Britam

With you every step of the way

2017

Britam Holdings Plc
Annual Report & Financial Statements

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

Mission
Providing you with financial security EVERY STEP OF THE WAY.

Brand Position
With YOU every step of the way.

OUR VALUES RESPECT | INTEGRITY | INNOVATION | CUSTOMER FOCUS

Contents

BUSINESS HIGHLIGHTS

- Market **Leadership** in **Ordinary** Life
- Presence in **7 Countries** & **66 Branches** in the region
- Recognized as a **Super Brand**

900+ Employees across Africa

Dependable Team

One Stop Shop

3,000+ Financial advisors

Shs 29 Billion Market capitalisation	**Shs 99** Billion Total assets	**Shs 129** Billion Assets under Management

ABOUT US

Britam is a leading diversified financial services group listed on the Nairobi Securities Exchange. The Group has presence in seven countries in Africa namely: Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi. The Group offers a wide range of financial solutions in life assurance, general insurance, health insurance, retirement planning, asset management, property and banking. These solutions enable our customers to protect and grow their wealth and achieve their financial goals every step of the way.

British American first set up its first office on University Way, Nairobi, in 1965 as a subsidiary of British-American Holdings Ltd in the Bahamas. This first office was not large, by any means, and began operations with less than 10 employees. Nonetheless, it was the Africa regional head office and oversaw British-American's offices in Uganda, Mauritius and later Nigeria, Ethiopia, Malta, Cyprus, Lebanon and Spain. Initially, British-American offered home-based insurance policies with its agents collecting premiums from clients every week. The company later relocated its office to Extelcoms House on Haile Selassie Avenue, before moving its headquarters to the current Britam Centre.

Over the years, Britam has grown in size from a small insurance company to become a leading, diversified financial services group with interests in insurance, asset management, banking and property.

In achieving this phenomenal success, Britam has been guided by its Vision to be the leading diversified financial services company in our chosen markets across Africa, and its Mission to provide financial services to customers every step of the way. The company's leadership in the market is anchored on values of respect, integrity, customer focus and innovation.

Britam has also developed a clear brand strategy that has yielded strong brand positioning and image, driven by the "One Company, One Brand" mantra. This has assisted the company to communicate in one Voice as well as create a unified and cohesive culture across all business units and countries of operation. Over the years, subsidiaries within the group have been successful in providing investment protection products and services and are market leaders in their jurisdiction

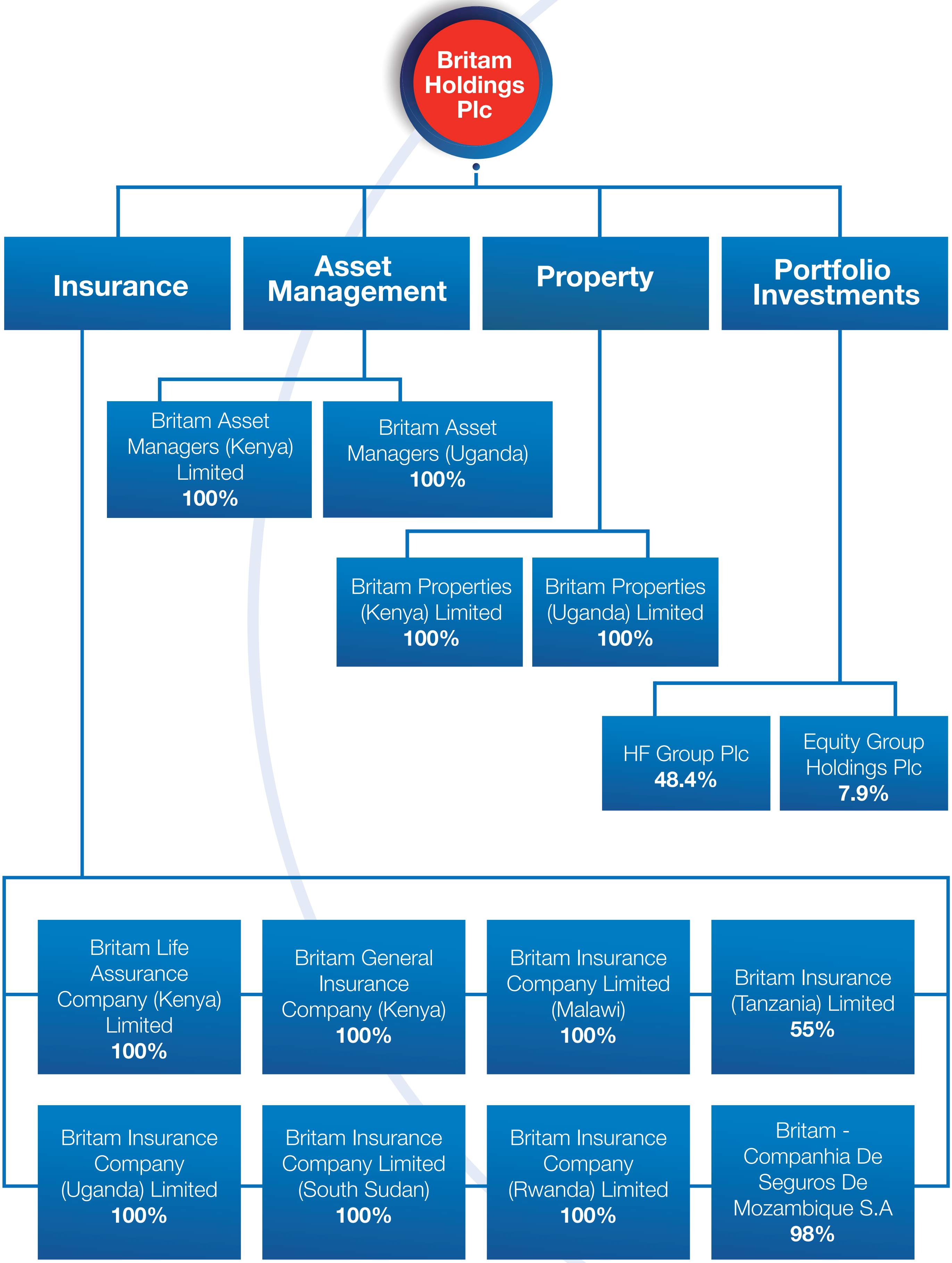
5 YEAR FINANCIAL HIGHLIGHTS

Summary statement of comprehensive income

	2017 Shs '000	2016 Shs '000	2015 Shs '000	2014 Shs '000	2013 Shs '000
Revenues					
Gross earned premiums and fund management fees	**24,058,941**	**21,221,078**	**20,324,212**	**14,741,828**	**9,460,677**
Gross earned premiums	23,298,311	20,291,844	19,605,675	14,045,772	8,847,166
Net earned premiums	20,298,120	17,393,585	16,373,722	11,792,162	7,751,199
Fund management fees	760,630	929,234	718,537	696,056	613,511
Investment income	4,446,714	5,223,975	4,550,017	3,477,271	2,992,190
Realised & unrealised gains/ (losses) on financial assets	1,324,833	(2,412,009)	(2,836,211)	4,102,165	3,355,542
Commissions earned & other income	1,006,377	1,225,429	1,324,922	624,681	417,616
Total income	**27,836,674**	**22,360,214**	**20,130,987**	**20,692,335**	**15,130,058**
Expenses					
Net insurance benefits and claims	12,498,761	5,001,165	10,614,215	8,023,291	4,902,058
Interest payments/ increase in unit value	2,462,961	1,742,978	495,774	2,035,986	2,204,587
Operating and other expenses	7,355,818	7,094,697	6,716,741	4,616,406	3,210,990
Finance costs	1,186,147	1,177,264	802,155	350,290	-
Commissions payable	3,520,150	3,547,258	3,291,904	2,712,987	1,873,285
Total expenses	**27,023,837**	**18,563,362**	**21,920,789**	**17,738,960**	**12,190,920**
Share of profit of the associate	53,006	442,281	594,864	259,007	181,685
Profit/ (loss) before tax	**865,843**	**4,239,133**	**(1,194,938)**	**3,212,382**	**3,120,823**
Total comprehensive income/ (loss) for the year	**1,908,150**	**784,673**	**(3,183,699)**	**6,013,313**	**3,650,561**
Earnings per share	0.26	1.26	(0.5)	1.31	1.21

Summary statement of financial position

Shareholders' funds	22,670,010	17,877,596	17,674,448	21,439,672	14,752,342
Total assets	99,024,857	83,642,609	77,632,352	72,450,354	46,902,578
Total liabilities	76,354,847	65,765,013	59,957,904	51,010,682	32,150,236


Britam Holdings Plc
Insurance
Asset Management
Property
Portfolio Investments
Britam Asset Managers (Kenya) Limited 100%
Britam Asset Managers (Uganda) 100%
Britam Properties (Kenya) Limited 100%
Britam Properties (Uganda) Limited 100%
HF Group Plc 48.4%
Equity Group Holdings Plc 7.9%
Britam Life Assurance Company (Kenya) Limited 100%
Britam General Insurance Company (Kenya) 100%
Britam Insurance Company Limited (Malawi) 100%
Britam Insurance (Tanzania) Limited 55%
Britam Insurance Company (Uganda) Limited 100%
Britam Insurance Company Limited (South Sudan) 100%
Britam Insurance Company (Rwanda) Limited 100%
Britam - Companhia De Seguros De Mozambique S.A 98%

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am excited and honoured to have been appointed as your new Chairman, and am already enjoying working with your Board and Management to achieve our "Go for Gold" 2016-2020 strategy.

I succeeded Amb. Dr. Francis Muthaura as Chairman during the year. Dr. Muthaura served the company with distinction. I would like to thank him, on behalf of shareholders and his fellow directors, for his expertise and dedication to Britam. I am grateful for his guidance which allowed me to transition seamlessly into my new role.

Your company has experienced significant growth in recent years to become a leading diversified financial services group in seven African countries, offering a wide range of products and services in life and non-life insurance, asset management, banking, and property.

I am pleased to present the Annual Report and Financial Statements for the year ended 31 December 2017 on behalf of your Board of Directors.

2017 was a year of many challenges, economic, political, and regulatory in many of the economies in which we operate. However, our "Go for Gold" strategy is serving us well and we can look forward optimistically to the continuing success of your company.

Economic Environment

Global

2017 was a year that saw modest recovery in the global economy, a change from 2015 and the first half of 2016, a period characterised by sluggish economic growth and financial market turbulence. Developed economies; the United States of America and Europe registered economic recovery with the International Monetary Fund (IMF) reporting a 2% and 3% GDP growth for Emerging and Frontier markets respectively.

Kenya remains a major area of economic interest, but as we continue to implement our strategy of regional diversification, other international economies will grow in importance to us.

"Our "Go for Gold" strategy is serving us well and we can look forward optimistically to the continuing success of your Company."

Mr. W. Andrew Hollas
Chairman

Kenya

In Kenya, GDP growth was at 4.9% stimulated by public sector spending on infrastructure development and a recovery in the tourism sector. However, growth was impacted by the prolonged electioneering period experienced during the year.

The Banking (Amendment) Bill 2015 set a ceiling and floor on lending and deposit rates. Lending rates are capped at 4% above the Central Bank's Benchmark Rate (CBR). The interest rate capping led to decelerating growth in private sector credit and consequent diminishment of private sector economic activity.

Our 2017 financial statements are affected by the implementation of the revised Insurance Act (revised in September 2015). The Act introduced new regulations for determining capital requirements, setting prescribed capital requirements and Risk Based Capital. The revised Act required a significant change in accounting methodology, requiring insurance long term liabilities to be valued using the Gross Premium Valuation (GPV) method from the previous Net Premium Valuation method (NPV). This change in accounting methodology resulted in a significant release of reserves to the 2016 income statement. Hence, at first sight, in comparing our 2017 results with 2016, there is a reduction in earnings and hence it was necessary, in compliance with Capital Market Authority requirements to issue a profit warning during the year.

However, shareholders should be comforted by the good underlying earnings performance of the core business in 2017 and not be misled by the comparative.

International Economies

Despite the general global and market strains, Gross Domestic Production (GDP) growth in international economies served by Britam performed well in comparison to Sub-Saharan Africa as a whole, at 4.5%, and global growth of 3.5%.

Uganda recorded a GDP growth of 4.8% during the year which was driven by infrastructure development and recovery in manufacturing, construction and services sectors.

Tanzania recorded a GDP growth of close to 7.0% in the year driven by government policies to improve financial management and increased foreign direct investment in extractive industries.

Rwanda's economic growth was attributed to Made-in Rwanda initiative, an effort to constrain the import bill, and an expansionary monetary policy which supported private sector growth. The GDP growth was 5.2% during the year.

Mozambique experienced a deteriorating economic outlook, growth slowed down during the year due to a rise in inflation, and the Metical depreciated by 85% against the United States Dollar. However the longer term prospects have now improved as a result of fiscal restructuring.

The Malawian economy improved as a result of fiscal management reforms and monetary tightening which controlled inflation and contained depreciation of the Kwacha. However, mainly due to adverse weather, economic growth of only 2.7% was realised.

South Sudan continued to maintain a fragile economic balance.

Strategy

Our "Go for Gold" strategy which is anchored on five pillars; Profitable Growth, Customer Service, Innovation, Operational Excellence, and Enabling Transformation, continues to steer our company towards growth into the future.

Key performance Indicators

The Group gross premium revenues were Shs 23.3 billion in 2017, a growth of 15% from Shs 20.3 billion in 2016. The profit before tax was Shs 866 million compared to Shs 4.2 billion in 2016. Total comprehensive income of Shs 1.9 billion compared to Shs 784.7 million in 2016. The decline in profits is attributable to a change in valuation method in 2016 for long term liabilities to GPV method from the previously applied NPV method as explained earlier. The change had an exceptional positive impact on the 2016 earnings by Shs 5.2 billion.

Dividend

The Board of Directors recommends a dividend for the year of Shs 756.9 million (2016: Shs 581.5 million) or 35 cents per share (2016: 30 cents per share).

Board and Governance

The Board adheres to corporate governance principles. During the year, we performed governance audit, board evaluation and board training.

We performed well on the Governance audit during the year, with the Auditor issuing an unqualified opinion which is a testament that the Group complies with the recommended corporate governance practices. The report is included in page 50 of the annual report.

Board evaluation is conducted annually giving the directors a platform to identify areas that require further consideration by the Board and these are addressed through training and board presentations. A Board evaluation exercise was conducted in November 2017.

The Board attended training on Board effectiveness. Senior management attended the training to enable them fully appreciate the role of the Board and its effectiveness.

During the year, four directors were appointed and three retired from the Board of Directors.

CHAIRMAN'S STATEMENT (Continued)

Board and Governance (Continued)

In April 2017, Ms. Caroline J. Kigen was appointed to the Board. Ms. Kigen has over twenty years of experience in accounting, financial management, strategic management, and corporate governance.

In April 2017, Mr. Mike Laiser was appointed to the Board. Mr. Laiser brings to the Board wealth of experience in small medium enterprises development, microfinance, industrial development and management, and technology transfer.

In April 2017, Mr. Mohamed S. Karama was appointed to the board. Mr. Karama brings to the Board experience in diversified consulting skills, comprehensive project management and extensive knowledge of the public sector, financial services and healthcare industries.

In September 2017, Ms. Marianne Loner was appointed to the Board. Ms. Loner has over thirty years' international experience in financial services and asset management.

In June 2017, Amb. Dr. Francis K. Muthaura retired from the board as Chairman with Mrs. Agnes N. Odhiambo and Mr. Samson K. Kamau retired from the Board as non-executive directors. I wish to thank Mrs. Odhiambo and Mr. Kamau for their considerable contribution to the Britam Board.

New Investors

During the year the company attracted investment interest from two notable international investors.

International Finance Corporation (IFC) investment

In September 2017, IFC completed the acquisition of two hundred and twenty four million one hundred and eighty seven thousand six hundred and ninety seven (224,187,697) ordinary shares in the Company, at a price per share of Shs 15.85 and thus holds approximately 10.37% of the issued ordinary shares of the Company.

AfricInvest III – SPV 1 investment

In September 2017, we entered into a conditional share subscription agreement through which AfricInvest III – SPV 1 will subscribe for three hundred and sixty million eight hundred and eighty three thousand two hundred and eighty one (360,883,281) ordinary shares in the Company (the Subscription), at a price per share of Shs 15.85. Upon completion of the Subscription, AfricInvest III will hold approximately 14.30% of the issued ordinary shares of the Company.

The proposed acquisition is awaiting the relevant regulatory approval and will only be completed once this has been received.

Both these investments are reflections of the optimism the international financial community has in the prospects for the Kenya economy and their decisions to invest in the regional financial sector through Britam makes your board proud.

Future Outlook

The current year forecast for the international and regional economies indicate a growth trajectory. Kenya, Uganda, Rwanda and South Sudan are projected to grow at nearly 6% while Tanzania forecast is 7.2%. Malawi and Mozambique are projected to grow at 5%.

As we execute our "Go for Gold" strategy, the outlook is very positive for your Company. We will move forward together and I am very excited about the future of our Company.

Acknowledgements

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

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

Lastly, I would also like to thank you, our shareholders, for your support and belief in Britam, our strategy and our exciting future.

Thank you very much.

Mr. W. Andrew Hollas
Chairman

22 March 2018

TAARIFA YA MWENYEKITI

Wenye hisa wapendwa,

Nina furaha kwa heshima ya kuteuliwa kuwa mwenyekiti wenu na inafurahisha kufanya kazi na Bodi ya Wakurugenzi na wasimamizi katika kutimiza malengo ya mpango mpya wa mikakati wa 2016-2020 wenye kauli mbiu 'Go for Gold'.

Nilichukua hatamu za uenyekiti kutoka kwa Balozi Dkt Francis Muthaura. Dkt Muthaura aliitumikia kampuni kwa kujitolea kwa hali ya kipekee na kuiongoza halmashauri kwa mbinu zake maalumu na ushawishi mkubwa. Ninamshukuru kwa niaba ya wenye hisa, kwa utaalamu wake na kujitolea kwa Britam. Ninamshukuru kwa uongozi wake ulioniwezesha kuuchukua wajibu huu mpya bila tatizo lolote.

Kampuni yenu imepiga hatua muhimu za ustawi mnamo miaka ya karibuni na kuwa shirika linaloongoza katika kutoa huduma anuwai za kifedha katika mataifa saba ya Afrika, kundi linalotoa huduma na bidhaa mbali mbali za bima za maisha na zisizo za maisha, usimamizi wa rasilmali, huduma za benki na usimamizi wa rasilmali.

Nina furaha kuwasilisha ripoti ya kila mwaka na taarifa za hesabu za mwaka uliomalizika Desemba 31, 2017 kwa niaba ya Bodi ya Wakurugenzi.

Mwaka wa 2017 ulikuwa na changamoto nyingi kiuchumi, kisiasa na kwa usimamizi wa taratibu za utendaji kazi katika nchi nyingi ambamo tunafanyia biashara. Hata hivyo, mikakati yetu inayozingatia kauli mbiu yetu ya 'Go for Gold' inatufaidi na tuna matumaini makubwa kwamba kampuni itazidi kufanikisha biashara zake.

Mazingira ya utendaji kazi

Ulimwengu

Mwaka wa 2017 ulishuhudia kurejelea hali nafuu ya kiuchumi, hali iliyokuwa tofauti kabisa na ya 2015 na nusu ya kwanza ya 2016, msimu ambapo mataifa mengi yalikumbwa na matatizo ya kiuchumi na misukosuko kwenye masoko ya hazina na kifedha. Kupitishwa kwa mswada wa mageuzi ya taratibu za kodi wa Amerika mwishoni mwa 2017, kulifuatiwa na kuimarika kwa thamani ya dola. Katika bara Ulaya, uchumi ulianza kufufuka na kwa mujibu wa Shirika la Fedha Ulimwenguni (IMF), maeneo mengine, hasa masoko ibuka na nchi majirani zetu, uchumi ulistawi kwa asilimia mbili na tatu mtawalia.

"Mpango wetu wenye kauli mbiu "Go for Gold" utatufahidi vyema na tuna azimio kwamba kampuni yetu iko kwenye mkondo unaoashiria mafanikio"

Bw. W. Andrew Hollas
Mwenyekiti

TAARIFA YA MWENYEKITI (Endelezo)

Kenya

Nchini Kenya, kiwango cha ustawi wa kiuchumi kilikadiriwa kuwa asilimia 4.9 kutokana na utumiaji wa kiasi kikubwa cha pesa kustawisha miundo msingi na kufufuka kwa shughuli za kitalii. Ustawi uliathiriwa na msimu mrefu wa kampeni za uchaguzi mnamo 2017.

