ni mchango wa Shirika kwa Britam Wealth Management Fund LLP, lililo chini ya usimamizi wa Britam Asset Managers, kampuni tanzu inayomilikiwa na Britam Holdings PLC. Bodi na wenyehisa wamejitolea kuhakikisha shughuli zetu zote za biashara zinatimiza majukumu yake kikamilifu kila inapohitajika kufanya hivyo.

Hata hivyo, inatia moyo kupiga ripoti kwamba biashara zetu za bima za kawaida zilipata matokeo ya kujivunia. Vitengo katika mataifa mengine ya Afrika viliendelea kuongeza mchango wake katika matokeo na faida ya shirika. Vilichangia asilimia 28 ya mapato ya kuandikisha bima na kuleta faida ya Shs 832 milioni kabla ya kutoa ushuru ikilinganishwa na faida ya Shs 38 milioni kabla ya kutoa ushuru hapo 2019. Biashara ya bima nchini ilileta faida ya Shs 374 milioni kabla ya kutoa ushuru ikilingaishwa na hasara ya Shs 306 milioni kabla ya kutoa ushuru mnamo 2019.

Gharama ya kwaida ya kuendesha shughuli za shirika ilipungua kwa asilimia 6.4 kutokana na hatua thabiti za kupunguza matumizi.

Shirika limeendelea kuimarisha uwezo wake wa kupata fedha taslimu na likajikusanyia Shs 7.6 bilioni fedha taslimu kutokana na shughuli zake za biashara za kila siku na kukuza uwekezaji wake katika mali zinazoleta mapato ya kudumu kwa kiwango cha haja. Jumla ya mali ambayo Shirika linamiliki ilikuwa Shs 137 bilioni, ongezeko la asilimia tisa ikilinganishwa na 2019, huku thamani ya mali zilizo chini ya usimamizi ikiwa ni Shs 250 bilioni.

Ni mambo gani unayoyapatia kipaumbele katika 2021?

Ninayo mambo kadha ambayo ninayapatia kipaumbele na nitayataja bila kuyapanga kwa utaratibu wowote maalumu.

Awali ni kuubadilisha muundo wa biashara yetu kwa kuhakikisha mteja ndiye kiini cha yote tunayoyatekeleza. Tutaanzia kwa kupanga biashara kuzingatia mifumo ya sasa na inayoibuka ya tabaka na makundi tofauti ya wateja. Baadaye tutaweka msingi thabiti wa kuwaangazia wateja na kujenga ufahamu wa kina na wenye hatua zinazoweza kutekelezwa kubaini tunaelewa wateja wetu. Msingi huu utahusu kukuza utamaduni thabiti wa kumjali mteja, taratibu na mifumo. Lengo letu ni kukamilisha mabadiliko haya kufikia mwanzo wa Mei 2021. Hilo likitimizwa, tutaangazia sasa jinsi ya kupata matokeo bora.

Tukiongozwa na vitengo vipya vya huduma kwa wateja, tutakamilisha uandalizi wa mpango wetu wa mkakati wa 2021–2025 katika nusu kwanza ya mwaka wa kifedha wa 2021.

Taarifa ya Meneja Mkurugenzi (Mwendelezo)

Shughuli hii itahusu kupanga jinsi ya kuimarisha huduma kwa wateja wetu, kushughulikia mahitaji yao, matarajio na kupanga mbinu mwafaka za kuwafikia. Mpango huo utatupatia dira ya yanayopaswa kupewa kipaumbele katika uwekezaji, maamuzi muhimu na uelekezaji wa shughuli zote kote tunakofanyia biashara.

Juhudi muhimu tunazozitarajia ni pamoja na kuimarisha mfumo wetu wa kutafuta masoko, kuandaa bidhaa na huduma zinazotekeleza matakwa ya wateja, na kutoa matokeo na matukio yanayochangamsha na kufurahisha wateja. Tutafanya kila juhudi kuletea shirika manufaa kupitia kwa ushirikiano wa kimkakati na kuwafikia wateja wa kiwango hicho kingine huku tukitathmini shughuli zetu katika nchi zote ambapo tunaendesha biashara na kutafuta pia nafasi kwingineko.

Katika mwaka uliopita wa kifedha, biashara zetu za bima za kimataifa zilifanya vyema. Tunataka kuendeleza na kuimarisha mwelekeo huo kwa kuangazia kukuza biashara hizo na kuziweka katika mkondo ambao utatosheleza mahitaji ya wateja wa kila taifa husika. Kadhalika, tutahakikisha shirika linanufaika kutokana na ufanisi uliopatikana, mafunzo tuliyoyapata kufikia sasa na talanta kutoka kwa masoko hayo ili kujenga mfumo wa upanusi kutuwezesha kutambua na kuingia katika masoko mapya.

Ili kufanikisha safari ya kufanya mabadiliko, tutashughulikia changamoto za utendakazi tulizokumbana nazo miaka ya karibuni kwa kuchunguza kwa makini shughuli zinazopandisha gharama. Tayari tumechukua hatua za kushughulikia gharama ya juu ya mishahara ya wafanya kazi na marupurupu mengine. Kadhalika, tutatumia habari na uchamuzi kwa lengo la kuhakikisha shirika linaongoza katika kuandikisha bima na kulipa fidia.

Nyanja nyingine ambayo tutaiangazia ni utathmini na jinsi ya kufikia kiwango cha juu zaidi cha uzalishaji cha umbo na mapato kutoka kwa vitega uchumi vyetu. Kama mnavyofahamu, kundi limewekeza pakubwa katika nyumba na dhamana mbali mbali katika sekta ya benki. Tuko makini kujipatia mapato ya juu na kukabiliana na mambo yawezayo kupunguza mapato kutoka kwa uwekezaji huo.

Juhudi zote hizi hazitawezekana bila timu thabiti ya wafanyakazi. Tutachukua hatua za makusudi kujenga timu ya nguvu yenye mazingira bora zaidi ya kufanyia kazi na kutoa nafasi za kujiendeleza kitaaluma. Jukumu langu ni kuhakikisha kila mfanyakazi anapata nafasi ya kutenda kazi kadiri ya uwezo wake na wakati huo huo kutafuta jinsi ya kusawazisha wasaa wa kazi na muda wa shughuli nyingine za maisha.

Wenyehisa wanafaa kutarajia nini?

Tuko makini kuimarisha thamani ya kampuni na kukuza faida kwa washika dau. Wenye hisa ndio washika dau wetu wakuu kwani ndio hutoa fedha za uzalishaji. Tuko makini kukuza kwa njia endelevu manufaa kwa wenyehisa kwa bei ya hisa kupanda na mapato ya mgawo wa faida yanaongezeka.

Mara tu baada ya uteuzi wako, ulitanguliza kwa tangazo kwamba utaanzisha mfumo mpya wa utendaji kazi wenye kuzingatia shabaha maalumu na kubuni muundo wa shirika utakaowajali zaidi wateja. Je, ni nini shabaha za mfumo huu?

Shabaha kuu ya mfumo huu ni kulifanya shirika kuwajali zaidi wateja, kuimarisha utendaji kazi na kujitahidi kufanya vizuri zaidi katika biashara kuliko washindani wetu. Muundo wa awali uliotegemea shughuli za biashara haukuwajali sana wateja, gharama ya uendeshaji wake ilikuwa kubwa ikilinganishwa na washindani wetu katika soko na hivyo basi kufanya huduma zake kuwa ghali ikilinganishwa na za washindani.

Matokeo ya muundo huo mpya ni timu ndogo ya maafisa wa ngazi za juu ambayo itapunguza taratibu za kuendesha kazi na hivyo kusaidia juhudi za kuikuza kampuni katika mazingira ya biashara yenye ushindani mkali. Manufaa mengine tunayoyatarajia ni kuimarishwa kwa viwango vyetu vya huduma, kupunguza gharama za huduma za shirika na kuondoa hali ya kuwa marudio katika shughuli zetu.

Shughuli za bima katika Kenya zinakabiliwa na changamoto za sifa mbaya za kihistoria. Unapanga kukabilianaje na tatizo hilo?

Hilo ni tatizo linalokumba shughuli zote za sekta ya bima ambalo pia ni sababu kuu ya idadi ndogo ya walioandikisha bima katika Kenya na nchi nyingine za Afrika. Tunaamini suala hilo litashughulikiwa hatua kwa hatua kadiri tunavyozidi kuwakaribia wateja wetu, kuwafahamu bora zaidi, kuwapatia huduma za kiwango cha juu na kuhakikisha pesa zao zinawapatia thamani kamili.

Tunatambua kwamba wateja wamebadilika kadiri muda unavyoendelea na tunaandaa shirika ili kuliwezesha kuimarisha uzinduzi wa kidijitali katika utoaji huduma na ustawishaji wa bidhaa na huduma. Tunaamini kwamba wateja wa siku zijazo watategemea zaidi teknolojia za kidijitali. Msingi wa muundo wetu mpya ni kutoa suluhisho nafuu kwa mahitaji ya makundi tofauti ya wateja. Tunaendelea kushirikiana kibiashara na washirika wetu wengine, hasa mashirika ya masuala ya bima na wasimamizi kwa lengo la kuunga mkono juhudi zinazonuiwa kuimarisha uendelevu wa shughuli za bima kwa jumla.

Maneno yako ya kufunga?

Ninawashukuru washika dau wetu wote kwa michango yao tofauti kwa ufanisi wa kampuni. Shukrani maalumu ziwaendee washauri wetu zaidi ya 2,000 wa masuala ya fedha kwa wateja. Washauri hao wameiwezesha kampuni kufanya vizuri zaidi katika biashara kuliko washindani wetu, tunatambua kujitolea kwao bidii na uaminifu. Ninaweza kuwahakikishia kwamba kampuni itaendelea kuwaunga mkono katika harakati za kuhudumia wateja.

Siwezi kuwasahau wafanya kazi wetu kwa kujitolea na juhudi zao kuijenga kampuni thabiti kwa muda wote huu. Mchango wao umeiwezesha kampuni kuhudumia wateja hata nyakati hizi zenye changamoto nyingi kutokana na janga la Covid-19.

Shukrani pia kwa Bodi na wenyehisa wetu kwa kuendelea kutuunga mkono hata tunapochukua maamuzi yatakayoleta mabadiliko makubwa lakini muhimu katika kuhakikishia kampuni kufanya vizuri zaidi katika biashara kuliko washindani wetu na kuendeleza biashara.

Ahsanteni

Bw Tavaziva Madzinga
Meneja Mkurugenzi wa Shirika

Our Leadership
The Board of Directors

1

Mr. Mohamed S. Karama
Acting Chairman

2

Mr. Tavaziva Madzinga
Group Managing Director

3

Dr. Benson I. Wairegi, EBS
Non-Executive Director

4

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

5

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

6

Ms. Marianne Loner
Non-Executive Director

7

Ms. Caroline Kigen
Independent Non-Executive Director

8

Ms. Josephine Ossiya
Independent Non-Executive Director

9

Mr. George Odo
Representative of AfricInvest III SPV I (Corporate Director)

10

Mr. Christopher Minter
Non-Executive Director

11

Mrs. Nancy K. Kiruki
Company Secretary

Our Leadership (Continued)
The Board of Directors Profiles

1

Mr. Mohamed S. Karama

47 years

Acting Chairman

Date of Appointment to Board-25/4/2017

Mr. Karama holds a Bachelor of Science Degree from University of Maryland and is a Certified Public Accountant and a Certified Government Financial Manager. He has diversified consulting skills, comprehensive IT transformation experience and extensive knowledge of the public sector, financial services and healthcare industries. Mr. Karama has been a partner at PriceWaterhouseCoopers, leading advisory services both in Kenya and in the United States. He has over 25 years of global experience in both developed and emerging markets.

Other Directorship

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

2

Mr. Tavaziva Madzinga

42 years

Group Managing Director

Date of Appointment to Board-17/2/2021

Mr. Madzinga holds a Bachelor of Science Degree from the University of Cape Town, has attended INSEAD Business School, France and Harvard Business School. He is also a Fellow of the Institute and Faculty of Actuaries (UK). He has over 20 years' experience in the Insurance industry and has served in various capacities which include CEO Swiss Re (UK & Ireland), Managing Director Swiss Re Middle East & Africa, Regional CEO South & East Africa Old Mutual. He worked for 16 years at Old Mutual including being CEO in Kenya.

3

Dr. Benson I. Wairegi, EBS

67 years

Non-Executive Director

Date of Appointment to Board-1980

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 over 36 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).

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).

4

Dr. Peter K. Munga, EGH

77 years

Non-Executive Director

Date of Appointment to Board-1982

Dr. Peter K. Munga, EGH 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 Directorships

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.

5

Mr. Jimnah M. Mbaru, EBS

73 Years

Non-Executive Director

Date of Appointment to Board- 1984

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 African Stock Exchanges 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.

6

Ms. Marianne Loner

64 Years

Non-Executive Director

Date of Appointment to Board-14/9/2017

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.

Our Leadership (Continued)
The Board of Directors Profiles (Continued)

Other Directorships

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.

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7

Ms. Caroline Kigen

48 Years

Independent Non-Executive Director

Date of Appointment to Board-25/4/2017

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 and at PricewaterhouseCoopers 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.

8

Ms. Josephine Ossiya

48 Years

Independent Non-Executive Director

Date of Appointment to Board-15/05/2019

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 telecommunication. 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.

9

Mr. George Odo

55 Years

Representative of AfricInvest III SPV 1 (Corporate Director)

Date of Appointment to Board-04/7/2019

AfricInvest is registered in the Republic of Mauritius and is a consortium of AfricInvest Fund III LLC, Deutsche Investitions-und Entwicklungsgesellschaft mbH, (DEG), a German development finance corporation, The Nederlandse Financierings-Maatschappij voor Ontwickkelingslanden N.V. (FMO), a Netherlands-based bilateral development bank, and Societe de Promotion et de Participation pour la Cooperation Economique, (Proparco), a France registered development finance corporation.

10

Mr. Christopher Minter

54 Years

Non-Executive Director

Date of Appointment to Board-20/12/2018

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 and Acquisitions at Swiss Re Ltd and has over 25 years' experience in Investments Management, Private Equity, Corporate Development and Finance. Prior to joining Swiss Re, he held a number of senior positions at Deutsche Bank between 2001 and 2012. Between 1993 and 2001, he also worked for PricewaterhouseCoopers in Prague and Zurich, where he advised international clients across a range of transactions and situations.

11

Mrs. Nancy K. Kiruki

47 Years

Company Secretary

Mrs. Kiruki holds a Master of Laws degree (LL.M) from the University of Cape Town and a Bachelor of Laws degree (LLB) 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 & 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.

Our Executive Management

The Executive Committee

Mr. Tavaziva Madzinga
Group Managing Director

Mr. Charles Njuguna
Finance Director

Mr. James Maitho
Human Resources Director

Mr. Ambrose Dabani
Retail Director

Mr. Jackson Theuri
Corporate Director

Mrs. Carol Misiko
Risk & Internal Audit Director

Mr. Kenendy Aosa
International Business Director

Mr. Saurabh Sharma
Emerging Consumers Director

Mrs. Evah Kimani
Partnerships and Digital Director

VALUE CREATION

How We Create Value

Britam creates value by combining a broad range of resources that are available to generate positive outcomes for stakeholders that go beyond financial returns for our investors.

Life Assurance | **General Insurance** | **Property Management** | **Investment Management**

To us value creation means delivering these value creating propositions to our different categories of customers.

We believe that our external operating environment (page 12), including economic conditions, technological change societal issues and environmental challenges, along with the quality and nature of our stakeholder relationships (page 31) form the foundation for the value we create.

By analysing these spheres, and taking into account our internal business context, we can identify our risks and opportunities (page 51, 44), from which we derive those material matters (page 38) that have the most significant impact on our ability to create value in the short, medium and long term.

We respond strategically (page 42) to our material matters to position our business for sustainable value creation in the short, medium and long term.

Profitable Growth | Customer Service | Innovation | Operational Excellence | Enabling Transformation

Value created is shared among the different stakeholders while taking into account sustainability.

Our Business Model

Our business model drives our value creation process, leveraging the six capitals to direct our inputs and activities towards sustainable positive outcomes for our stakeholders.

OUR CAPITALS

Intellectual Capital
- 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

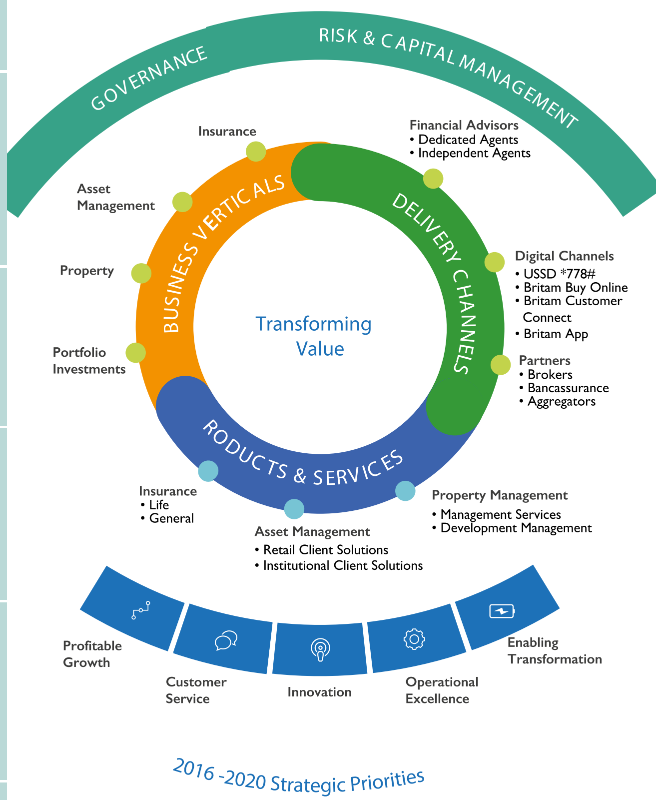
Human Capital
- 900+ dedicated workforce
- 2000+ financial advisors
- Experienced leadership team
- Corporate culture based on clear ethics and values

Financial Capital
- Total Assets up 9% to Shs 137 billion
- Assets Under Management up 10% to Shs 250 billion

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

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

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



OUR OUTCOMES

Intellectual Capital
- Continued to serve our customers with increased focus on contactless options
- Empowered our Financial Advisors (FAs) through a portal with monthly digital applications up c10-foldfrom April to December 2020
- Through partnerships rolled out
  - Tele-health Services – "Britam Afya Mkononi"
  - Home Based Covid-19 Care for Little Cab Customers
  - Small Retailers Business Interruption Insurance Cover –"Soko Afya"

Customers
- Customer assurance, protection and wealth creation through all key life stages
- Responsible advice on financial needs
- Financial inclusion and improved accessibility of our products

Employees
- Shs 3.5 billion paid in salaries & benefits
- 46% of our staff are female
- Zero work related injuries or fatalities
- Overall Engagement Score improved by +1 to 72
- Net Promoter Score (NPS) improved by + 7 to 45
- Employee Net Promoter Score (ENPS) at +12

Social Impact
- Various impactful events sponsored through our Corporate Social Responsibility initiatives

Investors
- Market capitalization at Shs 18 billion

Regulators
- Prudent risk management
- Business operated within our risk appetite

Our Capitals

Below is a brief descriptions and details on our capitals:

Intellectual Capital

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

- Investment in information technology
- Investment in transformation and training of our proprietary distribution channels
- Strategic banc-assurance partnerships
- Enterprise risk management practices
- Strong Britam Brand across the region
- Specialized skills and expertise of our employees and members of the 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 and goals.

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

Financial Capital

This consists of pool of funds supporting business operations includes revenue from products and services offered to clients and investment return earned on shareholder funds. As at 31 December 2020 the Group had:

- Total assets of Shs 137 billion
- Shareholders' funds of Shs 17 billion
- Assets Under Management of Shs 250 billion

Natural Capital

This is the renewable and non-renewable resources used by Britam to function. Our natural capital includes:

- Land
- Electricity
- Paper
- Water

Social Capital

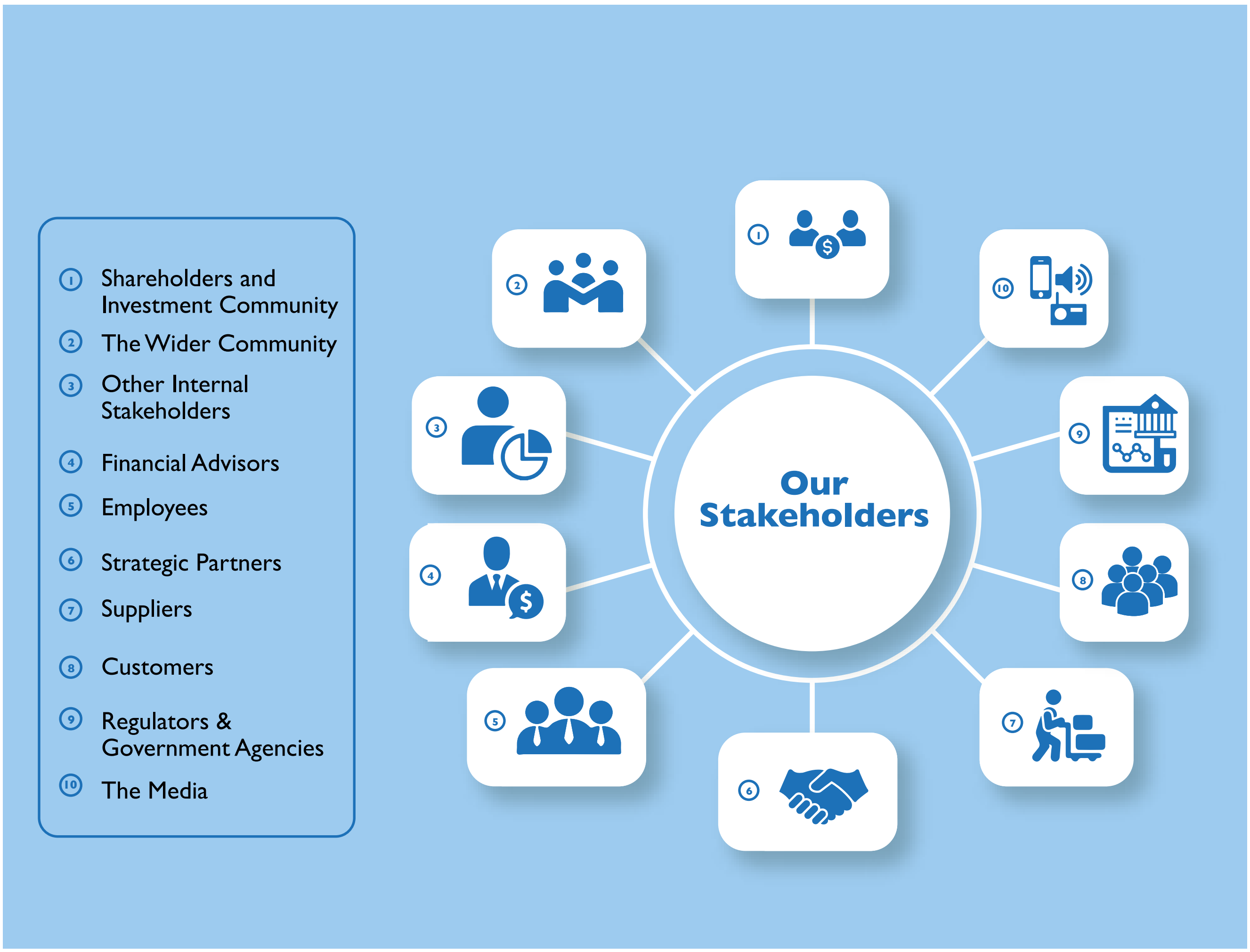
These are the strong relationships we have and continue to build with stakeholders to sustain our social license to operate. This also includes collaboration with partners and service providers within Service Level Agreements (SLAs) and stakeholder relationships

Our stakeholders

The sustainability of our business depends on positive relationships with our stakeholders. We pursue stakeholder engagement systematically, which allows us to understand those risks that could impact our business. We believe that open exchange with and between diverse stakeholder groups has a significant potential and contribution in our strategy and ultimately our value creation.

The Group therefore, remains committed to understanding the needs of our stakeholders and receiving feedback, and responding appropriately so that we can consistently and sustainably create value in the short, medium and long term.

Below are our key stakeholders:



Our stakeholders (Continued)

The table below highlights our stakeholders, their expectations, our strategic responses and the value we create for them.

Stakeholder group	What these stakeholders care about	Our Strategic responses	The Value we create
Shareholders and Investment Community	Share price growth. Dividends paid. Effective corporate governance. Experienced management. Sustainable growth Industry regulation.	Focusing on delivering operational efficiencies, growth, and international diversification. Growing contribution of revenue from international markets. Providing a diversified product and service offerings. Promoting an ethical culture and responsible corporate citizenship across the Group. Robust risk management and control measures.	We held our first ever virtual AGM in June 2020. Overall underlying operating expenses dropped by 6 percent. Grew revenue from International General Insurance businesses now contribute 28 percent of the total Gross earned premium.
Regulators and government agencies	Full compliance with regulatory obligations and laws. Involvement in industry discussions and thought leadership. Sustainable operation of the Group's business.	Ensure compliance with all applicable legislation. Monitor and respond to changes in our regulatory landscapes, staying up to date with changes in laws, regulations and compliance frameworks. When called upon we engage with regulatory bodies to provide inputs for new/proposed legislation(s).	We continued to consistently engage with regulatory authorities on critical issues relevant to our business to ensure the best outcomes for all stakeholders. During the year, we had industry engagements around payment of Covid-19 related claims and other industry wide issues.
Customers	Quality of services. Availability and Accessibility of products and services. Affordable and Best in class customer services. Seamless access to support services.	Living our core values of Respect, Integrity, Innovation, and Customer Focus. Competitive product pricing. Diversification of products and services Using independent service providers to obtain feedback on customer experience. Digitization of product and service provision processes. Emerging consumers market solutions to address the needs of the mass market.	We create value for our customers by offering products and services that focus on providing them you with financial security EVERY STEP OF THE WAY" in their lives. For more details, refer to page 35 on value to our customers.

Our stakeholders (Continued)

Stakeholder group	What these stakeholders care about	Our Strategic responses	The Value we create
Suppliers	Timely payments. Beneficial long term relationships. Sustainable business operations. Supporting of local business. Open communication on matters that concern them.	Use of technology to facilitate timely payments. Prioritizing fair and transparent procurement activities. Ensuring adequate diversification of supplies through selecting suppliers who provide quality, affordable supplies that meet our requirements. Supporting local vendors. Monitoring relationships with our suppliers.	We continue to adopt supplier friendly technology. We continue to procure through an open and transparent procurement process observing the company's procurement policy and procedures Engaged in open supplier prequalification process advertised in the dailies. Local procurement proportion was at 90 percent in year 2020 of total procurement from 86 percent in year 2019. Obtain engagement feedback through independent surveys. There is an improved supplier survey ratings with scores to 87 percent in 2020 from 80 percent in 2019.
Employees	Health and safety in the workplace. Equitable remuneration. Career advancement and growth opportunities. Opportunities for learning and development. Fair and equitable performance evaluation and feedback.	Focusing on employee wellness and development. Fair and competitive remuneration. Talent development programmes. Investing in leadership development programs. Implementing strategies to ensure a highly engaged workforce. Encouraging and supporting a culture of safety within the workplace. Encouraging and supporting a culture of continuous personal learning.	We continued to create value for our employees by offering them opportunities and benefits beyond remuneration. Total benefits were Shs 3.5 billion (2019 – 3.9 billion). Average training hours per employee was 13 in Kenya and regions We partnered with LinkedIn to offer online opportunities training to our staff. *For more information, refer to page 47 on additional value to our people.*

Our stakeholders (Continued)

Stakeholder group	What these stakeholders care about	Our Strategic responses	The Value we create
Strategic Partners	Win-win collaboration opportunities. Our performance and leadership in areas of collaboration.	We have put in place a policy on strategic partnerships to ensure the interests of the partners and the Group are aligned and mutually beneficial to both parties.	We continued to onboard more strategic partners. These includes Little Cab, M-tiba, Twiga Foods Ltd, and Carepay.
Financial advisors	Support to achieve best in class customer experience. Technological support to achieve cost and time savings. Seamless one stop support for their queries.	Operationalization and rollout of Financial Advisors (FA) portal to support them in selling and customer experience. Performance-based remuneration. Training programmes for our FAs on new and existing products.	All FAs are accessing the FA portal Our FAs continued to lead in the market and won the following AKI Awards in the year • Top Agent of the year • Life new business agent • Youngest agent.
The Wider Community	Access to financial products and services they need. Guidance on how to achieve desired financial outcomes for themselves, their families, businesses, and communities. Secure funding and partners on common social, and economic issues.	We have put in place a Corporate and External Affairs Division to coordinate all engagements with the wider community. We have a Donations and Sponsorships Policy to guide and maximize value to the wider community. Allocate funds to corporate social responsibility activities for investment in the community.	During the year, we provided financial and non-financial support towards Covid-19 containment measures. We contributed a total of Shs 20 million including Shs 16m to the Covid-19 Emergency Fund. *Please refer to page 46 for details on the value to our wider community.*

Our stakeholders (Continued)

Value to Our Customers

The Group provides solutions to meet the financial needs of our customers every step of the way and allows them to prepare for life's uncertainties throughout their life's stages.

Our resolve to serve our customers better, is captured in our Customer Charter, which clearly outlines our commitment to ensuring high standards of service delivery.

This commitment is anchored by our determination to:

- Provide solutions to meet our customers' financial needs;
- Treat our customers courteously and fairly;
- Offer timely and reliable service to our customers;
- Remain sensitive to our customers' needs; and
- Maintain confidentiality and protect our customers' privacy.

We continued to create value for our customers especially in the face of safety challenges brought by the Covid-19 pandemic. We sustained our efforts to come up with solutions that reduced the need for our customers to visit our branches and provided online space for both their convenience and safety.

Self-Service Solutions on Digital Platforms

Our customers can access self-service solutions using the Portal and Britam Mobile APP. In the financial year under review, we achieved the following for our retail insurance and pension clients:

Retail insurance customers

These customers can conveniently;

- Make payments through mobile money (MPESA),
- Make applications for loans secured with life policies,
- Raise service requests,
- Access their monthly statements of accounts, and
- Carry out E-policy endorsements.

Retail pension customers

Our Life Business added pensions on the customer portal. Our customers can now enjoy the following;

- Pay their contributions,
- Make partial withdrawals,
- Update beneficiary and nominees' details,
- View their statements, and
- Raise customer service requests.

Customers self on-boarding and purchase of products

Our customers can now subscribe and procure products on their own.

Retail insurance customers

These customers can subscribe and purchase investment linked products through USSD by dialing *778# on their phones.

Retail life insurance customers

It is now possible for these customers to conveniently;

a. Make payments through credit and debit cards,
b. Apply for partial withdrawals,
c. Change or update payment details for both bank and mobile platforms,
d. Change or update beneficiaries, and
e. Raise service requests.

Unit trust funds customers

We have also enhanced our Mobile App & Customer Portal to enable our Unit Trust Fund customers to achieve the following;

a. Open unit trust fund accounts online,
b. Top up, switch and withdraw from the fund,
c. View account and portfolio details,
d. Make real time inquiries including an option to live chat with a customer service agent, and
e. Open a Money Market Fund account.

Through these and other initiatives we have realized the following benefits;

- Increased customer base as we see more customers being on boarded through the digital channels. This is expected to support revenue growth.

- Operational efficiency leading to cost reductions as customers perform some of the tasks on their own e.g. funds withdrawals.

- Better customer experience as they are able to reach us easily. We have noted an increase in number of customers reaching us through SMS and social media channels.

Other products and services to our customers through partnership

The Group also delivered other innovative solutions in collaborations with other strategic and other partners. The key ones are; -

Small retailers business interruption insurance cover – "Soko Afya"

As part of the Group commitment to protect vulnerable Kenyans against unforeseen risks, the Group partnered with Twiga Foods to offer business interruption insurance cover dubbed 'Soko Afya'.

Our stakeholders (Continued)

This solution protects small retailers against income loss in the event they are hospitalized. By providing a daily cash payout, Soko Afya compensates for the loss of income due to hospitalization related business interruption. This also covers other risks including health events, fire, and riots.

This solution is available on Twiga's mobile phone platform and customers will pay for premiums in flexible installments that will ensure affordability.

Tele-health Services – "Britam Afya Mkononi"

Britam, in partnership with Strathmore University, launched Tele-health services, dubbed Britam Afya Mikononi. The aim was to provide its clients with remote healthcare during the Covid-19 pandemic. This was part of the company's efforts to encourage the public to follow the Government directives on social distancing and staying at home.

This locally-developed innovative service was made possible by Health-E-Net, a social enterprise incubated at iBizAfrica. The Strathmore University Medical Centre provided the tele-health services personnel. At the initial phase, the service was accessible to existing micro and corporate customers on outpatient basis.

To access the service, the Britam Afya Mkononi clients send a text message to 0777 012021. The user can then access online diagnosis and treatment from a qualified doctor. The doctor then issues a prescription to the patient, who has a choice to have the medicine delivered or collected from a designated nearby pharmacy.

The clients are not required to have smartphones, as prescriptions are sent as an SMS link which can be downloaded at the pharmacy. This further minimizes the cost of accessing health care for the customers.

Home Based Covid-19 Care for Little Cab Customers

The Group launched a telemedicine Covid-19 home based care service for the customers of Little, a ride hailing and technology company. The service aims to exponentially expand health care support for those infected by the virus in Kenya by providing insurance cover access.

Before this cover, Britam was already insuring hundreds of rides daily on Little with its digital accidental trip insurance that protects riders against hospitalization, disability, and ambulance expenses. Britam introduced a telemedicine based value-added-service to the existing and new customers of this product.

If a rider tests positive for Covid-19 within 10 days of the last trip, Britam covers for provision of a home based care to the rider through its telemedicine services. The care package comprises the provision of medical kits and essential medicines, tele-consultations with a doctor and a nurse, nutritionist, and mental health consultation.

Partnership to offer Digital Medical Insurance

Britam partnered with M-TIBA to develop digital products to increase health insurance market penetration in Kenya. This was to avail opportunities for new mobile channels for Britam's fast-growing micro-insurance portfolio and the future management of retail and SME health insurance clients. The partnership with M-TIBA will enable the Group digitize how it reaches current and prospective clients, and build on our existing projects to streamline claims processes.

Mobile health wallets like M-TIBA are growing in popularity with Kenyans, because of their ability to offer integration of different products, policies and payment methods in a single interface. This gives consumers greater control of their health policies and real time information on benefits, limits, and balances through mobile devices.

Value to Our Intermediaries

Our intermediaries who comprise of Financial Advisors, Independent Financial Advisors (IFA), Brokers, Banc-assurance and other agents are critical stakeholders in our value creation process. They are often at times the face of Britam to our retail and corporate customers.

Given their vantage position to learn our customers' pains, expectations, and aspirations we remain committed to continuously supporting them in their engagements with our customers.

We believe the support given to these critical stakeholders directly translates to a stronger relationship between them and our ultimate customers and the growth of our brand equity.

In the financial year under review, we introduced a functionality in our Financial Advisors portal to improve the way they support customers. This was to achieve the following:

- Offer a one stop shop for the FA's queries,
- Improve quality of support services offered to our customers for services that do not need a visit to a physical branch or outlet,
- Achieve cost and time savings for the FA, and
- Improve speed of resolution of queries translating to improved customer experience.

Our stakeholders (Continued)

Value to Our Investors

Our current and potential investors require regular interaction and information to assist them in aligning and achieving their investment goals. Britam Group delivers this through a number of channels including a dedicated investor relations department and creating open communication channels for our investors.

On a regular and ongoing basis, we deliver value to these important stakeholders by ensuring that we are available and ready to promptly respond to their telephone calls, emails and message-based enquiries.

We publish an annual report to keep investors updated on financial and non-financial performance of the business. An Annual General Meeting (AGM) is held every year, which provides a forum for discussions and debate with shareholders.

We also disseminate information about financial results, reports and, upcoming events to investors through press releases and other communiqués.

We work closely with our Share Registrars, Image Registrars to ensure our shareholder queries including concerns on payment of dividends and share records are promptly resolved.

In the financial year under review, we organized investor calls and participated in a virtual investors conference. This was an opportunity to update investors, their representatives and other members of the financial community on our performance, strategy and outlook.

We also held our Virtual Annual General Meeting. This was the first time the company held the meeting electronically. This was in line with Capital Markets Authority guidelines and government restrictions on gatherings in a bid to contain the Covid-19 pandemic. The event was streamed live with 3,045 shareholders taking part through teleconference.

In spite of Covid-19 pandemic and the accompanying disruption to businesses and the economy, the Group paid a first and final dividend of Shs 631 million equivalent to 25 cents per share this related to 2019 financial year. This was a tough balancing act taking into account the need to preserve cash for business requirement and giving back to the shareholders who have been supportive to us in both good and bad times.

Value to Our Regulators

As an integrated financial services Group, Britam plays an important role in the economy both locally and across our regional footprint. As a result, our regulators expect us to meet regulatory requirements, provide these services in a reasonable, responsible, ethical and environmentally sensitive manner.

We are also expected to provide customers with adequate information, support to access and utilise our services, while respecting their rights. The Group is also expected to provide industry thought leadership.

On an ongoing basis we deliver value to our regulators by complying with the obligations the regulators have set for us and through communicating and engaging with them on the issues that arise.

In the financial year under review we maintained the required operating licence conditions across our businesses, which operated within the legal and regulatory boundaries, paid taxes as required among other obligations.

Value to our Employees

Our employees remain critical stakeholders in our value creation process. Delivery of value to all other stakeholders in one way or another involves the engagement of employees.

The Group is deliberately committed in fostering a good relationship with the employees, promoting ongoing staff competence development and offering opportunities for career growth.

The safety and well-being of the employees is very important to the Group and has become even more critical in the current working environment with the challenges posed by Covid-19 pandemic. For more information on the value created to our employees refer to page 47

Value to Our community

The wider community remains at the heart of the Britam Holdings Group. Britam continuously supports activities that contribute to improving the quality of life and development of the communities in which we operate in both in Kenya and in the region.

The Company encourages its employees and other stakeholders to be good citizens by contributing towards community development initiatives.

Engagements with the community that involve donations and sponsorships focus on supporting initiatives that meet our values, strategic goals as well as those that promote individual physical and financial wellbeing.

For more details, refer to the Corporate Social Responsibility section on page 46

Our Material Matters

The Group defines a matter as material if it could substantively affect the organization's ability to create value in the short, medium or long term.

Britam's material matters have direct or indirect impact on the ability to create economic, environmental and social value for the Group and its stakeholders.

We manage our material matters strategically to ensure we maintain our ability to create value for our stakeholders in the short, medium and long term.

Identify

We consider a range of internal and external influences when distilling these material matters, including the Group's strategy, the board's agenda, management reports, the external operating environments of the regions in which we operate, the needs and expectations of our key stakeholders (page 31), as well as our key risks and opportunities (page 51,44).

Prioritize

We prioritize all our material matters that could potentially impact our business in the short, medium and long term. The material matters are prioritised in terms of their likelihood and potential impact.

Integrate

We integrated those matters most material to our ability to create value for our business and stakeholders into our strategy.
Britam Holdings Group identified the following matters as material in the short, medium and long term.

- Regulatory Environment
- International Business performance
- Investment Assets Performance
- Operational Efficiency
- Fraud Risks

The material matters were discussed by the board and its committees during the year, and also arose from the strategy setting process, discussions in executive management meetings and the feedback from some of our key stakeholders.

- **Regulatory Environment**
- **International Business Performance**
- **Investment Assets Performance**
- **Operational Efficiency**
- **Fraud Risks**

Our Material Matters (Continued)

Material Matter	Brief Details	Our Strategic Responses
Regulatory Environment	The group, its subsidiaries, and associate operate in highly regulated industries. While we believe that this level of regulation is often necessary, it does impact the cost, competitiveness, and growth of the business. We fully support the intentions of regulators; however, the ever-evolving operating environment places a burden on the business as the pace and scale of regulatory change remain unclear. In addition, non-compliance may lead to penalties, increased regulatory filings or withdrawal of our licence(s) to operate. This comes with an additional reputational risk for the Group if any of its business units loses its operating licence. The following are key highlights on the current regulatory environment as a material matter The Risk-Based Capital requirements: This came into force in Kenya as at the end the year 2020. Uganda, Malawi and Rwanda insurance regulatory authorities are also in advanced stages of enforcing capital adequacy rules. These rules will impact profitability and competitiveness of the industry and of players. The Retirement Benefits Amendment Act of 2019 reduced the period within which a pension scheme can transfer funds to another underwriter from 3 years to 1 year. Insurers will be required to revise their investment policies to increase short term liquidity which will impact investment returns. The legislation on cash and carry rules are expected to impact on underwriters' profitability and policyholder protection. Data protection Act. This affects how personal data is collected, utilized, stored, and disposed of when not required. This comes with increased operational costs and risks. Group-wide supervision regulation by Insurance Regulatory Authority (IRA) in Kenya will also impact the group with demands and costs on more governance and oversight on the subsidiaries.	The Group has a dynamic Risk and Compliance function focused on proactive minimization of Compliance risks. This is achieved 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. Tracking and monitoring of legislative developments is done to pick out potential legislation and whenever possible get involved in public participation and give our inputs. Once a legislation or a regulation comes into force the Group conducts a Comprehensive GAP analysis to pick areas of exposure and put in place the required mitigations. Continuous monitoring is undertaken through the following functions: legal (legal audit – internal and external), compliance team and internal audit. There is ongoing training and awareness across the Group that targets affected staff.

Our Material Matters (Continued)

Material Matter	Brief Details	Our Strategic Responses
International Business Performance	Given the diversified nature of our operations through the regional footprint, the performance of each of the international business units remains critical to delivering the Group's growth and profitability targets. The Group performance is a sum total results of the different business units which operate under different environments which presents relatively different risks and opportunities. The following factors impact our international portfolio performance as a material matter: • Local macro social economic and political conditions in our different markets, • The demand for our products and services (this may be insurance, investment and property management services), • The competitive environment in each market, and • Strength and expertise of local management teams and talent.	To effectively manage the issues arising out of the regional business, the Group offers support to the regional operations in the following ways: Regulatory compliance – This is done through providing capitalization where needed. Adequately capitalized businesses are able to compete and offer top of class customer satisfaction and experience. Support in product development and marketing initiatives. This is done through dedicated teams at the holding company level and in some of the Kenyan operations. Talent development through the global mobility leadership programme and training. The identified and recruited staff from the local markets are taken through key trainings to raise their skills and competences.
Investment Asset Performance	The Group performance has a significant exposure from its investment portfolio performance. The key sources of exposure are: (a) Equities - This comes mainly from the strategic portfolio investment in Equity Bank and investments in other listed equities by the Holding company and the subsidiaries. The volatility of the stock market impacts the returns from these investments and eventually have a direct impact on the Group's profitability. (b) The Tower, other properties and (c). Investment in Associate – HF (whose core business is property investments). In the last few years, the performance of the commercial and residential housing property in Kenya has been negatively affected by excess supply amid depressed demand. The impact has been low occupancy levels, low rental yields, and consequently revaluation losses depressing profitability. In addition, the introduction of capital charge regulations means more capital is required for property investments.	Our strategic responses are categorized based on the nature of the asset; equities and properties and Investment in associate - HF. Equities: To reduce the volatility of earnings from the exposure in equities we have been strategically gradually reducing the proportion of equities in our Investment Assets portfolio and moving towards fixed income securities. Properties: The Group has changed its property strategy from property development to property management services. For the completed projects mainly the Tower the Group will continue with initiatives to achieve full occupancy. Associate HF: The Group will continue with turnaround initiatives already in place including strategic partnerships to unlock its value.

Our Material Matters (Continued)

Material Matter	Brief Details	Our Strategic Responses
Operational Efficiency	Operating efficiency drives both operating costs and customer experience and consequently the business total costs and profitability. The business operating landscape has been changing and the possibility for industry change in the wake of Covid-19 is very high. Insurance consumption patterns and needs are changing creating an urgency for existing business models to be more efficient and flexible. The industry and the market as a whole continues to witness shifts in consumer behavior, new regulations and ever increasing adoption of technologies. The competitiveness, performance and profitability prospects of the Group is dependent on how the group navigates these changes.	As part of a business strategy review for the period 2021- 2025, the Group has adopted a new organisational structure. The aim is to create a more competitive, efficient and customer-centric organisation. This will position the Group for enhanced digital innovation in its solutions and in product development, create a leaner executive team with fewer reporting layers that will support the company's growth. The Group is focused on consolidating the new positive changes that are the result of adjustments in the wake of Covid-19 pandemic which has compelled the Group to make changes to our operations: The key changes in the year under review are: Increased digitalization and automation of some of our contact-points with our customers and intermediaries with more customers accessing services through USSDs, Portals and the Britam App.
Fraud Risks	Fraudulent claims remain a big challenge to the insurance industry especially in Kenya and Britam is not immune to this menace. This has usually occasioned relatively significant claims especially in motor and medical lines of business leading to industrywide underwriting losses. Fraud risks has a direct impact on profitability and sustainability of our business and the industry as a whole.	Britam is focused on managing the risk of fraud through a comprehensive fraud risk management framework that incorporates; fraud prevention, proactive detection of potential fraudulent activities before they crystallize to losses and appropriate response to incidences of fraud. The framework has seen the Group put in place among other measures; fraud awareness trainings, fraud risk assessments and the use of data analytics to identify suspicious transactions and activities. Britam also has a whistleblowing policy and a whistleblowing hotline that helps the Board and 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.

Our Strategic Response

Our strategy is robust to efficiently and effectively respond to the following;

- The current and expected future operating environments in our areas of operation across our foot print.
- The needs and expectations of our key stakeholders (page 31).
- The risks and opportunities we face as a Group (page 51,44).
- As well as the resultant material matters that potentially could impact our value creation in the short, medium and long term (page 38).

"Go for Gold" 2016 – 2020 Strategy Highlights

2020 was our final year of the "Go for Gold" 2016 – 2020 Strategy. The strategy was driven and guided by five strategic pillars: Profitable Growth, Customer Service, Innovation, Operational Excellence, and Enabling Transformation.

Over this period, we made major and transformational achievements in the business. Key highlights of major milestones are summarized below;

Strategic Pillar	What this means	Key Highlights the 2016 – 2020 Strategic Period	Key Lesson Learned
Profitable Growth	Make all business profitable. Be the market leader in all our chosen markets.	• Continued growth in our operating results even against an adverse operating environment. • Significant increase in contribution from our international business. Contributing 28% of the Total Gross Earned premium in 2020 compared to 12% in 2016. • Our recently launched AMC Uganda achieved break-even and profitability in it's third year of operation. • Continued reduction in our underlying operating expenses.	• Strategic shift in our investment strategy in order to yield positive performance. • Customer centricity to lead further revenue growth across our different markets.
Customer Service	Ensure a "one-stop shop" and seamless customer experience. Engage in continuous brand building to become the trusted partner to our clients.	• 360 Degree View of our Customers: our customers are now able to conveniently reach through different mediums. • Enabled Self Service Capabilities: through our portal and mobile app, our customers are now able to initiative and close transactions.	• Need to ensure further seamless experience for our customers across our traditional products. • Further, improve the experience of our partners.

Our Strategic Response (Continued)

Strategic Pillar	What this means	Key Highlights the 2016 – 2020 Strategic Period	Key Lesson Learned
Innovation	Develop innovative partnership and distribution channels to increase our market penetration.	• Rolled out digital/mobile channels for our customers. • All our financial advisors are utilizing our FA Portal to service their clients. • Improved our product/service through partnerships in order to further meet our client needs.	• Insurance penetration still remains low across the markets we serve. • Exponential growth can only be achieved through new and different go-to-market model.
Operational Excellence	Improve operational efficiency and cost to income ratio.	• Overall reduction in our operating expenses. • Data analysis has led to positive improvement in our medical book.	• Need to review our operating model to ensure cost structure is below industry standards. • Use of data analytics to improve our Motor Book experience.
Enabling Transformation	Create a high performance, proactive culture and motivated team. Develop an IT ecosystem that supports a digital enterprise.	• Institutionalized learning and innovation through our Britam Leadership and Innovation Centre. • Rolled out Work from Home Model empowered by our technology platforms. • Rolled out system upgrades across most of our functions.	• Yet to fully optimize benefits from our Major IT Programs. • Need to adopt more agile methodology in IT project rollouts.

Other achievements in the same period includes:

- Britam Tower – an award-winning iconic 31 Storey building was completed in the same strategic period.
- Revamped our micro insurance business to a fully- fledged emerging consumer business segment that is well positioned to play a strategic role in the growth and profitability of the Group.

Our Strategy for the Future (2021-2025 Strategic Period)

Based on the wins and key learnings from our previous strategy, our 2021 – 2025 Strategy will be focused on Delighting Our Customers. We will offer our customer a true #OneBrtiam experience through the following:

- Transforming Britam by putting our customer needs at the centre of everything we do.
- Deploying deep customer insights and data analytics to better understand our customer needs and provide matching solutions.
- Leveraging our people, technology and culture as well as enabling our partners to deliver meaningful interactions and satisfying experience at all times.

Our Strategic Response (Continued)

Our Opportunities

As an entity, we are faced by a number risks and opportunities. The Group's ongoing business profitability and sustainability is largely pegged on how we manage these risks and take advantage of the opportunities.

Current and emerging risks that could threaten our business model, strategy and sustainability are identified and assessed through a top-down risk identification and assessment process. In addition, risks identified through the business unit strategic planning processes provide a bottom-up view.

Opportunities and our strategic responses

Opportunity	Our response
Operating Efficiency	We have adopted a new customer centric organizational structure and put in place a lean operating model that is expected to lower our operating costs, increase our efficiency and deliver more value to our customers.
Leveraging on Data	We have incorporated data analytics as a critical pillar of our new 2021-2025 TRANSFORMATION strategy.
Low Penetration Across our Footprint	We are intensifying our marketing efforts and partnerships to offer affordable propositions.
Digital Trends	Digital platforms; Online portals, Britam App, and achieving operational efficiencies using cost reduction innovations.
Emerging Consumer Markets	We have re-focused our attention to the emerging consumer markets with relevant and affordable offerings including strategic partnerships.

Our Sustainability Focus

Sustainability is an integral part of how we do business and we consistently pursue sustainability across our businesses and operations. This commitment is anchored on our goal to remain a responsible corporate citizen and our responsibility as a leader in our industry. The company efforts and initiatives in this regard are guided by the Environmental and Social Sustainability Policy in place.

Some of the key highlights in our endeavor to operate sustainably are:

Sustainable and inclusivity driven business models

Britam Group is committed to offering an increasing number of financial services to our micro insurance customers who we view as a potential cohort of future conventional business once we grow with them EVERY STEP OF THE WAY.

Through our emerging consumer segment we have entered into a number of partnerships to drive financial inclusion. Some of the partnerships include; Acceleration of Digital Health Insurance and Partnership with Habitat for Humanity to develop new property insurance solutions.

Resource Efficient Facilities

The Group is constantly searching and implementing solutions that encourages the use of efficient energy and water utilization approaches in its facilities.

Britam Tower EDGE Certification

The Britam Tower was the first building in Kenya to be certified under the Edge sustainability programme.

The Excellence in Design for Greater Efficiencies certification is an internationally recognised sustainability certification backed by the World Bank Group and awarded to building owners who demonstrate a high level of resource efficiency in their buildings.

ChapmanBDSP provided mechanical, engineering, public health and environmental solutions for the project, which was designed in collaboration with Gapp architects.

The tower has a distinctive prismatic 3D geometry and a façade with a "veil" of ceramic rods which function as 'brise-soleil' shading. That allows the office floors to be entirely naturally ventilated while other environmental solutions mean the building is more self-sufficient and less reliant on local utilities.

Engineering solutions include intelligent lighting controls, good solar control, natural ventilation for office floors and common areas and good daylighting.

The building also uses natural resources and materials with bore hole, water conservation measures, rainwater harvesting and water recycling.

Our Corporate Social Responsibility

The Group's Corporate Social Responsibility (CSR) is part of our commitment to 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 pursues CSR activities that support the Group's strategic objectives, grow the brand visibility as a credible and reliable business partner, and support overall sustainability.

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, financial literacy, health, disaster relief, economic empowerment and sports.

In 2020, we focused on the following:

Support towards Covid-19 containment efforts

As the Covid-19 pandemic continued to have devastating effects across countries and communities, the Group stepped in to support the national efforts to contain the spread and negative impact in Kenya. This was mainly by prioritising support to the national and county governments as well as vulnerable groups by giving both financial and in-kind support.

Following the Government's appeal to individuals, corporates, development partners and other organizations, Britam donated Shs 15 million to the Covid-19 Emergency Response Fund. The fund was formed to spearhead the mobilization of resources towards containing the spread of the Covid-19 pandemic. The Group also supported Nyeri and Kiambu county governments with donations of Shs 0.5 million each and assisted a number of vulnerable groups in various parts of the country.

Support towards the vulnerable in society

Apart from the cash contributions, Britam donated sanitizers, gloves, masks, disinfectants and food items to vulnerable members of the community.

Britam staff visited the Tree House Children Family Home, which caters for children orphaned by the HIV/ AIDS epidemic, as well as those whose parents are unable to care for them due to illness or stigmatization. The company presented the home with a water tank among other items.

Our staff also visited Mums Love Children Home which provides a safe haven for street children, and other vulnerable children who have been abandoned, abused, or rescued from human trafficking and child labour. Other visits were to Kariobangi Cheshire Home for the Elderly which caters to the population of destitute elderly men and women from Kariobangi and Korogocho areas.

Regional CSR Outreach

Britam Uganda Bake off Challenge Donations

As part of the Britam Bake Off Challenge, we made cash donations to five charities namely, Remnant Generation, Missionaries of The Poor, Grace Villa and Home Sanctuary Kabale, Sovicap Children's Home and Autism Awareness. The total contribution was Ugx 20 million. Britam worked with successful bakers to select charities within Uganda to benefit from the challenge

- Cake Album chose Remnant Generation, a centre that rescues and restores pregnant teen girls who have survived sexual assault.
- Seasons of Joy selected Missionaries of the Poor, based in Kisenyi, that takes care of the poor and disadvantaged children in Kampala's suburbs.
- Cilia's Oven chose Grace Villa Home and Sanctuary for vulnerable children.
- Mariam Nalwadda in conjunction with Britam donated the beautiful cake she baked together with a cash donation to Sovicap Children's Home that takes care of orphans and disowned children.
- Cake Fairy selected Autism Awareness Uganda that is based in Kamwokya, Kampala and supports children living with autism.

Support to Uganda Red Cross Society towards relief and rescue efforts

Britam Uganda sent relief to the region of Bududa, Eastern Uganda that had been affected by flash flooding and subsequent landslides. These natural disasters destroyed homes, hospitals, schools and displaced over 5,000 people. A donation of Ugx 5 million was made through the Uganda Red Cross Society to support relief and rescue efforts.

Support towards Covid-19 containment in Uganda

A donation of personal protective equipment (PPE) and medical equipment was made to the Uganda Ministry of Health and the Uganda Covid-19 Task Force. This donation was made at the height of the Covid-19 pandemic to provide protection to frontline medical workers.

Other areas of support

- Sponsored the Kampala Capital City Authority Football Club (KCCAFC) through provision of Medical Insurance to the team and its administration to the tune of Ugx 42 million.
- Supported the Uganda Police through the printing of the Habari Police Magazine.
- Donated Ugx 2 million towards the Insurance Brokers Association of Uganda (IBAU) Annual Conference.
- Sponsored the Insurance Training College annual graduation ceremony through a donation of Ugx 2 million.
- Sponsored the 10th Annual Entebbe Ladies Golf Club Open in March 2020 to the tune of Ugx 5 million.

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 and Group life cover
- Leave (Annual, Sick, Maternity, Paternity, Compassionate and Study Leave)
- Performance based bonuses
- Flexi-time work schedule

Equal Opportunity

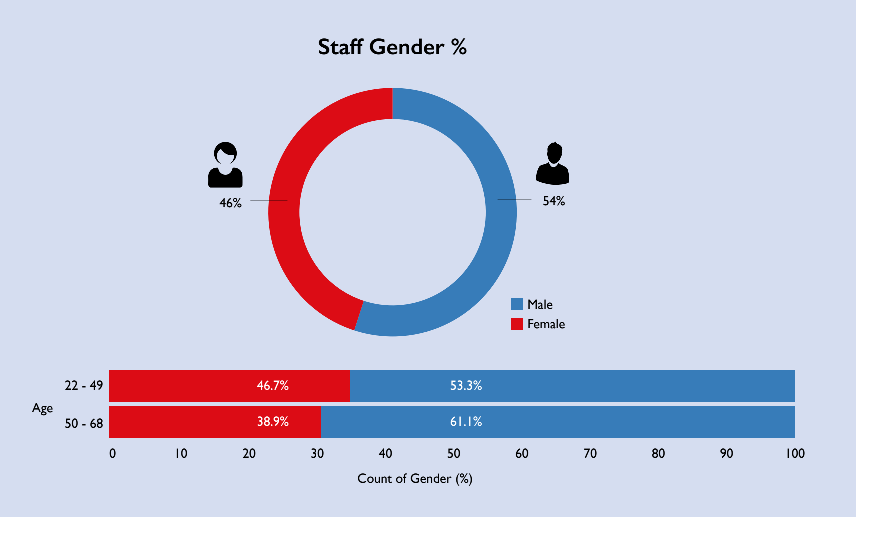
Non-discrimination is at the centre of our culture. We believe a widely representative workforce creates a competitive advantage across our communities and markets.

Benefits to Britam

- 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
- More productive work force and 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

Key HR Performance Indicator - KPI	2019	2020	Movement
Overall Engagement Score	71	72	+1
Employee Net Promoter Score (ENPS)	+18	+12	(6)

The growth in overall engagement scores is attributed to the fact that majority of employees have a greater understanding of their role, its expectations and the impact it has to the organization.