Sheria ya shughuli za banki zilifanyiwa mabadiliko mnamo 2015 na kuweka viwango vya faida za mikopo na riba. Kiwango cha faida za mikopo kilitengwa kuwa asilimia nne juu ya kiwango kilichowekwa na Banki Kuu. Mabadiliko hayo yalisababisha kupunguka kwa mikopo iliyotolewa kwa sekta ya binafsi.

Sheria ya Bima iliyofanyiwa mabadiliko mnamo 2015 ilianza kutumika. Sheria hiyo imeweka kanuni mpya za kiwango cha chini cha pesa za kutendea kazi zinazohitajika, na pia mtaji wa kukinga kampuni kutokana na hasara au madhara.

Nchi za kanda

Ingawa hali ya jumla ulimwenguni na pia ya masoko ilikuwa ngumu, ustawi wa kiuchumi katika mataifa ya kanda ambapo Britam inaendesha biashara uliendelea kukua kwa zaidi ya asilimia tano kwa mwaka na kuzidi kiwango cha jumla cha mataifa yaliyo kusini ya Jangwa Sahara ambapo kiwango kilikuwa asilimia 3.5 na kiwango cha jumla cha masoko ya ulimwengu cha asilimia 3.5.

Uchumi wa Uganda ulistawi kwa asilimia 4.8 mnamo 2017, hali iliyochangiwa na ustawi wa muundo msingi na kufufuka kwa shughuli za viwanda, ujenzi na huduma.

Tanzania nayo ilistawi kwa kiwango cha karibu asilimia saba kutokana na sera za serikali kuimarisha usimamizi wa fedha, na kuongezeka kwa uwekezaji wa moja kwa mmoja wa wageni katika shughuli za uziduaji.

Ustawi wa kiuchumi katika Rwanda ulichangiwa na kampeni ya kuvumisha utumiaji wa bidhaa na huduma za Rwanda, juhudi inayolenga kupunguza kiasi cha pesa zinazotumiwa kuagizia nje bidhaa na huduma, huku serikali nayo ikizingatia sera ya kuhakikisha kuna pesa za kutosha za kuwezesha sekta ya binfasi kustawi. Uchumi uliimarika kwa asilimia 5.2.

Msumbiji ilikumbwa na tatizo la kuzorota kwa hali ya kiuchumi kutokana na mfumuko wa bei na kupunguka kwa thamani ya pesa zake, Metical, kwa asilimia 85 zikilinganishwa na dola.

Uchumi wa Malawi ulistawi kutokana na mageuzi ya sera ya hazina ya serikali iliyokabili kupanda kwa bei za bidhaa na kupunguka kwa thamani ya sarafu yake, Kwacha. Hata hivyo, uchumi ulistawi kwa asilimia 2.5, hasa kutokana na hali mbaya ya hewa.

Hali ya kiuchumi katika Sudan Kusini iliendelea kutatanisha.

Mpango wa mikakati

Mpango mpya wa mikakati wa 2016-2020 wenye kauli mbiu ‘Go for Gold’, na unaozingatia maadili yafuatayo: Heshima, Uadilifu, Kutilia mkazo huduma kwa wateja na Uvumbuzi, unaendelea kuielekeza kampuni kwenye mkondo wa ustawi thabiti hata siku za usoni.

Vidokezi muhimu vya utendakazi

Kampuni ilipata jumla ya Shs23.3 bilioni mnamo 2017 kutokana na uandikishaji wa bima, ongezeko la asilimia 15 kutoka Shs 20.3 bilioni mnamo 2016. Faida kabla ya kutozwa ushuru ilikuwa Shs 866 milioni ikilinganishwa na Shs 4.2 bilioni mnamo 2016. Kampuni ilikuwa na pato la jumla la Shs 1.9 bilioni ikilinganishwa na Shs 784.7 milioni mnamo 2016. Faida ilipunguka kutokana na mabadiliko ya mbinu ya kukadiria thamani ya madeni ya muda mrefu kuanzia 2016. Awali, ukadiriaji huo ulizingatia mapato halisi ya bima baada ya kuondoa matumizi lakini sasa unafaa kutumia thamani ya jumla ya bima. Hata hivyo, kanuni za Sheria ya Bima iliyofanyiwa mabadiliko na Sheria ya Fedha ya 2015 zilichangia kuinuka kwa mapato mnamo 2016 kwa Shs 5.2 bilioni.

Mgawo wa faida

Halmashauri ya Wakurugenzi inapendekeza Shs 756.9 milioni (2016 — Shs 581.5 milioni) ama senti 35 kwa kila hisa (2016: senti 30 kwa kila hisa) kulipwa wanahisa wa kampuni.

Bodi ya Wakurugenzi na udhibiti

Bodi huzingatia kanuni za usimamizi kamili wa mashirika. Mnamo 2017, tulifanya ukaguzi wa taratibu za usimamizi wa shirika, utathmini wa bodi na kutoa mafunzo kwa wakurugenzi.

Tulipata matokeo mema kwenye ukaguzi wa taratibu za usimamizi wa shirika mnamo 2017. Mkaguzi alitoa ripoti ya kuridhisha, ishara kuwa shirika linazingatia kanuni zifaazo za usimamizi. Ripoti hiyo inapatikana katika ukurasa 50 wa taarifa hii ya kila mwaka.

Utathmini wa wakurugenzi ni shughuli ya kila mwaka ambayo huwapa wakurugenzi nafasi muafaka ya kutambua masuala yanayohitaji kushughulikiwa kwa makini, hasa kupitia kwa mafunzo na uandalizi kamili wa ripoti za bodi. Utathmini wa wakurugenzi ulifanywa Novemba 2017.

Wakurugenzi walihudhuria mafunzo kuhusu utendakazi kamili wa bodi. Mameneja wakuu nao walihudhuria mafunzo ya kuwawezesha kutambua jukumu la bodi na utendakazi wake kamili.

Mnamo 2017, wakurugenzi wanne waliteuliwa kujiunga na Bodi ya Wakurugenzi na watatu wakastaafu.

Bi Caroline J. Kigen aliteuliwa kujiunga na bodi mnamo Aprili 2017. Bi Kigen anao ujuzi wa zaidi ya miaka 20 katika shughuli za uhasibu, usimamizi wa hazina, usimamizi wa mikakati na udhibiti wa mashirika.

Mnamo Aprili 2017, Bw Mike Laser aliteuliwa kujiunga na bodi. Bw Laser analeta kwenye bodi ujuzi mwingi katika ustawishaji wa biashara ndogo na za kadiri, utoaji mikopo kwa wenye biashara ndogo, ustawi na usimamizi wa viwanda, na ubadilishanaji maarifa ya kiteknolojia.

Bodi ya Wakurugenzi na udhibiti (Endelezo)

Bw. Mohamed S. Karama aliteuliwa kujiunga na bodi mnamo Aprili 2017. Bw Karama analeta kwenye bodi ujuzi wa muda mrefu katika masuala ya ushauri wa mambo tofauti, usimamizi wa miradi na ufahamu mkubwa wa sekta ya umma, huduma za hazina na utunzaji wa afya.

Mnamo Septemba 2017, Bi. Marianne Loner aliteuliwa kujiunga na bodi. Anao ujuzi wa kimataifa wa zaidi ya miaka 30 katika huduma za hazina na usimamizi wa mali.

Mnamo Juni 2017, Bi. Agnes N. Odhiambo na Bw. Samson K. Kamau walijiuzulu kutoka kwenye bodi ya wakurugenzi. Ninawashukuru Bi. Odhiambo na Bw. Kamau kwa mchango wao kwa bodi ya Britam.

Mnamo Agosti 2017, Balozi Dkt. Francis K. Muthaura alijiuzulu kutoka kwenye bodi. Ninamshukuru Balozi Dkt. Muthaura kwa mchango wake kwa Bodi ya Britam.

Uwekezaji wa Shirika la Fedha Ulimwenguni (IFC)

Mnamo Septemba 2017, IFC ilikamilisha ununuzi wa hisa za kawaida milioni 224,187,697 kwenye kampuni kwa Shs 15.85 kwa kila hisa, na hivyo kumiliki karibu asilimia 10.37 ya hisa za kawaida za kampuni zilizo mikononi mwa wenye hisa.

Uwekezaji wa AfricInvest III – SPV 1

Mnamo Septemba 2017, Britam Holding Plc na AfricInvest III – SPV 1 zilifikia mkataba wenye masharti ambapo AfricInvest III itanunua hisa za kawaida 360,883,281 za Britam kwa Shs 15.85 kwa kila hisa. Ununuzi huo wa hisa ukikamilika, AfricInvest III watamiliki karibu asilimia 14.30 ya hisa za kawaida zilizo mikononi mwa wenye hisa.

Mpango uliopendekezwa wa ununuzi huo wa hisa unasubiri idhini zifaazo kwa mujibu wa sheria na utakamilishwa mara tu baada ya kibali kutolewa.

Uuzaji wa hisa kwa mashirika hayo mawili ni thibitisho la matumaini makuu ya jamii ya kimataifa ya masuala ya hazina kwa uchumi wa Kenya. Uamuzi wao kuwekeza katika sekta ya hazina katika kando hii ya Afrika ni jambo la kujivunia kwa Bodi yenu.

Matarajio

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

Makadirio hayo yanatia moyo. Kampuni ikiendelea kutekeleza mpango wa mikakati wa 'Go for Gold', tutapiga hutua za kuridhisha na ninafurahia hali ya baadaye inayotarajiwa ya kampuni yetu.

Shukrani

Mafanikio yote makuu tuliyoyapata hayangewezekana bila ushirika thabiti wa wateja wetu, wawekezaji, washirika maalumu, washirika wa kibiashara na wasimamizi wa taratibu na kanuni za sheria.

Shukrani maalumu ziwaendee wakurugenzi wenzangu kwa mawaidha yao ya busara, na pia kwa wafanya kazi na washauri wetu wa masuala ya hazina kwa kujitolea na uaminifu kwa kampuni mnamo 2017.

Mwishowe, ninawashukuru wenye hisa kwa kuunga mkono na kwa imani yao kwa Britam, mpango wetu wa mikakati na hali ya kusisimua ya siku za baadaye tunayoitarajia.

Ahsanteni sana.

Bw. W. Andrew Hollas
Mwenyekiti
Machi 22, 2018

GROUP MANAGING DIRECTOR'S STATEMENT

Dear Shareholder,

I write to you with a sense of gratitude and pride about how Britam has continued to grow stronger over the course of last year.

Throughout a period of heightened political and economic uncertainty, our company has been steadfast in our dedication to the clients, communities and countries we serve while earning a fair return for the shareholders.

Our business

The Company has operations in seven countries namely, Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi providing mainly insurance services.

The asset management and property business is offered in Kenya and Uganda.

Group Financial Performance

Given the macroeconomic environment that we continue to operate in, the performance of the Group in the year was solid and resilient. The Group recorded a growth of 24% in total income closing at Shs 27.8 billion compared to Shs 22.4 billion in 2016 and returned a profit before tax of Shs 866 million from Shs 4.2 billion reported in 2016. The decline in profits was mainly attributable to a change in valuation method for long term liabilities to GPV method from the previously applied NPV in compliance with provisions of the Insurance Act as amended by the Finance Act 2015. This one-off change impacted 2016 earnings positively by Shs 5.2 billion.

During the year, we assessed the value of our investment in HF Group. Given the operating environment particularly the introduction of the interest rate capping regulation, this resulted to an impairment of Shs 1.3 billion compared to Shs 838 million in 2016. The value of the investment has been adversely impacted by the changes in market rates following the introduction of the interest rates capping regulation.

The Group has four main businesses managed in five divisions namely; life assurance, general insurance, international general insurance, asset management and property.

The life business reported profit before tax of Shs 473 million compared to Shs 4.5 billion in 2016. The significant decrease from 2016 was due to decrease in change in actuarial value of policyholder benefits expense which had a positive impact to 2016 financials by Shs 5.2 billion.

> "The Group recorded a growth of 24% in total income closing at Shs 27.8 billion compared to Shs 22.4 billion in 2016"

Dr. Benson I. Wairegi, EBS
Group Managing Director

The general insurance business in Kenya reported a profit before tax of Shs 545 million compared to Shs 631 million in 2016. This business was impacted by high loss ratios which were also experienced by most of the players in the industry.

The international general insurance accounted for 18% of the gross insurance business revenue, 13% of total income and 8% of the assets of the Group in 2017. We recorded profit before tax for the Uganda, South Sudan, and Tanzania businesses. Rwanda, Malawi and Mozambique recorded losses for the year.

The asset management business grew its Assets Under Management by 18% from Shs 109 billion in 2016 to Shs 128 billion in 2017. The company recorded a 3% growth in profit before tax from Shs 348 million in 2016 to Shs 359 million in 2017.

During the year, the property business in Kenya reported a loss of Shs 62 million. Delays in commencement of projects owing to various macro-economic affected completion of projects. In November 2017, Britam Tower, our flagship property project was completed. The building is currently the tallest in East & Central Africa. The thirty- one floors Class A building located in Upperhill in Nairobi is now being leased to tenants.

Despite the decline in profits of the Group, the business fundamentals remain strong and we are on track in the execution of our 2016-2020 strategic plan.

Launch of Britam Asset Managers (Uganda) Ltd

In July 2017, we launched Britam Asset Managers (Uganda) Ltd which offers investment management and advisory services to pension funds, insurance companies, corporates, government owned entities and retail investors. The launch enables us to extend our asset management service offerings to the Uganda market.

Strategic Focus

During the year, we continued to implement our transformational 'Go for Gold' strategy which has five strategic thrusts:

- **Profitable growth –** Although, the Group has reported a profit in the current year, three of our international insurance businesses and our property entity are yet to achieve profitability. We continue to implement various turn-around initiatives to ensure the businesses are profitable going forward.
- **Customer Service –** Our business is anchored on provision of outstanding experience. On this front, we launched our 24-hour contact centre which is supported by a Client Relationships Management (CRM) system. The system enables us to have a single view of the customer which enhances customer service and improves their experience.
- **Innovation –** We continue to listen to our customers as we strive to meet their emerging needs in the ever changing market. In 2017, we launched some of our new products namely Imarika (an investment linked product) and Boresha Elimu (an education policy tailored to the new education curriculum).

  Single Distribution is the heart of the "One Britam" principle. It delivers a 'one-stop contact' and generates synergies from scale, enabling our Financial Advisors to cross sell and upsell to our customers.

  We have automated our distribution, and delivered capabilities that enable our customers to access our products online and through mobile self-service platforms e.g. Financial Advisors Portal, the Customer Portal and the Marine insurance Portal.

  We encourage all our staff to adopt an innovative mind set in all they do.
- **Operational excellence -** focuses on improving our operations and implementing robust business processes and controls. In 2017, as part of our "fixing the kitchen" phase of our strategy, we reviewed and streamlined our back office processes to enable high level of efficiencies and support customer service.
- **Enabling transformation -** Through "Project Jawabu," a robust information technology ecosystem has been developed. This ecosystem, supported by a high performance proactive culture, the right talent and motivated team, will support our growth and delivery of our strategy.

Human Capital and Performance Management

The Group's greatest strength and the reason for its market leadership is its people, with over 900 employees and 3,000 Financial Advisors as at 2017. The Group uses 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. Our balanced score card performance management system aligns employee plans and performance with our Group strategy. Each employee's performance is now measured for its contribution to the strategy.

Developing Key Talent

We also invested in leadership, technical and soft skills training in order to achieve motivated and engaged staff. This included global training at Harvard Business School and executive coaching for our leaders.

GROUP MANAGING DIRECTOR'S STATEMENT (Continued)

Risk Management

Britam is committed to increasing shareholder value through the prudent management of risk inherent in the development, distribution and maintenance of the Group's products and services. The Board is mindful of achieving this objective in the interests of all stakeholders in a sustainable manner.

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

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

Corporate Social Responsibility

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

In the coming year, I am confident that our business will continue to achieve solid and sustainable success as we realize the benefits of our strategy and new investments.

Acknowledgement

I appreciate the support we continue to receive from our esteemed clients and business partners. We thank them for a close working relationship that enables our stakeholders to achieve and exceed their financial security and investment objectives.

I would also like to express my gratitude to the Board, management team, staff and Financial Advisors for their support, hard work, dedication and commitment to the business during the year. This support and commitment goes a long way in ensuring that Britam continues to prosper for the benefit of all our stakeholders.

Dr. Benson I. Wairegi, EBS
Group Managing Director
22 March 2018

TAARIFA YA MKURUGENZI WA SHIRIKA

Mwenye hisa mpendwa,

Ninawaandikieni nikiwa nimejawa na shukrani na nikijivunia jinsi Britam imeendelea kuimarika mnamo mwaka uliopita.

Kwa msimu wote huo uliokabiliwa na wasiwasi wa kisiasa na mashaka ya kiuchumi, kampuni yetu imekuwa imara katika kujitolea kuhudumia wateja wetu, jamii na nchi wenyeji wa biashara zetu, na hivyo basi kupata mapato ya haja kwa wenye hisa wetu.

Biashara yetu

Kampuni imestawi katika nchi tofauti za Afrika na kuwa na shughuli za biashara katika mataifa saba, nayo ni Kenya, Uganda, Tanzania, Rwanda, Sudan Kusini, Msumbiji na Malawi, ambapo inatoa hasa huduma za bima.

Biashara isiyo ya bima, hasa katika Kenya, ni ya uwekezaji na usimamizi wa mali. Shughuli hii imeendelea kustawi na pia kuibuka kuwa nguzo muhimu katika mikakati yetu na inatarajiwa kuleta matokeo mema katika biashara kama inavyoonyeshwa kwenye taarifa hii.

Utenda kazi wa shirika

Hali ya kiuchumi na mazingira ya kufanyia biashara yenye usimamizi mkali zikitiliwa maanani, utendakazi wa shirika mnamo 2017 ulikuwa imara na thabiti. Kima cha mapato ya shirika kiliongezeka kwa asilimia 24 na kufikia Shs 27.8 bilioni ikilinganishwa na Shs 22.4 milioni na Shs 22.4 bilioni mnamo 2016. Shirika lilipata faida ya Shs 866 milioni ikilinganishwa na Shs 4.2 bilioni mnamo 2016. Faida ilipunguka kutokana na mabadiliko ya mbinu ya kukadiria thamani ya madeni ya muda mrefu kuanzia 2016. Awali, ukadiriaji huo ulizingatia mapato halisi ya bima baada ya kuondoa matumizi lakini sasa unafaa kutumia thamani ya jumla ya bima kuambatana na kanuni za Sheria ya Bima iliyofanyiwa mabadiliko na Sheria ya Fedha ya 2015. Hata hivyo, mabadiliko hayo ha sheria yalichangia kuinuka kwa mapato mnamo 2015 kwa Shs 5.2 bilioni.

Mnamo 2017, tulitathmini udhoofu wa uwekezaji wetu katika shirika la HF kuzingatia kanuni za kimataifa za utayarishaji wa ripoti za hesabu na kupata thamani ya Shs 1.3 bilioni ikilinganishwa na Shs 838 milioni mnamo 2016. Thamani ya hisa zetu katika HF imeathiriwa na sheria iliyoweka viwango vya faida kwa mikopo ya banki.

Kundi lina tanzu tano, nazo ni bima ya maisha, bima ya kawaida, kitengo cha kimataifa, uwekezaji na usimamizi wa mali.

Biashara ya bima ya maisha ilileta faida ya Shs 473 milioni kabla ya kutozwa kodi ikilinganishwa na Shs 4.5 bilioni mnamo 2016. Kupunguka kwa kiwango kikubwa kwa faida ya 2017 kulitokana na mabadiliko katika thamani ya kutakwimu bima ya ruzuku kwa walioandikisha bima, ambayo mnamo 2016 yalichangia kuinuka kwa mapato kwa Shs 5.2 bilioni.