Our People (Continued)

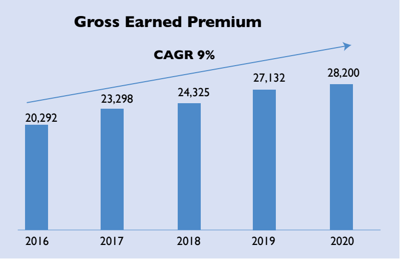
Safety First

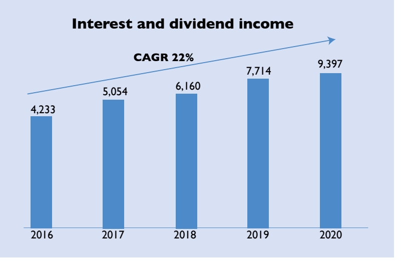
Safety and Health Measures at the Workplace

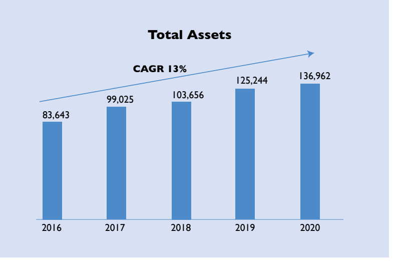
The safety and the wellbeing of our staff is of paramount importance. This has even been heightened by the current unprecedented challenges posed by the Covid-19 pandemic. In the financial year under review, we continued with our efforts to secure our employees. Some of the activities we carried out include:

- Implemented working from home for 70 - 80% of our staff across the Group, with only essential staff working on site,
- Established a Covid-19 fund to cater for any medical expenses arising from the pandemic,
- Enhanced our digital capabilities to reduce physical interactions by enabling virtual meetings and e-documents to reduce the use of papers in the office,
- Safety and health audits as per the statutory guidelines,
- Office risk assessments and implementation of recommended measures,
- Training of first aiders, fire marshals, and OSH Committee members,
- Enhanced service delivery guidelines especially for our hygiene service providers including cleaners and caterers,
- Facilitated regular disinfection of offices and other facilities,
- Put in place policies to guide travelling for business and face to face meetings,
- Provision of Protective Personal Equipment (PPE) to our employees and other third parties staff working on Britam sites,
- Provision of sanitizers using dispensers located in all our facilities,
- Reviewed sitting arrangements at our offices to ensure that safety/ social distancing is adhered; and
- Conveniently displayed informational and directional posters/ stickers on Covid-19 management.

Our Financial Review







The year 2020 started on a strong growth, this was however soon overshadowed by the break out of Covid-19 across the world that lead to shut down of economic activities for most of the year with negative impact on the economy and operating environment.

Gross Earned Premiums

The insurance business revenue recorded a growth of 4% with the Kenya Insurance business registering a 7% decline as a result of Covid 19 with the biggest impact felt of the Life business that registered a decline of 11%. The international businesses registered a significant growth rate of 50% and contributed to insurance business revenue of Shs 7.9 billion (2019: Shs 5.2 billion), which accounted for 28% (2019: 19%) of the total insurance business revenue.

Investments and Other Income

Dividends and interest income increased by 22% from Shs 7.7 billion in 2019 to Shs 9.4 billion. Net loss from investment property - which comprises rental income, fair value movements in investment properties and investment in property funds worsened by 97% to register a loss of Shs 1.5 billion from a loss of Shs 747 million a result of revaluation losses of Shs 2.0 billion (2019: loss Shs 809 million) recorded in the year on the background of depressed property market. The Group's investment in equities returned unrealised fair value losses amounting to Shs 2.3 billion compared to gains of Shs 3.4 billion in 2019 and fair value losses on disposal of shares of Shs 149.4 million (2019: Shs 410.0 million).

These have been accounted for in the consolidated statement of profit or loss. In addition, revaluation losses of Shs 2.1 billion (2019: Gain Shs 2.3 billion) were recognised in the statement of comprehensive income. The share of loss of the associate accounts for Shs 823.0 million (2019: Shs 53.1 million) in the Group profit before tax. Additionally, an impairment in the investment in associate of Shs 603 million has been booked in 2020 (2019: Nil).

Net Insurance Benefits and Claims

Net insurance benefits increased by 21% from Shs 15.4 billion in 2019 to Shs 18.6 billion in 2020. This was driven by 28% growth (Shs 2.7 billion) in Life net benefits (Life accounts for > 65% of consolidated claims).

Operating Expenses

Operating expenses decreased by 6% (excluding provision of shs 5.2 billion) from 2019 due to strict cost control measures put in place to eliminate non-essential costs.

Profitability

The Group has reported a loss before tax of Shs 9.7 billion compared to a profit before tax of Shs 4.6 billion last year and a total comprehensive loss of Shs 11.7 billion compared to a total comprehensive income of Shs 5.4 billion in 2019. The main contributor to the difference between the reported profit before tax and the total comprehensive income in 2020 is the losses resulting from the revaluation of the strategic investment in Equity Group Holdings Plc, which is marked to market.

Capital Adequacy and Solvency Margins

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

Consolidated Statement of Financial Position

We have reported an increase of 10 % in total assets during the year.

Outlook

The economy has started to show positive recovery from Q4 2020 with the easing of restrictions and opening up of economic activities.

The roll out of the covid 19 vaccine is further expected to boost the recovery efforts and reverse the negative effects experienced in 2019.

Britam remains a strong business, with the requisite financial strength, good client relationships and top of class talent as we embark on the new strategic period.

OUR CONTROL ENVIRONMENT

Our Enterprise Risk Management Framework

Our risk management activities aim to 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, the 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 maximise risk-adjusted returns to fulfil our promises to customers while also providing a return to our shareholders. Because of this obligation to our customers and shareholders, we prefer retaining those risks we believe we are capable of managing to generate a return.

Our Risk Management Principles

The risk management and control model deployed by Britam 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:

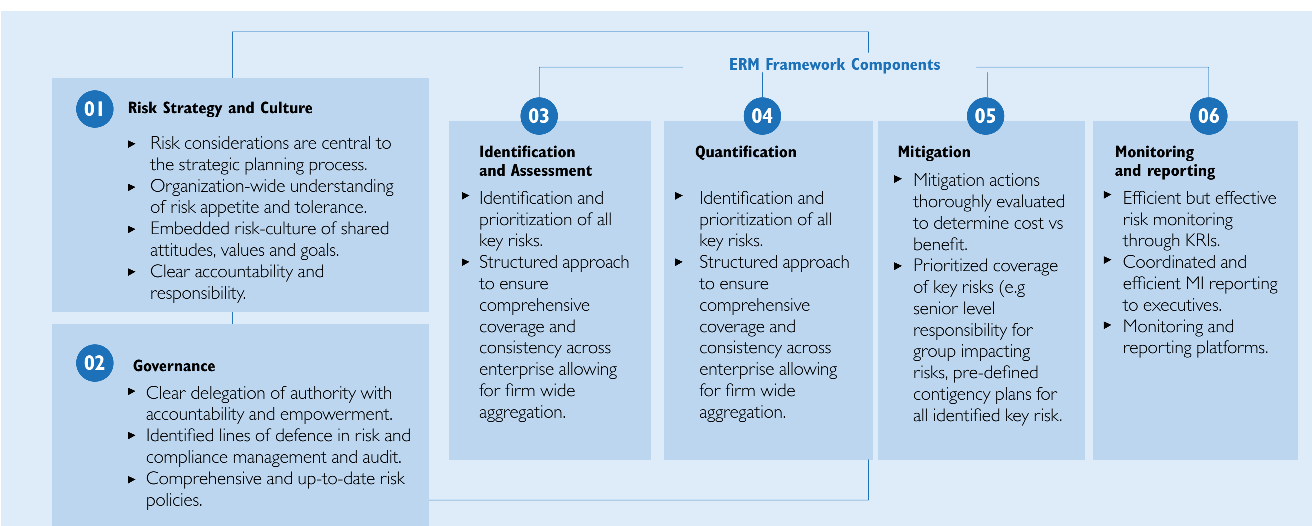
- An advanced and comprehensive risk management policy with a forward-looking approach allows the Group to maintain an appropriate risk profile through a risk appetite approved by Britam's Board of Directors.

- A model predicated on autonomous subsidiaries with robust governance based on a delegation of authority and organisational 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 their risk and their incentives are aligned with the overall business objectives.
- Information and technology-driven processes allow risks to be identified, developed, managed and reported at appropriate levels.

- A risk culture integrated throughout the Group comprises a series of attitudes, values, skills and action guidelines to deal with all risks.

- All risks are managed by the units that generate them.

These principles, combined with a series of relevant interrelated tools and processes in the Group's strategy planning (risk appetite, risk identification, assessment, analysis of scenarios, risk reporting framework, budgetary processes, etc.), make up our risk management and control framework.



The Elements Of Our ERM Framework

Britam Holdings Plc has a robust and comprehensive enterprise risk management framework comprising a governance system, risk management policies, risk appetite framework, capital management policies and a stress and scenario testing framework.

Types of risk inherent in our business model

As a diversified financial services group, Britam Holdings has three (3) types of risk that are inherent to its business model.

Risk Customers transfer to us:

Life insurance risk, which includes:

- Longevity Risk: the risk that our annuity customers will live longer than we expect
- Mortality Risk: the risk that our customers with life protection may not reach there expected lifespans
- Expense Risk: the risk that costs to administer policies exceed our expectation
- Persistency Risk: the risk that customers lapse or surrender their policies prematurely

General insurance risk:

- This is the risk of loss events such as fire, flooding, theft or accidents.

Accident and Health Insurance risk:

- This risk covers healthcare costs and loss of earnings from the customer failing ill or facing injuries.

Risk 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. As a result our principal and interest is put at risk, or our ability to take on large insurance risks is impaired.

Liquidity risk:

- This is the risk of not making payments as they become due because there are insufficient assets in cash and near-cash form.

Market risk:

- This is the risk that results from fluctuations in asset blues, including equity prices, property prices, foreign exchange, inflation and interest rates.

The risk from our operations and other business risks:

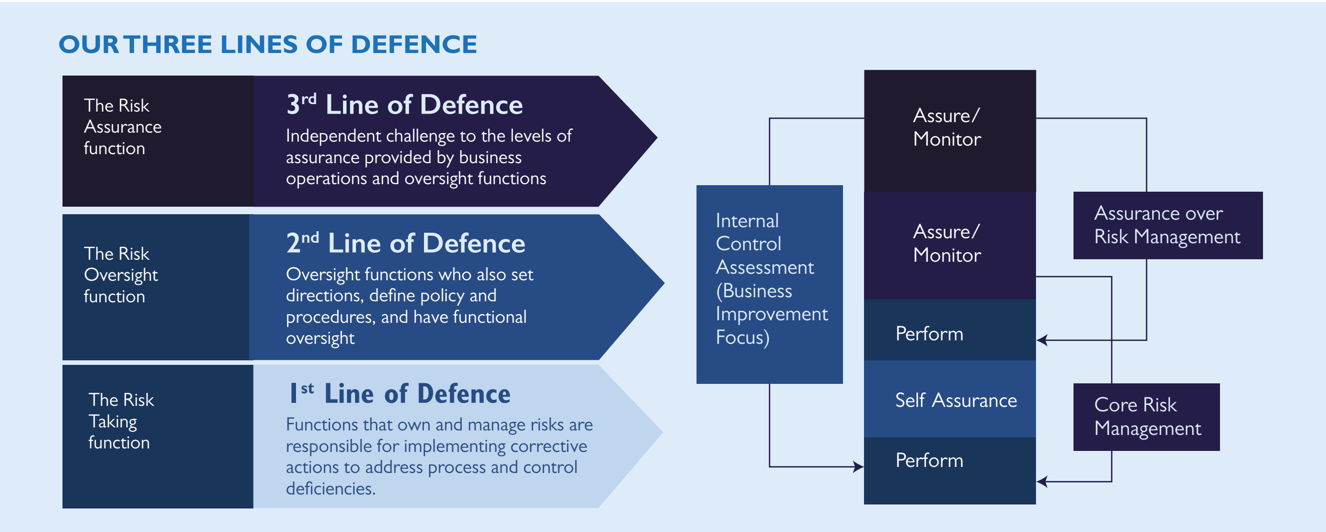
Operational risk:

- This is the risk of direct or indirect losses that arise from inadequate or failed internal processes, people and systems, or external events, including changes in the regulatory environment.

Strategic risk:

- This is the risk that may arise from failure to respond well to changes in the business environment, poor business decisions, substandard execution of the decisions and inadequate resource allocation.

How we share our risk management responsibilities



Our Three Lines of Defence

The First Line of Defence - Executive Management

The Risk-Taking Function

The executive and management are the first line of defence with responsibility for setting strategy, performance measurement, and the establishment and maintenance of internal control and risk management. In particular, they are accountable for:

- Managing day-to-day risk exposures by using appropriate procedures, internal controls and adhering to Group-wide specific policies.
- The effectiveness of risk management and risk outcomes and for allocating resources to execute risk management activities.
- Tracking risk events and losses, identifying issues and implementing remedial actions to address these issues, and reporting and escalating material risks and issues to the relevant governing bodies as appropriate.

The Second Line of Defence - The Risk Management Function

The Risk Oversight Function

The second line of defence is responsible for developing a formal risk management framework within which the Group policies and minimum standards are set, and providing objective oversight of risk management across the Britam Group is achieved.

The second line of defence includes the Board Risk & Compliance Committee supported by the Executive Risk Management Committee, led by the Group Chief Risk Officer.

The Third Line of Defence - The Internal Audit Function

The Risk Assurance Function

Internal Audit- the third line of defence, provides independent and objective assurance of the effectiveness of Britam's systems of internal control established by the first and second lines of defence.

Internal Audit is also responsible for providing independent and objective assurance to management and the Board on the adequacy and effectiveness of the Group's risk management, governance, business processes and controls.

The external auditors have a statutory duty to report to the Board Audit Committee on any accounting and operational controls weakness, which come to their attention during their audits.

Overview of Our Principal Risks

The types of risk to which the Group is exposed, described in the table below, have not changed significantly over the year.

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

Overview of Our Principle Risks (Continued)

COUNTERPARTY RISK

Risk Description	Source of Risk	Mitigation
The risk that a counterparty defaults on a promise/obligation, and therefore, the company loses some of its assets.	▪ Premium receivables – i.e., outstanding premium from clients. ▪ Reinsurance exposures – i.e., reinsurers share of liabilities and any outstanding commissions and claims. ▪ Bank deposits. ▪ Corporate bonds and commercial paper. ▪ Staff mortgages, car loans, and other credit facilities.	▪ Internal credit policy of cash and carry for retail business with a maximum of 60 days for corporate credit. Provisions are made for premium receivables as per IFRS 9 guidelines. ▪ Risk appetite requirement that all the reinsurance cessions are made to third parties that have a credit rating of at last A- (by GCR or equivalent from an internationally recognised rating agency). ▪ Risk appetite for bank deposits in terms of maximum limit in a single bank and maximum exposure limits to Tier I, Tier II and Tier III banks. ▪ Risk appetite limits for exposure to corporate bonds and commercial paper in terms of limits to a single entity. ▪ Guidelines on internal lending – There are strict internal guidelines for advancing credit to staff in terms of mortgages, car loans, and other facilities.

LIQUIDITY RISK

Risk Description	Source of Risk	Mitigation
The risk that the business cannot 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 liquidity management & protection policy for the treasury and investment team that ensure liquidity is monitored daily.

OPERATIONAL RISK

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

Other Material and Emerging Non-Financial Risks

Pandemic Risk

The year started with the outbreak of a Coronavirus strain, which quickly evolved into a global pandemic with material economic disruptions. As Britam we, imposed travel restrictions on staff and transitioned to a work-from-home regime. We also assessed our balance sheet exposure and took the necessary action to reduce our sensitivity to economic shocks.

We strengthened our contingency plans to minimise the impact on operational service arising from mass staff absenteeism and travel restrictions caused by the pandemic.

Notwithstanding our robust response to the pandemic, we recognise that we will continue to experience the long-tail effects in our financial markets and our business operations.

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.

Other Material and Emerging Non-Financial Risks (Continued)

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.

Fraud Risks

Britam is focused on managing the risk of fraud through a comprehensive fraud risk management framework that incorporates; fraud prevention, proactive detection of potentially fraudulent activities before they crystallise to losses and appropriate response to fraud incidences. The framework has seen the Group put in place, among other measures, fraud awareness training, fraud risk assessments, and data analytics to identify suspicious transactions and activities.

Britam also has a whistleblowing policy and an independently managed whistleblowing hotline that helps the Board and management 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.

As a result of the comprehensive fraud risk management framework, the Group has witnessed an increase in the number of potential losses prevented and recovery of losses due to fraud.

Cyber Security Risks

The Coronavirus pandemic created new challenges for businesses globally and accelerated the digital transformation initiatives as working from home became the new normal for the better part of 2020. While Britam has not been insulated from these post-COVID realities, our prior investments in IT Security infrastructure has ensured that our IT assets remain well protected even as there is heightened cybersecurity risk.

Britam has made additional cybersecurity investments to strengthen our perimeter security and introduce new automated controls to protect our data and critical IT services. This investment has enhanced our ability to identify, detect and prevent Cyberattacks. We also implemented cybersecurity best practices in our rollout of intermediary and customer-facing digital channels.

We regularly undertake penetration test to assess our Cyber defences and crisis management protocols. Britam encourages a Cyber aware culture by regularly undertaking activities such as employee phishing exercises, computer-based training and more regular communications about specific Cyber threats.

Data Protection and Privacy Risks

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

There have also been new regulatory developments with the enactment of the Kenya Data Protection Act (2019) and the Data Commissioner's appointment.

Progress has been made in enhancing the protection of confidential information by improving logical access controls. We have deployed security and cryptography expertise, tools and systems to minimise our exposure. Investments made to comply with GDPR regulations in the past will accelerate our data privacy capabilities.

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, policymakers 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 we are committed to ensuring compliance with the environmental and social criteria stipulated by providers of capital.

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

(i) Comply with the E&S Management Policy;

(ii) Ensure that where appropriate environmental and social risk mitigation clauses are integrated into contracts; and

(iii) Monitor compliance with the E&S policy and procedures.


Let them be what they want to be with
BORESHA ELIMU
Earn high returns
Enjoy flexible terms
Guaranteed payouts
Regulated by Insurance Regulatory Authority

CORPORATE GOVERNANCE

Statement of Corporate Governance

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 of Britam Holdings Plc 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 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 affiliate companies.

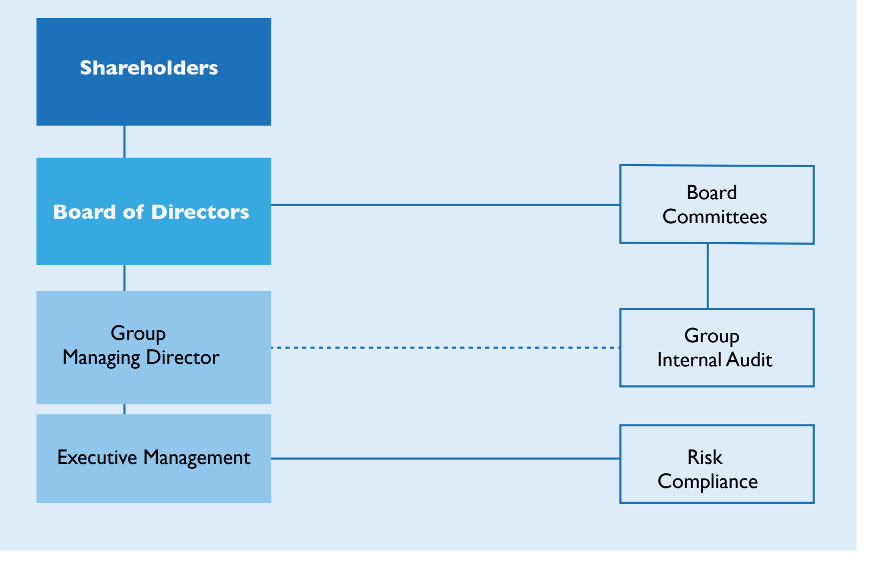
Statement of Compliance

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.

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 below



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 Britam Group in accordance with the Board instructions.

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

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

Board Management (Continued)

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;
- The Board may take independent professional advice in furtherance of its duties.

Board Composition

The Board of Directors is made up of Ten (10) members as at the end of the reporting year, of whom One (1) is an Executive director and nine (9) are non-executive directors. The Chairman who was an Independent Non-Executive director retired on 1 February 20221.

There are three (3) other non-executive directors including the Acting Chairman, who 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.

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.

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 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 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.

The Group Managing Director has overall responsibility for the performance of the business and provides leadership to management in 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 robust system of risk management, and that the information released to the market and shareholders is accurate. They are 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

Separation of Roles of the Board Chair and Group Managing Director (Continued)

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 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 though the NSE without being in contravention of any statutory requirements. The Board complied with all the policies herein.

Board changes in the year

Mr. Tavaziva Madzinga was appointed as the Group Managing Director and Board Director on 17 February 2021.

Mr. Walter Andrew Hollas, a non-executive Independent director and former Chairman of the Board of Directors retired from the Board on 1 February 2021.

Mr. Mohamed Karama was appointed the deputy Chairman of the Board of Directors on 12 May 2020 and as the Acting Chairman on 1 February 2021.

Mr. Stephen Wandera a non-executive director retired voluntarily from the Board on 29 June 2020.

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 key Board Activities for the year include:

- The Board held a total of Fourteen Board meetings in 2020 and the Annual General Meeting.
- The Board was involved in Board and Group Managing Director Succession planning process, which culminated to the appointment of a Deputy Chairman, the retirement of the Board Chairman and Group Managing Director and appointment of a new Group Managing Director.
- The Board participated in Board evaluation in December 2020.
- The Board commissioned a Legal Audit for the year 2020.
- The Directors and senior Management attended Corporate Governance, Re-insurance and Measuring and growing shareholders value in Insurance trainings in 2020. This was to enhance directors' and senior management contribution, effectiveness and to share best corporate governance practices.

Board training and development

On an ongoing basis, Directors and senior management participate in Board Training facilitated by corporate governance and industry specific experts, to broaden their knowledge of the Group's business. In addition, during board meetings, the board is regularly updated on the latest industry related developments.

In 2020, the Directors attended 14 hours of training on Corporate and Board Governance, Re-insurance and on Measuring and growing shareholders value in Insurance in August and October 2020.

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 2020 financial year was conducted by Dorion Associates. The evaluation process was based on some detailed questionnaires which were distributed electronically through the Directors desk portal. 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

Board Evaluation (Continued)

used to identify opportunities to improve the performance of the Board and the Directors.

The Board Evaluation was conducted in December 2020 and the results shared with the Board on 29 March 2021.

Board Skills Matrix

The Nomination and Governance Committee has developed a Board matrix setting out the mix of skills and diversity of the Board. The matrix is used to evaluate whether the collective skills and experience of the directors meet the Group's current and future requirements. If the Board determines that new or additional skills are required, appropriate training is conducted to empower the Board meet its obligations. The Board, through the Nominations Committee, strives to ensure that the Company has the right mix of skills and experience for the Company to achieve its strategic aim of enabling people achieve financial security.

Engagement with Shareholders

Britam Holdings Plc is committed to giving its shareholders appropriate information and facilities to enable them 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 respond to shareholders' 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 Annual report, full year and half yearly financial results and posting of material information on its website www.britam.com and publication thorough the local dailies. The shareholders are encouraged to visit the website for general information about the Company and to be able to view the annual report.

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

In 2020, in view of the Coronavirus 2019 (COVID-19) pandemic and the related public health Regulations and directives passed by the Government of Kenya precluding public gatherings, it was impracticable for Britam Holdings Plc to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association. The Company was among the first listed companies to convene its inaugural Virtual Annual General Meeting.(AGM) The AGM was convened relying on an order issued on 29 April 2020, by 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) 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).

The shareholders' participation at the 2020 AGM was very impressive. 4,909 shareholders representing 70% in shareholding (including proxies) registered and participated at the AGM.

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 5th Floor, Absa Plaza, Loita Street, P.O Box 9287- 00100 Nairobi or through their e-mail address info@image.co.ke and also through their 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.

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

Actuaries

The Group engages independent and external actuaries to examine the financial soundness of the various entities in the Group. The actuary reports independently and directly to the Board. The following actuaries provided services to the Group 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 Capital Markets Authority (CMA) Corporate Governance Code for Issuers of Securities to the Public, a governance audit was conducted on the Company in December 2019. CMA also conducted Corporate Governance Assessment on the Company for the Financial Year ended 31 December 2019. The Company achieved an overall weighted score of 95%, placing the company in the Leadership category.

The Company was exempted by the CMA from carrying out the Governance Audit for the year ended 31 December 2020. The next audit to be undertaken will therefore be for the year ended 31 December 2021.

Legal Audit

In line with the CMA Corporate Governance Code for Issuers of Securities to the Public, a legal Audit was conducted on the Company in December 2020. The Legal Audit Report is included in page 69

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).

Board members' attendance

Members	Meetings Attended	Meetings eligible to attend	Percentage
Mr. Andrew Hollas (Chairman)*	14	14	100%
Dr. Peter K. Munga	14	14	100%
Mr. Jimnah M. Mbaru	14	14	100%
Dr. Benson I. Wairegi	14	14	100%
Mr. Stephen Wandera*	6	6	100%
Mr. Mohamed S. Karama	13	14	93%
Ms. Caroline J. Kigen	14	14	100%
Ms. Marianne Loner	13	14	93%
Africinvest III SPV - Represented by Mr. George Odo	14	14	100%
Mr. Christopher Minter	12	14	86%
Ms. Josephine Ossiya	13	14	93%

* retired from the Board on 1 February 2021 **retired from the Board on 29 June 2020

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, each of 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 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 2020 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 2020, the Committee reviewed internal controls, reviewed the internal and external audit plans and audit reports and monitored the closure of audit issues by management. The Committee also reviewed the Company's financial statements. The Committee also reviewed 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.

Audit Committee (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)	INED*	6/6	100%
Mr. Mohamed S. Karama	INED	6/6	100%
Ms. Josephine Ossiya	INED	6/6	100%

**INED - Independent Non-Executive Director*

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 recommendation to the Board. It also maintains an interactive strategic planning, implementation and monitoring process with management.

In 2020, 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 2021 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 it recommended to the Board for approval.

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

Members	Status	Attended/ Eligible to attend	Percentage
Dr. Peter K. Munga (Chairman)	NED*	6/9	67%
Mr. Jimnah M. Mbaru	NED	9/9	100%
Mr. Mohamed S. Karama	NED	9/9	100%
Dr. Benson Wairegi	ED**	9/9	100%
Africinvest III Plc represented by Mr. George Odo	NED	8/9	89%

**NED: Non-Executive Director*
**ED: Executive Director*

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. During the year 2020, the Committee continuously reviewed the risk profile and risk philosophy of the Company; Ensured risk mitigation strategies were implemented; reviewed risk identification and measure 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.

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

Members	Status	Attended/ Eligible to attend	Percentage
Ms. Marianne Loner(Chairperson)	NED*	5/5	100%
Ms. Caroline Kigen	NED	5/5	100%
Mr. Stephen Wandera***	ED**	2/2	100%
Mr. Christopher Minter	NED	4/5	80%

**NED: Non-Executive Director*
***ED: Executive Director*
****Mr. Stephen Wandera retired from the Board on 29 June 2020*

Compensation and Human Resource Committee

The Committee ensures an empowered, motivated and productive workforce. It reviews and recommend 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 2020, 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 implement group-wide HR and talent management policies to ensure alignment with local requirements, reviewed the HR policies to also 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)	NED*	5/5	100%
Dr. Peter K. Munga	NED	4/5	80%
Dr. Benson I. Wairegi	GMD**	5/5	100%

**NED: Non-Executive Director*
***GMD: Group Managing Director*

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 2020, 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 to the needs of the Boards and Board 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.

The Committee held Eleven 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	11/11	100%
Dr. Peter K. Munga	Non-Executive Director	11/11	100%
Mr. Jimnah M. Mbaru	Non-Executive Director	8/11	73%
Dr. Benson I. Wairegi	Group Managing Director	11/11	100%
Mr. Mohamed Karama	Independent Non-Executive Director	6/6	100%
Africinvest III SPV 1 represented by Mr. George Odo	Non-Executive Director	6/6	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 behavior. 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:

- Board Dispute Resolution Policy
- Board Diversity Policy
- Insider Trading Policy
- Board Succession Planning Policy
- Board Conflict of Interest 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.

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.

Policies (Continued)

The code sets out clear behavioral requirements and where these are not met, there are consequences.

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 with integrity in fulfilling our responsibilities within all applicable laws and regulations. The Whistleblowing Policy which is available in the Company's website, is intended to help all stakeholders who 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 confidential and anonymous communications channels are supported and monitored independently through the following channels; Email: britam@whistleblowing.co.za Website: www.whistleblowing.co.za Fax: + 27 86 522 2816 Postal Address: P.O. Box 51006 Musgrave 4062

Related Party Policy

The purpose of this policy is to define dealings within the Britam Group between the related parties. The policy defines and identifies the related parties and related party transaction. It also provides for the necessary controls to ensure that related party transactions are purely at arms-length basis.

Stakeholder Engagement Policy

In its diverse business operations, Britam engages with stakeholders on important decisions, whether it is providing information on our financial and non-financial performance, its products, future prospects, or even on regulatory compliance.

The Company purposes to be deliberate in practicing open, honest, two-way communication and recognizing the mutual benefits for both the business and our stakeholders that result from genuine engagement. The policy sets out Britam's approach to engaging with its stakeholders. Britam appreciates that a sound stakeholder engagement is important for developing and maintaining strong relationships that enable the company to understand and effectively attend to stakeholders' needs, perceptions, and concerns.