> "Mapato ya kampuni yaliongezeka kwa asilimia 24 hadi Shs 27.8 bilioni kutoka Shs 22.4 bilioni mnamo 2016"

Dkt. Benson I. Wairegi, EBS
Meneja Mkurugenzi wa Shirika

TAARIFA YA MKURUGENZI WA SHIRIKA (Endelezo)

Utenda kazi wa shirika (Endelezo)

Shughuli za bima za kawaida katika Kenya ziliandikisha faida ya Shs545 milioni kabla ya kodi ikilinganishwa na Shs631 milioni mnamo 2016. Biashara hii ya bima za kawaida iliathiriwa na viwango vikubwa vya hasara ambavyo mashirika mengi katika shughuli hii yalikumbana nazo.

Kitengo cha kimataifa kilichangia asilimia 18 ya mapato ya shughuli za bima, asilimia 13 ya pato la jumla na asilimia nane ya rasilmali za shirika mnamo 2017. Tulipata faida kabla ya kodi kutoka kwa biashara zetu Uganda, Sudan Kusini na Tanzania. Tulipata hasara katika Rwanda, Malawi na Msumbiji.

Biashara ya usimamizi wa rasilmali katika Kenya iliongezeka kwa asilimia 18 kutoka Shs 109 mnamo 2016 na kufikia Shs 128 milioni. Kampuni ilipata biashara zaidi, hasa kutoka kwa wateja wa akiba za pensheni. Faida ya kampuni iliongezeka kwa asilimia tatu kabla ya kodi kutoka Shs 348 milioni mnamo 2016 hadi Shs 359 milioni mnamo 2017.

Faida kutokana na shughuli za usimamizi wa biashara iliongezeka kwa asilimia 93 kabla ya kodi hadi Shs 347.8 milioni kutoka Shs 179.9 mnamo 2015.

Mnamo 2017, biashara yetu ya nyumba katika Kenya ilipata hasara ya Shs 62 milioni. Mradi wa ujenzi ulichelewa kuanzishwa kwa sababu mbali mbali za hali ya uchumi mkuu. Mradi wetu mkuu wa ujenzi wa Britam Tower ulikamilika mnamo Novemba 2017. Jumba hilo ndilo refu zaidi katika Afrika Mashariki na Kati kwa sasa. Lina gorofa 31 za kiwango cha A katika eneo la Upperhill, Nairobi na limekodishwa wapangaji mbali mbali. Tunatarajia ya kwamba soko la nyumba litaimarika mnamo siku zijazo na tutaendelea kutekeleza mpango wetu wa mikakati katika biashara ya ujenzi.

Ingawa faida zilishuka, misingi muhimu ya biashara ingali thabiti na tunazingatia mkondo ufaao katika kutekeleza mpango wetu wa mikakati wa 2016-2020.

Uzinduzi wa Britam Asset Managers (Uganda) Ltd

Mnamo Julai 2017, tulizindua Britam Asset Managers (Uganda) Ltd, kampuni inayotoa usimamizi wa uwekezaji na ushauri kwa mashirika ya fedha za pensheni, kampuni za bima, mashirika, mashirika ya umma na wawekezaji wa rejareja. Uzinduzi huo umetuwezesha kupanua huduma za biashara ya usimamizi wa rasilmali katika soko la Uganda.

Msukumo wa kimkakati

Tuliendelea kutekeleza mpango wetu wa mikakati unaolenga kuleta mabadiliko makuu wa 'Go for Gold', una nguzo tano muhimu za kimkakati, nazo ni:

- **Kustawi na kuinua kiwango cha faida –** Ingawa shirika limetangaza faida kutokana na shughuli za biashara za 2017, biashara zetu tatu za kimataifa za bima zilipata hasara. Kadhalika, biashara yetu changa ya ujenzi ilipata hasara pia. Tunaendelea kutekeleza mabadiliko yafaayo kwa lengo la kuhakikisha biashara zetu zinapata faida siku zijazo.
- **Huduma kwa wateja –** Msingi wa biashara yetu ni huduma za hali ya juu. Ndiposa tulianzisha kituo cha simu kinachofanya kazi saa 24 chini ya mfumo wa usimamizi wa mahusiano ya wateja. Mfumo huu unatuwezesha kuwa na picha moja ya mteja ambayo itaimarisha huduma kwa wateja.
- **Uvumbuzi –** Tunaendelea kuwasikiliza wateja wetu, huku tukizidi kushughulikia mahitaji yanayoibuka kila siku kwenye masoko yanayobadilika kila kukicha. Mnamo 2017, tulizindua baadhi ya huduma zetu mpya, nazo ni Imarika inayolenga uwekezaji na Boresha Elimu ambayo ni bima mpya inayolenga mfumo mpya wa elimu.

  Kituo kimoja cha utoaji huduma zote ndicho kiini cha kanuni ya "Britam Moja". Lengo lake ni kuhakikisha kila mmoja wa wafanya kazi wetu anaweza kutoa huduma zote za Britam kwa wateja. Mfumo huu wa huduma unaimarisha ushirikiano na kuwezesha washauri wetu wa hazina kuhudumia wateja wenye mahitaji mbali mbali kwa wakati mmoja.

  Utoaji wa huduma za kielektroniki umewawezesha wateja wetu kupata huduma zetu kupitia kwa mtandao wa Internet na simu, kwa mfano milango mkuu wa Internet ya washauri wa masuala ya fedha, wateja na shughuli za bima za meli.

  Tunawahimiza wafanya kazi wetu kuzingatia ubunifu kwa yote wanayofanya.

  Utendakazi wa hali ya juu umeendelea kuimarisha huduma zetu na kutuwezesha kutekeleza taratibu imara za biashara na uthibiti. Mnamo 2017, kama sehemu moja ya kujenga msingi wa mikakati yetu, tulichunguza na kupiga msasa shughuli za ofisi zetu ili kuinua kiwango cha huduma zetu na kuwasaidia wanaowahudumia wateja moja kwa moja.
- **Kuwezesha mabadiliko –** Mpango wetu wa kuleta mabadiliko ya kiteknolojia wa Project Jawabu umefanikisha mabadiliko, ukaimarisha msingi wa utamaduni wa bidii kwa utendakazi wa hali ya juu, talanta zifaazo na wafanya kazi wenye motisha ili kufanikisha mikakati yetu ya kuimarisha ustawi na huduma.

Usimamizi wa wafanya kazi na utendaji kazi

Nguzo muhimu zaidi katika shughuli za shirika na sababu kuu yake kuongoza katika biashara ni wafanya kazi ambao idadi yao ilikuwa zaidi ya 900 mnamo 2017 na 2016, na washauri wa kifedha zaidi ya 3,000.

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

Kadhalika, tumetumia rasilmali nyingi kuimarisha maarifa ya uongozi, ufundi na masuala mengine muhimu kazini ili kuhakikisha tunao wafanya kazi wenye motisha na watendao kazi ipasavyo. Baadhi yao wamehudhuria mafunzo ya kimataifa katika Harvard Business School na wasimamizi wakapata mafunzo ya hali ya juu ya uongozi.

Kukinga shirika kutokana na madhara

Nguzo kuu ya utaratibu wa kukinga shirika kutokana na mambo yasiyotabirika yawezayo kudhuru biashara kote katika kampuni, yaani Enterprise Risk Management Framework, ina kinga tatu muhimu. Kanuni ya kwanza ya kujikinga ni kuwa na wanabodi wasimamizi wakuu ambao wanawajibika ipasavyo katika usimamizi wa biashara kwa kuhakikisha kuna taratibu kamili za usimamizi wa fedha na mali, usimamizi wa dhima na taratibu za uongozi katika biashara. Kinga ya pili ni uchunguzi wa kila mara wa madhara yawezayo kukabili shirika unaofanywa na idara ya bima na ridhaa. Idara hiyo husimamia bima ya maamuzi ya kibiashara na ubunifu, ridhaa na usimamizi wa jinsi ya kuendeleza biashara hata madhara yoyote yakitokea. Kinga ya tatu ni bima huru ya utaratibu huo.

Tumechunguza pia athari zote zinazoweza kukumba biashara yetu na kuandaa sera za kukabiliana na athari hizo, ikiwa ni pamoja na vyombo na ngazi za upigaji ripoti na pia mbinu mpya za kukabiliana na kupima hatari hizo. Tunahakikisha biashara yetu inawekwa mara kwa mara katika mitihani ya kimataifa ya kuhimili vishindo ili kuhakikisha kwamba vitisho vyote vinashughulikiwa ipasavyo na hatua zifaazo za kujikinga zinachukuliwa kila mara.

Uwajibikaji wa shirika kwa jamii

Likiwa shirika linalowajibika na kuwajali wengine, Britam hufadhili jamii kwa kushirikiana na watu, makundi na washika dau tofauti kupitia kwa shughuli za kufadhili jamii ili kujenga mapenzi mema kote katika shughuli zake za biashara.

Britam Foundation ndicho chombo cha kutekeleza shughuli za kufadhili jamii. Wakfu huo huangazia misaada ya huduma za afya, elimu, michezo na sanaa za uigizaji kwa lengo la kuimarisha maisha na riziki za watu maskini na waliosukumwa pembeni kote katika nchi ambamo shirika linaendesha biashara na kwa njia endelevu.

Matarajio

Nina imani biashara yetu itaendelea kupata ustawi thabiti na endelevu.

Shukrani

Shirika linashukuru wateja watukuka na washirika wetu kibiashara kwa kuendelea kushirikiana nasi. Tunawashukuru wote kwa ushirika huo, huku tukitarajia ushirika zaidi ili kutusaidia kutimiza na kuzidisha malengo yao ya usalama wa kifedha na uwekezaji.

Ningependa pia kushukuru halmashauri ya wakurugenzi, wasimamizi, wafanya kazi na washauri wa kifedha kwa bidii yao, kujitolea na kujituma kutenda kazi mnamo 2017. Moyo huo umechangia pakubwa katika kuhakikisha kwamba Britam itaendelea kustawi kwa manufaa ya washika dau wetu wote.

BWairegi

Dkt Benson I. Wairegi, EBS

Meneja Mkurugenzi wa Shirika

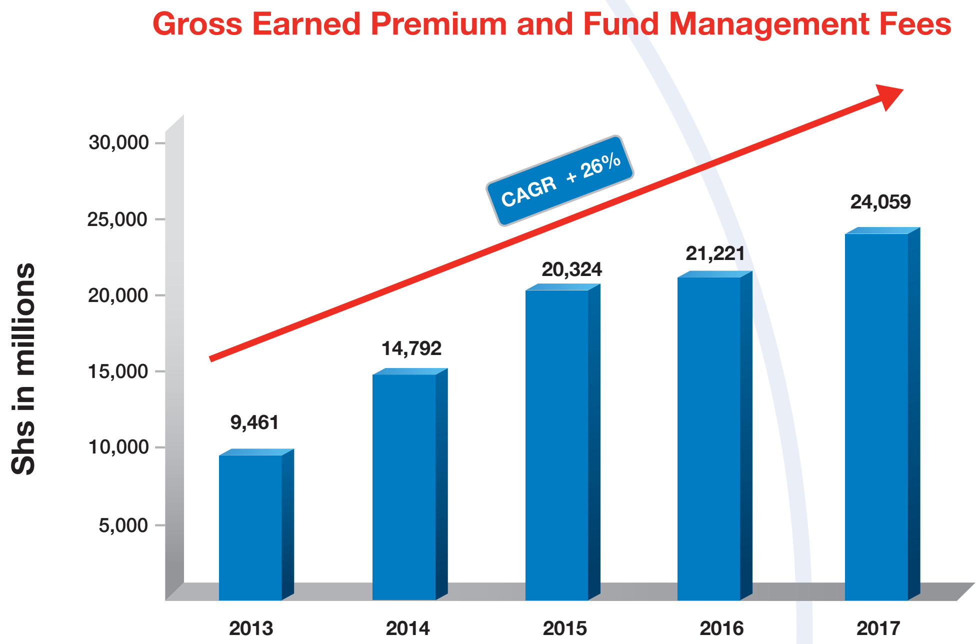
Machi 22, 2018

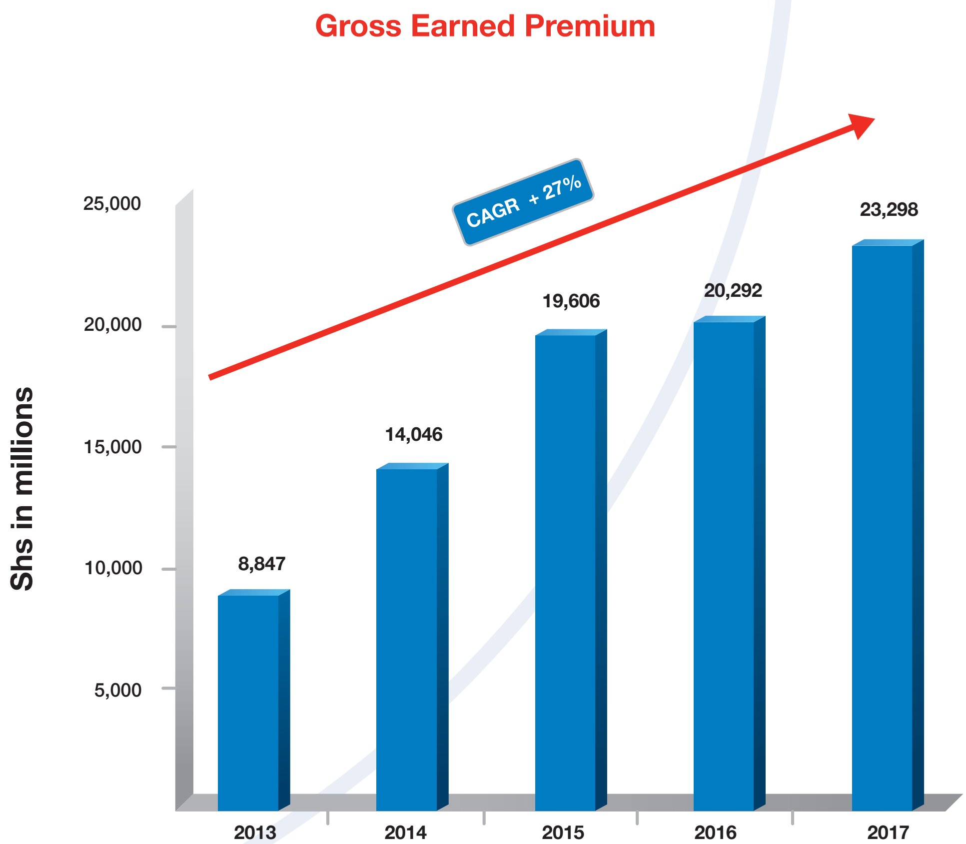
FINANCIAL REVIEW

Our performance in 2017 is encouraging. Majority of the business units reported growth from 2016.

Gross Earned Premium and Fund Management Fees

The insurance business revenue recorded a growth of 15% while fund management fees dropped by 18%. The international businesses contributed to insurance business revenue of Shs 4.1 billion (2016: Shs 3.6 billion), which accounted for 17% (2016: 18%) of the total insurance business revenue.





Investment and Other Income

Interest and dividends income increased by 19% from Shs 4.2 billion in 2016 to Shs 5.1 billion. Income from investment property- which comprises rental income, fair value movements in investment property and investment in property funds- decreased by 161% to a loss of Shs 607.3 million from Shs 991.1 million in 2016. While the investment properties recorded a fair value gain, a significant fair value loss was reported in the valuation of investment in property funds.

The Group's investment in equities returned fair value gains amounting to Shs 2.2 billion compared to a loss of Shs 1.9 billion in 2016 and fair value losses on disposal of shares of Shs 49.5 million (2016: Shs 44.7 million). These have been accounted for in the consolidated statement of profit or loss. In addition, revaluation gains of Shs 1.2 billion (2016: Loss of Shs 1.1 billion) and fair value gain on disposal of shares of Shs 71.9 million (2016: Loss of Shs 268.3 million) were recognised in the statement of comprehensive income. The fair value gains are due to the bullish market we continue to experience in the equities market in the Nairobi Securities Exchange.

The share of profit of the associate accounts for Shs 53 million in the Group profit before tax, a decline of 88% from Shs 442.3 million in 2016. In addition, in light of the various market developments impacting the associate's performance and more particularly the interest capping laws, an impairment of Shs 1.3 billion (2016: Shs 838.5 million) has been recorded in the Group's results.

Net Insurance Benefits and Claims

Net insurance benefits increased by 150% from 2016. The main driver was the change in the valuation methodology of the long term insurance business liabilities in 2016 to ensure compliance with the requirements of the Insurance Act as amended by the Finance Act 2015 and as required by the Insurance Regulatory Authority (IRA). In 2016, the Group adopted the GPV methodology which was a change from the previously applied NPV. This change resulted in a reduction of the net insurance benefits and claims by Shs 5.2 billion in 2016.

Operating Expenses

Operating expenses increased slightly by 4% from 2016 as result of prudent cost control measures put in place. The main categories of expenses are employee costs, ICT related costs, business acquisition costs and office rent. The Group experienced a decline in all costs except for the provision for bad debts, business acquisition costs, ICT and amortisation of the intangible assets mainly for the IT system implemented over the last 3 years. Cost to income ratio is a key focus of the 2016 - 2020 strategy and significant deliberate efforts and structures are being set up to ensure our strategic cost objectives are achieved. The realisation of cost savings from the new systems, process automations and re-engineering is expected in subsequent years.

Profitability

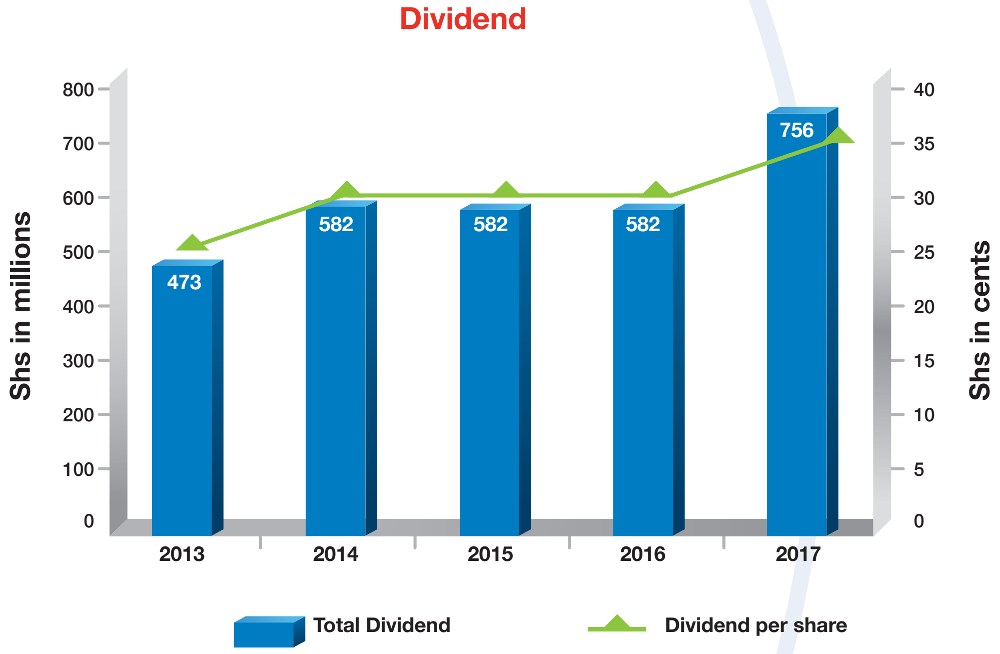
The Group has reported a profit before tax of Shs 866 million compared to a profit before tax of Shs 4.2 billion last year and a total comprehensive income of Shs 1.9 billion compared to a total comprehensive income of Shs 784.7 million in 2016, a remarkable growth of 143%. The main contributor to the difference between reported profit before tax and total comprehensive income in 2017 are gains resulting from the Group's revaluation of it's strategic investment in Equity Group Holdings Plc, which is marked to market.

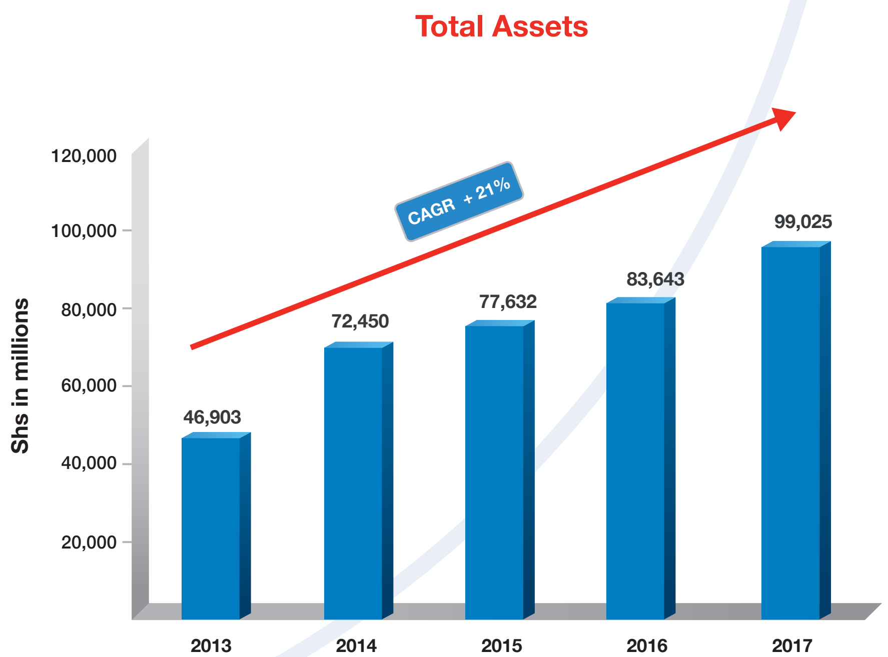
Dividend

In line with our dividend policy which aims at paying a consistent and progressive sustainable distribution each year from the realised earnings, the Board of Directors recommends the payment of a dividend of 35 cents (2016: 30 cents) per share amounting to Shs 756.9 million (2016: Shs 581.5 million) after taking into consideration the following factors:

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

Dividends paid over the last 5 years conforms to this policy and are shown below:



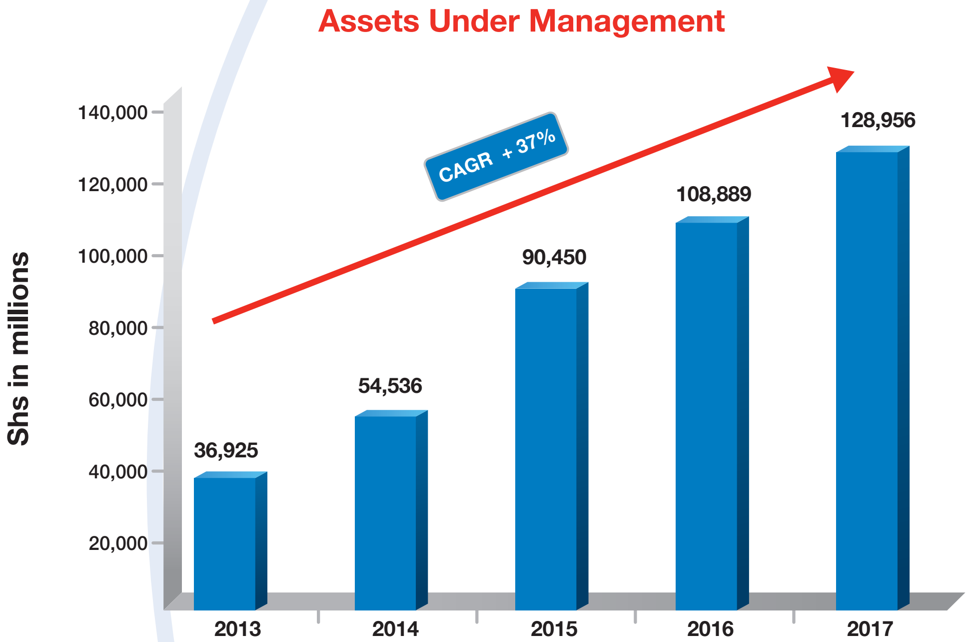


Consolidated Statements Financial Position

The Group reported an increase of 18% in total assets from last year. The shareholders' funds have grown by 27% as a result of a strong performance as well as issuance of new shares during the year. The international businesses accounted for 8% (2016: 7%) of the total assets of the group.

Assets Under Management (AUM)

The assets under management increased by 18% to Shs 129 bn from Shs 109 bn in 2016 driven by acquisition of new mandates in line with the company's strategy of growing the pension portfolio as well as growth in internal products.



Capital Adequacy and Solvency Margins

The Group's ensures that its available resources are allocated in a way that is capital efficient, meets the Group's risk appetite and ensures that optimal returns are made, while ensuring compliance with various regulations that govern most of its businesses. Out of its 13 entities, 11 are regulated. Details of these are disclosed in Note 4 (e).

Outlook

In 2017, our significant businesses which are in Kenya experienced the impact of the uncertainties that accompany elections including but not limited to suppressed incomes. During the year, we successfully went live with our customer relations management (CRM) system and operationalized our 24hr Contact Centre. These two initiatives will help us realize our envisioned 360° view of our customers, which enables them reach us through different channels including e-mail, social networks platforms, mobile, web portal and our customer center. Likewise, our back office operations were strengthened by various operational excellence initiatives such as implementation of the health insurance administration system - INSIS, asset management system (Moneyware), enhancements to our ERP systems and continuous process re-engineering across the Group.

Our key focus in 2018 under the "Go for Gold" Strategy is disruptive innovation which aims at exceeding our customers' expectations. This will involve launching of new products and services tailored to specific customer market segments, outstanding customer experience delivered through our 360° view of the customer and innovation to deliver new and enhanced methods of meeting our customer needs.

Britam team celebrates after winning AKI Company of the Year 2017 for the 11th Year in a row.

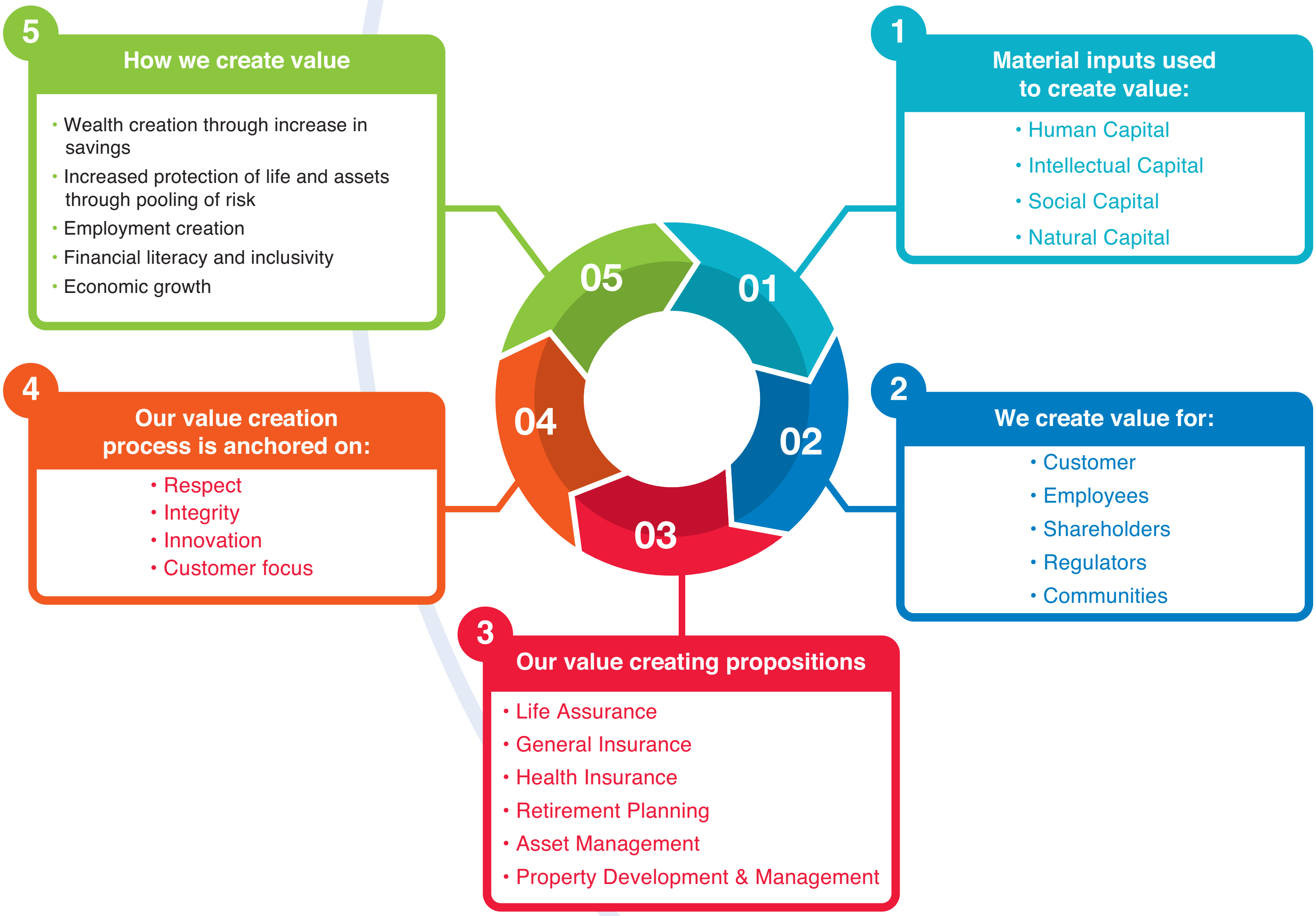
Creating Sustainable Value

Britam is committed to transparent and relevant stakeholder reporting. While this year's annual report is addressed primarily at our shareholders, it includes new information relevant to other material stakeholders, including clients, employees, agents, brokers, regulators and the broader society in which Britam operates.

In developing the content for the annual reporting, we have taken these stakeholders' considerations and priorities into account. We are proud to state that this marks the start of our journey towards developing an integrated report that is line with international standards on integrated reporting.

Britam's Value Creation Map

Britam creates value by combining a broad range of resources that are available to generate positive outcomes for society that go beyond financial returns for our shareholders or investors. We believe these outcomes are fundamental in securing our long term financial performance and sustainability. Below is a summary of Britam's value creation process where we articulate the key elements:



INPUTS

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

- Shs 99 bn total assets
- Shareholders funds grew by 27% to Shs 22 bn
- Assets Under Management of Shs 129 bn

Manufactured Capital
The resources owned, leased or controlled by the Britam that contribute to production or service provision.

- 66 branches
- Digital assets (online portals, USSD and other core applications)
- Call centers, data centers and premises for support functions

Human Capital
The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Britam's objective.

- 900+ dedicated work force
- 3,000 tied financial advisors
- Experienced leadership team
- Corporate culture based on clear ethics and values

Intellectual Capital
This capital includes the Group intellectual assets such as institutional knowledge, product development capability, systems, procedures and protocols

- Investment of Shs 2.7 bn 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, our Board and external advisors

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

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

Natural Capital
Renewable and non-renewable resources used by Britam to function:

- Land
- Electricity
- Paper
- Water

OUR BUSINESS

We raise FINANCIAL CAPITAL
- **Shareholder funds**
- **Bondholders**
- **Assets Under Management**
- **Retained earnings**

Through our business planning process, we allocate financial capital to:
- Meet regulatory minimum capital requirements
- Exploit strategic opportunities and achieve sustainable returns (within the Board approved risk appetite)
- Fund operational and capital investments projects

We focus on INNOVATION
We have extensive experience and skill to offer innovative solutions that enable our customers protect and grow their wealth.

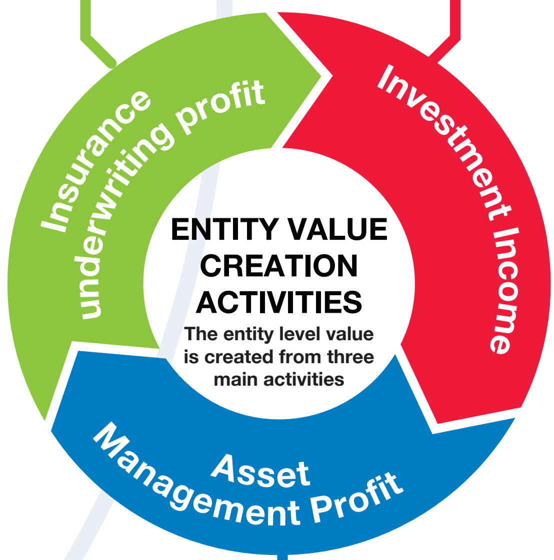
We create, develop and price products and services based on the needs of our customers and clients, insights gained from their behaviours, after taking into account regulatory considerations and the competitive environment

We interact in the market place through our PROPRIETARY DISTRIBUTION CHANNELS to deliver products and services to our customers

- Digital Channels
- 66 Branches across sub-Saharan Africa
- Strategic Bancassurance partners

Premium income for risks insured less claims and related acquisition and operating expenses (actual and expected over contract duration)

Net investment income on shareholder investment in market exposures less group administration and strategic expenses



Performance and asset based fees earned from managing and administering customer mandates, less related acquisition and service expenses.

We have ROBUST OPERATIONS MANAGEMENT to enable value creation.

We have developed group-wide policies, frameworks and systems to ensure consistent and integrated execution across the group. Our internal audit function reviews the adequacy of management's controls which are key to maintaining our license to operate.

ACTIVITIES

Products and Services

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 that offer varying levels of investment guarantees • **Retirement fund administration:** providing solutions for income at retirement
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
Investment Management	• **Retail client solutions:** offering savings options through a range of collective investment schemes and wealth management solutions • **Institutional client solution:** through traditional and alternative asset management solution locally and offshore.
Property Management	• Property Management Services • Development Management Services • Facilities Management Services

Emission and Waste

We operate in a low-impact industry and we strive to minimize our carbon emissions, paper and water consumption and waste.

- Finance and Accounting
- Human Resources
- Information Technology
- Procurement, Administration and Security
- Marketing and Corporate Affairs
- Risk and Compliance
- Actuarial
- Internal Audit

OUTCOMES

Stakeholder Outcomes	Key Statistics
Investors • Returns through dividends • Growth in investment value	**Investors** • Shs 0.35 dividend per share • Shs 780 mn paid in interest payments to debt holders • Market capitalization Shs 29 bn from Shs 17 bn since listing
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	**Customers** • Over 500,000 lives insured • Over Shs 2.5 bn in Medical claims paid • Shs 2.5 bn Motor Claims paid • Over Shs 1.1 bn in Death and Disability Claims Paid • More than 78 retirement schemes managed • 15 Credit Life Policies in force covering over 380,000 loans • Net promoter score of 75.9%
Employees • Guaranteed pay plus incentives • Various employee benefits • Regular performance assessments • Diversity and Inclusion • Safe Work Place	**Employees** • Shs 2.9 bn paid in salaries & benefits • Over 14,000 training hours • 44% of total staff are women • Zero work related injuries or fatalities • Employee Engagement Index of 79.2% • Job Satisfaction Score of 75.9% • Overall Manager Net Promoter Score +45 • Overall Britam Net Promoter Score +26
Regulators • Improved business practices • Fair treatment of customers • Compliant products, procedures, policies • Constructive engagement on policies and regulations • Significant tax contributions resulting in economic growth and development	**Regulators** • Group Capital Adequacy ratio as 237% • Shs 466 mn paid out in taxes • Prudent risk management • Business operated within risk appetite
Intellectual Capital • Greater stability, ongoing resilience, increased protection against cyber security and delivery of new products and solutions • Improved effectiveness of the distribution channels to deliver all our products and services to our clients	**Intellectual Capital** • Launched Britam Buy Online platform • Revamped Proprietary Distribution Channel • Revamped Customer Relationship Management • USSD Platform for digital products • Specialized technical skills
Social Capital • Support the growth and development of local companies • Employment creation	**Social Capital** • Shs 2.4 bn procurement spend to local suppliers • Shs 96 mn spent on various CSR initiatives

Value Creation for our Stakeholders

To create value over the long term, it is essential to maintain mutually beneficial partnerships with our key stakeholders. Each key stakeholder group provides a form of capital that contributes to the successful delivery of Britam's strategy.

We understand the limitations to that capital and our ability to either manage, renew or find alternative sources. Given the nature of Britam's business as a significant public interest company, providing financial products and services (in many cases that are contracted over future years), there is an inherent requirement to manage the business sustainably.

We identify and partner with key stakeholder groups who provide resources that materially influence value drivers of our business model. These key stakeholders are actively engaged and managed to ensure an optimal balance of the respective objectives is achieved.

Our Key Stakeholders

KEY STAKEHOLDERS THAT MATERIALLY CONTRIBUTE TO VALUE DRIVERS	
Customers	Purchase our products and services to achieve their financial goals and manage life's uncertainties
Employees	Supply the necessary skills and expertise to deliver on our promise to stakeholders
Shareholders	Provide our financial capital
Regulators (including government agencies and industry associations)	Govern financial stability and market conduct for our industry
Communities	Provide us with our social relevance, future customers and employees

Other stakeholders that contribute to Britam's business success are engaged appropriately. These include business partners, suppliers of goods and services and the media. However, for the purposes of this report, we have focused on the material key stakeholders.

An Inclusive Approach in Managing our Stakeholders

All business units at Britam are responsible for facilitating an inclusive approach to stakeholder engagement across the group. This approach is aligned with Britam's organizational philosophy, brand ethos and values, material sustainability focus areas and strategy. The frequency of engagement varies according to each stakeholder group and the particular issue at hand. Britam proactively identifies and appropriately responds to stakeholders' expectations and concerns.

1. Value Creation for our Customers

Britam provides solutions to customers 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 stages. Our resolve to serve our customers better, is contained within our Customer Charter which outlines our commitment to ensuring high standards of service delivery. This commitment is represented by our determination to:

- Provide solutions to meet our customers' financial needs;
- Treat our customers courteously and fairly;
- Offer timely and reliable service to customers;

1. Value Creation for our Customers (Continued)

- Remain sensitive to our customers' needs; and
- Maintain confidentiality and protect our customers' privacy.

How do Customers derive value from Britam?

Investment products	Risk products	Regulation, governance and equity capital	Financial advice and administration services.
Investment options to meet financial needs: • Collective investment schemes • Segregated investment mandates • Retirement savings • Annuities Bespoke investment solutions	Monetary compensation in the event of: • Death • Disability • Medical expenses • Retrenchment • Damage or loss of physical property Bespoke risk solutions	Managing and deploying the company's financial capital resources to: • Maintain minimum regulatory requirements • Invest within board approved risk appetite Support growth strategies	Reaching and supporting our customers through: • Extensive distribution network of tied and non-tied financial advisers • Choice of direct sales platform, call centres and online assistance • Insights into customer needs and concerns
How our customers benefit			
Competitive investment returns and facilitation of retirement income.	Benefits provided when risk events occur.	Confidence in Britam's ability to meet contractual obligations.	Responsible financial advice and innovative products, supported by efficient administration.

The Customer Excellence Project

In a bid to be more responsive to our customers and serve them better in line with our 2016-2020 strategy, Britam launched the Customer Service Excellence project which has seen introduction of new initiatives geared towards improving processes thereby delighting customers. These initiatives included implementing a Customer Relationship Management system, setting up a Customer Contact Centre, embarking on a business process improvement project and finally setting up a customer service center.

The outcomes of this customer excellence project in 2017 are:

- A well-defined Customer Service Charter that will drive quality customer experience across the organization;
- Standardized and optimized line of business processes;
- Defined turn-around-times supported by standard service level agreements on complaint resolution with appropriate escalation matrix; and
- Enhanced ability to track, monitor and execute on customer requests for all lines of business and provide key alerts and reminders.

Monitoring our Performance

We continue to use the net promoter score to monitor customer satisfaction. We believe that the net promoter score is the most widely used customer experience metric across different industries; and as such is the best single predictor of customer loyalty and growth.

The net promoter score is a tool that measures how willing our customers are to be advocates, rather than just consumers of our brand, and provides a single score that we apply across different parts of our business to gauge customer-centricity. The net promoter score is calculated by subtracting the number of detractors from the number of promoters to obtain an absolute value. We conduct our net promoter annually amongst a spread of our customers.

2. Value Creation for our Employees

Our People, Our Stregnth

Our people vision is "To transform Britam into an employer of choice, with loyal, motivated, engaged Staff and Financial Advisors." We pride ourselves on creating 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. We believe our people are our greatest asset and we invest in them to realise their full potential, in order to achieve our goals.

How do our employees derive value from Britam.