Corporate Communication Policy

As a publicly owned company, Britam has an obligation to make available and disclose "material" information to its shareholders and other public stakeholders. The policy underlines the priority Britam sets on communication. It establishes the framework procedures that define all communication activities occurring at Britam. The policy defines the disclosures required and allocates areas of responsibility and requirements for material and non-material communication.

Directors' Shareholding at 31 December 2020

No.	Names	Roles	Shares
1	Dr. Benson Wairegi	GMD	101,356,300
2	Mr. Jimnah M. Mbaru	Director	194,800,100
3	Dr. Peter K. Munga	Director	75,000,000
4	Mr. Mohamed S. Karama	Director	-
5	Ms. Caroline J. Kigen	Director	-
6	Ms. Marianne Loner	Director	-
7	Africinvest III SPV	Director	442,779,881
8	Mr. Christopher Minter	Director	-
9	Josephine Ossiya	Director	-
10	Mr. Andrew Hollas	Chairman	-
11	Mr. Stephen O. Wandera	Director	50,000

GMD: Group Managing 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.

Shareholding Information

Distribution of Shareholding

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 2020.

Shareholder Volume Analysis

No.	Shareholding	No. of Shareholders	No. of Shares held	% Shareholding
1	1 to 500	3,778	905,747	0.04%
2	501 to 5000	15,842	37,198,199	1.47%
3	5001 to 10000	2,291	17,983,371	0.71%
4	10001 to 100000	2,019	51,543,382	2.04%
5	100001 to 1000000	176	52,146,705	2.07%
6	1000001 and above	32	2,363,708,612	93.67%
	Grand totals	**24,138**	**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 Resd A/C KE003819	398,504,000	15.79%
4	Standard Chartered Nominees Non-Resd. A/C Ke11396	230,564,205	9.14%
5	Standard Chartered Nominees Non-Resd. A/C Ke11752	224,187,697	8.88%
6	Mr. Jimnah M. Mbaru	194,800,100	7.72%
7	Dr. Benson I. Wairegi	101,356,300	4.02%
8	Dr. Peter Kahara Munga	75,000,000	2.97%
9	Dr. James N. Mwangi	75,000,000	2.97%
10	Genghis Nominees Limited A/C Ke038	49,903,100	1.98%
11	Others	326,391,533	12.93%
	Grand totals	**2,523,486,816**	**100.00%**

Shareholding Information (Continued)

Shareholders by Categories

Investor Pool	Records	Shares	Percentage
Local institutions	771	844,121,482	33.45%
Local individuals	23,263	592,727,078	23.49%
Foreign investors	104	1,086,638,256	43.06%
Grand totals	**24,138**	**2,523,486,816**	**100.00%**

Directors Remuneration Report 2020

Information Subject to Audit

Name	Position	Annual retainer	Sitting allowances	Other allowances	Salaries & Other benefits	Total	No. of meetings attended
Mr. W. Andrew Hollas*	Chairman	1,350,000	2,950,000	3,780,000	-	8,080,000	14/14
Dr. Peter K. Munga	NED	2,600,000	4,501,500	-	-	7,101,500	35/39
Mr. Jimnah M. Mbaru	NED	1,200,000	2,558,500	-	-	3,758,500	31/34
Mr. Mohamed S. Karama**	Ag.Chairman	1,200,000	4,908,500	-	-	6,108,500	33/35
Ms. Caroline J. Kigen	NED	1,200,000	4,094,500	-	-	5,294,500	25/25
Ms. Marianne Loner/ IFC	NED	1,200,000	3,237,500	-	-	4,437,500	18/19
Mr. George Odo/AfricInvest III SPV 1	NED	1,200,000	3,971,000	-	-	5,171,000	28/29
Mr. Christopher Minter	NED	-	-	-	-	-	16/19
Ms. Josephine Ossiya	NED	1,825,000	3,216,500	-	-	5,041,500	19/20
Mr. Stephen Wandera**	NED	2,500,000	4,455,000	-	-	6,955,000	8/8
Dr.Benson I. Wairegi	GMD	-	-	-	95,905,415	95,905,415	39/39
Total		**14,275,000**	**33,893,000**	**3,780,000**	**95,905,415**	**147,853,415**	

NED - Non - Executive Director
GMD - Group Managing Director
* Mr. Andrew Hollas retired from the Board on 1 February 2021.
**Mr. Mohammed Karama was appointed Acting Chairman on 1 February 2021.
**Mr. Stephen Wandera retired from the Board on 29 June 2020.
***IFC - International Finance Corporation

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	NED	2,600,000	2,212,500	-	-	4,812,500	16/23
Mr. Jimnah M. Mbaru	NED	1,200,000	375,000	-	-	1,575,000	5/18
Mr. Mike Laiser*	NED	350,000	650,000	-	-	1,000,000	8/8
Mr. Mohamed S. Karama	NED	1,200,000	2,550,000	-	-	3,750,000	20/20
Ms. Caroline J. Kigen	NED	1,200,000	1,600,000	-	-	2,800,000	11/21
Ms. Marianne Loner	NED	1,200,000	2,025,000	-	-	3,225,000	14/15
Mr. George Odo/AfricInvest III Spv**	NED	1,200,000	1,762,500	-	-	2,962,500	11/14
Mr. Christopher Minter	NED	-	-	-	-	-	9/11
Ms. Josephine Ossiya***	NED	1,850,000	2,530,000	-	-	4,380,000	8/8
Dr. Benson I. Wairegi	GMD	-	-	-	98,626,386	98,626,386	22/23
Mr. Stephen O. Wandera ****	NED	-	-	-	52,746,708	52,746,708	13/15
Total		**12,200,000**	**15,955,000**	**3,780,000**	**151,373,094**	**183,308,094**	

NED - Non - Executive Director
GMD - Group Managing Director
*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.
****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.

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 2020, there were two training sessions and one board evaluation session. In 2019, there was one 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 2020.

Information not subject to audit

Executive Directors

Contracts of Service and Remuneration

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

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

There is also a performance-based bonus which is paid from the Company's profit. A percentage of the Company's profit is shared amongst employees according to their individual performance. The bonus pool is approved by the Board upon recommendation of the Board Compensation and Human Resources Committee. Only 80% of the bonus is paid in cash while the balance is retained and paid in subsequent three years as deferred bonus.

The deferred bonus will in due course be used to partly fund the Employee Share Ownership Plan (ESOP) in which employees will be given shares equivalent to the amount of bonus retained.

Executive Directors have individual contracts which are detailed below:

Dr. Benson I. Wairegi, Group Managing Director

Dr. Wairegi's contract of service commenced on 1 January 2018 and ran for a period of three years to 31 December 2020. In addition to a monthly salary, Dr. Wairegi was entitled to a performance bonus 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 below: -

	2020	2019
Salary and allowances	70,310,299	65,865,600
Bonus	-	13,475,723
Non-cash benefits	6,712,461	1,061,064
Gratuity	18,882,655	18,223,999
Total Pay	**95,905,415**	**98,626,386**

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 of the financial statements.

Mr. Mohamed Karama
Acting Chairman
28 April 2021

BRITAM HOLDINGS PLC

LEGAL AUDITORS' REPORT 2020

The Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the "Code"), requires the Board of an issuer of securities to ensure that a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya, and that the findings from the audits are acted upon and any non- compliance issues arising corrected as necessary.

In line with the Code and to ensure that Britam Holdings PLC and its Subsidiaries in Kenya ("the Group") identifies major risks in respect of legal and compliance matters, the law firm of Mboya Wangongu and Waiyaki Advocates was engaged to carry out a comprehensive independent legal audit on the Group.

The scope of the legal audit exercise was as follows:

(i) To ascertain the current legal status of the Group;

(ii) To confirm compliance with the relevant statutes; and

(iii) To ascertain steps required to complete or remedy any incomplete actions or non-compliance.

Accordingly, we reviewed the Corporate Structure, Licensing and Regulatory, Borrowings and Lendings, Assets, Contracts, Employment, Litigation and Tax legal aspects of the Group and have comprehensively set out our findings in the respective Legal Audit Reports. The Reports detail our findings on the areas above; regulatory requirements for various material corporate and business actions that took place in the years 2019 and 2020 and our recommendations and remedial actions. The Reports also include Compliance Matrices developed for each company.

Opinion

Subject to our comments, observations and recommendations and to our assumptions and limitations as set out in the Legal Audit Reports, we issue our unqualified opinion that there were no material instances of non-compliance with the applicable laws, regulations and standards by the Group as at 31st December 2020.

Yours faithfully,

GODWIN WANGONG'U

gwangongu@lexgroupafrica.com

Senior Partner

Mboya Wangong'u and Waiyaki Advocates

Dated 28 April 2021

BRITAM HOLDINGS PLC

FINANCIAL STATEMENTS 2020

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 2020, 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

Loss after tax of Shs 9,111,539,000 (2019: Profit after tax of Shs 3,542,625,000) has been added to the retained earnings.

The Directors do not recommend the payment of a dividend. In 2019 a dividend of Shs 25 cents per share totalling to Shs 630,872,000 was paid.

ENHANCED BUSINESS REVIEW

Financial Performance

The Group reported a loss before tax of Shs 9.7 billion compared to a profit before tax of Shs 4.6 billion in 2019. Of this loss, Shs 2.3 billion related to a fair valuation loss due to poor equities performance and Shs 2.0 billion related to property impairments. The unfavorable operating environment adversely impacted our investment in associate – HF Group Plc - contributing to the Group results, a share of loss at Shs 823 million and a reduction in the value of this investment by Shs 603 million.

The results were further depressed by a provision for investment losses of Shs 5.2 billion in Wealth Management Fund LLP, a Fund managed by Britam Asset Managers which is a fully owned subsidiary of Britam Holdings PLC. The Board and the shareholders are committed to ensuring all entities meet their obligations as they fall due.

However, on a positive note, our general insurance businesses reported impressive results. The regional units continued to increase their contribution to the Group's performance and profitability. They accounted for 28 percent of the Group's gross earned premium and generated a profit before tax of Shs 832 million compared to a profit before tax of Shs 38 million in 2019. The local general insurance business reported a profit before tax of Shs 374 million from a loss before tax of Shs 306 million in 2019.

The Group has continued to be resilient in its cash generating ability delivering positive operating cash flows of Shs 7.6 billion and significantly growing its investments in fixed income return assets. The total assets for the Group have closed at Shs 137 billion, a 9% growth from 2019 with assets under management closing at Shs 250 billion.

REPORT OF THE DIRECTORS (Continued)

Risk Management

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

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 2020 and 2019, 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 score cards 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 public and our stakeholders through our Corporate Social Responsibility (CSR) activities.

Britam Foundation is the vehicle through which the Group carries out its CSR activities. The Foundation's focus is on supporting health, education, sports and performing arts initiatives in order to enrich the lives and livelihoods of the people throughout the region in a sustainable manner.

Future outlook

The economy has started to show positive recovery from Q4 2020 with the easing of restrictions and opening up of economic activities. The roll out of the covid 19 vaccine is further expected to boast the recovery efforts and reverse the negative effects experienced in 2020.

Britam remains a strong business, with the requisite financial strength, good client relationships and top of class talent as we embark on the new strategic period.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS

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

Mr. Mohamed S. Karama	Ag. Chairman	Mr. Stephen O. Wandera	Retired on 29 June 2020
Mr. Tavaziva Madzinga	Group Managing Director*	Ms. Caroline J. Kigen	
Mr. W. Andrew Hollas	Retired 1 February 2021	Ms. Marianne Loner	
Dr. Benson I. Wairegi		Mr. George Odo/ Africinvest III SPV	
Mr. Jimnah M. Mbaru		Mr. Christopher Minter	
Dr. Peter K. Munga		Ms. Josephine Ossiya	

*Appointed Director on 17 February 2021

DISCLOSURES TO AUDITORS

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

- 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
- 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

28 April 2021

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:

- 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;

- Selecting suitable accounting policies and then applying them consistently; and

- 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 28 April 2021 and signed on its behalf by:

Mr. Mohamed Karama
Ag. Chairman

Mr.Tavaziva Madzinga
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 81 to 199, which comprise the consolidated statement of financial position at 31 December 2020 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 2020, 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 2020 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 2020; 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 fair values of investments, 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 to market observable data. Tested the mathematical accuracy of the computations. Evaluated the adequacy and consistency of disclosures in the financial statements.
Provisions for investment losses The estimation of the group's provisions for investment losses involves high levels of judgement. Matters that impact judgment include the nature of the obligations involved and the sensitivity of assumptions used in the estimation of the liabilities. Refer to note 3 on critical accounting estimates and assumptions and note 46 on the provision for investment losses.	Assessed management's processes and controls for evaluating the provisions for investment losses, including the oversight from those charged with governance. We challenged management on the reasonableness of assumptions made in arriving at the provision for investment losses. 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.

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore 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.

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 71 to 73 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 66 to 67 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

CPA Bernice Kimacia, Practising certificate No. 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi
28 April 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
	Notes	2020	2019
		Shs'000	Shs'000
Revenue			
Gross earned premiums	4	28,199,619	27,131,870
Less: reinsurance premium ceded	4	(5,053,986)	(4,021,978)
Net earned premiums	**4**	**23,145,633**	**23,109,892**
Fund management fees	4	621,540	535,414
Net loss from investment properties	5	(1,470,336)	(747,036)
Interest and dividend income	6	9,397,384	7,713,830
Net realised (losses)/gains on financial assets at fair value through profit or loss	7	(71,156)	477,661
Net unrealised fair value (losses)/gains on financial assets	8	(2,466,634)	4,300,055
Commissions earned	9	1,218,404	999,870
Other (loss)/income	10	(221,887)	56,566
Total income		**30,152,948**	**36,446,252**
Expenses			
Insurance claims and loss adjustment expenses	11	21,080,743	17,131,739
Amount recoverable from reinsurers	11	(2,431,371)	(1,689,234)
Net insurance benefits and claims		**18,649,372**	**15,442,505**
Interest payments/increase in unit value	12	2,759,170	3,889,475
Operating and other expenses	13 (i)	13,455,260	8,794,161
Finance costs	14	361,547	234,667
Commissions expense	15	3,802,160	3,461,322
Total expenses		**39,027,509**	**31,822,130**
(Loss)/profit before share of the (loss) of associate		**(8,874,561)**	**4,624,122**
Share of loss of associate accounted for using the equity method	24 (i)	(823,049)	(53,099)
(Loss)/profit before income tax		**(9,697,610)**	**4,571,023**
Income tax credit/(expense)	25(a)	586,071	(1,028,398)
(Loss)/profit for the year		**(9,111,539)**	**3,542,625**
Profit/(loss) attributable to:			
• Owners of the parent		(9,146,743)	3,558,283
• Non-controlling interests	26 (iii)	35,204	(15,658)
(Loss)/earnings per share for (loss)/profit attributable to the owners of the parent			
- Basic and diluted (Shs per share)	**19**	**(3.62)**	**1.41**

The notes on pages 90 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	2020	2019
		Shs'000	Shs'000
(Loss)/profit for the year		**(9,111,539)**	**3,542,625**
Other comprehensive (loss)/income items, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on revaluation of land and buildings	21	(338,148)	(236,169)
(Loss)/gain on revaluation of financial assets at fair value through other comprehensive income	25	(2,056,183)	2,262,408
Re-measurement of the net defined benefit asset	25	(42,230)	(50,625)
Total items that will not be reclassified to profit or loss		**(2,436,561)**	**1,975,614**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income from the associate accounted for using the equity method	25	30,546	(1,369)
Exchange differences on translation of foreign operations	25	(161,568)	(96,214)
Total items that may be subsequently reclassified to profit or loss		**(131,022)**	**(97,583)**
Total other comprehensive (loss)/income		**(2,567,583)**	**1,878,031**
Total comprehensive (loss)/income for the year		**(11,679,122)**	**5,420,656**
Attributable to:			
-Owners of the parent		**(11,714,326)**	**5,436,314**
-Non-controlling interests	26 (iii)	**35,204**	**(15,658)**

Items in the statement above are disclosed net of tax.

The notes on pages 90 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	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	13,352,432	17,112,694
Accumulated losses	18	(9,891,877)	(1,306,941)
Shareholders' funds		**16,950,350**	**29,295,548**
Non-controlling interests	26 (iii)	**116,482**	**81,278**
Total equity		**17,066,832**	**29,376,826**
Assets			
Property and equipment	21	902,296	1,134,752
Intangible assets	22	1,874,081	2,099,919
Right of use asset	23 (i)	566,560	752,613
Investment in associate	24 (i)	1,481,603	2,870,170
Goodwill	26 (i)	1,416,635	1,558,433
Deferred income tax	36	536,534	777,550
Retirement benefit asset	48	134,226	168,038
Investment properties	27 (i)	16,443,490	16,414,493
Financial assets at fair value through other comprehensive income	28	4,940,442	7,231,563
Financial assets at fair value through profit or loss	29	76,777,040	57,751,830
Government securities and corporate bonds at amortised cost	30	10,501,818	15,679,639
Mortgage loans and receivables	31	1,156,003	1,171,693
Loans and receivables to policyholders	32	1,875,314	1,511,273
Receivables arising out of reinsurance arrangements	33 (i)	772,340	502,722
Receivables arising out of direct insurance arrangements	33 (iii)	1,924,733	1,689,488
Reinsurers' share of insurance liabilities	34	4,940,852	3,742,258
Deferred acquisition costs	35	707,750	525,997
Other receivables	37	1,957,847	1,624,170
Current income tax	25 (b)	461,833	381,045
Restricted cash	38 (ii)	93,074	80,608
Cash and cash equivalents	38 (i)	7,498,000	7,575,311
Total assets		**136,962,471**	**125,243,565**
Liabilities			
Deferred income tax	36	2,337,628	3,721,212
Insurance contract liabilities	39	42,514,867	33,784,402
Payable under deposit administration contracts	43	48,736,148	42,515,955
Liabilities under investment contracts	44	3,285,010	3,002,142
Unearned premiums	45	6,862,364	5,357,764
Lease liability	23 (ii)	690,003	844,046
Payables arising from reinsurance arrangements	33 (ii)	1,609,954	1,319,214
Borrowings	14	4,854,923	2,352,716
Provisions and other payables	46	8,978,247	2,886,175
Current income tax	25 (b)	26,495	83,113
Total liabilities		**119,895,639**	**95,866,739**
Net assets		**17,066,832**	**29,376,826**

The notes on pages 90 to 199 are an integral part of these financial statements.

The financial statements on pages 81 to 199 were authorised and approved for issue by the Board of Directors on 28 April 2021 and signed on its behalf by:

Mr. Mohamed S. Karama
Chairman (Acting)

Mr.Tavaziva Madzinga
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020	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	Shs'000
At start of year		**252,344**	**13,237,451**	**17,112,694**	**(1,306,941)**	**29,295,548**	**81,278**	**29,376,826**
Comprehensive income								
Loss for the year		-	-	(962,838)	(8,183,905)	**(9,146,743)**	35,204	**(9,111,539)**
Other comprehensive income, net of tax		-	-	(2,567,583)	-	**(2,567,583)**	-	**(2,567,583)**
Total comprehensive income for the year				**(3,530,421)**	**(8,183,905)**	**(11,714,326)**	**35,204**	**(11,679,122)**
Transfer to other reserves	17			(229,841)	229,841	-	-	-
2019 final dividends paid		-		-	(630,872)	**(630,872)**	-	**(630,872)**
Total transactions with owners of the parent recognised directly in equity		**-**		**(229,841)**	**(401,031)**	**(630,872)**	**-**	**(630,872)**
At end of year		**252,344**	**13,237,451**	**13,352,432**	**(9,891,877)**	**16,950,350**	**116,482**	**17,066,832**

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	Shs'000
Opening balance		**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 90 to 199 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended	
		2020	2019
	Notes	Shs'000	Shs'000
Cashflows from operating activities			
Cash generated from operations	47	**8,242,706**	**9,600,994**
Interest paid on lease liability	23	(120,970)	(118,202)
Income tax paid	25	(447,388)	(504,040)
Net cash generated from operating activities		**7,674,348**	**8,978,752**
Investing activities			
Purchase of property and equipment	21	(119,254)	(312,738)
Purchase of intangible assets	22	(136,637)	(348,424)
Purchase of investment property	27 (i)	(2,268,579)	(825,062)
Proceeds from disposal of property	27 (i)	441,594	103,877
Purchase of quoted shares at fair value through profit or loss	29 (i)	(708,364)	(103,506)
Proceeds of disposal of quoted ordinary shares at fair value through profit or loss		1,740,026	2,091,329
Purchase of unit trusts	29 (iii)	(624,159)	(46,450)
Proceeds from disposal of unit trusts		280,929	1,854,198
Purchase of government securities at fair value through profit or loss	29 (iv)	(30,566,798)	(21,652,090)
Proceeds from disposal of government securities at fair value through profit or loss		8,918,750	4,178,856
Purchase government securities held at amortised cost	30 (i)	(501,680)	(1,048,984)
Maturities of government securities at amortised cost	30 (i)	5,074,859	1,232,465
Maturities of corporate bonds at amortised cost	30 (ii)	690,771	348,690
Mortgage loans advanced	31	(151,263)	(117,205)
Mortgage loans repayments	31	285,623	280,245
Policy loans advanced	32	(1,311,976)	(1,438,600)
Policy loans repayments	32	1,115,599	1,448,168
Dividends received from equity investments at fair value through profit or loss	6	186,213	556,670
Dividends received from equity investments at fair bvalue through other comprehensive income	6	-	270,339
Rent and interest received		8,089,917	6,007,339
Net cash used in investing activities		**(9,564,429)**	**(7,520,883)**
Cash flows from financing activities			
Dividends paid		(630,872)	-
Proceeds from borrowings	14 (i)	4,675,000	3,563,831
Repayment of bank loan	14 (i)	(1,876,274)	(3,999,250)
Interest paid	14 (i)	(150,682)	(103,333)
Payment of the principal portion of the lease liability	23 (i)	(204,402)	(65,207)
Net cash used in financing activities		**1,812,770**	**(603,959)**
Increase in cash and cash equivalents		(77,311)	853,910
Cash and cash equivalents at start of year		7,575,311	6,721,401
Cash and cash equivalents at end of year	**38 (i)**	**7,498,000**	**7,575,311**

The notes on pages 90 to 199 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	2020	2019
		Shs'000	Shs'000
Income			
Net loss from investment in property funds	5	139,085	(74,548)
Interest and dividend income	6	1,008,413	1,250,942
Net realised fair value gains	7	(3,648)	98,621
Net unrealised fair value (losses)/gains	8	(2,795,654)	1,447,070
Other income/(loss)	10	(17,931)	9,639
Total income		**(1,669,735)**	**2,731,724**
Expenses			
Operating and other expenses	13 (i)	6,120,034	358,797
Finance costs	14 (i)	345,437	649,426
Total expenses		**6,465,471**	**1,008,223**
(Loss)/profit before share of the associate		(8,135,206)	1,723,501
Share of (loss) of the associate accounted for using the equity method	24 (i)	(331,302)	(21,376)
(Loss)/profit before income tax		**(8,466,508)**	**1,702,125**
Income tax expense	25	(53,028)	(17,933)
(Loss)/profit for the year		**(8,519,536)**	**1,684,192**
Other comprehensive income/(loss) items, net of tax:			
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on revaluation of financial assets at fair value through other comprehensive income	28	(1,507,994)	1,659,238
Total items that will not be reclassified subsequently to profit or loss		**(1,507,994)**	**1,659,238**
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income from the associate accounted for using the equity method	24 (i)	14,981	(3,765)
Total items that may be subsequently reclassified to profit or loss		**14,981**	**(3,765)**
Total other comprehensive (loss)/income		**(1,493,013)**	**1,655,473**
Total comprehensive (loss)/income for the year		**(10,012,549)**	**3,339,665**

The notes on pages 90 to 199 are an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2020**	**2019**
		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	2,726,791	4,219,804
Retained earnings	18	(7,383,634)	1,766,774
Shareholders' funds		**8,832,952**	**19,476,373**
REPRESENTED BY:			
Assets			
Property and equipment	21	180,552	189,404
Intangible assets	22	69,663	95,174
Right of use asset	23 (i)	153,360	167,938
Investment in associate	24 (i)	596,437	1,151,794
Investment in subsidiary companies	26 (ii)	6,023,460	7,417,447
Investment in property funds	27 (ii)	2,228,791	616,330
Quoted ordinary shares at fair value through other comprehensive income	28	3,251,752	4,759,746
Financial assets at fair value through profit or loss	29	3,882,098	4,478,722
Receivables from related parties	51	507,955	825,990
Other receivables	37	182,189	48,180
Current income tax recoverable		17,495	3,879
Cash and cash equivalents	38 (i)	1,221,025	1,458,153
Total assets		**18,314,777**	**21,212,757**
Liabilities			
Lease Liability	23(ii)	208,434	208,294
Borrowings	14	3,775,923	861,928
Amounts due to related parties	51	68,811	551,803
Provisions and other payables	46	5,428,657	114,359
Total liabilities		**9,481,825**	**1,736,384**
Net assets		**8,832,952**	**19,476,373**

The notes on pages 90 to 199 are an integral part of these financial statements.

The financial statements on pages 81 to 199 were authorised and approved for issue by the Board of Directors on 28 April 2021 and signed on its behalf by:

Mr. Mohamed Karama
Chairman (Acting)

Mr.Tavaziva Madzing
Group Managing Director

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020	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**	**4,219,804**	**1,766,774**	**19,476,373**
Total comprehensive income						
Loss for the year		-	-	-	(8,519,536)	**(8,519,536)**
Share of associate's other comprehensive income		-	-	14,981	-	**14,981**
Fair value gain on financial assets at fair value through other comprehensive income	28	-	-	(1,507,994)	-	**(1,507,994)**
Total comprehensive income for the year		**-**	**-**	**(1,493,013)**	**(8,519,536)**	**(10,012,549)**
Transactions with owners						
2019 final dividends paid		**-**	**-**	**-**	(630,872)	**(630,872)**
At end of year		**252,344**	**13,237,451**	**2,726,791**	**(7,383,634)**	**8,832,952**

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 income		-	-	(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**

The notes on pages 90 to 199 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	2020 Shs'000	2019 Shs'000
Operating activities			
Cash used in operations	47	(997,360)	162,914
Interest paid on lease liability	23	(37,005)	(35,308)
Income tax paid		(70,523)	(17,933)
Net cash used in operating activities		**(1,104,888)**	**109,673**
Investing activities			
Purchase of property and equipment	21	(26,167)	(135,220)
Purchase of intangible assets	22	(1,167)	(16,762)
Increase in investment in subsidiaries		-	(417,711)
Purchase of property funds	27 (ii)	(1,540,000)	-
Proceeds from disposal of investment in property funds	27 (ii)	66,624	68,286
Proceeds of disposal of quoted shares at fair value through profit and loss		-	255,577
Purchase of unit trusts		-	(46,450)
Purchase of government securities		(1,291,800)	(1,182,815)
Proceeds from disposal of government securities at fair value through profit or loss		590,707	1,187,435
Dividends received from Subsidiaries	6	711,000	667,000
Dividends received from equity investments at fair value through profit or loss	6	-	164,847
Dividends received from equity investments at fair value through other comprehensive income	6	-	177,934
Interest received		377,226	224,989
Net cash generated from investing activities		**(1,113,577)**	**947,110**
Cash flows from financing activities			
Dividends paid		(630,872)	-
Bank loan received	14 (i)	4,675,000	3,199,443
Bank loan repaid	14 (i)	(1,876,274)	(3,999,250)
Interest paid	14 (i)	(150,682)	(103,333)
Payment of the principal portion of lease liability	23 (i)	(35,835)	(6,033)
Net cash used in financing activities		**1,981,337**	**(909,173)**
Net increase in cash and cash equivalents		(237,128)	147,610
Cash and cash equivalents at start of year		1,458,153	1,310,543
Cash and cash equivalents at end of year	**38(i)**	**1,221,025**	**1,458,153**

The notes on pages 90 to 199 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 C66029. 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 Tower

Hospital Road

P.O Box 30375 - 00100

Upper Hill

Nairobi

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

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

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

Insurance businesses:

- Britam Life Assurance Company (Kenya) Limited
- Britam General Insurance Company (Kenya) Limited
- Britam Insurance Company (Uganda) Limited
- Britam Insurance Company (Rwanda) Limited
- Britam Insurance Company Limited (South Sudan)
- Britam Insurance (Tanzania) Limited
- Britam Insurance Company Limited (Malawi)
- Britam - Companhia De Seguros De Mozambique S.A.

Asset Managers:

- Britam Asset Managers (Kenya) Limited
- Britam Asset Managers (Uganda) Limited

Property companies:

- Britam Properties (Kenya) Limited
- Britam Properties (Uganda) Limited

The Group also has a 48.22% 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.

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

The principal accounting policies are set out below.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(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 2020. 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).

*(ii) New and revised standards effective in future period*s

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.

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.

2. Summary of significant accounting policies (Continued)

(c) Consolidation (continued)

(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.

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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(d) Insurance contracts (Continued)

Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above.

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

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

(ii) Recognition and measurement

Premium income

For long term insurance business, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

For general insurance business, premiums are deferred and recognised as income in line with the insurance risk of the contracts in force less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the un expired terms of policies in force at the financial reporting date, and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims

For long term insurance business, 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 that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

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

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

2. Summary of significant accounting policies (Continued)

(d) Insurance contracts (Continued)

(ii) Recognition and measurement (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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

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

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).

(iii) Group companies

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

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

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

(f) Segment reporting

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

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

(g) 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(g) Income (Continued)

(ii) Rendering of services (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(h) Investment contracts (Continued)

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

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;

2. Summary of significant accounting policies (Continued)

(j) Intangible assets (Continued)

(i) Computer software (Continued)

- 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. Computer software shall be derecognised: on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of computer software shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

(ii) Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(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, part of its corporate bonds portfolio, direct insurance and reinsurance receivables, other receivables, mortgage loans, loans and receivables to policyholders, investment in liquid funds and receivables deposits with financial institutions and cash and bank balances.

Classification of financial assets at fair value through other comprehensive income

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

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

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

Classification of financial assets at fair value through profit or loss

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

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

(ii) Classification of financial liabilities

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

Classification of financial liabilities at amortised cost

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

- Financial liabilities at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies.
- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(ii) Classification of financial liabilities (Continued)

Classification of financial borrowings 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.

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

GROUP

At 31 December 2020		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	-	8,106,120	4,940,442	13,046,562
Unquoted ordinary shares	29	-	10,298	-	10,298
Government securities	29, 30	10,501,818	64,901,370	-	75,403,190
Corporate bonds	30	-	-	-	-
Unit trusts	29(iii)	-	3,759,252	-	3,759,252
Other receivables	37	1,957,847	-	-	1,957,847
Investment in liquid funds	38(i)	-	-	-	-
Mortgage loans and receivables	31	1,156,003	-	-	1,156,003
Loans and receivables to policyholders	32	1,875,314	-	-	1,875,314
Receivables arising out of reinsurance arrangements	33(i)	772,340	-	-	772,340
Receivables arising out of direct insurance arrangements	33(iii)	1,924,733	-	-	1,924,733
Restricted cash	38(ii)	93,074	-	-	93,074
Deposits with financial institutions	38(i)	6,166,469	-	-	6,166,469
Cash and bank balances	38(i)	1,465,571	-	-	1,465,571
Total financial assets		**25,913,169**	**76,777,040**	**4,940,442**	**107,630,651**
Financial liabilities					
Payable under deposit administration contracts	43	-	48,736,148	-	48,736,148
Liabilities under investment contracts	44	-	3,285,010	-	3,285,010
Borrowings	14 (i)	4,854,923	-	-	4,854,923
Payables arising from reinsurance arrangements	33(ii)	1,609,954	-	-	1,609,954
Provisions and other payables	46	8,978,247	-	-	8,978,247
Total financial liabilities		**15,443,124**	**52,021,158**	**-**	**67,464,282**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

COMPANY

At 31 December 2020		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	-	2,829,838	3,251,752	6,081,590
Investment in property funds	27(ii)	-	2,228,791	-	2,228,791
Other receivables	37	182,189	-	-	182,189
Amounts due from related parties	51	507,955	-	-	507,955
Deposits with financial institutions	38(i)	1,202,183	-	-	1,202,183
Cash and bank balances	38(i)	23,308	-	-	23,308
Total financial assets		**1,915,635**	**5,058,629**	**3,251,752**	**10,226,016**
Financial liabilities					
Borrowings	14	3,775,923	-	-	3,775,923
Amounts due to related parties	51	68,811	-	-	68,811
Other payables	46	5,428,657	-	-	5,428,657
Total financial liabilities		**9,273,391**	**-**	**-**	**9,273,391**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

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	-	11,587,595	7,231,563	18,819,158
Unquoted ordinary shares	29	-	9,649	-	9,649
Government securities	29, 30	15,057,530	42,758,237	-	57,815,767
Corporate bonds	30	622,109	-	-	622,109
Unit trusts	29	-	3,396,349	-	3,396,349
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(ii)	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**	**57,751,830**	**7,231,563**	**94,973,931**
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	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)

COMPANY

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
Quoted ordinary shares	28, 29	-	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	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	861,928	-	-	861,928
Amounts due to related parties	51	551,803	-	-	551,803
Other payables	46	114,359	-	-	114,359
Total financial liabilities		**1,528,090**	-	-	**1,528,090**

(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;

2. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(iv) Impairment of financial assets (Continued)

- 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

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, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(iv) Impairment of financial assets (Continued)

- 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).

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

Financial asset	Default event
Cash an 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

2. Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(iv) Impairment of financial assets (Continued)

(iii) Credit impaired financial assets

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- 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;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the debtor has ceased transacting with the Group, whichever occurs sooner. 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 forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

(v) Offsetting financial instruments

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

(n) Investment in property funds

Entities where the Company or Group own a stake in certain property partnerships or funds are classified as investments in property funds. Investments in property funds are initially carried at cost and subsequently at fair value, computed using either the market approach or the income approach (discounted cash flows) determined annually by external valuers. Changes in fair values are included in the net income from investment property and property funds in the statement of profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(n) Investment in property funds (Continued)

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, including agents. The plan was funded under a single Trust, and the principal asset held by the Trustees was a deposit administration policy issued by the Group. Members now contribute 7.5% of pensionable earnings.

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

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

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

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

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.

2. Summary of significant accounting policies (Continued)

(r) Income tax

(i) Current income tax

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

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

(ii) Deferred income tax

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

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

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

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the carrying value of the borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (Continued)

(v) Leases

The Group applied IFRS 16 effective 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 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.

2. Summary of significant accounting policies (Continued)

(v) Leases (Continued)

(b) Measurement (Continued)

(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.

(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.

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.

(x) Earnings Per Shares

The Group calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

(i) profit or loss from continuing operations attributable to the parent entity; and

(ii) profit or loss attributable to the parent entity are the amounts in (i) and (ii) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 (n).

- 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 4 (b) for details of the characteristics considered in this judgment. The Group monitors the appropriateness of the credit risk characteristics on an on-going basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.
- Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

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

(a) Accounting estimates (Continued)

Key sources of estimation uncertainty

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

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

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 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 49. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

• 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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(a) Accounting estimates (Continued)

- 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.

- Provision for claims and other liabilities

  The Group faces exposure to claims and other liabilities arising in the normal course of business. There is uncertainty as to how present and future claims and other liabilities will be resolved and therefore significant judgement is required in assessing the likely outcome and the potential liability for such matters. Management in consultation with the legal advisers or other consultants/experts estimates a provision based on past precedents.

(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					
	2020			2019		
	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	10,214,496	(11,507)	10,202,989	11,802,637	(5,686)	11,796,951
- Group life	2,157,815	(323,120)	1,834,695	2,039,140	(248,950)	1,790,190
Total long term business	**12,372,311**	**(334,627)**	**12,037,684**	**13,841,777**	**(254,636)**	**13,587,141**
Short term insurance business						
- Engineering	1,007,030	(775,184)	231,846	764,625	(703,023)	61,602
- Fire	1,778,053	(1,171,953)	606,100	1,405,994	(949,404)	456,590
- Motor	4,690,194	(383,077)	4,307,117	4,420,136	(330,786)	4,089,350
- Personal accident and medical	5,237,824	(1,249,091)	3,988,733	3,971,185	(757,985)	3,213,200
- Micro insurance	884,376	(1,881)	882,495	769,490	(29)	769,461
- Other classes	2,229,831	(1,138,173)	1,091,658	1,958,663	(1,026,115)	932,548
Total short term business	**15,827,308**	**(4,719,359)**	**11,107,949**	**13,290,093**	**(3,767,342)**	**9,522,751**
Total insurance revenue	**28,199,619**	**(5,053,986)**	**23,145,633**	**27,131,870**	**(4,021,978)**	**23,109,892**
Asset management and property management business						
- Unit trust funds	155,560	-	155,560	116,484	-	116,484
- Discretionary and wealth management	419,651	-	419,651	382,557	-	382,557
- Alternative investments	46,329	-	46,329	36,373	-	36,373
Total asset and property management business	**621,540**	**-**	**621,540**	**535,414**	**-**	**535,414**
Total	**28,821,159**	**(5,053,986)**	**23,767,173**	**27,667,284**	**(4,021,978)**	**23,645,306**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Net (loss)/income from investment property

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Gross rental income	160,129	78,136	-	-
Less: Investment property operating expenses	(12,262)	(15,929)	-	-
Net rental income	147,867	62,207	-	-
Fair value loss on investment properties (Note 27)	(1,618,203)	(809,243)	-	-
Fair value gain/(loss) on investment in property funds (Note 27 (ii))	-	-	139,085	(74,548)
Net (loss)/income from investment property	**(1,470,336)**	**(747,036)**	**139,085**	**(74,548)**

6. Interest and dividend income

Interest from government securities at amortised cost	1,687,928	1,153,786	-	-
Interest from corporate bonds at amortised cost	59,274	72,969	-	-
Interest from deposits with financial institutions	527,503	362,302	74,693	23,799
Mortgage loan interest income	332,549	378,008	-	-
Interest from intercompany balances	-	-	86,788	117,732
Interest computed using effective interest method	**2,607,254**	**1,967,065**	**161,481**	**141,531**
Interest from government securities at fair value through profit or loss	6,460,597	4,834,992	129,298	98,180
Interest from investments in liquid funds	143,320	84,764	6,634	1,450
Dividend from subsidiaries	-	-	711,000	667,000
Dividends from quoted ordinary shares at fair value through profit or loss	186,213	556,670	-	164,847
Dividends from quoted ordinary shares at fair value through other comprehensive income	-	270,339	-	177,934
Total interest and dividend income	**9,397,384**	**7,713,830**	**1,008,413**	**1,250,942**

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

Realised gain/(loss) on government securities at fair value through profit or loss	121,375	25,435	(3,648)	4,723
Realised (loss)/gain on quoted ordinary shares at fair value through profit or loss	(149,391)	410,027	-	81,327
Realised gain/(loss) on unit trusts	(43,140)	42,199	-	12,571
Total net realised gains	**(71,156)**	**477,661**	**(3,648)**	**98,621**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Fair value (loss)/gains on quoted ordinary shares fair value through profit or loss (Note 29 (i))	(2,300,423)	3,422,219	(1,312,329)	1,443,949
Fair value gains/(loss) on unit trusts (Note 29 (iii))	62,814	431,273	3,373	(3,599)
Fair value gains on government securities at fair value through profit or loss (Note 29 (iv))	373,710	446,563	9,695	6,720
Fair value gains/(loss) on financial assets through profit or loss	**(1,863,899)**	**4,300,055**	**(1,299,261)**	**1,447,070**
Impairment of investment in associate (Note 24 (i)	(602,735)	-	(239,036)	-
Impairment of investment in subsidiaries	-	-	(1,257,357)	-
Total net unrealised fair value gains/(losses)	**(2,466,634)**	**4,300,055**	**(2,795,654)**	**1,447,070**

9. Commissions earned

	Group	
Long term insurance business	113,350	45,301
Short term insurance business	1,105,054	954,569
Total commissions earned	**1,218,404**	**999,870**

10. Other income

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Fee income				
- arising on long term insurance contracts	699	1,060	-	-
- arising on short term insurance contracts	62,361	118,445	-	-
Net foreign exchange (losses)/gains	-	(1,643)	-	808
Gain on disposal of property and equipment	1,474	-	97	-
Non-monetary loss	(273,766)	(82,659)	-	-
Miscellaneous income	(12,655)	21,363	(18,028)	8,831
Total other income	**(221,887)**	**56,566**	**(17,931)**	**9,639**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Insurance claims and loss adjustment expenses

	Group					
	2020			2019		
	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	4,072,948	-	4,072,948	3,182,113	-	3,182,113
- bonuses	1,908,057	-	1,908,057	1,554,745	-	1,554,745
Change in actuarial value of policy holders' liabilities (Note 42 (ii))	6,640,681	-	6,640,681	5,151,919	-	5,151,919
Claims payable by principal class of business:						
- Engineering	-	522,529	522,529	-	225,735	225,735
- Fire	-	654,433	654,433	-	367,867	367,867
- Motor	-	3,259,874	3,259,874	-	3,492,376	3,492,376
- Personal accident and medical	-	2,668,072	2,668,072	-	2,284,624	2,284,624
- Micro insurance	-	481,873	481,873	-	424,503	424,503
- Other classes	-	872,276	872,276	-	447,857	447,857
Total insurance claims and loss adjustment expenses	**12,621,686**	**8,459,057**	**21,080,743**	**9,888,777**	**7,242,962**	**17,131,739**
Less: reinsurers' share	(100,109)	(2,331,262)	(2,431,371)	(94,220)	(1,595,014)	(1,689,234)
Total long term and short term	**12,521,577**	**6,127,795**	**18,649,372**	**9,794,557**	**5,647,948**	**15,442,505**

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	
	2020	2019
	Shs'000	Shs'000
Interest on deposit administration contracts (Note 43)	2,734,636	3,611,050
Fair value gain on investment contracts (Note 44)	24,534	278,425
Total interest payments / increase in unit value	**2,759,170**	**3,889,475**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Staff costs (Note 13 (ii))	3,533,338	3,934,103	225,569	59,712
Sales, marketing and brand management	1,426,908	1,587,109	9,273	10,675
General office management expenses	624,329	724,728	12,456	55,899
Information technology (ICT) costs	504,742	520,379	23,375	29,738
Amortisation of intangible assets (Note 22)	433,847	409,169	26,678	26,107
Professional fees	375,663	393,126	54,136	34,095
Depreciation on property and equipment (Note 21)	209,720	312,339	35,019	23,869
Premium tax, levies and duty	206,802	264,734	-	-
Depreciation on right of use asset (Note 23 (i))	255,469	220,007	60,921	46,389
Office rent and service charge	189,122	183,166	16,697	2,099
Provision for expected credit losses	187,008	(102,754)	352,058	(4,671)
Directors' emoluments (Note 51 (v))	98,227	69,220	30,297	19,558
Directors' expenses	95,834	96,911	61,700	50,726
Repairs and maintenance costs	31,322	76,517	445	115
Training and development	31,264	65,401	2,059	1,261
Auditor's remuneration	44,980	40,006	2,666	3,225
Provision for investment losses (Note 46)	5,206,685	-	5,206,685	-
Total operating and other expenses	**13,455,260**	**8,794,161**	**6,120,034**	**358,797**

(ii) Staff costs

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Staff costs include the following:				
Salaries and wages	3,315,288	3,734,084	219,829	56,234
Retirement benefits costs				
- Defined contribution scheme	167,312	167,500	5,676	3,461
- Defined benefit scheme (Note 48)	(25,844)	(24,760)	-	-
- Social security benefits costs	76,582	57,279	64	17
Total staff costs	**3,533,338**	**3,934,103**	**225,569**	**59,712**

The number of persons employed by the Group at the year-end was 929 (2019: 923).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. (i) Borrowings

The total borrowings include a bank loan of Shs 3,265,369,000 (2019: Shs 376,274,000) at a fixed interest rate of 10.25% per annum and other borrowings Shs 1,589,554,000 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 draw-down facility with a bank which has been secured with quoted ordinary shares valued at Shs 5,774,821,052 (2019: Shs 8,452,884,440). The balance of the undrawn short-term facility is Shs 825,000,000 at 31 December 2020 (2019: 3,625,000,000). Other borrowings relate to amount borrowed by Britam Properties (Kenya) Limited for use in purchasing land which is carried as an investment property. Other borrowings earned interest at variable interest rates ranging from 15%. The security for the other borrowings is the investment property purchased.

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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Balance at 1 January				
• Bank loan	376,274	1,174,807	376,274	1,174,807
• Other borrowings	1,589,554	1,612,054	485,654	-
Additions				
– Bank loan	4,675,000	3,199,443	4,675,000	3,199,443
– Other borrowings	-	364,388	24,900	485,654
Accrued Interest				
– Bank loan	90,369	1,274	90,369	1,274
– Other borrowings	-	-	-	-
– Other repayments	(1,876,274)	(3,999,250)	(1,876,274)	(3,999,250)
Balance at 31 December	**4,854,923**	**2,352,716**	**3,775,923**	**861,928**
Interest paid				
– Bank loan	150,682	103,333	150,682	103,333
Total Interest paid	**150,682**	**103,333**	**150,682**	**103,333**

The table below shows the breakdown of the finance costs:

Finance costs	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Bank loans	240,577	84,516	240,577	84,516
Other borrowings	-	31,949	24,900	485,654
Interest on related party balance		-	42,955	43,948
Interest expense on lease liability (Note 23 (ii))	120,970	118,202	37,005	35,308
Total finance cost	**361,547**	**234,667**	**345,437**	**649,426**

The weighted average effective interest rate on borrowings as 31 December 2020 was 12% (2019: 12%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	
	2020	2019
	Shs'000	Shs'000
Cash and cash equivalents (Note 38(i))	7,498,000	7,575,311
Liquid investments (Note 29)	76,777,040	57,751,830
Borrowings (Note 14 (i))	(4,854,923)	(2,352,716)
Lease liabilities (Note 23 (ii))	(690,003)	(844,046)
Net debt	**78,730,114**	**62,130,379**
Cash and liquid investments	84,275,040	65,327,141
Gross debt – fixed interest rates	(5,544,926)	(3,196,762)
Net debt	**78,730,114**	**62,130,379**

	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	
Net debt as at 1 January 2019	**(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	20,046,003
Leases - additions	-	(59,748)	(59,748)	-	-	(59,748)
Other	(104,644)	(118,202)	(222,846)	-	-	(222,846)
Net debt at 31 December 2019	**(2,352,716)**	**(844,046)**	**(3,196,762)**	**7,575,311**	**57,751,830**	**62,130,379**
Cash flows	(2,502,207)	325,372	(2,176,835)	(77,311)	19,025,210	16,771,064
Leases - additions	-	(62,055)	(62,055)	-	-	(62,055)
Other	-	(109,274)	(109,274)	-	-	(109,274)
Net debt at 31 December 2020	**(4,854,923)**	**(690,003)**	**(5,544,926)**	**7,498,000**	**76,777,040**	**78,730,114**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Commissions expense

	Group 2020	2019
	Shs'000	Shs'000
Long term insurance business		
• Ordinary life	1,223,808	1,324,624
- Group life	148,716	115,325
• Deposit administration	77,361	62,381
Total long term insurance business	**1,449,885**	**1,502,330**
Short term insurance business		
- Engineering	197,499	136,968
- Fire	307,576	303,686
- Marine	106,473	81,724
- Motor	475,147	456,530
- Personal accident and medical	787,949	552,897
- Micro insurance	89,608	77,139
- Theft	63,362	48,906
- Others	147,358	142,684
Total short term insurance business	**2,174,972**	**1,800,534**
Asset management business		
- Unit trust funds	43,001	37,596
- Discretionary & Wealth management	134,302	120,862
Total asset management business	**177,303**	**158,458**
Total commissions payable	**3,802,160**	**3,461,322**

16. Share capital - Company

Group and Company	Number of shares	Ordinary shares	Share premium	Total
	Thousands	Shs'000	Shs'000	Shs'000
1 January 2019	2,523,487	252,344	13,237,451	13,489,795
31 December 2019 and 1 January 2020	2,523,487	252,344	13,237,451	13,489,795
31 December 2020	2,523,487	252,344	13,237,451	13,489,795

Ordinary shares

The total number of authorised shares is 3,000 million with par value of 10 cents per share (2019: 3,000 million 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 (2019: 2,523 million with par value of 10 cents per share). All shares issued are fully paid and carry equal rights.

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.

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 2020	**9,692,026**	**94,747**	**(983,412)**	**8,309,333**	**17,112,694**
Revaluation deficit on buildings (Note 21)	-	(338,148)	-	-	(338,148)
Revaluation gains on quoted ordinary shares at fair value through other comprehensive income (Note 25)	(1,507,994)	-	-	(548,189)	(2,056,183)
Share of associate other comprehensive income (Note 25)	-	-	-	30,546	30,546
Re-measurement of the net defined benefit asset (Note 25)	-	-	-	(42,230)	(42,230)
Surplus for life business	-	-	-	(962,838)	(962,838)
Transfer to retained earnings (Note 18)	-	-	-	(300,000)	(300,000)
Transfer from retained earnings (Note 18)	-	-	-	70,159	70,159
Currency translation losses (Note 25)	-	-	(161,568)	-	(161,568)
At 31 December 2020	**8,184,032**	**(243,401)**	**(1,144,980)**	**6,856,781**	**13,352,432**
At 1 January 2019	8,032,788	330,916	(887,198)	4,280,421	11,756,927
Revaluation deficit 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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Other Reserves (Continued)

Company

	Other reserves
	Shs '000
At 1 January 2020	**4,219,804**
Revaluation loss on quoted ordinary shares at fair value through other comprehensive income (Note 28)	(1,507,994)
Share of associate other comprehensive income (Note 24)	14,981
At 31 December 2020	**2,726,791**
At 1 January 2019	**2,564,331**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 28)	1,659,238
Share of associate other comprehensive income (Note 24)	(3,765)
At 31 December 2019	**4,219,804**

18. Accumulated losses

	Group	Company
	Shs '000	Shs '000
At 1 January 2020	**(1,306,941)**	**1,766,774**
Loss for the year	(8,183,905)	(8,519,536)
Transfer to general reserve (Note 17)	(70,159)	-
Transfer from general reserve (Note 17)	300,000	-
Dividend paid	(630,872)	(630,872)
At 31 December 2020	**(9,891,877)**	**(7,383,634)**
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**

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 2020 or 31 December 2019.

	2020	2019
Profit/(loss) attributed to equity holders (Shs' thousands)	(9,146,743)	3,558,283
Weighted number of ordinary shares in issue (thousands)	2,523,487	2,523,487
Basic and diluted earnings per share (Shs)	**(3.62)**	**1.41**

20. Dividends per share

Proposed dividends are not recognised until they have been declared at an annual general meeting. The directors do not propose to pay a dividend in 2020. In 2019 a dividend of 25 cents per share totalling to Shs 630,872,000 was declared and paid in 2020.

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

Group	Land and Buildings	Leasehold improvements	Motor vehicles	Furniture fittings & office equipment,	Computer equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2020						
Cost or valuation						
I January 2019	**415,238**	**777,412**	**123,679**	**1,166,943**	**846,306**	**3,329,578**
Additions	-	45,681	22,950	18,947	31,676	119,254
Disposals	-	(2,462)	-	(2,946)	(554)	(5,962)
Transfer from Intangibles (Note 22)	-	-	-	1,463	-	1,463
Revaluation deficit	(338,148)	-	-	-	-	(338,148)
Transfer from Investment Property (Note 27)	179,788	-	-	(52,909)	52,909	179,788
Translation differences	966	13,747	3,892	22,774	4,045	45,424
At 31 December 2020	**257,844**	**834,378**	**150,521**	**1,154,272**	**934,382**	**3,331,397**
Depreciation						
I January 2019	459	493,279	96,950	892,894	711,246	2,194,828
Charge for the year	615	53,541	13,819	87,985	53,760	209,720
Reclassifications	-	-	-	(51,397)	51,397	-
Disposal	-	-	-	(2,686)	(554)	(3,240)
Translation differences	4	10,734	66	14,840	2,149	27,793
At 31 December 2020	**1,078**	**557,554**	**110,835**	**941,636**	**817,998**	**2,429,101**
Net book value						
At 31 December 2020	**256,766**	**276,824**	**39,686**	**212,636**	**116,384**	**902,296**

Group	Land and Buildings	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	Shs'000
2019							
Cost or valuation							
I 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 deficit	(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							
I 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)	-
Disposal	-	-	-	(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**

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 2020. The revaluation loss Shs 338,148,000 (2019: 236,169,000) 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 3 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
2020						
Cost or valuation						
At 1 January 2020	145,406	-	25,370	69,573	28,437	268,786
Additions	-	-	18,645	4,258	3,264	26,167
At 31 December 2020	**145,406**	**-**	**44,015**	**73,831**	**31,701**	**294,953**
Depreciation						
At 1 January 2020	19,662	-	25,370	22,072	12,278	79,382
Charge for the year	14,469	-	1,931	13,857	4,762	35,019
At 31 December 2020	**34,131**	**-**	**27,301**	**35,929**	**17,041**	**114,401**
Net book value						
At 31 December 2020	**111,275**	**-**	**16,714**	**37,902**	**14,660**	**180,552**
	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
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**

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

		Group
	2020	2019
	Shs'000	Shs'000
Cost	392,095	392,095
Accumulated depreciation	(345,614)	(335,758)
Net book value	**46,481**	**56,337**

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 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**
At 1 January 2020	3,613,679	-	3,613,679	190,360	-	190,360
Capitalised	72,361	(11,646)	60,715	-	-	-
Additions	51,080	85,557	136,637	1,167	-	1,167
Disposal	-	(13,426)	(13,426)	-	-	-
Transfer to PPE (Note 21)	(1,463)	-	(1,463)	-		-
Translation differences	34,573	1,265	35,838	-	-	-
At 31 December 2020	**3,770,230**	**61,750**	**3,831,980**	**191,527**	**-**	**191,527**
Accumulated amortisation and impairment						
At 1 January 2019	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)	731	-	-	-
At 31 December 2019	**1,513,759**	**-**	**1,513,759**	**95,186**	**-**	**95,186**
Amortisation charge	433,847	-	433,847	26,678	-	26,678
Translation differences	10,293	-	10,293	-	-	-
At 31 December 2020	**1,957,899**	**-**	**1,957,899**	**121,864**	**-**	**121,864**
Net book value						
At 31 December 2020	**1,812,331**	**61,750**	**1,874,081**	**69,663**	**-**	**69,663**

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 current information technology systems that it is using currently in all its different lines of business. The new systems being implemented will enable the Group to be more efficient. Some of the systems have already been implemented and are being used in the day today running of the business. These are inclusive of the Pensions line of business system and the Enterprise Resource Planning (ERP), covering finance, human resource and supply chain management modules in Kenya. The two systems were transferred from the work in progress (WIP) account into the asset account 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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	752,613	912,872	167,938	214,327
Additions	65,176	59,748	-	-
Depreciation charge for the year (Note 13 (i))	(255,469)	(220,007)	(60,921)	(46,389)
Impairment losses	-	-	-	-
Remeasurement of lease liabilities	4,240	-	46,343	-
At 31 December	**566,560**	**752,613**	**153,360**	**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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	844,046	849,505	208,294	214,327
Additions	62,055	59,748	-	-
Interest on lease liabilities (Note 14)	120,970	118,202	37,005	35,308
Lease payments	(325,372)	(183,409)	(72,840)	(41,341)
Remeasurement of lease liabilities	(11,696)	-	35,975	-
At 31 December	**690,003**	**844,046**	**208,434**	**208,294**

The split in the lease liabilities was as follows:

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Current	325,372	183,409	72,840	41,341
Non-current	364,631	660,637	135,594	166,953
At 31 December	**690,003**	**844,046**	**208,434**	**208,294**

The total cash outflow for leases in the year was:

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Interest paid on lease liabilities (Note 14)	120,970	118,202	37,005	35,308
Payments of principal portion of the lease liability	204,402	65,207	35,835	6,033
At 31 December	**325,372**	**183,409**	**72,840**	**41,341**

(ii) Amounts recognised in the profit or loss account

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation on right of use assets (Note 13(i))	255,469	220,007	60,921	46,389
Interest on lease liabilities (Note 14)	120,970	118,202	37,005	35,308
Expenses relating to short-term leases	85	37,583	-	-
Expenses relating to leases of low-value assets that are not shown above as short-term leases	-	16,808	-	-
At 31 December	**376,524**	**392,600**	**97,926**	**81,697**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Investment in associate – Group and Company (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.

	2020	2019
	Shs'000	Shs'000
Operating Leases under IFRS 16		
Within 1 year	92,295	64,842
Between 1 and 2 years	82,664	66,699
Between 2 and 3 years	32,894	66,699
Between 3 and 4 years	35,443	55,555
Between 4 and 5 years	34,116	55,555
Later than 5 years	28,573	55,555
At 31 December	**305,985**	**364,905**

24 Investment in associate – Group and Company

(i) Details of the investment

The investment in associate at 31 December 2020 represents an equity interest of 48.22% (2019: 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	2020	2019	2020	2019
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	
	2020	2019	2020	2019
	HF Group Plc	HF Group Plc	HF Group Plc	HF Group Plc
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	2,870,170	2,923,611	1,151,794	1,176,935
Share of associate's loss for the year	(823,049)	(53,099)	(331,302)	(21,376)
Share of associate's other comprehensive profit/(loss)	37,217	(342)	14,981	(3,765)
Impairment (Note 8)	(602,735)	-	(239,036)	-
At 31 December	**1,481,603**	**2,870,170**	**596,437**	**1,151,794**

At 31 December 2020, the Group's interest in HF Group Plc which is listed on the Nairobi Securities Exchange was Shs 615,785,000 (2019: Shs 1,198,184,000) when computed using the NSE share price of Shs 3.32 (2019: Shs 6.46).

(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).

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 Company 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.

In the current year, management conducted an impairment assessment of the investment in the associate. The impairment indicators that were considered included: declines in the associate's listed share price, net assets valuation of the associate in comparison to its market capitalisation, the tough business environment experienced globally in 2020 largely driven by the Covid-19 pandemic, and the financial performance of the associate during the year.