Competitive and Fair Remuneration	Career Advancement	Fringe Benefits	Equal Opportunity
Britam's remuneration philosophy is to link reward to performance. Senior management who develop and execute strategy have a higher proportion of variable pay.	Comprehensive programmes identify and nurture scarce human capital. This includes: • Performance and talent management • Leadership and management development programmes • Internal and external training • Performance objectives linked to strategy • International mobility programs	Value-added benefits recognise practical and day to-day employee needs and over time achieve healthier and more productive employees. These include • Staff loans at very competitive interest rates • Medical cover • Pension benefit • Group personal accident cover • Group life cover, leave • Leave (Annual, Sick, Maternity, Paternity, Compassionate and Study Leave) • Performance based bonuses • Flexi-time work schedule	Non-discrimination is at the centre of our culture. We believe that being widely representative creates a competitive advantage across our communities and markets.
How our employees benefit			
Rewards that reflects performance.	Skills and Career Development.	Comprehensive Value Added Benefits.	A non-discriminatory work environment that promotes respect and dignity.

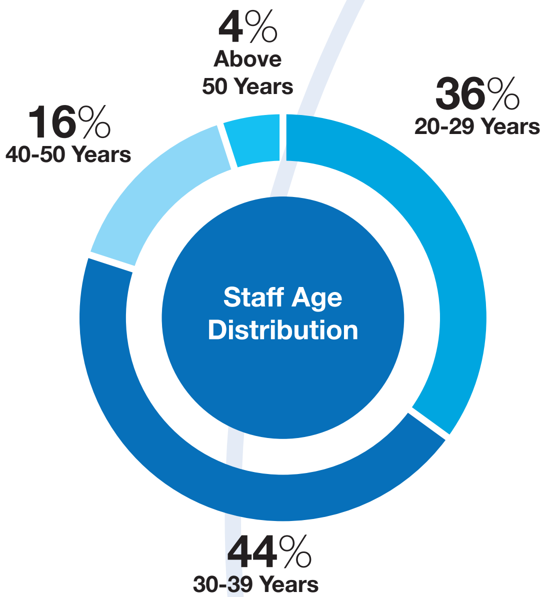
How Britam benefits

- A highly motivated and appropriately skilled work force that is able to implement strategy and provide competitive returns on shareholder capital.
- A loyal and productive work force which actively promotes the Britam brand.
- An efficient deployment of human capital, with a diverse and inclusive working culture that maximises opportunities.
- A fair balance between performance delivery and cost of employment.
- Reduced employee turnover.
- Lower risks of fraud and poor productivity.

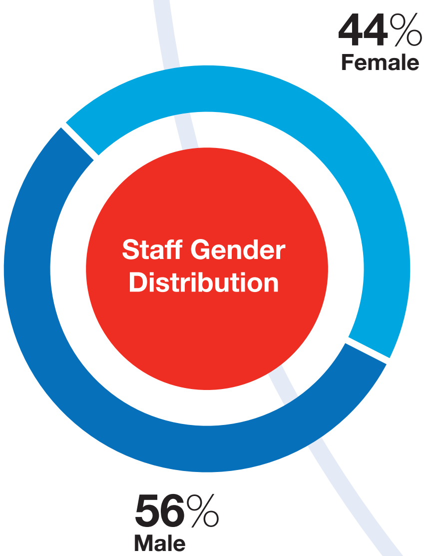
2. Value Creation for our Employees (Continued)

We Embrace Diversity

We commit to valuing the uniqueness of people and diversity of thought particularly in relation to generation, gender and geographical differences. Britam operates in 7 countries and promotes work place mobility within these regions. We have people from different countries in Africa working in all our international offices. Embracing the diversity that comes with having employees from different nationalities with regard to ideas, skills, competencies, experience and work ethic is a key enabler in driving the Group strategy.



With 36% of our staff between the ages of 20 - 29 years and another 44% between the ages 31 – 39 years, 80% of our work force under 40 years. Britam has a young and dynamic staff complement. We thus continue to adopt various best practices to create a friendly yet challenging work environment, support and encourage work-life balance to help manage these young and dynamic staff.

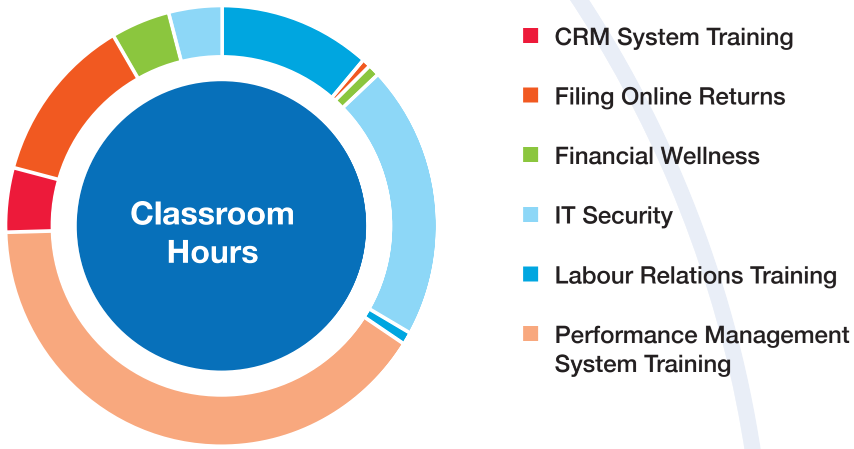


Britam is committed to ensuring equal gender representation at the work place, and has one of the largest female work force of any private company in Kenya. The current Group wide staff gender balance distribution is currently at 56% (male) and 44% (female). We continue to make steps towards achievement of 50:50 gender representation, in line with international best practices.

2. Value Creation for our Employees (Continued)

Training and leadership development

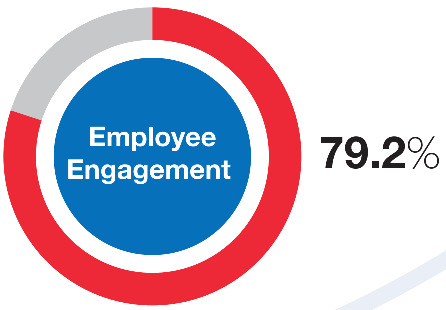
We are keen to attract, develop and retain talent. In 2017, staff underwent more than 14,000 hours of training delivered through e-learning or facilitator led training. Some of the trainings touched on leadership, customer service, risk management and performance management.



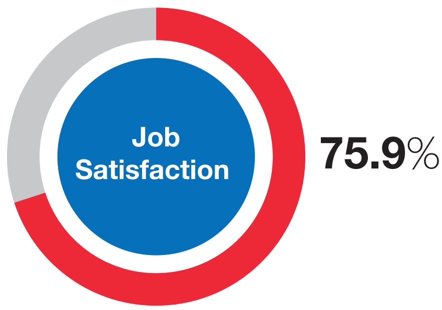
Monitoring our Performance

In 2017 and in line with our HR Mission of "Creating a Lifetime of Opportunities" we launched the Second Bespoke Employee Satisfaction survey for Britam staff in all geographies we operate in. The Employee Satisfaction Survey helps us measure and understand the levels of engagement and satisfaction of our staff and informs our strategic people and talent going forward.

The employee sentiments scores about Britam have remained positive. Employee sentiment scores are an indicator of the level of discretionary effort that individuals are willing to put into the achievement of company objectives.



The Overall Britam Net Promoter Score (NPS) was +26 while the Overall Manager Net Promoter Score was +45 a positive measure of internal confidence levels on the ability of managers and the business to deliver on our strategy. This was further bolstered by an increase of the employee engagement index at 79.2% and the overall Job Satisfaction Score at 75.9%.



3. Value Creation for our Shareholders

Our shareholders expect us to remain a high-performing company that balances the delivery of consistent and sustainable financial returns against ethical and environmentally responsible operations. As a reflection of this, they expect us to retain a stable, experienced and proven management team and to uphold the very highest standards of corporate governance and practices.

Communicating with Our Investors

Investors often perceive the insurance business as complicated, with complex terminology and metrics. We therefore communicate Britam's business model by explaining our differentiated capabilities and strategy. Additionally, we provide detailed analysis of our financial results which enables investors and analysts to compare us with our competitors on a like for like basis.

Consistent and effective engagement with shareholders and potential investors to align their expectations with our strategy and targets, helps ensure that our share price fairly reflects our value creation opportunity. Investors and potential investors require regular interaction and information to assist in achieving their investment goals. Britam delivers this interaction and information through a dedicated investor relations services, a well-directed and comprehensive plan complemented by accessible channels of enquiry and timely responses.

On a regular, ongoing basis, we deliver value to these important stakeholders by ensuring that we are available to them and respond to their telephonic, email and message-based enquiries swiftly. We also publish an annual report to keep investors updated on financial and non-financial performance, as well as holding annual general meetings, which provides a forum for discussion and debate with shareholders. We also disseminate information about financial results, reports and upcoming events to them via press releases and other communiqués. In addition, we invite shareholders and other members of the investment community to briefings and Annual General Meetings as required. During the year, we participated in investor road shows to share our interim and full year results. During these roadshows, we updated investors on our strategy and outlook. We maintain an up-to-date investor dashboard on the Britam's website as well, which enables investors access a wide range of information including our investor calendar of events and forms, fact sheets, share price information, half year and full year results, along with information regarding our current governance processes, sustainability objectives and performance.

Our Investor Engagement Plan

Britam conducts both prescribed engagement activities and proactive activities focused on specific investor groupings. We broadly categorise these groups into:

Institutional investors – invest on behalf of others and are typically referred to as fund managers and other strategic investors. These investors own approximately 59.18% of Britam's ordinary shares. This aggregation of investors is particularly influential in determining our share price and the cost of raising debt and is accordingly a significant focus of our investor engagement activities.

Individual shareholders – 24,148 shareholders own approximately 27.35% of Britam's ordinary shares. Britam engages with these shareholders through public communication channels such as financial media, Nairobi Securities Exchange (NSE) announcements and Annual General Meetings (AGM).

Analysts and financial media – these individuals and public communication channels are instrumental to effectively communicating our investment proposition. Analysts and the financial media exert considerable influence on the flow of financial capital and therefore need to be fully informed on Britam's strategy, business model and financial metrics.

A shareholder asking questions during the 2017 Britam Holdings Plc AGM at the Safari Park Hotel.

4. Value Creation for Regulators

As a financial services group, Britam plays an important role in the economy. As a result, our regulators expect us to provide these services in a reasonable, responsible, ethical and environmentally sensitive manner, providing customers with adequate information and support to access and enjoy our services, while respecting their rights.

Regulators

The Britam Group and its subsidiaries are largely overseen by five regulatory authorities with our primary regulator being the Capital Markets Authority (CMA).

OUR PRIMARY REGULATORS		
Regulator	**Mandate**	**Issues on Which We Engage**
Capital Markets Authority (CMA)	The CMA protects the interest of investors and publicly listed companies through licensing and supervising the capital markets industry.	• Corporate Governance
Insurance Regulatory Authority (IRA)	The IRA is mandated to regulate, supervise and develop the insurance industry in Kenya	• Licensing and Reporting • Investment • Claims Handling
Retirements Benefits Authority (RBA)	The RBA is mandated to regulate and supervise the establishment and management of retirement benefits schemes.	• Pension Schemes
Kenya Revenue Authority (KRA)	The KRA is responsible for the efficient assessment and collection of revenue (taxes) on behalf of the government.	• Taxation
National Environment Management Authority (NEMA)	NEMA is mandated to ensure the natural resources and environment of Kenya are managed in a sustainable manner.	• Environmental Impact Assessments

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

In-line with our “Go for Gold” strategy, some of the considerations under our regulatory strategy include;

- Committment to maintaining the highest levels of compliance, instilling ethics in all areas of our business, preventing fraud and continuing to invest responsibly. Internal compliance management forums continually identify and interpret regulatory requirements and ensure that the customer facing units establish appropriate policies and procedures to meet these requirements. Group risk, compliance and internal audit control functions apply independent oversight to ensure fair treatment of customers and the application of sound ethical principles.
- Accessing impact of regulatory changes on customer needs with a view to developing innovative, relevant and compliant products to better serve targeted customer segments.
- Enhancement of our brand capital through building trust with regulators and general public by ensuring compliance with regulations.
- Engagement with regulators and active participation in industry forums.

5. Value Creation for our Communities

According to the Association of Kenya Insurers (AKI) Kenya's overall insurance penetration was 2.75% (2016) compared to 2.78% in 2015 against a global average penetration 6.0% in 2016. Whereas micro insurance may not significantly bridge this gap, strides being made to ensure availability of this crucial product will certainly see a wider participation by the population. In a bid to unlock this potential, and enhance insurance inclusivity to the Bottom of the Pyramid (BOP) segment of population, we have in place in Corporate Social Investments (CSI) program which focuses on;

a. Developing innovative products and solutions that will promote insurance inclusivity through our micro-insurance business;

b. Investment in community initiatives that will empower the youth and vulnerable in society with a view to creating opportunities for future employment and contributing to the building of a thriving economy. This is primarily through the Britam Foundation.

a. Promoting insurance inclusivity

We at Britam are 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. The transformation from micro to conventional business will among other things be driven by a transformation in earnings potential but also a deliberate effort to sensitize our customer on financial freedoms. Some of the initiatives within this space include;

(i) Partnership with Majani Insurance Brokers to offer medical cover (Kinga Ya Mkulima)

For the last 10 years, Britam Micro Insurance and Majani Insurance Brokers, a subsidiary of the Kenya Tea Development Agency (KTDA), have worked closely to roll out one of the most innovative micro insurance products in Kenya.

The Kinga Ya Mkulima product is specially designed for small scale tea farmers registered with KTDA. The collaboration has seen close to 170,000 tea farmers on-boarded to the product. Developed in partnership with Majani Insurance Brokers, Kinga Ya Mkulima is a wholesome family medical and life cover that caters for inpatient medical, surgery and last expense benefit. It targets over 600, 000 small scale tea farmers spread throughout Kenya's tea growing zones and offers farmers and their families' health and funeral cover at very affordable premiums ranging between Shs 60 shillings and Shs 350 shillings per month.

Kinga Ya Mkulima offers flexibility in premium financing, achieving the simultaneous objectives of affordability and efficient collection, while ensuring that renewal and lapse processes are more flexible than traditional insurance products. Efforts are currently underway to replicate the success of the product across other sectors such as dairy and coffee.

(ii) Partnership with Equitel to offer subscribers compensation for lost income due to hospitalization

Britam Micro Insurance partnered with Equitel and Equity Insurance Agency to launch a mobile-based insurance cover that will compensate subscribers for wages lost as a result of hospitalization, easing the financial burden associated with lost daily income when one is admitted in hospital.

Riziki Cover is accessible to Equitel subscribers who use airtime worth Shs100 or more or make mobile banking transactions worth Shs 1,000 or more per month, over a specified period.

(iii) Partnership with Urithi Premiere Sacco to offer discounted medical insurance cover (Uni-Afya)

Britam Micro Insurance has also signed a Memorandum of Understanding with Urithi Premier Sacco which will give the Sacco's 6,000 member's access to medical insurance at discounted rates.

Under the partnership, the cover will provide members of the Sacco with inpatient, accidental death cover, accidental, total permanent disability and an inbuilt last expense cover. The product targets Saccos and can be customized to fit the specific needs of individual companies.

(iv) Medical cover deal with All Churches Sacco Society

Britam Micro Insurance extended its Sacco Solution medical cover to members of the All Churches Sacco Society. The Sacco's 4,500 members will now access inpatient cover, accidental death cover, accidental, total permanent disability and an inbuilt last expense cover at discounted rates. The cover has the advantage of flexibility and can be tailored to fit the specific needs of the vast categories of Saccos in the country.

(v) AfyaTele Cover

AfyaTele is a healthcare product targeting the Bottom of the Pyramid (BOP) segment, reaching out to the SMEs, industrial workers, union workers and groups like chamas, etc. Afya Tele offers medical and life insurance cover to the family and has an inbuilt funeral cover. Clients and their families are able to access both outpatient and inpatient medical care, and the bills are sent directly to the insurer.

5. Building Partnerships with communities (Continued)

b. Britam Foundation

Britam Foundation is a non-profit charity established by the Group in 2014 as the vehicle through which it will carry out Corporate Social Responsibility (CSR) activities. The core mandate of the Britam Foundation is to enrich the lives and livelihoods of the less fortunate and marginalized people in society.

We invest in community initiatives that empower the youth and vulnerable in society with a view to creating opportunities for future employment and contributing to the building of a thriving economy. Britam values its partnerships with various communities and has over the years worked closely with various stakeholders in the fulfilment of its core corporate values through sound business practices aimed at promoting a sustainable society. Some of these initiatives include;

(i) Support to the Jockey Club of Kenya

Britam has donated over Shs 12 million to support the Jockey Club since the inaugural Britam Kenya Guineas in 2015, in celebration of a century of horseracing in Kenya. The event directly and indirectly supports jockeys and helps improve the livelihoods of many households who depend on them. Proceeds from the event have been used for training, building, and nurturing talented young jockeys through workshops run by South African instructors.

The club has also been able to purchase protective gear to guarantee the safety of jockeys, and at the same time support environmental conservation initiatives through partnerships with stakeholders such as the National Museums of Kenya. This is in line with Britam's corporate social responsibility initiatives to support the environment, sports and education.

(i) Empowering the Youth

Britam's sponsorship of Mathare United Football Club has also seen the company work closely with youth in the slums through Mathare Youth Sports Association (MYSA), supporting different community service initiatives such as environmental clean-up, HIV prevention and awareness projects.

Over the last four years, Britam has been the main sponsor of the Britam Kenya Open Tennis tournament. The sponsorship supports development of talent among young tennis players, and training of coaches to uplift the standards of the game.

Part of the sponsorship has also gone towards funding tennis activities in the counties, aimed at creating awareness of the sport and debunking the myth that tennis is a game only for the well to do. The sponsorship has also gone to support coaching sessions for teachers in Garissa, Bungoma, Mombasa and Embu. The teachers will then pass the knowledge to their students to tap talent at an early age.

Some of the activities undertaken by the Foundation in 2017 include:

1. Shs 75 million sponsorship of Mathare United Football club, which draws majority of its players from informal settlements.
2. Shs 9 million sponsorship of the Britam Kenya Open Tennis tournament. The sponsorship supports development of talent among young tennis players, and training of coaches in the country.
3. Shs 12 million donation to the 2017 “Britam Kenya Guineas”, held at the Ngong Racecourse.
4. Partnered with the Catholic Archdiocese of Nairobi to launch an initiative aimed at mentoring and uplifting the boy child.
5. Britam staff visited the Angel Centre for Abandoned Children in Dagoretti as part of its CSR activity. The home was founded seven years ago and takes care of abandoned infants.


Britam
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Britam
With you every step of the way
3


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CORPORATE GOVERNANCE REPORT

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

Key highlights

The key corporate governance highlights for the year include:

- Changes in the board to strengthen the business and the skills mix in the board, directors training on governance and board evaluation.
- Governance Audit conducted for the year 2016 before it became a regulatory requirement in 2017.
- In recognition of exemplary corporate governance practice, the Company won three awards at the Financial Reporting (FiRe) awards organized jointly by the Institute of Certified Public Accountants of Kenya (ICPAK), the Capital Markets Authority (CMA), and the Nairobi Securities Exchange (NSE) to recognize companies that adhere to globally accepted principles and best practice standards in financial reporting. The awards won were the first runner up - Governance Category, first runner up - Insurance Sector Category while the subsidiary, Britam Life Assurance Company (Kenya) Limited, was second runners up in the Insurance Sector.

Statement of Compliance

Britam 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 Memorandum and Articles of Association.

Board Management

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

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

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

Board Charter

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

- The shareholders shall appoint the Board of Directors, and the appointment shall be recommended by the Nomination & Governance Committee, and approved by the board as a whole;
- The board's primary responsibilities include determining the company's purpose and value, providing governance, and adopting strategic plans;
- The number of directors shall not be less than five, and not more than eleven;
- One third of the directors shall be non-executive and independent and the Chairman of the Board shall always be a non-executive director;
- The board shall appoint the Chief Executive Officer;
- The roles of the Chairman and Chief Executive Officer shall be separate;
- The board shall ensure that the company complies with all relevant laws, regulations and codes of business practice, and that it communicates with its shareholders and relevant stakeholders (internal and external) openly and promptly;
- 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 nine (9) members as at the end of the year, of whom two (2) are executive directors and seven (7) are non-executive directors. The Chairman and three (3) of the non-executive directors are independent 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 Public Secretaries (ICPSK).

Separation of Roles of the Board Chair and Group Managing Director

As provided for in the Board Charter, the Chairman and the Group Managing Directors' roles are separate, with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The Chairman is also responsible for ensuring that the interests of the Company's shareholders are safeguarded.