The recoverable value of the associate is the higher of its fair value (less costs to sell) and its value in use. At 31 December 2020 the recoverable value was estimated as Shs 1,481,603,000, which resulted in the recognition of an impairment loss of Shs 602,735,000 for the year ended 31 December 2020 (2019: Nil) to bring the cumulative impairment provision on the associate to Shs 4,322,900,000 (2019: 3,720,165,000) at the year end.

The impairment loss is included in 'Net unrealized fair value (losses)/gains" in the Statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Sensitivity analysis

The table below discloses the principal assumptions used in the impairment assessment as well as the sensitivity of the estimate to changes in assumptions impact on the change in the fair value estimate. The sensitivity analysis is based on a change in an assumption while holding the other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Assumption	Assumption value as per valuation	Reasonable possible shift	Change in the fair value of the investment in associate (+1%) Shs'000	Change in the fair value of the investment in associate(-1%) Shs'000
Average projected cash flows	3,059,994	+/- 5%	1,388,566	(752,677)
Pre-tax discount rate	28.94%	+/-1%	(119,067)	108,807
Terminal growth rate	5%	+/-1%	194,390	(214,940)

(iv) Summarised financial information for associate

Summarised statement of profit§ or loss and other comprehensive income

	2020	2019
	Shs'000	Shs'000
Interest income	4,249,307	5,116,580
Interest expense	(2,399,249)	(3,148,869)
Impairment losses on mortgage and advances	(405,069)	(350,441)
Other income	528,668	1,405,330
Other expenses	(3,749,539)	(3,160,402)
Loss before income tax	**(1,775,882)**	**(137,802)**
Income tax	69,019	27,694
Loss after tax	**(1,706,863)**	**(110,108)**
Other comprehensive income, net of tax	77,182	72,973
Total comprehensive loss for the year	**(1,629,681)**	**(37,135)**

Summarised statement of financial position

	2020	2019
	Shs'000	Shs'000
Total assets	55,445,249	56,454,917
Total liabilities	46,883,461	46,263,448
Net assets	8,561,788	10,191,469
Customer deposits	39,944,490	37,399,987
Loans and advances	36,796,964	38,551,968

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(iv) Summarised financial information for associate (Continued)

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
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Opening net assets 1 January	**10,242,220**	**10,371,232**	**10,242,220**	**10,371,232**
Loss for the year	(1,706,863)	(110,108)	(1,706,863)	(110,108)
Other comprehensive income	77,181	72,973	77,181	72,973
Impact of initial application of IFRS 16	-	(91,877)	-	(91,877)
Closing net assets	**8,612,538**	**10,242,220**	**8,612,538**	**10,242,220**
Interest in associate Group 48.22% (2019: 48.22%) Company 19.41% (2019: 19.41%) (Note 24 (ii))	4,153,334	4,939,236	1,671,974	1,988,349
Goodwill (Note 24 (ii))	1,629,813	1,629,813	595,569	595,569
Provision for impairment	(4,322,900)	(3,720,165)	(1,675,440)	(1,436,404)
Other adjustments	21,356	21,286	4,334	4,280
Carrying value	**1,481,603**	**2,870,170**	**596,437**	**1,151,794**

Summarised statement of cash flows for HF Group

	2020	2019
	Shs'000	Shs'000
Net cash flows generated from operating activities	1,131,259	5,251,288
Net cash flows used in investing activities	(105,379)	(189,031)
Net cash flows used in financing activities	(2,304,954)	(6,233,850)
Net decrease in cash and cash equivalents	**(1,279,074)**	**(1,171,593)**

25. Income tax

(a) Income tax (credit)/expense

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Current income tax	309,982	520,404	53,028	17,933
Deferred tax (Note 36)	(896,053)	507,994	-	-
Income tax (credit)/expense	**(586,071)**	**1,028,398**	**53,028**	**17,933**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Income tax (Continued)

(a) Income tax (credit)/expense (Continued)

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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Profit/(loss) before income tax	(9,697,610)	4,571,023	(8,466,508)	1,702,125
Tax calculated at a tax rate of 30% (2018: 30%)	(2,909,282)	1,371,307	(2,538,952)	510,637
Add/(less):				
Effect of tax rate changes				
- Tax effect of income not subject to tax	(59,206)	(596,245)	514,217	(603,111)
- Under provision in prior year	49,773	44,987	26,694	-
- Deferred tax not recognised (Note 36)	2,254,477	94,668	2,032,248	82,185
- Tax effect of expenses not deductible for tax purposes	78,167	95,133	19,821	16,115
-Deferred tax on IFRS 16	-	18,548	-	12,107
Income tax expenses/(credit)	**(586,071)**	**1,028,398**	**53,028**	**17,933**

The tax laws (amendment) Act, 2020 was enacted on 25 April 2020. Amongst other Covid-19 instigated tax changes corporation tax reduced to 25% from 30% (2019) and applies for the financial year of income 2020. On December 22, 2020 the corporation tax rate was reverted to the pre Covid-19 tax rate of 30% effective 1 January 2021.

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

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

	2020			2019		
	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	(161,568)	-	(161,568)	(96,214)	-	(96,214)
Re-measurement of the net defined benefit asset (Note 48)	(60,478)	18,248	(42,230)	(72,321)	21,696	(50,625)
Share of other comprehensive income from associates	37,217	(6,671)	30,546	(342)	(1,027)	(1,369)
Fair value deficit on						
− Building (Note 21)	(338,148)	-	(338,148)	(236,169)	-	(236,169)
− Financial assets at fair value through other comprehensive income (Note 28)	(2,291,121)	234,938	(2,056,183)	2,520,910	(258,502)	2,262,408
Other comprehensive income	**(2,814,098)**	**246,515**	**(2,567,583)**	**2,115,864**	**(237,833)**	**1,878,031**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Income tax (Continued)

(b) Current tax recoverable

Movement in the tax recoverable account is as follows:	Group	
	2020	2019
	Shs'000	Shs'000
At 1 January	297,932	314,296
Taxation charge for the year	(309,982)	(520,404)
Tax paid	447,388	504,040
At end of year	**435,338**	**297,932**

Split as follows;	Group	
	2020	2019
	Shs'000	Shs'000
Current income tax recoverable	461,833	381,045
Current income tax payable	(26,495)	(83,113)
Net	**435,338**	**297,932**

Current tax recoverable or payable is current asset.

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.

	2020	2019
	Shs'000	Shs'000
Britam General Insurance Company (Kenya) Limited	918,885	1,055,515
Britam Insurance Company (Tanzania) Limited	253,409	258,577
Britam - Companhia De Seguros De Mozambique S.A.	244,341	244,341
Total goodwill	**1,416,635**	**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 31.4% (2019: 18% and 33.7%) depending on the circumstances of the entity and terminal rate of 2.5% (2019: 2.5%).

The recoverable amount calculated based on the value in use exceeded carrying value by Shs 1,505,621,000 (2019: Shs 9,938,296,000). A fall in the terminal rate of above 100% (2019:100%) or a rise in the discount rate of above 100% (2019:100%) would remove the remaining headroom.

From the assessment carried out at the end of the year, an impairment charge was deemed necessary as at 31 December 2020 (2019: Nil).

Goodwill on acquisition is a non-current asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	
			2020	2019	2020	2019
Britam Life Assurance Company (Kenya) Limited	Kenya	Insurance	100%	100%	-	-
Britam General Insurance Company (Kenya) Limited	Kenya	Insurance	100%	100%	-	-
Britam Asset Managers (Kenya) Limited	Kenya	Fund Management	100%	100%	-	-
Britam Properties (Kenya) Limited	Kenya	Property Development	100%	100%	-	-
Britam Insurance Company (Uganda) Limited	Uganda	Insurance	100%	100%	-	-
Britam Insurance Company Limited (South Sudan)	South Sudan	Insurance	100%	100%	-	-
Britam Insurance Company (Rwanda) Limited	Rwanda	Insurance	100%	100%	-	-
Britam - Companhia De Seguros De Mozambique S.A.	Mozambique	Insurance	98%	98%	2%	2%
Britam Insurance Company (Tanzania) Limited	Tanzania	Insurance	55%	55%	45%	45%
Britam Insurance Company Limited (Malawi)	Malawi	Insurance	100%	100%	-	-
Britam Asset Managers (Uganda) Limited	Uganda	Fund Management	100%	100%	-	-
Britam Properties (Uganda) Limited	Uganda	Property Development	100%	100%	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. (ii) Investment in subsidiary companies (Continued)

The Company had the following subsidiaries at 31 December:

	% holding in equity shares		2020	2019
	2020	2019	Shs'000	Shs'000
Britam Life Assurance (Kenya) Limited		100%	180,000	180,000
Britam Asset Managers (Kenya) Limited		100%	-	80,000
Britam Insurance Company (Uganda) Limited		100%	500,000	500,000
Britam Insurance Company Limited (South Sudan)		100%	391,711	391,711
Britam Insurance Company (Rwanda) Limited		100%	689,223	868,795
Britam Properties (Kenya) Limited		100%	-	50,100
Britam General Insurance (Kenya) Limited		100%	3,111,261	3,925,282
Britam Insurance Company Limited (Malawi)		100%	459,458	461,539
Britam Insurance (Tanzania) Limited		55%	253,409	303,430
Britam - Companhia De Seguros De Mozambique S.A.		98%	313,535	531,728
Britam Asset Managers (Uganda) Limited		100%	124,863	124,862
Total investment at Company level			**6,023,460**	**7,417,447**
Britam Properties (Uganda) Limited*		100%	102,776	102,776
Britam Tower LLP		100%	6,912,856	8,040,905
Total			**13,039,092**	**15,561,128**

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

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

Summarised statement of profit or loss and other comprehensive income

	Britam Insurance (Tanzania) Limited as at 31 December	
	2020	2019
	Shs'000	Shs'000
Revenue	1,084,667	810,784
Profit before income tax	115,285	(40,328)
Income tax (expense)/credit	(40,646)	6,770
Currency translation loss	(60,319)	(16,226)
Total comprehensive income	**14,320**	**(49,784)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. (ii) Investment in subsidiary companies (Continued)

Summarised statement of financial position

	Britam Insurance (Tanzania) Limited as at 31 December	
	2020	2019
	Shs'000	Shs'000
Current		
Assets	2,197,112	1,709,658
Liabilities	(1,985,015)	(1,511,154)
Total current net assets	**212,097**	**198,504**
Non-current		
Assets	101,759	97,563
Total non-current net assets	**101,759**	**97,563**
Net assets	**313,855**	**296,067**

Summarised statement of cash flows

	Britam Insurance (Tanzania) Limited as at 31 December	
	2020	2019
	Shs'000	Shs'000
Cash generated from operations	141,877	170,808
Income tax paid	(10,837)	(14,363)
Net cash generated from operating activities	**131,040**	**156,445**
Net cash used in investing activities	15,454	(258,993)
Net cash used in financing activities	(17,213)	(20,428)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**129,281**	**(122,976)**

26. (iii) Non-controlling interest (NCI)

31 December 2020	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	**2,799**	**78,479**	**81,278**
Profit after tax attributable to non-controlling interests	1,616	33,588	**35,204**
Total non-controlling interests at year end	**4,415**	**112,067**	**116,482**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. (iii) Non-controlling interest (NCI) (Continued)

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**
Profit 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**

27. (i) Investment properties

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	16,414,496	16,502,551
Transfer to Property and Equipment (Note 21)	(179,788)	-
Additions during the year	2,268,580	825,063
Disposals	(441,594)	(103,876)
Fair value (loss)/gains (Note 5)	(1,618,200)	(809,242)
At end of year	**16,443,494**	**16,414,496**

The Group's investment properties were revalued at 31 December 2020 and 2019 by Gimco Limited 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. (i) Investment properties (Continued)

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.	The valuation is determined on the market weighted average cost of capital. 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; 8.91% Incremental Occupancy: 12%

Sensitivity analysis

Assumption	Assumption value as per valuation	Reasonable possible shift	Change in the fair value of the investment property
			Shs '000
Discount rate	8.91%	0.5%	141,628
Exit value multiple	13.5%	1%	381,653

27. (ii) Investment in property funds

	Company	
	2020	2019
	Shs'000	Shs'000
At start of year	616,330	759,164
Additions	1,540,000	-
Disposals	(66,624)	(68,286)
Fair value (loss) (Note 5)	139,085	(74,548)
At end of year	**2,228,791**	**616,330**

The Group's investment in property funds were revalued at 31 December 2020 by Gimco Limited 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Financial assets at fair value through other comprehensive income

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

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	7,231,563	4,710,653	4,759,746	3,100,508
Fair value gains/(losses) (Note 25)	(2,291,121)	2,520,910	(1,507,994)	1,659,238
At end of year	**4,940,442**	**7,231,563**	**3,251,752**	**4,759,746**

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

29. Financial assets at fair value through profit or loss

Quoted ordinary shares (Note 29 (i))	8,106,120	11,587,595	2,829,838	4,142,167
Unquoted ordinary shares (Note 29 (ii))	10,298	9,649	-	-
Unit trusts (Note 29 (iii))	3,759,252	3,396,349	51,456	42,851
Government securities (Note 29 (iv))	64,901,370	42,758,237	1,000,804	293,704
Total	**76,777,040**	**57,751,830**	**3,882,098**	**4,478,722**

(i) Quoted ordinary shares

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	11,587,595	9,743,172	4,142,167	2,872,468
Additions	708,364	103,506	-	-
Disposals	(1,889,416)	(1,681,302)	-	(174,250)
Fair value gains/(losses) (Note 8)	(2,300,423)	3,422,219	(1,312,329)	1,443,949
At end of year	**8,106,120**	**11,587,595**	**2,829,838**	**4,142,167**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(ii) Unquoted ordinary shares

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	9,649	9,619
Translation differences	649	30
At end of year	**10,298**	**9,649**

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.

(iii) Unit trusts

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	3,396,349	4,730,625	42,851	
Additions	624,159	46,450	5,232	46,450
Disposals	(324,070)	(1,811,999)	-	-
Fair value gains/(losses) (Note 8)	62,814	431,273	3,373	(3,599)
At end of year	**3,759,252**	**3,396,349**	**51,456**	**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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Treasury bills and bonds maturing				
- Within 1 year	3,033,619	676,816	1,000,804	-
- In 1 – 5 years	5,861,032	6,827,824	-	80,633
- After 5 years	56,006,719	35,253,597	-	213,071
Total	**64,901,370**	**42,758,237**	**1,000,804**	**293,704**
Treasury bills and bonds movement				
- At start of the year	42,758,237	24,798,519	293,704	286,881
- Additions	30,566,798	21,652,090	1,291,800	1,182,815
- Fair value gains (Note 8)	373,710	446,563	9,695	6,720
- Disposals and maturities	(8,797,375)	(4,138,935)	(594,395)	(1,182,712)
At end of year	**64,901,370**	**42,758,237**	**1,000,804**	**293,704**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. Government securities and corporate bonds at amortised cost

	Group	
	2020	2019
	Shs'000	Shs'000
Government securities (Note 30 (i))	10,501,818	15,057,530
Corporate bonds (Note 30 (ii))	-	622,109
Total	**10,501,818**	**15,679,639**

(i) Government securities

Treasury bills and bonds maturing

- Within 1 year	3,010,690	2,852,434
- In 1 – 5 years	3,217,446	5,186,123
- After 5 years	4,276,025	7,019,467
Total	**10,504,161**	**15,058,024**
At start of year	15,058,408	15,220,763
Amortization	18,932	20,742
Additions	501,680	1,048,984
Maturities	(5,074,859)	(1,232,465)
At end of year	**10,504,161**	**15,058,024**
Less: Provision expected credit losses	(2,343)	(494)
Net amount at end of year	**10,501,818**	**15,057,530**
Movement in provision for expected credit losses:		
At 1 January	494	7,939
Decrease in the year	1,849	(7,445)
At 31 December	**2,343**	**494**

(ii) Corporate bonds

	Group	
	2020	2019
	Shs'000	Shs'000
Maturing Profile		
- Within 1 year	700	410,642
- In 1 – 5 years	-	270,744
- After 5 years	-	-
Total	**700**	**681,386**
At start of year	681,386	1,033,261
Amortization	10,085	(3,185)
Additions	-	-
Maturities	(690,771)	(348,690)
At end of year	**700**	**681,386**
Less: Provision for expected credit losses	(700)	(59,277)
Net amount at end of year	**-**	**622,109**
Movement in provision for expected credit losses:		
At 1 January	59,277	89,067
Decrease in the year	(58,577)	(29,790)
At 31 December	**700**	**59,277**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Mortgage loans

	Group	
	2020	2019
	Shs'000	Shs'000
Gross loans start of year	1,216,958	1,258,222
Loans advanced during the year	151,263	117,205
Interest charged	114,752	121,773
Loan repayments at year end	(285,623)	(280,245)
Total loan amount at end of y ear	**1,197,350**	**1,216,955**
Less: Provision for expected credit losses	(41,347)	(45,262)
Net loan amount at end of year	**1,156,003**	**1,171,693**
Movement in provision for expected credit losses:		
At 1 January	45,262	48,828
Decrease	(3,915)	(3,566)
At 31 December	**41,347**	**45,262**
Lending commitments:		
Mortgage loans approved by investment committee but not disbursed as at 31 December	28,919	51,017
Mortgage loans maturity profile		
- Within 1 year	27,938	30,021
- In 1 – 5 years	225,935	193,759
- After 5 years	939,847	993,175
At end of year	**1,193,720**	**1,216,955**

Mortgages to staff are fully secured on the mortgage properties and are charged interest at 6% (2019: 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 (v).

32. Loans and receivables to policy holders

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	1,511,273	1,301,118
Loans advanced during the year	1,311,976	1,438,600
Surrenders	-	1,520
Loan repayments	(1,115,599)	(1,448,168)
Accrued interest at year end	167,664	218,203
At end of year	**1,875,314**	**1,511,273**

Loans and receivable to policyholders are current assets.

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

(i) Receivables arising out of reinsurance arrangements

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	882,616	1,127,398
Movement	325,923	(244,782)
At end of year	**1,208,540**	**882,616**
1 – 60 days	327,540	211,291
61– 90 days	75,395	73,854
91 - 180 days	130,007	11,258
Over 180 days	675,598	586,213
Impaired	-	-
Gross	**1,208,540**	**882,616**
Provision for expected credit losses	(436,200)	(379,894)
Net	**772,340**	**502,722**

	Group	
	2020	2019
	Shs'000	Shs'000
Movements in the provision for expected credit losses		
At 1 January	379,894	424,078
(Decrease)/increase	56,306	(44,184)
At 31 December	**436,200**	**379,894**

(ii) Payables arising out of reinsurance arrangements

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	1,319,214	1,252,887
Movement	290,740	66,327
At end of year	**1,609,954**	**1,319,214**

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	
	2020	2019
	Shs'000	Shs'000
Gross receivables	**2,584,634**	**2,252,581**
Provision for impairment	(659,901)	(563,093)
Net receivables	**1,924,733**	**1,689,488**
Movements in the provision for expected credit losses :		
At 1 January	563,093	557,902
Increase	96,808	5,191
At 31 December	**659,901**	**563,093**
Ageing profile		
1 – 60 days	1,128,940	1,337,653
61 – 90 days	547,176	204,026
91 - 180 days	908,518	710,902
Total	**2,584,634**	**2,252,581**

34. Reinsurers' share of insurance liabilities

Reinsurers' share of:		
- notified claims outstanding – long term	155,625	103,439
- notified claims outstanding – short term (Note 41)	2,146,749	1,535,274
- unearned premium (Note 45)	1,971,794	1,526,723
- claims incurred but not reported (Note 41)	666,684	576,822
At end of year	**4,940,852**	**3,742,258**

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.

35. Deferred acquisition costs

	2020	2019
	Shs'000	Shs'000
At start of year	525,997	482,053
Net movement in the year	181,753	43,944
At end of year	**707,750**	**525,997**

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 2020	2020 Movement	31 December 2019	2019 Movement	31 December 2018
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment:					
- on historical cost basis (buildings)	(72,514)	28,898	(101,412)	(14,871)	(86,541)
Provisions	2,207,212	1,752,525	454,687	211,018	243,669
Tax losses brought forward:	1,526,200	236,780	1,289,420	266,515	1,022,904
IFRS 9 provisions through equity		-	-	(193,760)	193,760
IFRS 16 impact	-	(18,548)	18,548	18,548	-
Less: Deferred tax asset not recognised:					
-Britam Properties Co. Limited	(256,297)	(223,135)	(33,162)	(33,162)	-
-Britam Asset Managers (Kenya) Limited	(33,478)	(33,478)	-	-	-
-Britam Insurance Co. Rwanda Limited	(67,606)	34,383	(101,989)	20,679	(122,669)
-Britam Holdings Limited	(2,766,983)	(2,032,248)	(734,735)	(82,185)	(652,550)
Life fund surplus	(2,337,628)	1,397,391	(3,735,019)	(938,611)	(2,796,408)
Net deferred income tax liability	**(1,801,094)**	**1,142,568**	**(2,943,662)**	**(745,829)**	**(2,197,835)**
Reconciliation:					
Income statement					
Credit (Note 25)	-	896,053	-	-	-
Charge (Note 25)	-	-	-	(507,996)	-
Other comprehensive income (Note 25)	-	246,515	-	(237,832)	-
Total	-	**1,142,568**	-	**(745,828)**	-
Statement of financial position					
Deferred income tax asset	536,534	(241,016)	777,550	(144,066)	633,484
Deferred income tax liability	(2,337,628)	1,383,584	(3,721,212)	(889,893)	(2,831,319)
Net deferred income tax liability	**(1,801,094)**	**1,142,568**	**(2,943,662)**	**(745,827)**	**(2,197,835)**

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.

	31-12-20 December	2020 Movement	31-12-19 December	2019 Movement	31.12.18
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment:					
- on historical cost basis	3,466	17,827	(14,361)	(6,275)	(8,086)
Provisions	1,721,288	1,716,956	4,332	6,859	(2,526)
Tax losses brought forward	1,042,228	309,572	732,656	71,768	660,887
IFRS 9 provisions through equity	-	(12,107)	12,107	9,832	2,275
Deferred tax asset not recognised	(2,766,982)	(2,032,248)	(734,734)	(82,184)	(652,550)
Net deferred income tax liability	**-**	**-**	**-**	**-**	**-**

37. Other receivables

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Staff and agents loans	153,197	100,459	-	-
Car loans and premium financing loans	207,360	216,493	-	-
Accrued income	23,977	21,748	-	-
Dues from managed funds	13,085	12,725	-	-
Refundable deposits	40,490	54,400	-	-
VAT on rental income	274,755	207,515	-	
Due from Motor pool	37,656	36,218	-	-
Prepayments	149,080	100,320	2,023	3,819
Other receivables	1,280,243	1,069,847	247,352	44,361
Total	**2,179,843**	**1,819,725**	**249,375**	**48,180**
Less: Provision for expected credit losses	(221,996)	(195,555)	(67,186)	-
Net amount at end of year	**1,957,847**	**1,624,170**	**182,189**	**48,180**
Movement in provision for expected credit losses:				
At 1 January	195,555	240,311	-	484
Increase/(decrease)	26,441	(44,756)	67,187	(484
At 31 December	**221,996**	**195,555**	**67,187**	**-**

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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits with financial institutions	6,166,469	6,810,651	1,202,183	1,416,466
Investment in liquid funds	-	34,688	-	34,688
Cash and bank balances	1,465,571	885,606	23,308	8,808
Cash and cash equivalents	**7,632,040**	**7,730,945**	**1,225,491**	**1,459,962**
Less: Provision for expected credit losses	(134,040)	(155,634)	(4,466)	(1,809)
Net amount at end of year	**7,498,000**	**7,575,311**	**1,221,025**	**1,458,153**
Movement in provision for expected credit losses:				
At 1 January	155,634	251,036	1,809	5,769
(Decrease)/increase	(21,594)	(95,402)	2,657	(3,960)
At 31 December	**134,040**	**155,634**	**4,466**	**1,809**

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 2020 was 9.50% (2019: 9.50%).

38. (ii) Restricted cash

Restricted cash	93,074	80,608	-	-

Cash and cash equivalents of Shs 93,074,000 (2019: Shs 80,608,000) 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.

39. Insurance contract liabilities

	Group	
	2020	2019
	Shs'000	Shs'000
Long term insurance contracts		
- claims reported and claims handling expenses	700,805	475,696
- actuarial value of long term liabilities (Note 42 (ii))	33,121,575	26,480,894
Total – long term	**33,822,380**	**26,956,590**
Short term insurance contracts		
- claims reported and claims handling expenses (Note 41)	5,359,538	3,796,365
- claims incurred but not reported (Note 41)	3,332,949	3,031,447
Total – short term (Notes 41)	**8,692,487**	**6,827,812**
Total gross insurance liabilities	**42,514,867**	**33,784,402**

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	2016	2017	2018	2019	2020	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Estimate of ultimate claims costs:						
– at end of accident year	3,127,067	3,209,124	5,263,996	5,144,215	6,222,322	22,966,724
– one year later	3,606,283	4,785,081	5,551,442	6,212,490	-	20,155,296
– two years later	4,087,402	4,832,681	6,167,114	-	-	15,087,197
– three years later	4,290,796	4,869,582	-	-	-	9,160,378
– four years later	4,324,386	-	-	-	-	4,324,386
Current estimate of cumulative claims	**4,324,386**	**4,869,582**	**6,167,114**	**6,212,490**	**6,222,322**	**27,795,894**
Add: Incurred but not Reported	138,809	350,781	369,338	585,238	1,888,783	3,332,949
Add: Liability in respect of prior years	993,584	-	-	-	-	993,584
Less: Cumulative payments to date	(4,072,222)	(4,401,219)	(5,490,275)	(5,320,438)	(4,145,786)	(23,429,940)
Liability included in the statement of financial position	**1,384,557**	**819,144**	**1,046,177**	**1,477,290**	**3,965,319**	**8,692,487**

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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41. Movements in insurance liabilities and reinsurance assets

			2020			2019
Short term insurance business	**Gross**	**Rein-surance**	**Net**	**Gross**	**Rein-surance**	**Net**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
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 beginning of year	**6,827,812**	**(2,112,096)**	**4,715,716**	**6,126,899**	**(1,830,267)**	**4,296,632**
Cash paid for claims settled in year	(6,728,131)	1,756,697	(4,971,434)	(6,344,787)	993,952	(5,350,835)
Increase in liabilities:						
- arising from current year claims	7,981,215	(2,223,847)	5,757,368	6,836,799	(1,049,317)	5,787,482
- arising from prior year claims	611,591	(234,187)	377,404	208,901	(226,464)	(17,563)
Total at end of year	**8,692,487**	**(2,813,433)**	**5,879,054**	**6,827,812**	**(2,112,096)**	**4,715,716**
Notified claims	5,359,538	(2,146,749)	3,212,789	3,796,365	(1,535,274)	2,261,091
Incurred but not reported	3,332,949	(666,684)	2,666,265	3,031,447	(576,822)	2,454,625
Total at the end of year	**8,692,487**	**(2,813,433)**	**5,879,054**	**6,827,812**	**(2,112,096)**	**4,715,716**

42. (i) Long term insurance contract liabilities – Group

The group valued its long term insurance business liabilities using the Gross Premium Valuation (GPV) methodology in compliance with the requirements of the Insurance Act as amended by the Finance Act 2016 and as required by the Insurance Regulatory Authority (IRA). The GPV methodology is widely used and is deemed a best practice as it results in more accurate, market consistent reserves.

The actuarial value of long term liabilities has increased by Shs 6,640,681,000 while that of outstanding claims and claims handling expenses has increased by Shs 225,109,000.

Movements in insurance liabilities and reinsurance assets are shown in Note 34. Insurance contract liabilities are classified as current liabilities.

Long term insurance contract liabilities

The company determines its liabilities under long term insurance contracts based on the prescribed valuation basis (GPV Regime) in the Insurance Act. This basis contains prudent margins for adverse experience in mortality, expenses, withdrawals and investment return.

The liabilities are calculated in-house by the Actuarial department and reviewed for adequacy by the Appointed Actuary (QED Actuaries & Consultants (Pty) Ltd).

Valuation assumptions

The valuation was carried out at 31 December 2020. The valuation currency is Kenyan Shillings. The key assumptions in the valuation of long-term liabilities are summarised below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. (i) Long term insurance contract liabilities – Group (continued)

(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 2019).

(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).

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 (in Shs'000) are summarized below:

	2020	2020	2019	2019
	Shs'000	% Change	Shs'000	% Change
Main basis	85,146,635	0.0%	71,998,988	0.0%
Expenses plus 10%	85,812,344	0.8%	73,141,772	1.6%
Mortality and other claim experience plus 20%	85,339,172	0.2%	72,144,434	0.2%
Interest rate less 2%	90,026,356	5.7%	75,810,861	5.3%
Withdrawals plus 20%	84,682,152	-0.5%	71,596,067	-0.6%

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 2020.

Adequacy of IBNR reserves/AvE: A review was performed on the claims that emerged during the year ended 31 December 2020, to determine the sufficiency of the claim reserves (i.e.OCR plus IBNR) set aside on 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. (i) Long term insurance contract liabilities – Group (Continued)

The table below compares the claims that were expected to emerge in financial year 2020, based on the December 2019 reserves, and the actual claims that emerged in financial year 2020.

Amounts in Shs'000	Total IBNR	Expected	Actual	(Shortfall)/ Surplus on Total IBNR	(Shortfall)/ Surplus on Expected IBNR
Credit Life Business	114,749	105,832	176,623	(61,874)	(70,791)
Group Life Business	135,114	110,607	82,980	52,134	27,627

Group Life business had a surplus on Expected IBNR which 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 Dec-19 were largely maintained to reflect the need for prudence in the current highly uncertain economic and business environment.

Credit Life had a shortfall as a result of four claims above Shs 7 million which occurred in Q3 and Q4 2019 but were reported in 2020. In total, these amount to Shs 42 million and their exclusion reduces the deficit significantly. In the face of the current uncertain economic and business environment, projection assumptions were strengthened; resulting in a more prudent reserving basis compared to Dec-19.

GPV valuation margins and capital charges

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	20% decrease	18% decrease

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

42. (i) Long term insurance contract liabilities – Group (Continued)

GPV valuation margins and capital charges (Continued)

Assumption	Valuation Margins on Best Estimate Liabilities	Capital Charges on Best Estimate Liabilities
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

42. (ii) Actuarial value of long term liabilities

	2020			2019		
	Ordinary Life	Group life	Total	Ordinary life	Group life	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year as stated	**23,668,201**	**2,812,693**	**26,480,894**	**18,776,594**	**2,552,381**	**21,328,975**
Policyholder bonuses and interest	(2,498,105)	(1,144,481)	(3,642,586)	(2,121,463)	(447,557)	(2,569,020)
Surrenders and annuity payments	(2,238,311)	-	(2,238,311)	(2,073,617)	-	(2,073,617)
Change in the period (net)	8,352,004	163,277	8,515,281	5,080,237	(437,084)	4,643,153
New business	2,489,815	1,516,481	4,006,296	4,006,450	1,144,953	5,151,403
Change in Actuarial Reserves	**6,105,404**	**535,277**	**6,640,681**	**4,891,607**	**260,312**	**5,151,919**
At end of year	**29,773,605**	**3,347,970**	**33,121,575**	**23,668,201**	**2,812,693**	**26,480,894**

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 the end of the reporting period. Interest was declared and credited to the customer accounts at a weighted average rate of 6% for the Deposit Administration fund and 9% for the Income Draw Down fund. In 2019, the declared interest rate was 10% for both the DA and the IDD fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

43. Payable under deposit administration contracts (Continued)

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	42,515,955	34,174,911
Pension fund deposits received	9,875,521	9,413,229
Surrender and annuities paid	(6,389,964)	(4,683,235)
Interest payable to policyholders (Note 12)	2,734,636	3,611,050
At end of year	**48,736,148**	**42,515,955**

Payable under deposit administration contracts are classified as non-current liabilities.

44. Liabilities under investment contracts

The benefits offered under these contracts are based on the return of a portfolio of 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.

	Group	
	2020	2019
	Shs'000	Shs'000
At start of the year	3,002,142	3,003,326
Investment contracts premium received in the year	1,065,338	686,681
Liabilities released for payments:	(807,004)	(966,290)
Fair value gain/(loss) on investments (Note 12)	24,534	278,425
At end of year	**3,285,010**	**3,002,142**

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:

	2020			2019		
	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	3,832,851	1,526,723	5,357,764	3,556,002	1,140,246	4,696,248
Increase/(decrease) in the year (net)	1,057,717	445,071	1,502,790	276,849	386,477	661,516
At end of year	**4,890,568**	**1,971,794**	**6,862,364**	**3,832,851**	**1,526,723**	**5,357,764**

Unearned premiums are classified as current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

46. Provisions and other payables

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Accrued expenses	1,041,387	914,040	156,532	52,495
Premiums paid in advance	213,506	254,041	-	-
Accrued dividends payable	24,078	26,774	23,528	26,224
Trade payables	385,411	103,700	-	-
Government taxes & statutory deductions	562,356	399,030	41,912	23,037
Other liabilities	1,544,824	1,188,590	-	12,603
Provision for investment losses	5,206,685	-	5,206,685	-
Total provisions and other payables	**8,978,247**	**2,886,175**	**5,428,657**	**114,359**

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

The Holding Company has made a provision of Shs 5.2 billion, which is the estimated present obligation of the financial support to resolve an asset-liability mismatch in the Wealth Management Fund LLP, occasioned from the Fund's operations. Wealth Management Fund LLP is a Fund managed by Britam Asset Managers which is a fully owned subsidiary of Britam Holdings PLC.

The Holdings Company is committed to support the Fund to fulfil its obligations as they fall due through management oversight of the Fund's operations and the agreed recovery plan.

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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
(Loss)/Profit before income tax	(9,697,610)	4,571,023	(8,466,508)	1,702,125
Adjustments for:				
Depreciation of leasehold improvements and equipment (Note 21)	209,720	312,339	35,019	23,869
Depreciation of right of use asset (Note 23(i)	255,469	220,007	60,921	46,389
Amortisation of intangible assets (Note 22)	433,847	409,169	26,678	26,107
Net (loss) /income from investment properties (Note 5)	1,470,336	747,036	(139,085)	74,548
Interest and dividend income (Note 6)	(9,397,384)	(7,713,830)	(1,008,413)	(1,250,942)
Net realised gains/(loss) on financial assets (Note 7)	71,156	(477,661)	3,648	(98,621)
Net fair value gains on financial assets at fair value through profit or loss (Note 8)	2,466,634	(4,300,055)	2,795,654	(1,447,070)
Translation differences	273,766	84,302	-	(808)
Share of profit of the associates	823,049	53,099	331,302	21,376
Finance costs (Note 14)	361,547	234,667	345,437	649,426
Gain on disposal of fixed assets	(1,474)	-	-	-
Provision for expected credit losses cash & cash equivalents (Note 38(i))	21,594	155,634	2,657	1,809
Changes in:	-	-	-	-
- Receivables arising out of direct insurance arrangements	(235,243	627,705	-	-
- Receivables from related party	-	-	318,036	397,842
- Re-insurers' share of insurance liabilities	(1,198,596)	(597,200)	-	-
- Receivables arising out of reinsurance arrangements	(269,618)	200,597	-	-
- Unearned premiums	1,504,600	661,516	-	-
- Retirement benefit asset	33,812	42,757	-	-
- Other payables	6,092,075	159,274	5,314,296	(197,281)
- Deferred acquisition costs	(181,753)	(43,944)	-	-
- Other receivables	(333,677)	320,440	(134,010)	(277)
- Payable to related party	-	-	(482,992)	214,422
- Insurance contract liabilities	8,730,465	5,562,940	-	-
- Liabilities under investment contracts	282,866	(1,185)	-	-
- Payable under deposit administration contracts	6,220,193	8,341,044	-	-
- Payables arising out of reinsurance arrangements	290,740	66,327	-	-
- Payables arising out of direct insurance arrangements	28,658	-	-	-
- Restricted cash	(12,466)	(35,007)	-	-
Cash generated from/ (used in) operations	**8,242,706**	**9,600,994**	**(997,360)**	**162,914**

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, including agents. The plan was funded under a single trust, and the principal asset held by the Trustees was a deposit administration policy issued by the 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.

48. Retirement benefit (Continued)

The amounts recognised in the statement of financial position are determined as follows: -

	2020	2019
	Shs'000	Shs'000
Present value of funded obligations	(578,501)	(560,512)
Fair value of plan assets	770,577	784,602
Asset ceiling adjustment (10% of Present Value of funded obligations)	(57,850)	(56,052)
Asset in the statement of financial position	**134,226**	**168,038**

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

	2020	2019
	Shs'000	Shs'000
At 1 January	560,512	479,800
Current service cost	611	7,755
Interest cost	66,333	57,846
Impact of change in financial assumptions	-	(851)
Experience adjustments	10,734	50,027
Benefits paid	(59,689)	(34,065)
At 31 December	**578,501**	**560,512**

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

	2020	2019
	Shs'000	Shs'000
At 1 January	784,602	738,576
Interest income	94,293	90,485
Re-measurements:		
Return on plan assets	(47,795)	(15,074)
Employer contributions	673	4,804
Employee contributions	492	3,486
Expenses paid	(1,998)	(3,610)
Benefits paid	(59,690)	(34,065)
At 31 December	**770,577**	**784,602**

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:

	2020	2019
	Shs'000	Shs'000
Current service cost	611	7,755
Interest income	(27,961)	(32,639)
Contributions received from members	(492)	(3,486)
Expenses paid	1,998	3,610
Total included in employee benefit expense (Note 13(ii))	**(25,844)**	**(24,760)**

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

	2020	2019
	Shs'000	Shs'000
Loss on pension benefit obligations	(10,735)	(49,176)
Loss on pension benefit assets	(47,944)	(15,074)
Asset ceiling adjustment (10% of present value of funded obligations)	(1,799)	(8,071)
Amounts recognised through other comprehensive income	**(60,478)**	**(72,321)**

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	12.50%	12.50%
Future salary increases	3.00%	3.00%
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)	(4.81%)	(5.06%)
Future salary increases-100 basis points (+or-1.00% per annum)	0.02%	0.04%
Future pension increases+50 basis points (+or-1.00% per annum)	2.90%	3.09%

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	
	2020	2019
Mortgage loans	8.41%	8.41%
Policy loans	14.5%	14.5%
Government securities	12.55%	12.48%
Deposits with financial institutions	6.53%	8.31%
Corporate bond	-	11.83%

Deposits with financial institutions have an average maturity of 3 months (2019: 3 months).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

50. Commitments

(i) Capital commitments

The Group's capital commitments were as follows:

	Group	
	2020	2019
	Shs'000	Shs'000
Investment properties	935,769	1,352,022
Investment in information technology software	276,960	311,049

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 these financial statements.

iii) Claims

In common with the insurance industry in general, the Group's insurance subsidiaries are subject to claims arising in the normal course of insurance business. As disclosed in Note 2 (d) (ii), the Group, through the help of its actuaries, estimates reserves for the possible impact of unreported claims and claims handling expenses. This reduces the risk of any significant outflows relating to these that would have had a significant on these financial statements.

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 Limited through common shareholdings or common Directorships.

The following arrangements exist and form the basis of various transactions within the Group.

(i) Transactions with subsidiaries

The Group has a controlling interest in various entities as disclosed under Note 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

(a) Transactions in the normal course of business

There are transactions in the normal course of business between the Company and its subsidiaries or among the subsidiaries. Outstanding balances as at the end of each month attract interest at a rate of 11% 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)

(a) Transactions in the normal course of business (Continued)

(i) Outstanding balances with subsidiaries

Due to related parties – Company

	2020	2019
	Shs'000	Shs'000
Britam Life Assurance Company (Kenya) Limited	62,217	551,803
Britam General Insurance Company (Kenya) Limited	6,594	-
Total	**68,811**	**551,803**
Due from related parties – Company		
Britam Asset Managers Limited	6,957	19,949
Britam Asset Managers Company (Uganda) Limited	5,768	5,741
Britam General Insurance Company (Kenya) Limited	-	46,931
Britam Insurance Company (Uganda) Limited	15,669	57,392
Britam Insurance Company Limited (South Sudan)	70,851	114,552
Britam Insurance Company (Rwanda) Limited	11,589	10,566
Britam Properties Limited	276,821	225,591
Britam Companhia De Seguros De Mozambique S.A.	92,312	69,114
Britam Insurance Company Limited (Malawi)	172,197	131,826
Britam Insurance (Tanzania) Limited	138,035	144,357
Total	**790,199**	**826,019**
Less: Provision for expected credit losses	(282,244)	(29)
Net amount at end of year	**507,955**	**825,990**
Movement in provision expected credit losses		
At 1 January	29	250
Increase	282,215	(221)
At 31 December	**282,244**	**29**

The carrying amounts of the related party receivables and payables approximate to their fair values. No provisions have been made in relation to related party receivables and the balances have been assessed and are recoverable

(ii) Dividends received

	2020	2019
	Shs'000	Shs'000
Dividends received from HF Group Plc	-	-
Dividends received from Equity Group Holdings Plc	-	590,399
Total	**-**	**590,399**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

51. Related party transactions and balances (Continued)

(a) Transactions in the normal course of business (Continued)

(ii) Dividends received (Continued)

	2020	2019
	Shs'000	Shs'000
Dividends received from HF Group Plc	-	-
Dividends received from Equity Group Holdings Plc	-	342,782
Dividends received from subsidiaries	-	667,000
Total	**-**	**1,009,782**

(iii) Transactions with related banks

(a) Investment information

The Group has invested in 255,514,742 (2019: 275,707,143) (Company 2020: 166,390,750 and 2019: 166,390,750) ordinary shares of Equity Group Holdings Plc (EGH) valued at Shs 9,339,064,000 (2019 Shs 14,750,332,000) (Company 2020: Shs 6,081,582,000 and 2019: Shs 6,081,582, 000) . Fair value loss relating to the disposal of the EGH shares totalled to Shs 134,533,000 (2019 gain:Shs 332,518,000). Fair value loss on revaluation of the EGH shares totalled to Shs 4,272,972,000 (2019 gain: Shs 5,141,938,000).

The Group also holds 48.22% (2019: 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 HF Bank (a wholly owned subsidiary of HF Group Plc) and Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc).

	2020	2019
	Shs'000	Shs'000
Gross earned premiums		
Equity Bank Limited	2,444,247	1,982,107
HF Bank	250,022	272,528
Net claims incurred		
Equity Bank Limited	1,004,574	837,787
HF Bank	64,890	101,284

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

51. Related party transactions and balances (Continued)

(c) Outstanding balances

The table below discloses the net balances due from Equity Bank and HF Bank resulting from the business transacted:

	2020	2019
	Shs'000	Shs'000
Equity Bank Limited	433,609	434,365
HF Bank	5,692	18,138
Total	**439,301**	**452,503**

(d) Banking relationships

The group carries out normal banking transactions with Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc) and HF Bank (a wholly owned subsidiary of HF Group Plc) which are related parties. The balances held at 31 December were as below:

	2020	2019
	Shs'000	Shs'000
Equity Bank Limited	292,517	791,794
HF Bank	283,281	1,934,946
Total	**575,798**	**2,726,740**

(iv) Mortgage loans to Directors of the Group

	2020	2019
	Shs'000	Shs'000
Loans to Directors		
At start of year	168,487	170,829
Loans advanced during the year	-	22,083
Interest charge for the year	13,478	17,482
Loan repayments	(67,737)	(41,907)
At end of year	**114,228**	**168,487**

Mortgage loans are given to both executive and non- executive Directors. The loans are fully secured and attract interest at 6% per annum (2019: 6% per annum) for executive Directors and at 14.5% per annum (2019: 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	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Directors' fees	94,447	65,440	26,517	15,778
Directors' other remuneration	3,780	3,780	3,780	3,780
Salaries and other benefits	95,905	151,373	95,905	151,373
Total	**194,132**	**220,593**	**126,202**	**170,931**

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	
	2020	2019
	Shs'000	Shs'000
Salaries and other short-term employment benefits	494,096	586,317
Retirement benefits costs		
- defined contribution scheme	11,841	11,197
- Social security benefits costs	-	4,391
- Other benefits	7,735	7,600
Total	**513,672**	**609,505**

(vii) Transactions with other related parties

The Group has also invested Shs 3,759,252,000 (2019: Shs 3,396,349,000) in the various British-American unit trust funds.

(viii) Loans from shareholders

There were no loans from shareholders outstanding at 31 December 2020 (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(a) Insurance risk - Group (Continued)

Year ended 31 December 2020

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	727,182,040	16,875,953	30,274,894	774,332,887
		Net	677,220,946	15,896,434	29,128,295	722,245,675
	Fire	Gross	79,229,370	277,231,709	1,517,220,589	1,873,681,668
		Net	48,784,446	216,649,215	243,428,745	508,862,406
	Personal accident	Gross	7,036,755	45,606,649	335,902,787	388,546,191
		Net	5,876,021	31,664,446	118,543,681	156,084,148
	Other	Gross	82,029,258	184,350,090	672,214,706	938,594,054
		Net	68,829,291	112,027,766	83,653,128	264,510,185
Long term business	Ordinary life	Gross	221,907,241	3,259,031	-	225,166,272
		Net	207,223,023	916,000	-	208,139,023
	Group life	Gross	270,066,262	32,389,254	198,468,255	500,923,771
		Net	267,984,918	8,697,926	134,531,769	411,214,613
Total		**Gross**	**1,387,450,926**	**559,712,686**	**2,754,081,231**	**4,701,244,843**
		Net	**1,275,918,645**	**385,851,787**	**609,285,618**	**2,271,056,050**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(a) Insurance risk - Group (Continued)

Year ended 31 December 2019

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)

(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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(b) Credit risk - Group and Company (Continued)

Maximum exposure to credit risk before collateral held

Group

Assets	Note	External credit rating	Internal Credit rating	12-month or lifetime ECL	2020	2019
					Shs'000	Shs'000
Government securities at fair value through profit or loss	29	B+	-	12 months	64,901,370	42,758,237
Government securities held at amortised cost	30	B+	-	12 months	10,501,818	15,057,530
Receivables arising out of reinsurance arrangements	33(i)	AA-	-	Life time	772,340	502,722
Corporate bonds at amortised cost	30	-	Group 2	12 months	-	622,109
Unit trusts	29(iii)	-	Group 2	12 months	3,759,252	3,396,349
Mortgage loans and receivables	31	-	Group 2	12 months	1,156,003	1,171,693
Loans and receivables to policy holders	32	-	Group 2	Nil	1,875,314	1,511,273
Receivables out of direct insurance arrangements	33(iii)	-	Group 2	Life time	1,924,733	1,689,488
Reinsurers' share of insurance contract liabilities	34	-	Group 2	Life time	4,940,852	3,742,258
Other receivables (excluding prepayments)	37		Group 2	Mix of both life time & 12	1,808,767	1,523,850
Deposits with financial institutions	38(i)	-	Group 2	12 months	6,166,469	6,810,651
Cash and bank balances (excluding cash in hand)	38(i)	-	Group 2	12 months	1,465,571	885,606
Total					**99,272,489**	**79,671,766**

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2020 and 2019, 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, 74% of the total maximum exposure is derived from government securities (2019: 72%). 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 2,748,075,457 (2019: Shs 2,750,837,815) while the surrender values of the policies with loans amounted to Shs 7,946,091,645 (2019: Shs 6,840,404,000). 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(b) Credit risk- Group and Company (Continued)

Maximum exposure to credit risk before collateral held

Company

Assets	Notes	External credit rating	Internal Credit rating	12-month or lifetime ECL	2020	2019
					Shs'000	Shs'000
Government securities at fair value through profit or loss	29	B+	-	12 months	1,000,804	293,704
Investments in property funds	27(ii)	-	Group 2	12 months	2,228,791	616,330
Receivables from related parties	51(i)	-	Group 2	12 months	507,955	825,990
Other receivables (excluding prepayments)	37	-	Group 2	Mix of both life time & 12	180,166	44,361
Deposits with financial institutions	38(i)	-	Group 2	12 months	1,202,183	1,416,466
Cash and bank balances (excluding cash in hand)	38(i)	-	Group 2	12 months	23,308	8,808
Total					**5,143,207**	**3,205,659**

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2020 and 2019, 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, 23% of the total maximum exposure is derived from deposits with financial institutions (2019: 44%). In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

Significant increase in credit risk

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

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

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

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

52. Risk management objectives and policies (Continued)

(b) Credit risk - Group and Company (Continued)

Asset class	Drivers of change in credit quality	Qualitative indicators assessed
Receivables arising from direct and reinsurance arrangements	30 days past due	Company closure, significant decline in the industry which the client operates, listing on credit reference bureau, inability to service debt, loss of income, among others.
Cash at bank and deposits with financial institutions	Downgrade to tie four	Bank closure, bank run, default on debt, credit rating downgrade, material adverse mention or investigation, change in bank tier, negative change in debt ratios, debt covenant breach, regulator actions among others.
Government Securities	Downgrade from investment grade to non-investment grade as per the external ratings	Credit rating downgrade, adverse political instability, military coup / attempt / civil turmoil, hyper inflationary trajectory, external war, 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 has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Company performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (continued)

(b) Credit risk- Group and Company (Continued)

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

Group

Asset Type ('000)	+10% Change on PD&LGD	-10% Change on PD&LGD
Cash and bank balances	2	(2)
Deposits with financial institutions	1,501	(1,402)
Government Securities at amortized cost	303	(274)
Corporate bonds at amortised cost	2,709	(2,653)
Loans and receivables from related parties	1,190	(1,127)
Mortgage loans receivables	5,181	(5,181)
Total	**10,886**	**(10,639)**

Company

Asset Type ('000)	+10% Change on PD&LGD	-10% Change on PD&LGD
Cash and bank balances	1	(1)
Deposits with financial institutions	445	(446)
Loans and receivables from related parties	546	(545)
Total	**992**	**(992)**

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.

52. Risk management objectives and policies (Continued)

(b) Credit risk - Group and Company (Continued)

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, The Company's modeling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the exposure that are permitted by the current contractual terms. The Company uses EAD models that reflect the characteristics of the portfolios.

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

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

Groupings based on shared risks characteristics

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

- Asset type;
- Intermediary;

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

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	Company
	Lifetime ECL	Lifetime ECL
	Shs'000	Shs'000
At 31 December 2019	**1,138,542**	**29**
Increase/(decrease) in loss allowance arising from new financial assets recognised/(derecognised) in the year	**179,555**	**349,402**
At 31 December 2020	**1,318,097**	**349,431**

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	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Shs'000	Shs'001	Shs'000	Shs'000	Shs'000	Shs'001	Shs'000	Shs'000
At 31 December 2019	**47,699**	**62,583**	**150,399**	**260,681**	**1,809**	**-**	**-**	**1,809**
Net staging transfers	-	-	-	-	-	-	-	-
Changes in PDs/LGDs/EADs	(40,029)	(61,141)	22,352	(78,818)	2,657	-	-	2,657
Net charge to profit or loss in the year	(40,029)	(61,141)	22,352	(78,818)	2,657	-	-	2,657
At 31 December 2020	**7,670**	**1,442**	**172,751**	**181,863**	**4,466**	**-**	**-**	**4,466**

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
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/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**	**8700**	**146,934**	**494**	**59,277**	**45,262**	**195,555**	**1,399,209**
Changes in PDs/LGDs/ EADs	99,460	56,306	(1,440)	(20,154)	1,849	(58,577)	496	110,060	187,008
New financial assets originated or purchased	-	-	-	-	-	-	-	-	-
Net charge to profit or loss in the year	99,460	56,306	(1,440)	(20,154)	1,849	(58,577)	496	110,060	187,008
Other movements with no P&L impact:									
Write-offs	(2,652)	-	-	-	-	-	(3,419)	(83,619)	(89,690)
Balance as at 31 December 2020	**659,901**	**436,200**	**7,260**	**126,780**	**2,343**	**700**	**41,347**	**221,996**	**1,496,527**

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
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/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**
Net staging transfers					
Changes in PDs/LGDs/EADs	5	2,651	282,215	67,187	352,058
New financial assets originated or purchased					
Net charge to profit or loss in the year					
Other movements with no P&L impact:					
Financial assets derecognised	-	-	-	-	-
Write-offs	-	-	-	-	-
Balance as at 31 December 2020	**8**	**4,457**	**282,244**	**67,187**	**353,896**

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 2020	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	42,514,867	3,466,831	2,962,030	15,453,879	70,898,024	92,780,764
Amounts payable under deposit administration contracts	48,736,148	2,199,983	4,399,966	46,446,749	128,626,821	181,673,519
Liabilities under investment Contracts	3,285,010	(209,842)	(440,149)	4,253,842	1,511,375	5,115,226
Creditors arising out of reinsurance arrangements	1,609,954	1,609,954	-	-	-	1,609,954
Borrowings:						
- Bank loan	3,175,000	-	3,175,000	-	-	3,175,000
- Other borrowings	996,064	-	996,024	-	-	996,064
Interest payable	683,859	683,859	-	-	-	683,859
Lease liability	690,003	-	-	690,003	-	690,003
Provisions and other payables	8,978,247	3,661,010	-	5,317,237	-	8,978,247
Total financial liabilities	**110,669,152**	**11,411,795**	**10,096,847**	**73,157,774**	**201,036,220**	**295,702,636**

31 December 2019	Carrying values	0-3 Months	4-12 Months	1-5 Years	Over 5 Years	Total
Liabilities	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
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
Lease liability	844,046	-	-	844,046	-	844,046
Provisions and other payables	2,886,175	2,886,175	-	-	-	2,886,175
Total financial liabilities	**86,704,650**	**6,470,002**	**4,044,760**	**58,083,518**	**171,914,860**	**240,513,140**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (continued)

(c) Liquidity risk (Continued)

Company

At 31 December 2020	Carrying Values Shs '000	0 – 3 Months Shs '000	4 -12 Months Shs '000	1-5 Years Shs '000	Totals Shs '000
Liabilities					
Bank loan	3,175,000	-	3,175,000	-	3,175,000
Other borrowings	510,554	-	510,554	-	510,554
Interest payable	90,369	90,369	-	-	90,369
Lease liability	208,434	-	-	208,434	208,434
Provisions and other payables	5,428,657	111,420	-	5,317,237	5,428,657
Total financial liabilities	**9,413,014**	**201,789**	**3,685,554**	**5,525,671**	**9,413,014**

At 31 December 2019	Carrying values Shs '000	0 – 3 Months Shs '000	4-12 Months Shs '000	1-5 Years Shs '000	Totals 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
Lease liability	208,294	-	-	208,294	208,294
Provisions and other payables	114,359	114,359	-	-	114,359
Total financial liabilities	**1,184,581**	**115,633**	**860,654**	**208,294**	**1,184,581**

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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	Carrying values	Carrying values	Carrying values	Carrying values
Liabilities	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Insurance contract liabilities	42,514,867	33,784,402	-	-
Amounts payable under deposit administration contracts	48,736,148	42,515,955	-	-
Liabilities under investment Contracts	3,285,010	3,002,142	-	-
Creditors arising out of reinsurance arrangements	1,609,954	1,319,214	-	-
Borrowings:				
- Bank loan	3,175,000	375,000	3,175,000	375,000
- Other borrowings	996,064	1,382,952	510,554	485,654
Interest payable	683,859	594,764	90,369	1,274
Lease liability	690,003	844,046	208,434	208,294
Provisions and other payables	8,978,247	2,886,175	5,428,657	114,359
Total financial liabilities	**110,669,152**	**86,704,650**	**9,413,014**	**1,184,581**
Assets held for managing liquidity risk				
Cash and cash equivalents	7,498,000	7,575,311	1,221,025	1,458,153
Financial assets at fair value	76,777,040	57,751,830	3,882,098	4,478,722
Financials assets at Amortised costs	10,501,818	15,679,639	-	-
Financial assets through other comprehensive income	4,940,422	7,231,563	3,251,752	4,759,746
Loans and receivables	7,686,237	6,499,346	687,810	874,170
Total assets	**107,403,517**	**94,737,689**	**9,042,685**	**11,570,791**
Liquidity gap	**(3,265,635)**	**8,033,039**	**(370,329)**	**10,386,210**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52. Risk management objectives and policies (Continued)

(d) Market risk

(i) Price risk

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

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

At 31 December 2020, if the Nairobi Securities Exchange (NSE) prices had changed by 15% (2019: 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 1,215,579,000 (2019: Shs 1,216,445,000) higher/lower, and the equity would have been Shs 1,215,579,000 (2019: Shs 1,216,445,000) higher/lower. The Company's post tax profit for the year would have been Shs. 424,475,000 (2019: Shs 434,927,000) higher/ lower, and the Company's equity would have been Shs. 424,475,000 (2019: Shs 434,927,000) higher/lower.

Similarly, a change in the price by 15% (2019: 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 741,066,000 (2019: Shs 1,084,734,000), these equities would have been Shs 741,066,000 (2019: Shs 1,084,734,000) higher/lower. In the Company a change in the price by 15% (2019: 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 487,763,000 (2019: Shs 713,962,000), these equities would have been Shs 487,763,000 (2019: Shs 713,962,000) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2020, the group held shares in Equity Group Holdings Plc amounting to Shs 8,669,542,000 (2019: Shs 14,750,332,000) or 12% (2019: 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 2020, 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 3,643,525,000 (2019: Shs 1,523,953,000) 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 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(d) Market risk (Continued)

(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 2020, if the UGX had strengthened/weakened by 5% (2019: 5%) against the Kenya shillings with all other variables held constant, post-tax loss for the Group for the year would have been Shs 8,414,000 (2019: Shs 5,951,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated Net assets.

At 31 December 2020, if the RWF had strengthened/weakened by 5% (2019: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,795,000 (2019: Shs 774,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RWF denominated trade receivables and payables.

At 31 December 2020, if the TZS had strengthened/weakened by 5% (2019: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,556,000 (2019: Shs 1,598,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of TZS denominated trade receivables and payables.

At 31 December 2020, if the MWK had strengthened/weakened by 5% (2019: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 4,953,000 (2019: Shs 3,094,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MWK denominated trade receivables and payables.

At 31 December 2020, if the MZN had strengthened/weakened by 5% (2019: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,785,000 (2019: Shs 1,251,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MZN denominated trade receivables and payables.