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

Induction

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

Conflicts of Interest

All Directors are required to disclose on appointment, annually and at the beginning of each Board and Board Committee meeting, any circumstance which may give rise to any actual or potential conflict of interest with their roles as Directors. Any business transacted with Britam must be at arm's length and fully disclosed to the board, which must consider and approve it. A director must refrain from discussion or voting on matters of potential conflict of interest.

Board Changes in the Year

Mr. Mike Laiser, Mr. Mohamed S. Karama and Ms. Caroline J. Kigen were appointed to the Board on 25 April 2017. At the Annual General Meeting held on 9 June 2017, Mrs. Agnes N. Odhiambo and Mr. Samson K. Kamau retired by rotation and did not offer themselves for re-election. Amb. Francis K. Muthaura retired from the Board on 23 August 2017 and was replaced as the Board Chairman by Mr. Andrew Hollas. Ms. Marianne Loner was appointed to fill a casual vacancy on the Board on 14 September 2017.

Board Activities for the Year

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

The Board held a total of ten board meetings in 2017 and conducted three general meetings of the shareholders, including the Annual General Meeting. Further, the Board reviewed its composition during the year and recommended for appointment by the shareholders four new directors with a variety of skills and experience. The new directors were taken through an intensive induction to understand the Company and their roles.

The Directors attended a two-day Corporate Governance Masterclass facilitated by the Capital Markets Authority in February 2017. Further, a training on Board Effectiveness was held for Directors in November 2017.

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

Business Management

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

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

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

Actuaries

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

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

Tax advisors

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

Governance Audit

In line with the CMA Corporate Governance Code for Issuers of Securities to the Public, a governance audit was conducted on the Company in January 2018. The Governance Audit Report is included in page 49.

Board members' attendance

Members	Meetings Attended	Meetings eligible to attend
Mr. W. Andrew Hollas (Chairman)	9	10
Amb. Dr. Francis K. Muthaura*	6	6
Dr. Peter K. Munga	8	10
Mr. Jimnah M. Mbaru	3	10
Dr. Benson I. Wairegi	10	10
Mrs. Agnes N. Odhiambo**	2	4
Mr. Samson K. Kamau**	4	4
Mr. Stephen Wandera	8	10
Mr. Mike Laiser***	6	7
Mr. Mohamed S. Karama***	7	7
Ms. Caroline J. Kigen***	5	7
Ms. Marianne Loner****	1	2

**Retired from the Board on 23 August 2017*
***Retired from the Board on 9 June 2017*
****Appointed to the Board on 25 April 2017*
*****Appointed to the Board on 14 September 2017*

Committees of the Board

The board is responsible for the management of the Group. It has delegated the detailed discussions to five committees, each of which meets at least three times a year. Each of the 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 an independent and Non-Executive Director and a member of the Institute of Certified Public Accountants of Kenya. During the Company's 2017 Annual General Meeting, the members of the Audit Committee were 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, 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 2017, the Committee reviewed internal controls, reviewed the internal and external audit plans and audit reports and monitored the closure of audit issues by management. The Committee also reviewed the Company's financial statements.

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

Members	Status	Attendance
Ms. Caroline J. Kigen (Chairperson)*	Independent Non-Executive Director	1/2
Mr. Mike Laiser*	Independent Non-Executive Director	2/2
Mr. Mohamed S. Karama*	Independent Non-Executive Director	2/2
Mrs. Agnes N. Odhiambo**	Independent Non-Executive Director	2/3
Mr. W. Andrew Hollas**	Independent Non-Executive Director	3/3
Mr. Samson K. Kamau**	Independent Non-Executive Director	3/3

**Appointed to the Committee on 9 June 2017*
***Retired from the Committee on 8 June 2017*

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.

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

Members	Status	Attendance
Dr. Peter K. Munga (Chairman)	Non-Executive Director	5/5
Mr. Jimnah M. Mbaru	Non-Executive Director	1/5
Mr. Samson K. Kamau*	Independent Non-Executive Director	3/3
Mr. Mohamed S. Karama**	Independent Non-Executive Director	2/2

**Retired from the Committee on 8 June 2017*
***Appointed to the Committee on 8 June 2017*

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.

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

Members	Status	Attendance
Mr. Mike Laiser (Chairman)*	Independent Non-Executive Director	2/2
Ms. Caroline J. Kigen*	Independent Non-Executive Director	1/2
Mr. Stephen O. Wandera	Executive Director	4/4
Mr. Samson K. Kamau**	Independent Non-Executive Director	2/2
Mrs. Agnes N. Odhiambo**	Independent Non-Executive Director	1/2

** Appointed to the Committee on 8 June 2017*
*** Retired from the Committee on 8 June 2017*

Compensation and Human Resource Committee

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

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

Members	Status	Attendance
Mr. W. Andrew Hollas (Chairman)*	Independent Non-Executive Director	1/1
Amb. Dr. Francis K. Muthaura**	Independent Non-Executive Director	4/4
Dr. Peter K. Munga	Non-Executive Director	5/5
Dr. Benson I. Wairegi	Group Managing Director	4/5

** Appointed to the Committee on 19 October 2017*
*** Retired from the Committee on 23 August 2017*

Britam
With you every step of the way

Board of Directors

1 **Mr. W. Andrew Hollas**
Chairman (Non-Executive and Independent Director) Mr. Hollas is a former Pricewaterhouse Coopers (PwC) Senior Partner responsible for East, Central and West Africa operations. Mr. Hollas holds a Bachelor of Arts in Economics from the University of Newcastle upon Tyne. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the UK Institute of Directors, a member of the Institute of Certified Public Accountants of Kenya and a Kenya College of Insurance Certified Fund Trustee.

2 **Dr. Benson I. Wairegi, EBS**
(Group Managing Director)
Dr. Wairegi is also a Director of Housing Finance Group, the Chancellor of Kenyatta University and former chairman of the Association of Kenya Insurers. Dr. Wairegi holds a Honorary Doctorate Degree from Kenyatta University, a Masters of Business Administration Degree and Bachelor of Commerce Degree both from the University of Nairobi and is a Certified Public Accountant.

3 **Dr. Peter K. Munga, CBS**
(Non-Executive Director)
Dr. Munga is the Chairman of Equity Group Holdings, Equatorial Nut Processors Ltd and Freshco International Limited. He is a retired Deputy Secretary in the Government of Kenya. He holds an Honorary Doctorate in Business Administration (Honoris Causa) from United Graduate College and Seminary. He is a Certified Public Secretary with vast experience in both public and private sector management.

4 **Ms. Marianne Loner**
(Non-Executive Director)
Ms. Loner holds a Masters 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. She is a Director at Sura Asset Management S.A. Colombia. She also serves as a Director of the Supervisory Board of Procredit Holdings AG & Co Germany.

Board of Directors

(5) **Mr. Mike Laiser**

(Independent Non-Executive Director) Mr. Laiser is an enterprise development economist, whose areas of expertise are Small & Medium Enterprise development, microfinance, industrial development and management, and technology transfer. He holds a Masters degree in Development Economics from Williams College, Boston, USA, and a Bachelor of Arts in Economic Planning from the University of Dar es Salaam.

(6) **Mr. Jimnah M. Mbaru, EBS**

(Non-Executive Director) Mr. Mbaru is the Chairman of Dyer and Blair Investment Bank Limited, a director of the Nairobi Securities Exchange and Sanlam Africa Core Real Estate Investors Limited. He is a former chairman of the African Stock Exchanges and the National Economic and Social Council. Mr. Mbaru holds a Master of Business Administration from IMD in Lausanne, Switzerland, a Bachelor of Commerce degree and a Bachelor of Laws degree both from the University of Nairobi. He is a fellow of the Kenya Institute of Management.

(7) **Ms. Caroline Kigen**

(Independent Non-Executive Director) Ms. Kigen is a management consultant with experience in accounting and financial management, strategic management and corporate governance. She has worked with the University of Nairobi and Strathmore University as a lecturer of accounting, and with PricewaterhouseCoopers in the Audit and Assurance department. She has sat on a number of boards locally and internationally. She is a member of Institute of Certified Public Accountants of Kenya (ICPAK) where she has chaired a number of committees.

(8) **Mr. Mohamed Karama**

(Independent Non-Executive Director) Mr. Karama is a Certified Public Accountant and a Certified Government Financial Manager with diversified consulting skills, comprehensive project management experience and extensive knowledge of public sector, financial services and healthcare industries. He has been a partner at PricewaterhouseCoopers, leading advisory services both in Kenya and in the United States. He has over twenty years of global experience in both developed and emerging markets.

(9) **Mr. Stephen O. Wandera**

(Executive Director)
Mr. Wandera is the Principal Executive Director (Business) of Britam Holdings Plc. He is a Fellow of the Chartered Insurance Institute (FCII) and also a past chairman of Association of Kenya Insurers (AKI) and Director of the Insurance Institute of Kenya (IIK). Mr. Wandera holds a Master's Degree in Business Administration and a Bachelor of Arts Degree, both from the University of Nairobi. Mr. Wandera is a past Chairman of the Association of Kenya Insurers and a former Governor of the Kenya Private Sector Alliance (KEPSA).

Nomination and Governance Committee

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

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

Members	Status	Attendance
Mr. Andrew Hollas (Chairman)*	Independent Non-Executive Director	1/1
Amb. Dr. Francis K. Muthaura**	Independent Non-Executive Director	4/4
Dr. Peter K. Munga	Non-Executive Director	4/5
Mr. Jimnah M. Mbaru	Non-Executive Director	2/5
Dr. Benson I. Wairegi	Group Managing Director	5/5

** Appointed to the Committee on 19 October 2017*

*** Retired from the Committee on 23 August 2017*

Directors' Shareholding as at 31 December 2017

No.	Names	Roles	Shares
1	Mr. Andrew Hollas	Chairman	-
2	Dr. Benson I. Wairegi	Group Managing Director	100,408,400
3	Mr. Jimnah M. Mbaru	Director	194,800,100
4	Dr. Peter K. Munga	Director	75,000,000
5	Mr. Stephen O. Wandera	Director	50,000
6	Mr. Mike Laiser	Director	-
7	Mr. Mohamed S. Karama	Director	-
8	Ms. Caroline J. Kigen	Director	
9	Ms. Marianne Loner	Director	-

Share Capital

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

Shareholders Rights

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

Distribution of Shareholding

The table below provides details of the number of shareholders and shares held within each of the bands/ranges stated in the register of members as at 31 December 2017.

Shareholder Volume Analysis

No.	Shareholding	No. of Shareholders	No. of Shares held	Percentage Shareholding
1	1 to 500	3,166	830,039	0.04%
2	501 to 5000	16,953	39,959,397	1.85%
3	5001 to 10000	2,533	19,856,914	0.92%
4	10001 to 100000	2,268	58,904,830	2.72%
5	100001 to 1000000	239	71,476,108	3.31%
6	1000001 and above	48	1,971,576,247	91.17%
	Grand totals	**25,207**	**2,162,603,535**	**100.00%**

Top Ten Shareholders

No.	Names	Shares	Percentage
1	Equity Holdings Plc	405,000,000	18.73%
2	Plum LLP	348,504,000	16.12%
3	Standard Chartered Nominees Non-Resd. A/C Ke11396	230,564,205	10.66%
4	Standard Chartered Nominees Non-Resd. A/C Ke11752	224,187,697	10.37%
5	Mr. Jimnah M. Mbaru	164,800,100	7.62%
6	Dr. Benson I. Wairegi	100,408,400	4.64%
7	Dr. Peter K. Munga	75,000,000	3.47%
8	Dr. James N. Mwangi	75,000,000	3.47%
9	Co-op Bank Custody A/C 4012	60,000,000	2.77%
10	Filimbi Limited	58,453,600	2.70%
11	Others	420,685,533	19.45%
	Grand totals	**2,162,603,535**	**100.00%**

Return Summary

Investor Pool	Records	Shares	Percentage
Local institutions	933	1,279,914,322	59.18%
Local individuals	24,148	591,491,442	27.35%
Foreign investors	126	291,197,771	13.47%
Grand totals	**25,207**	**2,162,603,535**	**100.00%**

DIRECTORS REMUNERATION REPORT

This report is in compliance with the disclosure requirements under IFRS, Companies Act 2015, the Companies (General) (Amendment) (No.2) Regulations, 2017 and the Code of Governance for Issuers of Securities to the Public 2015. In 2017, the appointment of additional directors to serve the growing diversification needs of the Group led to the increase in the directors' remuneration and expenses.

Non-Executive Directors

The remuneration of the directors is based on the demands made on them and compares favourably with relevant competitor companies. Directors' remuneration is reviewed regularly and is benchmarked against the best industry sector practice to ensure that the reward packages are competitively structured and sufficient to attract and retain directors to govern the company effectively. In 2017, the Board Compensation and Human Resources Committee reviewed the board remuneration structure on the basis of a benchmarking survey conducted among the Company's peers and made recommendation to bring sitting allowances in line with market rates to be effective in 2018.

Contracts of Service and Remuneration

Non-Executive Directors' have standard contracts which provide for a three-year renewable term. Non-Executive Directors are paid a quarterly fee and sitting allowances for every board and committee meeting attended. Additionally, the Chairman is paid a monthly honorarium. Directors are also given a medical cover at rates similar to the staff medical cover, being in-patient medical cover of Shs 10 million and outpatient medical cover of Shs 200,000. However, directors are not eligible for pension or terminal benefits and do not participate in any of the Company's performance schemes.

2017

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

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

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

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

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

Contracts of Service and Remuneration (Continued)

2016

Name	Position	Annual retainer	Sitting allowances	Other allowances	No. of meetings attended
Amb. Dr. Francis K. Muthaura	Chairman	700,000	1,325,000	3,780,000	11/11
Dr. Peter K. Munga	Non-Executive Director	700,000	1,300,000	-	13/16
Mr. Jimnah M. Mbaru	Non-Executive Director	700,000	650,000	-	5/12
Mrs. Agnes N. Odhiambo	Non-Executive Director	700,000	900,000	-	10/14
Mr. Samson K. Kamau	Non-Executive Director	700,000	1,425,000	-	16/16
Mr. W. Andrew Hollas	Non-Executive Director	700,000	1,150,000	-	11/11
Mr. Nduva Muli*	Non-Executive Director	350,000	775,000	-	10/10
Mr. Richard K. Langat*	Non-Executive Director	350,000	925,000	-	4/6

**Mr. Nduva Muli and Mr. Richard Langat retired from the board on 24 June 2016.*

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 50,000 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 2017, there were two training sessions and one board evaluation session. In 2016, there was one board evaluation and training session and two board retreat sessions. All new directors attended induction sessions.
- **Other allowances:** The Chairman is entitled to a monthly honorarium of Shs 315,000, inclusive of a mobile phone allowance of Shs 15,000.
- **Major decisions on directors' remuneration:** In 2017, the Board Compensation and Human Resources Committee recommended that sitting allowances for Board Committees be revised from Shs 50,000 per sitting to Shs 62,500 for members and from Shs 50,000 to Shs 75,000 for Committee Chairman, effective January 2018. All other allowances remain unchanged. These changes were approved by the Board. The remuneration for Non-Executive Directors remained unchanged in 2017.

Executive Directors

Contracts of Service and Remuneration

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

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

There is also a performance-based bonus which is paid from the Company's profit. A percentage of the Company's profit is shared amongst employees according to their individual performance. The bonus pool is approved by the Board upon recommendation of the Board Compensation and Human Resources Committee. Only 80% of the bonus is paid in cash while the balance is retained and paid in the subsequent three years as deferred bonus. The deferred bonus will in due course be used to partly fund the Employee Share Ownership Plan (ESOP) in which employees will be given shares equivalent to the amount of bonus retained. The ESOP was established in 2017 and will be effected in 2018.

Executive Directors have individual contracts which are detailed below:

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

Dr. Wairegi's contract of service commenced on 31 January 2013 and ended on 31 December 2017. The contract has been renewed under the same terms for a period of three years commencing on 1 January 2018 to 31 December 2020. In addition to a monthly salary, Dr. Wairegi is entitled to a performance bonus which is based on meeting specific Key Performance Indicators which are agreed upon between the Board and Dr. Wairegi at the beginning of every year. The contract also provides for a car benefit, residential security (guard and house alarm), medical cover and loans at staff rates. The contract provides for gratuity 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: -

	2017	2016
Salary and Allowances	52,500,000	52,500,000
Bonus	-	-
Non-Cash Benefits	1,134,000	767,000
Gratuity	16,036,463	16,002,803
Total Pay	**69,670,463**	**69,269,803**

Gratuity, which relates to services offered for the five-year period ended 31 December 2017, was computed and paid as provided for in the contract.

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

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

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

	2017	2016
Salary and Allowances	38,432,000	36,814,800
Bonus	-	-
Non-Cash Benefits	1,066,147	646,232
Total Pay	**39,498,147**	**37,461,032**

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

Mr. W. Andrew Hollas

Chairman

22 March 2018

GOVERNANCE AUDIT FOR THE YEAR 2017

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective governance of the organization. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; equitable protection and exercise of members' rights and obligations; compliance with laws and regulations; sustainability; performance management and strategy formulation and oversight.

The Code of Corporate Governance Practices for Issuers of securities in Kenya has emphasized not only the importance of good Corporate Governance but also the role of the Board in ensuring that Companies are well governed and that in as much as possible, shareholders are assured of a return on investments. In general, Directors are required to act in good faith and more specifically, have a duty to promote the success of the Company for the benefit of Stakeholders. Directors also have a duty to exercise reasonable care, skill and diligence and are required to ensure that conflicts of interest are avoided or where they occur, that there is a process for managing them.

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

The Directors therefore submit their Governance Audit report for the year ended 31 December 2017, which discloses the state of governance within the Company.

ADOPTION OF THE GOVERNANCE AUDIT REPORT

The Governance Audit Report was adopted by the Board of Directors on 22nd day of March 2018.

....

Group Managing Director 22 March 2018

....

Chairman 22 March 2018

GOVERNANCE AUDITOR'S REPORT

GOVERNANCE AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders, and in this regard we issue an unqualified opinion.

………………………………………………….

For: Dorion Associates

22 March 2018

Effective risk management and control are essential for sustainable and profitable growth.

The role of risk management is to evaluate, respond to, and monitor risks in the execution of our strategy. It is essential that business growth plans are supported by an effective Enterprise Risk Management Framework (ERMF).

Britam's approach to managing risk is outlined in the 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. It also ensures that appropriate responses are in place to protect the Group and prevent detriment to its stakeholders.

The backbone of the framework is the "three lines of defense" concept.

The 3 Lines of Defense

The Three Lines of Defense operating model, which has been defined in the ERMF, enables the appropriate assignment of risk management activities between those parties that:

(a) Own and take risk, and implement controls (First Line of Defense);

(b) Oversee and challenge the first line, providing independent risk management activity and support controls (Second Line of Defense); and

(c) Provide independent assurance that risk processes are fit for purpose, and that they are being carried out as intended (Third Line of Defense).

In establishing strong lines of defense, we seek to formalize the concept of independence and challenge, whilst promoting collaboration and the flow of information between all business units and divisions in the Group.

Enterprise Risk Management Framework

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

• Risk Appetite Statement

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

• Risk Assessment

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

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

• Risk Appetite Key Indicators and Triggers

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

• Scenario Planning and Stress Testing

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

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

Britam Group – Overview of Key Risks

INSURANCE RISK		
Risk Description	**Source of Risk**	**Mitigation**
The risk that the claims and premium liabilities estimated are lower than the actual claims that the company ends up settling.	• Lower claims liabilities than projected • Lower 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 RBC regulation to cushion the company against this risk **Refer to the financial statements on page 96 to 97 which highlights the insurance risk impact on the Group, in the current year.**
MARKET RISK		
Risk Description	**Source of Risk**	**Mitigation**
The risk that the financial assets held reduce in value below what the current value is. This risk impacts equities, bonds, property and any foreign currency denominated exposures including liabilities.	Fall in: • Market value of equities below the current value • Market value of property below the current value • The relative value of bonds held to liabilities being backed when interest rates rise and vice versa. • The relative value of Foreign Exchange assets held to liabilities backed when exchange rates change	• Gradual reduction of equities to total investible assets over time for the regulated business units • Diversification to property which cushions the long-term business from equity risk • Diversification to property has also aided in diversifying the returns from different assets which will lead to more 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 all investment assets to avoid over-exposure to market risks and concentration risks **Refer to the financial statements on page 102 to 103 which highlights the market risk impact on the Group, in the current year.**
CREDIT RISK		
Risk Description	**Source of Risk**	**Mitigation**
The risk that a counterparty defaults on a promise / obligations and therefore the company loses some of its assets.	• Premium receivables – i.e. outstanding premium / funds from clients • Reinsurance exposures – i.e. reinsurers share of liabilities and any outstanding commissions and claims • Bank deposits • Corporate bonds and commercial paper • Staff mortgages, car loans and other credit facilities	• Internal credit policy of cash and carry for retail business with a maximum of 60 days for corporate credit. Provisions are made from premium / funds receivables for more than 180 days. • Risk appetite requirement that all the reinsurance cessions made to third parties that have a credit rating of at last A- (by GCR or equivalent from any internationally recognized rating agency) • Meeting of risk appetite for bank deposits in terms of maximum limit in a single bank as well as maximum exposure limits to Tier I, Tier II and Tier III banks. • Risk appetite limits for exposure to corporate bonds and commercial paper in terms of limits to a single entity. • Guidelines on internal lending – There are strict internal guidelines for advancing credit to staff in terms of mortgages, car loans and other facilities. This includes rigorous underwriting process. **Refer to the financial statements on page 97 to 100 which highlights the counterparty risk impact on the Group, in the current year.**

Britam Group – Overview of Key Risks (Continued)

LIQUIDITY RISK		
Risk Description	**Source of Risk**	**Mitigation**
The risk that the business is not able to meet its obligations or liabilities as and when they fall due.	▪ Mis-match of assets and liabilities, usually by duration ▪ Low cash flow generation e.g. due to reduced inflows and / or higher withdrawals	• Asset Liability Matching (ALM) Policy that ensure that assets and liabilities are matched by amounts, currency, duration and nature. • Documented procedures for the treasury and investment team that ensure liquidity is monitored on a daily basis. **Refer to the financial statements on page 100 to 102 which highlights the insurance risk impact on the Group, in the current year.**
OPERATIONAL RISK		
Risk Description	**Source of Risk**	**Mitigation**
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Failure of : • People • Process • Systems • External events	A comprehensive operational risk management framework has been deployed with the following key components: • **Risk and control self-assessments**: • Each business unit and enabling function is required to analyze their business activities and critical processes to identify the key operational risks to which they are exposed and assess the adequacy and effectiveness of their controls. • For any area where management concludes that the level of residual risk is beyond an acceptable level, they are required to define action plans to reduce the level of risk. The assessments are facilitated, monitored and challenged by the operational risk function. • **Key Risk Indicators**: These are quantitative measures based on the key risks and controls. Relevant indicators are used to monitor key business environment and internal control factors that may influence the Group's operational risk profile. Each indicator has trigger thresholds to provide early warning signals of potential risk exposures and/or a potential breakdown of controls. When a breach is observed action is promptly taken to control the potential risk. • **Operational risk incidents:** All areas are required to report operational risk incidents to the operational risk function. The definition of operational risk incidents includes not only events resulting in actual loss, but also those resulting in non-financial impact and near misses. This process is intended to help management identify those processes and controls that need to be improved.

Business Continuity Management

The Group's ability to protect life, assets, and resources and ensure continued services to customers in the event of a disruption is critical to its sustained financial success. Business continuity management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions. In addition, it promotes operational resilience and ensures an effective response that safeguards the interests of the Group and its stakeholders.

Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant. The Group's business continuity capabilities are evaluated by testing business continuity plans and conducting crisis simulations.

Anti-Money Laundering Framework

Anti - money laundering training is mandatory for all employees and the Group has in place the necessary processes and systems to comply with "The Proceeds of Crime and Anti-Money Laundering Act 2009" and "The Prevention of Terrorism Act 2012". In January 2014 the Financial Reporting Centre rolled out an Annual Compliance Return to determine compliance with Proceeds of Crime and Anti-Money Laundering Regulations. The Group is in compliance with the Act.

Environmental and Social (E&S) risks

Britam Group believes that activities that have negative E&S 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 E&S principles are embedded in the way it conducts its business activities.

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

Our designated Environmental and Social Risk 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.

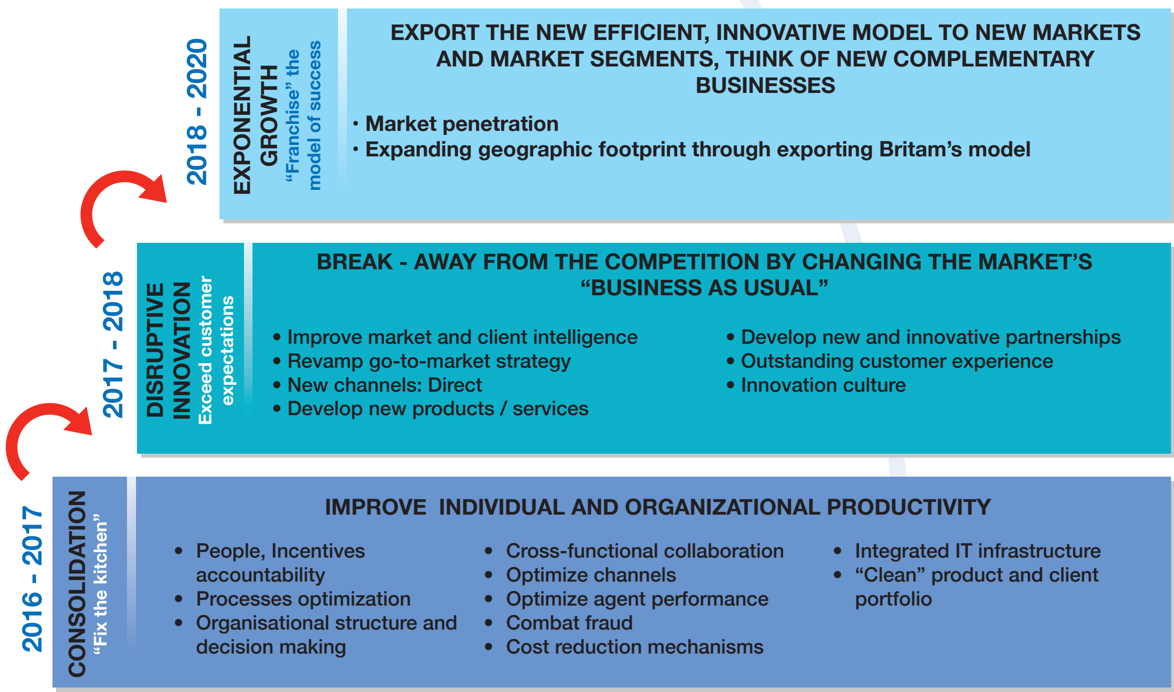
Whistleblowing policy

The Whistleblowing Policy is intended to reassure employees that if they raise any concerns in good faith and in the reasonable belief that they are, they will be protected from reprisals or victimization. Employees have the option of reporting concerns through the Whistleblowing service managed by an independent professional firm that guarantees anonymity.

All employees of the Group, including contractors working for the company, are covered by this policy. If an employee raises a concern under this policy, they will not be at risk of losing their job or suffer retribution as a result.

Strategy Performance Review

2017 saw the Group's aggressive pursuit of the "Go for Gold" strategy with a view to delivering our five strategic pillars of Profitable Growth, Customer Service, Innovation, Operational Excellence and Enabling Transformation. Last year, we indicated that we had begun our consolidation phase "Fix the kitchen". We are happy to report that we are now at the tail-end of this phase with focus now proceeding to the next phase which is Disruptive Innovation- exceeding our customer expectations. The chart below shows a phased approach to implementing our strategy.



What has been achieved in the "Fixing the Kitchen" phase?

Although 2017 was a challenging year, our transformative journey to achieving our Strategy 2020 objectives still remains on track and we have made significant progress against our Key Strategic Objectives outlined in our "Go for Gold" 2016 – 2020 Strategy. The year saw the Group record the following milestones;

- Launch of a 24hr Customer Contact Centre, which is supported by the Client Relationship Management System (CRM) which successfully went live.
- Launch of various digital portals to better serve our customers and partners for example FA Portal, Customer Portal and Marine Portal.
- Launch of mobile based distribution channels for example our USSD portal (*778#) which offers Money Market Fund (MMF) and Imarika products to the retail markets.
- Streamlined back office operations with process reviews in underwriting and claims processing for example introduction of triaging approach for claims.

Self-Assessment against Strategic Objectives

	Our Objectives	2017 Performance	
Profitable Growth	• Make all business profitable. • Be the market leader in all our chosen markets.	• Most of our businesses were profitable in FY 2017 (except Rwanda, Malawi, Mozambique and Property). • Increased contribution from international businesses at 18% of Gross Written Premiums at the end of 2017 (2016:12%).	
Customer Service	• Ensure a “one-stop shop” and a seamless experience for clients. • Engage in continuous brand building to become the trusted partner to our clients.	• Implemented a 24-hour Contact Centre and rolled out the first Phase of our Customer Relationship Management (CRM) system.	
Innovation	• Increase our share of wallet by designing products with customers in mind and deliver them in a timely manner. • Develop innovative partnership and distribution channels to increase our market penetration.	• Launched our mobile distribution channels for example our new USSD portal (*778#), which offers our Money Market Fund (MMF) and Imarika products to retail clients. • Launch of various digital portals to better serve our customers and partners for example FA Portal, Customer Portal and Marine Portal.	
Operational Excellence	• Improve operational efficiency and cost-to-income ratio. • Ensure optimum underwriting quality and reduce loss ratios below 50%.	• Implemented and launched a number of initiatives to bring down our cost-to-income and loss ratio to 34% and 64% respectively, including implementation of express motor assessment centre and triaging approach to claims processing.	
Enabling Transformation	• Create a high performance, proactive culture and motivated team. • Develop and IT ecosystem that supports a digital enterprise (Project Jawabu).	• Roll out of ERP systems completed across all the international businesses resulting in increased efficiencies in finance, procurement and HR. • INSIS medical and motor system implementation ongoing. • Moneyware Systems for the asset management business is now Live.	

Achieved

Good progress

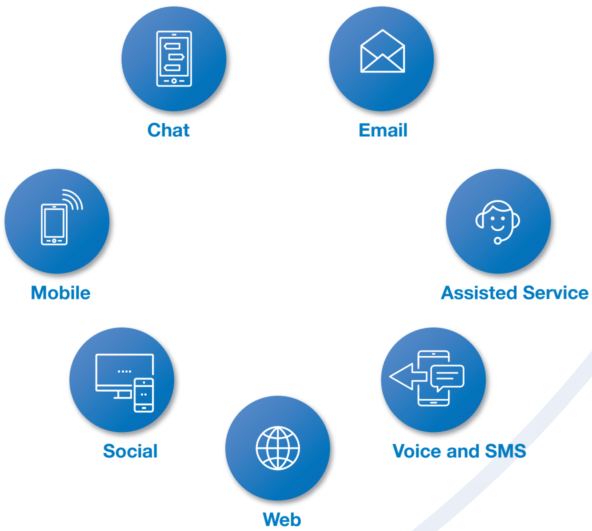
Focus for 2018

In line with our 2016 – 2020 Strategic Plan, our focus for 2018 is exceeding our customer's expectation through product and service innovation.

In order to leverage the gains achieved in 2017 and further cement our customer-centric business model; our product and service innovation initiatives will include the following: improve our client and market intelligence, revamping our go-to-market strategy, launching new products and services, innovative partnerships, improve our direct channel, ensure outstanding customer experience and build an innovative culture.

No	2018 Strategic Initiatives	What we plan to do
1	Improve our client and market intelligence	• Engage our client through focused group discussions • Automate data collection and validation to enable business and operations teams to have better insights in order to improve customer service.
2	Revamp our go-to-market strategy	• Revamp our go-to-market strategy for our 3 key businesses Asset Management, Life and General Insurance with the aim of achieving a 360-degree connected customer experience for our clients.
3	Launch new products and services	• Based on our customer feedback and market intelligence - Production rationalization/clean-up across the business and introduction of innovative products that are geared towards a specific customer segment.
4	Innovative Partnerships and Direct Channels	• Enhance our user experience on Web & USSD. • Enhance payments and & collection capability through e-commerce . • Enhance partner portal & support for direct business.
5	Outstanding Customer Experience	• Further improve our TAT times by integrating workflow management, auto-reconciliation of payments, introduction of intelligent process automation through robotics.
6	Innovative Culture	• Build an innovative organization culture through ensuring ready access to data, carrying out innovation challenges, redefining metrics and incentives and creating an environment that accepts experimentation.

360° view of the customer



360° View of the Customer
Our customers are now able to reach us through different channels including email, social network platforms, mobile, web portal, customer center.

A trusted market leader in marine insurance makes the difference

Executive Management Team

Dr. Benson I. Wairegi
Group Managing Director

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

Stephen O. Wandera
Principal Executive Director - Business

Muthoga Ngera
Director Marketing & Corporate Affairs

Nancy K. Kiruki
Director, Legal & Company Secretary

James Maitho
Director Human Resources

Betty Mwangi
Group Commercial Director

Kennedy B. Aosa
Director International Insurance Business

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

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

Charles Muyodi
General Manager Microinsurance Business

Kenneth Kaniu
CEO Britam Asset Managers (Kenya) Limited

Executive Management Team

Benson Kamau
General Manager, Britam Properties (Kenya) Limited

Allan Mafabi
CEO & Principal Officer
Uganda

Stephen Lokonyo
CEO & Principal Officer
Tanzania

John Githinji
CEO & Principal Officer
South Sudan

Antoine Uwamungu
CEO & Principal Officer
Rwanda

Stephen Wambugu
Ag. CEO & Principal Officer
Mozambique

Ronald Kasolo
General Manager
Britam Asset Managers (Uganda) Limited

Grant Mwenechanya
CEO & Principal Officer
Malawi

Steve B. Magati
Group Internal Audit

Jack W. Maina
Group Chief Operating Officer

Fridaclare K. Katusya
Group CFO, Britam Holdings Plc

Carol Misiko
Chief Risk & Compliance Officer

Susan Kariuki
Chief Actuary & Head of Product Development

Jude Anyiko
Group Chief Investment Officer

Edward Kuria
Chief of Staff

FINANCIAL REPORT

Financial Statements

DIRECTOR'S REPORT

The Board of Directors has pleasure in presenting their annual report together with the audited financial statements of Britam Holdings Plc ("the Company") and its subsidiaries (together "the Group" or "Britam Group") for the year ended 31 December 2017, which disclose the state of financial affairs of the Company and the Group.

INCORPORATION AND CHANGE OF NAME

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 and change in name.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

Profit after tax of Shs 527,474,000 (2016: Profit after tax of Shs 2,480,204,000) has been added to the retained earnings.

The Directors recommend the payment of a dividend of Shs 756,911,000 (2016: Shs 581,525,000)

ENHANCED BUSINESS REVIEW

Financial Performance

The Group recorded a growth of 143% on its total comprehensive income closing at Shs 1.9 billion compared to Shs 784.7 million in 2016. This was achieved against the backdrop of: -

- 15% increase on gross earned premium from to Shs 23.3 billion from Shs 20.3 billion in 2016;
- 24% increase in total revenue to Shs 27.8 billion from Shs 22.4 billion in 2016; and
- A strong performance of our investments in equities in 2017 compared to 2016.

The Group returned a profit before tax of Shs 865.8 million from Shs 4.2 billion reported in 2016. The decline in profits is attributable to a one-off change that positively impacted 2016 earnings by Shs 5.2 billion. In compliance with provisions of the Insurance Act as amended the Finance Act 2015 and as required by the Insurance Regulatory Authority (IRA), we in 2016 changed the valuation method for life business liabilities to gross premium valuation method from the previously applied net premium valuation. The impact of this in 2017 is an increase in net insurance benefits by 150% from 2016. On a consistent basis, net insurance benefits and claims increased by 23% largely as a result of a 26% revenue growth in the life business.

Total assets have grown by 18% while Assets Under Management (AUM) increased by 18% to Shs 128.9 billion from Shs 108.9 billion in 2016. The shareholders' funds have increased by 27% on the back of a strong performance and issuance of new shares to International Finance Corporation (IFC) during the year.

Risk Management

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

Pages 51 to 54 of this Annual Report provides details on the sources of these risks and the mitigation plans in place. Note 4 details the impact, exposure and management of financial risks.

The Environment

Britam Group believes that activities with 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.

In 2017, the Group approved the Environmental and Social Management System and 2018 will the first year of a 3-year implementation plan.

Refer to page 54 of this Annual Report for highlights of the Environmental and Social Management program.

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 2017 and 2016, and over 3,000 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

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

DIRECTORS

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

Mr. W. Andrew Hollas	-	Chairman
Dr. Benson I. Wairegi	-	Group Managing Director
Mr. Jimnah M. Mbaru		
Dr. Peter K. Munga		
Mr. Stephen O. Wandera		
Mr. Mike Laiser	-	Appointed 25 April 2017
Mr. Mohamed S. Karama	-	Appointed 25 April 2017
Ms. Caroline J. Kigen	-	Appointed 25 April 2017
Ms. Marianne Loner	-	Appointed 14 September 2017
Mrs. Agnes N. Odhiambo	-	Retired 9 June 2017
Mr. Samson K. Kamau	-	Retired 9 June 2017
Amb. Dr. Francis K. Muthaura	-	Retired 23 August 2017

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITOR

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

BY ORDER OF THE BOARD

Nancy Kiruki

Company and Board Secretary

22 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors also accept responsibility for:

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

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

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

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

The financial statements were approved by the Board of Directors on 22 March 2018 and signed on its behalf by:

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

Deloitte.

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying separate financial statements of Britam Holdings Plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 70 to 155, each of which comprises statements of financial position at 31 December 2017 and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company and of the Group at 31 December 2017 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 company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Deloitte.

Key Audit Matter

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 are addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Determination of insurance contract liabilities

Significant judgement is required by the Directors in relation to the recognition and valuation of insurance contract liabilities for group companies that operate life and non-life insurance business. Accordingly, the recognition and valuation of insurance contract liabilities is considered a key audit matter in our audit of the consolidated financial statements.

As at 31 December 2017, insurance contract liabilities amounted to Shs 23.9 billion (2016 – Shs 18.7 billion) as disclosed in note 40 to the consolidated financial statements.

The Group determines its liabilities under insurance contracts based on valuation basis prescribed in the Insurance Act in conjunction with the provisions of IFRS 4: Insurance Contracts.

In the determination of insurance contract liabilities under the life business, the basis applied contains prudent margins for adverse experience in mortality rates, expenses, persistency rates and discount rates while the determination of insurance contract liabilities for the non-life business involves application of historical claims experience and other factors. The inputs with the most significant impact on these valuations are discount rates and mortality rates that are used in the determination of insurance contract liabilities for the Life Business. In case of non-life Business, estimates of the liability for reported claims are determined on the basis of the best information available at the time the records for the year are closed while estimates of the liability for claims incurred but not reported (IBNR) are determined on the basis of prevailing claims report and settlement patterns.

The liabilities are calculated by the group's in-house Actuarial team and reviewed for adequacy by the appointed external Actuary.
</td><td>
We assessed the competence, capabilities and objectivity of the Group's internal and independent Actuaries and verified their qualifications. In addition, we discussed the scope of their work and reviewed the terms of engagement for the external actuary to determine that there were no matters that affected their objectivity or imposed scope limitations upon them. We confirmed that the approaches used were consistent with IFRS and industry norms.

We made use of our internal actuarial experts to evaluate Directors' and the Group Actuaries' judgements and, in particular we examined:

• The models used by Directors and their independent actuary; and

• The significant assumptions applied, including discount rates and mortality rates,

On the significant assumptions, our internal actuarial experts compared these inputs to market data and entity-specific historical information to confirm the appropriateness of the judgements applied.

We performed a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the values and assessed the appropriateness of the Group's disclosures relating to these sensitivities.

In addition, we compared the data inputs underpinning the insurance contract liabilities to the underlying accounting records to provide comfort on the accuracy, reliability and completeness thereof.

Based on the procedures performed, we found that the models used were appropriate and that the carrying value of insurance contract liabilities at 31 December 2017 was reasonably determined.