At 31 December 2020, if the SSP had strengthened/weakened by 100% (2019: 100%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 7,153,000 (2019: Shs 13,847,000) 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 2020.

Company

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(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 (i) and the regulatory capital held in subsidiary companies. Management of each subsidiary monitors regulatory capital while the Business Planning Committee has the responsibility of allocating resources efficiently as well as ensuring these are aligned to the Groups risk appetite.

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

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	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Shs'000	Shs'000	Shs'000	Shs'000
Capital at 31 December	600,000	2,668,000	600,000	2,668,000
Solvency Margin	1,580,449	2,523,918	1,336,846	2,146,816

ii) Britam Insurance Company (Uganda) Limited	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	UGX '000	UGX'000	UGX'000	UGX '000
Short-term capital	4,000,000	14,360,000	4,000,000	14,360,000
Solvency Margin	5,668,162	9,453,834	4,938,234	10,026,386

iii) Britam Insurance Company Limited (South Sudan)	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	USD'000	USD'000	USD'000	USD'000
Capital at 31 December	4,500	4,500	4,500	4,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(e) Capital management (Continued)

iv) Britam Insurance Company (Rwanda) Limited	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Rwfs'000	Rwfs'000	Rwfs'000	Rwfs'000
Capital at 31 December	1,000,000	6,644,441	1,000,000	6,644,441
Solvency Margin	500,000	1,676,389	500,000	1,033,290

v) Britam - Companhia De Seguros De Mozambique S.A.	2020			2019
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Mzns'000	Mzns'000	Mzns'000	Mzns'000
Capital at 31 December	97,000	300,907	97,000	300,907
Solvency Margin	74,924	282,695	30,091	218,000

vi) Britam Insurance (Tanzania) Limited	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	TShs'000	TShs'000	TShs'000	TShs'000
Capital at 31 December	2,290,000	2.289,000	2,125,000	2,125.000
Solvency Margin	3,319,695	3,504,310	2,983,307	2,004,261

vii) Britam Insurance Company Limited (Malawi)	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Mwks'000	Mwks'000	Mwks'000	Mwks'000
Capital at 31 December	750,000	1,864,343	750,000	1,864,343
Solvency Margin	1,051,111	63,510	1,034,286	849,242

viii) Britam Life Assurance Company (Kenya) Limited	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	Maintained by the Company
	Shs'000	Shs '000	Shs '000	Shs '000
Capital at 31 December	400,000	400,000	300,000	400,000
Solvency Margin	6,083,387	8,419,254	6,056,581	9,111,744

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	2020		2019	
	Regulatory requirement	Maintained by the Company	Regulatory requirement	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	15,923	(13,389)	16,348	144,148

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.

The company is focused on turning profitable and optimise the balance sheet to meet the working capital requirements.

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 2020 and 2019:

Group 2020		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**Note**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss					
- Quoted ordinary shares	29	8,106,120	-	-	8,106,120
- Unquoted ordinary shares	29	-	-	10,298	10,298
- Government securities	29	-	64,901,370	-	64,901,370
- Unit trusts	29	-	3,759,252	-	3,759,252
Quoted ordinary shares at fair value through other comprehensive income	28	4,940,442	-	-	4,940,442
Property and equipment – building (Note 21)	21	-	256,766	-	256,766
Investment property	27(i)	-	7,993,607	8,449,883	16,443,490
Total assets		**13,046,562**	**76,910,955**	**8,460,181**	**98,417,738**
Liabilities					
Payable under deposit administration contracts	43	-	48,736,148	-	48,736,148
Liabilities under investment contracts	44	-	3,285,010	-	3,285,010
Total Liabilities		**-**	**52,021,158**	**-**	**52,021,158**

Group 2019		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss					
- Quoted ordinary shares	29	11,587,595	-	-	11,587,595
- Unquoted ordinary shares	29	-	-	9,649	9,649
- Government securities	29	-	42,758,237	-	42,758,237
- Unit trusts	29	-	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 (Note 23)	21	-	414,781	-	414,781
Investment property	27(i)	-	6,714,493	9,700,000	16,414,493
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**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(f) Fair value estimation (Continued)

Company 2020		Level 1	Level 2	Level 3	Total
Assets	**Notes**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss					
-Quoted ordinary shares	29 (i)	2,829,838	-	-	2,829,838
Investment in property funds	27 (ii)	-	115,496	2,113,295	2,228,791
Quoted ordinary shares at fair value through other comprehensive income	28	3,251,752	-	-	3,251,752
Total assets		**6,081,590**	**115,496**	**2,113,295**	**8,310,381**

Company 2019		Level 1	Level 2	Level 3	Total
Assets		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss					
-Quoted ordinary shares	29	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**

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

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices
- 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 10,298,000 as at 31 December 2020 (2019: 9,649,000). 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52. Risk management objectives and policies (Continued)

(f) Fair value estimation (Continued)

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

Level 3 unquoted stock

	Group	
	2020	2019
	Shs '000	Shs '000
At start of year	9,649	9,619
Additions	-	-
Translation gain/(loss)	649	30
At end of year	**10,298**	**9,649**

There were no transfers in and out of level 3.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. For the unquoted ordinary shares carried by the Group in December 2020 and 2019, 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			2020		2019	
	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	Level 2	10,501,818	10,122,535	15,057,530	15,497,946
Mortgage loans and receivables	31	Level 2	1,156,003	1,156,003	1,171,693	1,171,693
Loans and receivables to policy holders	32	Level 2	1,875,314	1,875,314	1,511,273	1,511,273
Other receivables	37	Level 2	1,957,847	1,957,847	1,624,170	1,624,170
Corporate bonds	30	Level 2	-	-	622,109	622,109
Investments in liquid funds	38(i)	Level 2	-	-	34,688	34,688
Total assets			**15,490,982**	**15,111,699**	**20,021,463**	**20,461,879**
Liabilities						
Borrowings						
-Bank loan	14	Level 2	3,175,000	3,175,000	375,000	375,000
-Other borrowings	14	Level 2	996,064	996,064	1,382,952	1,382,952
-Interest payable	14	Level 2	683,859	683,859	594,764	594,764
Other payables	46	Level 2	8,978,247	8,978,247	2,886,175	2,886,175
Total liabilities			**13,833,170**	**13,833,170**	**5,238,891**	**5,238,891**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53. Segmental information (Continued)

The segment information provided to the Executive Management Committee for the reportable segments for the year ended 31 December 2020 and 2019 is as follows:

(a) Profit per segment

2020	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	12,372,313	15,827,308	711,550	14,411	-	28,925,581
Insurance premium ceded to reinsurers	(334,628)	(4,719,360)	-	-	-	(5,053,988)
Net revenue	**12,037,685**	**11,107,948**	**711,550**	**14,411**	**-**	**23,871,593**
Net income from investment property	(1,955,424)	-	(7,653)	(1,042,388)	139,085	(2,866,380)
Interest and dividend income	7,557,439	1,557,000	46,360	3,536	1,008,412	10,172,747
Net realised gains on financial assets	(103,137)	35,628	-	-	(3,648)	(71,157)
Net unrealised fair value gains on financial assets at fair value through profit or loss	(1,017,051)	88,714	-	-	(2,795,654)	(3,723,991)
Commissions earned	113,350	1,105,054	-	-	-	1,218,404
Other operating income	13,609	(202,842)	6,218	(8,413)	(17,931)	(209,359)
Net income	**16,646,471**	**13,691,502**	**756,475**	**(1,032,854)**	**(1,669,736)**	**28,391,857**
Insurance claims and loss adjustment expenses	5,981,005	8,459,057	-	-	-	14,440,062
Insurance claims recovered from reinsurers	(100,109)	(2,331,262)	-	-	-	(2,431,371)
Change in actuarial value of policyholders benefits	6,640,681	-	-	-	-	6,640,681
Net insurance benefits and claims	**12,521,577**	**6,127,795**	**-**	**-**	**-**	**18,649,372**
Interest payments/ increase in unit value	2,759,170	-	-	-	-	2,759,170
Acquisition expenses	1,449,885	2,174,972	177,303	-	-	3,802,161
Finance costs	112,295	57,568	21,548	9,368	345,437	546,215
Expenses	2,730,593	4,124,766	630,763	217,233	6,120,034	13,823,388
Net expenses	**19,573,520**	**12,485,101**	**829,614**	**226,601**	**6,465,471**	**39,580,306**
Reportable segment (loss)/profit	(2,927,049)	1,206,401	(73,139)	(1,259,455)	(8,135,207)	(11,188,449)
Share of profit of associates	(509,700)	-	-	-	(331,302)	(841,002)
Segment (loss)/profit before tax	**(3,436,749)**	**1,206,401**	**(73,139)**	**(1,259,455)**	**(8,466,509)**	**(12,029,451)**
Tax expense/(credit)	1,051,025	(169,630)	(32,992)	(209,304)	(53,028)	586,071
Segment (loss)/profit after tax	**(2,385,724)**	**1,036,771**	**(106,131)**	**(1,468,759)**	**(8,519,537)**	**(11,443,380)**

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 per segment (Continued)

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
Commissions 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 profit of associates	(31,723)	-	-	-	(21,376)	(53,099)
Segment (loss)/profit before tax	**3,622,267**	**(268,670)**	**(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 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

	2020	2019
	Shs'000	Shs'000
Total profit as per segmental reporting	**(11,443,380)**	**2,712,226**
Income from intra-segmental adjustments		
Intercompany loan interest income	(150,426)	(180,031)
Rental income from related parties	(84,216)	(61,235)
Management fees from related parties	(104,421)	(97,812)
Dividend from subsidiaries	(711,000)	(667,000)
Share of Tower net assets in Hold Co. and Life	1,128,049	705,494
Property and equipment revaluation adjustment (on part of building occupied by related parties)	337,799	236,169
Impairment of subsidiary	1,257,357	-
Interest income on S Sudan loan to Britam Property Uganda	(14,537)	-
Foreign currency difference on S Sudan loan interest to BPL Uganda	5,194	-
Britam Life share of HF loss adjusted at group in 2019	17,953	-
Other income/mark up	(4,934)	(8,688)
Total adjustments on income	**1,676,818**	**(73,103)**
Expenses from intra-segmental adjustments		
Intercompany loan interest expense	150,426	180,031
Margin up charge	4,934	8,688
Subsidiary Loan guarantee	24,900	485,654
Management fees expense from related parties	104,421	97,812
Provision Britam Property Kenya intercompany balance	276,783	-
Interest expense on S Sudan loan to Britam Property Uganda	9,343	-
IFRS 16 Interest and depreciation adjustment	-	70,082
Rental income to related parties	84,216	61,235
Total adjustments on expenses	**655,023**	**903,502**
Profit as per the consolidated income statement	**(9,111,539)**	**3,542,625**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 Segmental information (Continued)

(c) Other segment reporting disclosures

2020	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	289,573	220,784	69,786	286	61,698	642,125
Investments in associates	885,166	-	-	-	596,437	1,481,603
Additions to non-current assets	106,368	55,303	8,560	2,779	27,334	200,344
Total assets	**96,062,206**	**25,487,642**	**891,903**	**1,660,435**	**12,860,285**	**136,962,471**
Total liabilities	**89,907,739**	**19,493,626**	**247,954**	**2,265,455**	**7,980,865**	**119,895,639**
2019						
Depreciation and amortisation	378,658	174,811	71,522	99	49,977	675,067
Investments in associates	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**

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:

	2020	2019
	Shs'000	Shs'000
Kenya	20,959,290	22,473,063
Uganda	1,932,331	1,726,542
South Sudan	2,164,883	646,335
Rwanda	455,284	376,098
Tanzania	1,593,018	1,181,281
Malawi	1,150,191	965,525
Mozambique	670,585	406,769
Total	**28,925,582**	**27,775,613**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 Segmental information (Continued)

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

	2020	2019
	Shs'000	Shs'000
Kenya	130,243,722	115,863,424
Uganda	3,328,112	2,951,026
South Sudan	2,372,032	1,497,977
Rwanda	862,614	681,954
Tanzania	2,298,871	1,807,221
Malawi	2,002,870	1,452,785
Mozambique	1,308,743	989,178
Total	**142,416,964**	**125,243,565**

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:

	2020	2019
	Shs'000	Shs'000
Kenya	25,055,926	18,017,493
Uganda	667,815	509,668
South Sudan	284,271	62,486
Rwanda	56,776	45,647
Tanzania	101,759	68,673
Malawi	83,997	72,416
Mozambique	48,634	34,384
Total	**26,299,178**	**18,810,767**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

54. New and revised Accounting standards

(i) New and revised IFRS that are effective for the year ending 31 December 2020

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
Amendment to IFRS 3, 'Business combinations' Definition of a business	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.	No impact to the financials
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*	No impact to the financials
Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.	No impact to the financials

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 ending 31 December 2020

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 16, 'Leases' COVID-19-Related Rent Concessions Amendment	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.	No impact on the financial statements.
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.	The Group anticipates no impact to its financial statements.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).	The Group anticipates no impact to its financial statements.
Amendment to IFRS 3, 'Business combinations'	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.	The Group anticipates no impact to its financial statements.

54. New and revised Accounting standards (Continued)

(ii) New and revised IFRS that are not mandatorily effective (but allow early application) for the year ending 31 December 2020 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. .	The Group anticipates no impact to its financial statements..
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. .	The Group anticipates no impact to its financial statements.
Annual improvements cycle 2018 -2020	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.	The Group anticipates no 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 ending 31 December 2020 (Continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 17, 'Insurance contracts'	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	Assessment of the impact on the Group financials statement is still ongoing. However, the Group anticipates significant impact to its financial statements.
IFRS 17, 'Insurance contracts' Amendments	In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.	The Group anticipates significant impact to its financial statements.

55. Events after the balance sheet date

i) Investment in HF Group

At the beginning of the current financial year 2021, The Group injected Shs 1 billion Tier 2 capital in its associate - HF Group. The investment was informed by the need to support the turnaround strategy and the business transformation initiatives that are in place. These are expected to see the business transform into a full-service bank. This cash will support the meeting of regulatory capital levels, boost the bank's liquidity and enhance its capacity to lend more backed by the enhanced reserves.

ii) Group reorganisation

As part of a business strategy review for the period 2021- 2025, the Board announced a new organisational structure in March 2021. The aim is to transform Britam Group into a more customer-centric organisation, away from traditional product-focused teams in favor of lean, agile customer-focused teams supported by platform capabilities. The new model will result in a leaner executive team with fewer reporting layers that will support the Group's growth in an increasingly competitive business environment. Other benefits expected from this process are a significant improvement in our service standards, reduction in corporate and shared service costs, and unnecessary overlaps in our operations.

Britam
With you every step of the way

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OTHER CORPORATE INFORMATION

NOTICE OF THE 25th ANNUAL GENERAL MEETING

To the Shareholders of Britam Holdings Plc

NOTICE IS HEREBY GIVEN THAT, in accordance with the Articles of Association of the Company, the 25th ANNUAL GENERAL MEETING of the Company will be held via electronic communication on FRIDAY 28th MAY 2021 at 10.00 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 31st December 2020, together with the Chairman's, Directors' and Auditors' reports thereon.

4. To note that the directors do not recommend the payment of a dividend for the financial year ended 31st December 2020.

5. Rotation and Election of Directors:

    i) Ms. Josephine Ossiya retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director of the Company.

    ii) Ms. Caroline J. Kigen retires by rotation in accordance with Articles 91 and 92 of the Articles of Association of the Company and being eligible, offers herself for re-election as a director of the Company.

    iii) Dr. Benson I. Wairegi 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) Mr. Tavaziva C Madzinga, who was appointed to fill a casual vacancy retires in accordance with Article 114 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

    v) Mr. Michael Turner, who was appointed to fill a casual vacancy retires in accordance with Article 114 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director of the Company.

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 and Ms. Josephine Ossiya

7. To receive, consider and, if deemed fit approve the Directors' Remuneration Report for the year ended 31st December 2020 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.

9. To consider any other business for which due notice has been received.

By Order of the Board

Nancy K. Kiruki
Company Secretary
P. O. Box 30375 – 00100
NAIROBI
3rd May 2021

NOTES:

1. Britam Holdings Plc has convened and is conducting this virtual annual general meeting in accordance with its Articles of Association.

2. Any shareholder wishing to participate in the Annual General meeting (AGM) should register by dialling *483*824# 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 4:00 p.m. from Monday to Friday.

3. Registration for the AGM opens on Wednesday 5th May 2021 at 9:00 am and will close on Wednesday 26th May 2021 at 10:00 am. Shareholders will not be able to register after Wednesday 26th May 2021 at 10.00 a.m.

4. 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, (ii) the proxy form; (iii) the Company's audited financial statements for the year 2020.

5. 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.

6. Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

7. All questions and clarification must reach the Company on or before Wednesday 26th May 2021 at 10:00 am.

8. 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 on or before Thursday, 27th May 2021, at 10.00 a.m. A full list of all questions received, and the answers thereto will be published on the Company's website on or before Thursday, 27th May 2021 at 10.00 a.m.

9. 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.

NOTICE OF THE 25TH ANNUAL GENERAL MEETING (CONTINUED)

NOTES: (CONTINUED)

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.

10. 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 Wednesday 26th May 2021 at 10.00 am.

11. 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. The link will be sent to registered shareholders via SMS and Email 8 hours before the meeting.

12. 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 or via the VOTE button on the livestream link.

13. A poll shall be conducted for all the resolutions put forward in the notice.

14. Shareholders will receive an SMS prompt with instructions, on their registered mobile phone numbers alerting them to Propose or to Second the resolutions put forward in the notice.

15. Results of the voting on resolutions at the AGM shall be published within 48 hours following conclusion of the AGM, on the Company's website www.britam.com

We appreciate the understanding of our shareholders as we navigate the changing business conditions posed by Covid-19. We care about the health and safety of our shareholders and urge them to continue adhering to Government protocols on Covid-19.

HABARI NYINGINE ZA SHIRIKA

TANGAZO LA MKUTANO MKUU WA MWAKA WA 25

Kwa Wenyehisa wa BRITAM HOLDINGS PLC

MNAARIFIWA KWAMBA kufungamana na Kanuni za Kampuni, MKUTANO MKUU WA 25 WA KILA MWAKA wa Kampuni utafanyika kwa njia ya mawasiliano ya simu na mitandao ya kidijitali mnamo IJUMAA Mei 28, 2021, kuanzia saa nne za asubuhi ili kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi wa wenyehisa wanaoruhusiwa kisheria kuhudhuria na kupiga kura katika mkutano lakini wakakosa nafasi ya kufika, na kuthibitisha kuna idadi ya watu inayohitajika ili mkutano ufanyike.

2. Kusoma ilani ya kuitisha mkutano mkuu wa mwaka.

3. Kupokea, kutathmini, na ikikubaliwa, kuidhinisha taarifa za jumla za hesabu zilizokaguliwa za mwaka uliomalizika Desemba 31, 2020, pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi wa Hesabu.

4. Kuarifu kwamba wakurugenzi hawatapendekeza malipo ya mgawo wa faida ya mwaka uliomalizika Desemba 31, 2020.

5. Kuchagua wakurugenzi wanaostaafu kwa zamu:

    i) Bi Josephine Ossiya anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni. Kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.

    ii) Bi Caroline J. Kigen anastaafu kwa zamu kwa mujibu wa Vifungu 91 na 92 vya Kanuni za Kampuni. Kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.

    iii) Dkt Benson I. Wairegi 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) Bw Tavaziva C. Madzinga aliyeteuliwa kujaza nafasi iliyotokea katika Bodi kabla mwaka haujamalizika na bila kuidhinishwa na wenyehisa, anastaafu kwa mujibu wa Kifungu 114 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.

    v) Bw Michael Turner aliyeteuliwa kujaza nafasi iliyotokea katika Bodi kabla mwaka haujamalizika na bila kuidhinishwa na wenyehisa, anastaafu kwa mujibu wa Kifungu 114 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa Kampuni.

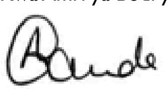
6. Kupitisha azimio la kawaida kwa mujibu wa Kifungu 769 cha Sheria ya Makampuni ya 2015, kwamba wakurugenzi wafuatao walio kwenye Kamati ya Bodi ya Ukaguzi wa Hesabu na Taratibu za Kampuni wachaguliwe kuendelea kutumikia kamati. Wao ni Bi Caroline J. Kigen na Bi Josephine Ossiya.

7. Kupokea, kutathmini na, iwapo wataamua inafaa, kuidhinisha ripoti ya malipo ya wakurugenzi ya mwaka uliomalizika Desemba 31, 2020, 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.

9. Kushughulikia suala jingine lolote na ambalo ilani ifaayo ilishatolewa awali.

Kwa Amri ya Bodi ya Wakurugenzi



Nancy K. Kiruki
Katibu wa Kampuni
S. L. P. 30375 GPO 00100
NAIROBI
Mei 3, 2021

TANGAZO LA MKUTANO MKUU WA MWAKA WA 25 (MWENDELEZO)

KUMBUKENI KWAMBA:

1. Britam Holdings Plc imeitisha na inafanya mkutano huu mkuu wa kila mwaka kwa mawasiliano ya simu na mitandao ya kidijitali kuambatana na Kanuni za Kampuni.

2. Mwenyehisa yeyote anayenuia kushiriki katika mkutano huo kwa mawasiliano ya simu na mitandao ya kidijitali, anapaswa kujiandikisha kwa kutumia simu kwa nambari *483*824# katika huduma yoyote ya simu, na kufuata maagizo yote kuhusiana na utaratibu wa usajili huo. Ili kukamilisha usajili, 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 kumi za alasiri kati ya Jumatatu na Ijumaa.

3. Usajili kwa wanaokusudia kushiriki katika mkutano mkuu wa kila mwaka utaanza saa tatu za asubuhi mnamo Jumatano, Mei 5, 2021, na kufungwa saa nne za asubuhi ya Jumatano, Mei 26, 2021. Wenyehisa hawataweza kujiandikisha kushiriki katika mkutano huo baada ya saa nne za asubuhi mnamo Jumatano Mei 26, 2021.

4. Kwa mujibu wa Kifungu 283(2)(c) cha Sheria za Makampuni, hati zifuatazo zinapatikana katika tovuti ya kampuni, www.britam.com:

    i) Nakala ya tangazo hili

    ii) Nakala ya ilani hii na fomu ya uteuzi wa wawakilishi katika mkutano;

    iii) Taarifa za hesabu za kampuni zilizokaguliwa za mwaka 2020;

5. 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*824# 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.

6. Wenyehisa wakiwasilisha maswali au hoja za kuomba ufafanuzi, wanapaswa kujitambulisha kikamilifu, yaani jina kamili na nambari ya kitambulisho, pasipoti au akaunti ya CDSC.

7. Ni lazima maswali yote na hoja za kuomba ufafanuzi yaifikie Kampuni mnamo au kabla ya saa nne za asubuhi ya Jumatano, Mei 26, 2021.

8. 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 mnamo au kabla ya saa nne za asubuhi ya Alhamisi, Mei 27, 2021. Orodha kamili ya maswali yaliyopokewa, na majibu yake itachapishwa kwenye mtandao saa nne za asubuhi mnamo Mei 27, 2021.

TANGAZO LA MKUTANO MKUU WA MWAKA WA 25 (MWENDELEZO)

KUMBUKENI KWAMBA: (MWENDELEZO)

9. Kufungamana na Kifungu 298(1) cha Sheria ya Makampuni, wenyehisa wanaostahili kuhudhuria na kupiga kura katika mkutano lakini hawana nafasi ya kufika, 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.

10. 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, Nairobi, mnamo ama kabla ya saa nne za asubuhi ya Jumatano, Mei 26, 2021.

11. Mkutano utaletwa kwa simu na mitandao ingine ya kidigitali moja kwa moja kupitia kwa anwani ambayo itatumiwa wenyehisa waliojiandikisha kushiriki masaa manane kabla ya mkutano kuanza. 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.

12. Wenyehisa waliojiandikisha pamoja na wawakilishi wao watapata ajenda na kushiriki mkutanoni kwa simu na mitandao ya kidijitali. Wenyehisa waliojiandikisha pamoja na wawakilishi wao wataweza kupiga kura (kufuatia maagizo ya mwenyekiti) kwa njia ya ujumbe mfupi au kwa kubonyeza VOTE kwenye kiungo maalumu kinachoonyesha kikao.

13. Maazimio yote yaliyopendekezwa katika ilani hii yatapigiwa kura mkutanoni.

14. Wenyehisa watapokea ujumbe mfupi kwa simu walizoandikisha kuwapatia maagizo kuhusu kupendekeza na kuunga mkono mapendekezo yaliyowasilishwa kwenye ilani.

15. Matokeo ya kura yatachapishwa kwenye tovuti ya kampuni www.britam.com katika muda wa masaa 48 baada ya mkutano kumalizika.

Tunatambua jinsi wenyehisa wetu wanaelewa vile mambo yalivyo, huku tukiendelea kukabiliana na mabadiliko ya hali ya biashara ambayo yamesababishwa na Covid-19. Tunajali kuhusu afya na usalama wa wenyehisa wetu na tunawahimiza kuendelea kuzingatia kanunu na maagizo ya Serikali kukabiliana na Covid-19.

Britam
With you every step of the way

BRITAM HOLDINGS PLC
ANNUAL GENERAL MEETING
PROXY FORM

I/We ____

of ID/Registration/Passport No.____________________________ 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 Friday 28th May 2021 at 10.00 a.m., or at any adjournment thereof.

As witness to my/our hands this ________________________________ day of __________________________ 2021

Signature(s) __________________________ ______________________________ ____________________

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of Proxy: ____

Proxys' Mobile Number: ____

Please tick 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 28th May 2021. ☐

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: ________________________________

BRITAM HOLDINGS PLC
ANNUAL GENERAL MEETING
PROXY FORM

NOTES:

1. 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 10.00 am Wednesday 26th May 2021 i.e. 48 hours before the meeting or any adjournment thereof.

2. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 26th May 2021 at 10.00 am.

3. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 27th May 2021 to allow time to address any issues.

4. This proxy form must be signed by the appointor or his attorney duly authorized in writing.

5. 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.

6. 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.

7. 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.

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 2717 626
E-mail: info@britam.com
Website (Group): www.britam.com

The Chief Executive Officers (CEOs) and /or Principal Officers for the entities below are the individuals that held office as at the time of approval of these consolidated financial statements.

LOCAL SUBSIDIARIES

4 of the local subsidiaries share physical and postal addresses with the Company as below;

BRITAM LIFE ASSURANCE COMPANY (KENYA) LIMITED

CEO/Principal Officer: Mr. Ambrose Dabani
E-mail: insurance@britam.com

BRITAM ASSET MANAGERS (KENYA) LIMITED

CEO/Principal Officer: Mr. Kenneth Kaniu
E-mail: assetmanagement@britam.com

BRITAM PROPERTIES (KENYA) LIMITED

E-mail: Property@britam.com

BRITAM GENERAL INSURANCE COMPANY (KENYA) LIMITED

CEO/Principal Officer: Mr. Jackson Theuri
Email: info@britam.com

REGIONAL SUBSIDIARIES

BRITAM INSURANCE COMPANY (UGANDA) LIMITED

CEO/ Principal Officer: Mr. Allan S. Mafabi
Plot 24A, Akii-Bua Road, Nakasero
P.O Box 36583, Kampala Uganda
Tel: (+256) 417 702 600
Email: britamug@britam.com

2 Uganda subsidiaries share physical and postal addresses with BRITAM INSURANCE COMPANY (UGANDA) LIMITED as below;

BRITAM ASSET MANAGERS (UGANDA) LIMITED

General Manager: Ronald Kasolo
Email: britamug@britam.com

BRITAM PROPERTIES (UGANDA) LIMITED

Email: britamug@britam.com

BRITAM INSURANCE COMPANY LIMITED (SOUTH SUDAN)

CEO/Principal Officer: Mr. John K. Githinji
The Britam Place, Hai Malakal Juba, South Sudan
Tel:(+211) 911 006 001/2
Email: britamss@britam.com

BRITAM INSURANCE COMPANY (RWANDA) LIMITED

CEO/Principal Officer: Andrew Kulayige
Kigali Investment Company, 5th Floor
P.O Box 913, Kigali, Rwanda
Tel: (+250) 252 579 031/2/3
Email: rwanda@britam.com

BRITAM INSURANCE (TANZANIA) LIMITED

CEO/ Principal Officer: Mr. 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
Absa Plaza, 5th Floor
Loita Street
P.O Box 9287-00100, Nairobi
Tel: (+254) 020 2230330
Email: info@image.co.ke

SECRETARY

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Britam Tower
Hospital Road
Upper Hill
P.O Box 30375-00100 Nairobi, Kenya

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)
Nanthuru & Associates (Malawi)
Costa Amanze (Mozambique)

AUDITOR

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PwC Tower
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F: +254 (20)285 5001

ACTUARIAL SERVICES

QED Actuaries and
Consultants (Pty) limited
Sandton, South Africa.
Triangle Actuarial Services
Wake Forest, North Carolina, USA

BANKERS

Equity Bank Kenya Limited
NCBA Bank Kenya Plc
Absa Bank Kenya Plc
Citibank
Kenya Commercial Bank Limited
National Bank of Kenya Limited
Standard Chartered Bank Limited
Co-Operative Bank of Kenya Limited
HFC Bank Limited

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