The disclosures to the consolidated financial statements pertaining to the insurance contract liabilities were found to be appropriate and comprehensive.
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</table>

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the key highlights, sustainability report, corporate governance report, strategy review report, report of the directors, notice of the annual general meeting and corporate information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors' report on pages 63 to 64 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 46 to 48 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December 2017 Shs'000	2016 Shs'000
Revenue			
Gross earned premiums	6	23,298,311	20,291,844
Less: reinsurance premium ceded	6	(3,000,191)	(2,898,259)
Net earned premiums	**6**	**20,298,120**	**17,393,585**
Fund management fees	6	760,630	929,234
Net (loss)/ income from investment property	7	(607,261)	991,129
Interest and dividend income	8	5,053,975	4,232,846
Net realised (loss)/ gains on financial assets at fair value through profit or loss	9	(88,308)	32,718
Net unrealised fair value gains/ (losses) on financial assets	10	1,413,141	(2,444,727)
Commissions earned	11	744,492	718,839
Other income	12	261,885	506,590
Total income		**27,836,674**	**22,360,214**
Expenses			
Insurance claims and loss adjustment expenses	13	11,024,447	8,987,829
Amount recoverable from reinsurers	13	(2,385,116)	(1,201,053)
Change in actuarial value of policyholders benefits	13	3,859,430	(2,785,611)
Net insurance benefits and claims		**12,498,761**	**5,001,165**
Interest payments/ increase in unit value	14	2,462,961	1,742,978
Operating and other expenses	15 (i)	7,355,818	7,094,697
Finance costs	16	1,186,147	1,177,264
Commissions expense	17	3,520,150	3,547,258
Total expenses		**27,023,837**	**18,563,362**
Profit before share of the profit of associate		812,837	3,796,852
Share of profit of associate accounted for using the equity method	25 (i)	53,006	442,281
Profit before tax		**865,843**	**4,239,133**
Income tax expense	26	(338,369)	(1,758,929)
Profit for the year		**527,474**	**2,480,204**
Profit attributable to:			
-Owners of the parent		517,431	2,436,776
-Non-controlling interests	27 (iii)	10,043	43,428
Earnings per share for profit attributable to the owners of the parent during the year.			
- Basic and diluted (Shs per share)	21	0.26	1.26

The notes on pages 81 to 155 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2017 Shs'000	2016 Shs'000
		For the year ended 31 December	
Profit for the year		**527,474**	**2,480,204**
Other comprehensive income/ (loss) items, net of tax:			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings	23	38,192	678
Gain/ (loss) on revaluation of financial assets at fair value through other comprehensive income	26	1,182,760	(1,121,998)
Gain/ (loss) on disposal of financial assets at fair value through other comprehensive income	26	71,961	(268,287)
Re-measurement of the net defined benefit asset	26	(946)	(62,543)
Total items that will not be reclassified to profit or loss		**1,291,967**	**(1,452,150)**
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income/ (loss) from the associate accounted for using the equity method	26	83,515	(6,495)
Currency translation gain/ (losses)	26	5,194	(236,886)
Total items that may be subsequently reclassified to profit or loss		**88,709**	**(243,381)**
Total other comprehensive income/ (loss)		**1,380,676**	**(1,695,531)**
Total comprehensive income for the year		**1,908,150**	**784,673**
Attributable to:			
-Owners of the parent		**1,898,107**	**741,245**
-Non-controlling interests	27 (iii)	**10,043**	**43,428**

Items in the statement above are disclosed net of tax.

The notes on pages 81 to 155 are an integral part of these financial statements

Britam
With you every step of the way

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 Shs'000	2016 Shs'000
CAPITAL EMPLOYED			
Share capital	18 (i)	216,260	193,841
Share premium	18 (i)	7,706,782	4,263,412
Other reserves	19	13,579,959	11,874,244
Retained earnings	20	332,832	897,351
Proposed dividend	22	756,911	581,525
Shareholders' funds		**22,592,744**	**17,810,373**
Non-controlling interests	27 (iii)	77,266	67,223
Total equity		**22,670,010**	**17,877,596**
Assets			
Property and equipment	23	1,503,409	1,691,591
Intangible assets	24	2,093,587	1,989,351
Investment in associates	25 (i)	5,021,902	6,308,503
Goodwill	27 (i)	1,558,433	1,558,433
Deferred income tax	37	450,398	388,120
Retirement benefit asset	49	221,167	168,841
Investment property	28 (i)	5,912,091	4,890,775
Investment in property funds	28 (ii)	9,271,750	8,616,740
Financial assets at fair value through other comprehensive income	29	5,372,983	4,325,082
Financial assets at fair value through profit or loss	30	30,611,376	18,397,260
Government securities and corporate bonds at amortised cost	31	17,418,542	18,640,422
Mortgage loans and receivables	32	1,178,307	1,179,022
Loans and receivables to policyholders	33	1,076,466	834,382
Receivables arising out of reinsurance arrangements	34 (i)	645,487	1,104,021
Receivables arising out of direct insurance arrangements	34 (iii)	2,161,466	2,389,703
Reinsurers' share of insurance liabilities	35	3,726,914	2,679,371
Deferred acquisition costs	36	464,148	458,201
Other receivables	38	1,644,946	1,813,158
Current income tax	26	221,139	196,567
Restricted cash	39 (ii)	47,191	46,049
Cash and cash equivalents	39 (i)	8,423,155	5,967,017
Total assets		**99,024,857**	**83,642,609**
Liabilities			
Deferred income tax	37	3,424,054	3,394,778
Insurance contract liabilities	40	23,896,282	18,744,957
Payable under deposit administration contracts	44	28,017,662	21,839,735
Liabilities under investment contracts	45	4,025,507	4,910,059
Unearned premiums	46	4,572,067	4,360,351
Payables arising from reinsurance arrangements	34 (ii)	752,226	544,754
Payables arising from direct insurance arrangements	34 (iv)	-	11,708
Borrowings	16	7,963,470	9,379,826
Other payables	47	3,551,853	2,443,573
Current income tax	26	151,726	135,272
Total liabilities		**76,354,847**	**65,765,013**
Net assets		**22,670,010**	**17,877,596**

The financial statements on pages 70 to 155 were authorised and approved for issue by the Board of Directors on 22 March 2018 and signed on its behalf by:

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The notes on pages 81 to 155 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Year ended 31 December 2017	Notes	Share capital	Share premium	Other reserves	Retained earnings	Proposed dividends	Total equity	Non-controlling interests	Total equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Opening balance		**193,841**	**4,263,412**	**11,874,244**	**897,351**	**581,525**	**17,810,373**	**67,223**	**17,877,596**
Comprehensive income									
Profit for the year		-	-	295,059	222,372	-	**517,431**	10,043	**527,474**
Other comprehensive income, net of tax		-	-	1,380,676	-	-	**1,380,676**	-	**1,380,676**
Total comprehensive income for the year		**-**	**-**	**1,675,735**	**222,372**	**-**	**1,855,433**	**10,043**	**1,908,150**
Transfer to other reserves	19	-	-	29,980	(29,980)	-	-	-	-
Transactions with owners									
Issue of Shares	18 (i)	22,419	3,443,370	-	-	-	**3,465,789**	-	**3,465,789**
Dividends:								-	-
- Final for 2016 paid	22	-	-	-	-	(581,525)	**(581,525)**	-	**(581,525)**
- Proposed final for 2017	22	-	-	-	(756,911)	756,911	-	-	-
Total transactions with owners of the parent recognised directly in equity		**22,419**	**3,443,370**	**29,980**	**(786,891)**	**175,386**	**2,884,264**	**-**	**2,884,264**
At end of year		**216,260**	**7,706,782**	**13,579,959**	**332,832**	**756,911**	**22,592,744**	**77,266**	**22,670,010**

The notes on pages 81 to 155 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 2017 Shs'000	2016 Shs'000
Operating activities			
Cash generated from operations	48	8,408,442	5,229,955
Income tax paid	26	(466,460)	(212,568)
Net cash generated from operating activities		**7,941,982**	**5,017,387**
Investing activities			
Purchase of property and equipment	23	(122,747)	(354,708)
Purchase of intangible assets	24	(434,556)	(480,897)
Purchase of investment property	28 (i)	(756,747)	(763,776)
Investment in property funds	28 (ii)	(1,582,527)	(2,268,034)
Proceeds from disposal of fixed assets		6,436	46,374
Proceeds of disposal of quoted shares at fair value through other comprehensive income		341,961	2,799,261
Purchase of quoted shares at fair value through other comprehensive income	29	-	(1,563,126)
Purchase of quoted shares at fair value through profit or loss	30 (i)	(1,328,014)	(941,026)
Proceeds of disposal of quoted ordinary shares at fair value through profit or loss		652,348	661,694
Purchase of unquoted ordinary shares at fair value through profit or loss	30 (ii)	-	(54)
Net investment in unit trusts at fair value through profit or loss		1,099,877	(860,689)
Net investment in government securities at fair value through profit or loss		(10,007,036)	(1,520,596)
Net investment in government securities at amortised cost		937,895	(3,160,941)
Net investment in corporate bond held at amortised cost		230,568	417,650
Mortgage loans advanced	32	(197,655)	(298,368)
Mortgage loans repayments	32	297,384	207,016
Policy loans advanced	33	(1,115,251)	(851,501)
Policy loans repayments	33	999,291	582,108
Dividends received from associate	25	83,583	108,687
Dividends received from equity investments at fair value through profit or loss	8	472,526	468,834
Dividends received from equity investments at fair value through other comprehensive income	8	288,339	332,777
Rent and interest received		4,263,258	2,968,804
Net cash used in investing activities		**(5,871,067)**	**(4,470,511)**
Cash flows from financing activities			
Issue of new shares	18	3,553,375	-
Dividends paid	22	(581,525)	(581,525)
Bank loan received	16	205,000	2,176,064
Bank loan Paid	16	(1,780,000)	-
Interest paid	16	(1,011,627)	(941,651)
Net cash generated from financing activities		**385,223**	**652,888**
Increase in cash and cash equivalents		2,456,138	1,199,764
Cash and cash equivalents at start of year		5,967,017	4,767,253
Cash and cash equivalents at end of year	**39 (i)**	**8,423,155**	**5,967,017**

The notes on pages 81 to 155 are an integral part of these financial statements

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2017 Shs'000	2016 Shs'000
Revenue			
Net loss from investment in property funds	7	(55,019)	(33,550)
Interest and dividend income	8	802,540	917,419
Net realised fair value losses	9	(1,192)	-
Net unrealised fair value gains/ (losses)	10	278,515	(1,101,879)
Other (expenses)/ income	12	(5,857)	39,261
Total income/ (costs)		**1,018,987**	**(178,749)**
Expenses			
Operating and other expenses	15 (i)	520,355	583,196
Finance costs	16	1,025,131	932,610
Total expenses		**1,545,486**	**1,515,806**
Loss before share of the profit of the associate		(526,499)	(1,694,555)
Share of profit of the associate accounted for using the equity method	25 (i)	21,336	176,568
Loss before tax		**(505,163)**	**(1,517,987)**
Income tax charge	26	(18,039)	(22,011)
Loss for the year		**(523,202)**	**(1,539,998)**
Other comprehensive income/ (loss) items, net of tax:			
Items that will not be reclassified to profit or loss			
Gain/ (loss) on revaluation of financial assets at fair value through other comprehensive income	29	867,430	(979,672)
Gain/ (loss) on disposal of financial assets at fair value through other comprehensive income	26	71,961	(268,287)
Total items that will not be reclassified to profit or loss		**939,391**	**(1,247,959)**
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive income/ (loss) from the associate accounted for using the equity method	25 (i)	40,958	(3,163)
Total items that may be subsequently reclassified to profit or loss		**40,958**	**(3,163)**
Total other comprehensive income/ (loss)		**980,349**	**(1,251,122)**
Total comprehensive income/ (loss) for the year		**457,147**	**(2,791,120)**

The notes on pages 81 to 155 are an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 Shs'000	 2016 Shs'000
CAPITAL EMPLOYED			
Share capital	18 (i)	216,260	193,841
Share premium	18 (i)	7,706,782	4,263,412
Other reserves	19	2,991,865	2,011,516
Retained earnings	20	935,124	2,215,237
Proposed dividend	22	756,911	581,525
Shareholders' funds		**12,606,942**	**9,265,531**
REPRESENTED BY:			
Assets			
Property and equipment	23	34,678	43,708
Intangible assets	24	127,223	144,057
Investment in associate	25 (i)	2,021,628	2,518,386
Investment in subsidiary companies	27 (ii)	6,840,544	7,307,383
Investment in property funds	28 (ii)	939,774	737,493
Quoted ordinary shares at fair value through other comprehensive income	29	3,536,446	2,939,016
Quoted ordinary shares at fair value through profit or loss	30	3,297,287	2,472,707
Receivables from related parties	53	343,991	169,176
Other receivables	38	652,818	1,207,110
Cash and cash equivalents	39 (i)	1,679,877	1,388,214
Total assets		**19,474,266**	**18,927,250**
Liabilities			
Borrowings	16	6,562,982	8,139,108
Amounts due to related parties	53	206,409	1,133,951
Other payables	47	97,933	388,660
Total liabilities		**6,867,324**	**9,661,719**
Net assets		**12,606,942**	**9,265,531**

The financial statements on pages 70 to 155 were authorised and approved for issue by the Board of Directors on 22 March 2018 and signed on its behalf by:

Mr. W. Andrew Hollas
Chairman

Dr. Benson I. Wairegi, EBS
Group Managing Director

COMPANY STATEMENT OF CHANGES IN EQUITY

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

The notes on pages 81 to 155 are an integral part of these financial statements

Year ended 31 December 2017	Notes	Share capital Shs'000	Share Premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Equity Shs'000
Opening balance		**193,841**	**4,263,412**	**2,011,516**	**2,215,237**	**581,525**	**9,265,531**
Comprehensive income							
Loss for the year		-	-	-	(523,202)	-	**(523,202)**
Associate share of fair value gains on financial assets at fair value through other comprehensive income	25 (i)	-	-	40,958	-	-	**40,958**
Gain on disposal of financial assets at fair value through other comprehensive income	26	-	-	71,961	-	-	**71,961**
Fair value gain on financial assets at fair value through other comprehensive income	29	-	-	867,430	-	-	**867,430**
Total comprehensive income for the year		**-**	**-**	**980,349**	**(523,202)**	**-**	**457,147**
Transactions with owners							
Issue of Shares	18	22,419	3,443,370	-	-	-	**3,465,789**
Dividends:							
- Final for 2016 paid	22	-	-	-	-	(581,525)	**(581,525)**
- Proposed final for 2017	22	-	-	-	(756,911)	756,911	**-**
Total transactions with owners		**22,419**	**3,443,370**	**-**	**(756,911)**	**175,386**	**2,884,264**
At end of year		**216,260**	**7,706,782**	**2,991,865**	**935,124**	**756,911**	**12,606,942**

The notes on pages 81 to 155 are an integral part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2017 Shs'000	2016 Shs'000
Operating activities			
Cash used in operations	48	(1,316,063)	(576,194)
Income tax paid		(18,039)	(22,011)
Net cash used in operating activities		**(1,334,102)**	**(598,205)**
Investing activities			
Purchase of property and equipment	23	(5,337)	(17,733)
Purchase of intangible assets	24	(5,890)	(67,426)
Decrease/ (increase) in investment in subsidiaries	27 (ii)	466,839	(431,534)
Net investment in property funds	28 (ii)	(257,300)	(299,622)
Proceeds of disposal of quoted shares at fair value through other comprehensive income		341,961	2,096,137
Net investment in government securities at fair value through profit or loss		(22,144)	-
Dividends received from associate	25	33,939	44,121
Dividends received from Subsidiaries	8	130,000	352,000
Dividends received from equity investments at fair value through profit or loss	8	164,847	166,404
Dividends received from equity investments at fair value through other comprehensive income	8	195,934	295,829
Interest received		197,693	103,395
Net cash generated from investing activities		**1,240,542**	**2,241,571**
Cash flows from financing activities			
Issues of new shares	18	3,553,375	
Dividends paid	22	(581,525)	(581,525)
Bank loan received	16	205,000	1,180,000
Bank loan repaid	16	(1,780,000)	-
Interest paid	16	(1,011,627)	(941,651)
Net cash generated from/ (used in) financing activities		**385,223**	**(343,176)**
Net increase in cash and cash equivalents		291,663	1,300,190
cash and cash equivalents at start of year		1,388,214	88,024
cash and cash equivalents at end of year	**39(i)**	**1,679,877**	**1,388,214**

The notes on pages 81 to 155 are an integral part of these financial statements.

1 General information

Britam Holdings PLC Limited is incorporated in Kenya under the Companies Act as a public limited company, and is domiciled in Kenya. The Company was first incorporated in Kenya on 26 July 1995 under the name British- American Financial Services Limited, changed its name to Britak Investments Company Limited on 25 September 2003 and again to British-American Investments Company (Kenya) Limited on 5 May 2006 all under certificate number C 66029. On 29 February 2012. The Company changed its status from a private liability limited company to a public limited company after listing in 2011 on the Nairobi Securities Exchange. British-American Investments Company (Kenya) Limited then became Britam Holdings Limited on 5 August 2015. Thereafter the name of the Company was changed from Britam Holdings Limited to Britam Holdings Plc with effect from 4 May 2017 in conformity with the requirements of the Kenyan Companies Act, 2015.

The address of its registered office is:

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

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

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

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

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

The Group also has a 48.42% stake in HF Group Plc in Kenya, which is accounted for as an associate.

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

2 Summary of significant accounting policies

(a) Basis of preparation

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

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

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

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

(b) Accounting standards and disclosures

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

During the current year, the Group has adopted all of the new and revised standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2017. The adoption of these new and revised standards has not resulted in material changes to the Group's accounting policies. Information on the new and revised accounting standards effective in the current year and their impact to the consolidated and separate financial statements is detailed in Note 55 (i).

(ii) New and revised standards effective in future periods

Disclosure and assessment of the new and revised accounting standards effective in future periods is detailed in Note 55 (ii).

(c) Consolidation

(i) Subsidiaries

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

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

Investments in subsidiary companies by the company are carried at cost less provision for impairment.

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Disposal of subsidiaries

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

(iv) Investments in associate companies

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

When the Group increases its stake in an existing associate continuing to have significant influence but not gaining control, the cost of acquiring the additional stake (including any directly attributable costs) is added to the carrying value of the associate and goodwill arising on the purchase of the additional stake is calculated using fair value information at the date the additional interest is acquired (any negative goodwill is recognised in profit or loss).

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

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

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

(i) Investments in associate companies (Continued)

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

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

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

(d) Insurance contracts

(i) Classification

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

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

Long term insurance business

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

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

General insurance business

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

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

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

(ii) Recognition and measurement

- Premium income

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

2 Summary of significant accounting policies (Continued)

(d) Insurance contracts (Continued)

(ii) Recognition and measurement (Continued)

- Claims

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

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

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

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

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

- Commissions earned and payable and deferred acquisition costs ("DAC")

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

- Liability adequacy test

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

- Reinsurance contracts held

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

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

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

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

- Receivables and payables related to insurance contracts and investment contracts

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

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

2 Summary of significant accounting policies (Continued)

(d) Insurance contracts (Continued)

(ii) Recognition and measurement (Continued)

- Salvage and subrogation reimbursements

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

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

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

(e) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Hyper-inflation

One of the subsidiaries of the Company (Britam Insurance Company Limited (South Sudan)) operates in a hyper-inflationary economy. This has been assessed in accordance with the provisions of IAS 29. The information in the current and comparative periods for the subsidiary are restated to the currency units at the end of current reporting period to reflect the change in purchasing power. The financial statements for the subsidiary are prepared in a current cost method. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the South Sudan Bureau of Statistics office. The base year used is 2015 and the factors used to restate the financial statements at 31 December 2017 are a conversion factor of 821 (2016:740.48) to one USD and a CPI of 1 (2016:3.52).

(iv) Group companies

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

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

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

(f) Segment reporting

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

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

(g) Revenue recognition

(i) Insurance premium revenue

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

(ii) Commissions

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

2 Summary of significant accounting policies (Continued)

(g) Revenue recognition (Continued)

(iii) Rendering of services

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

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

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

(iv) Interest income

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

(v) Dividend income

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

(vi) Rental income

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

(vii) Realised /unrealised gains and losses

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

(h) Investment contracts

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(h) Investment contracts (Continued)

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

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

(i) Property and equipment

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

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

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

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

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

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

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

(j) Intangible assets

(i) Computer software

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

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

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

(ii) Goodwill

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

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

2 Summary of significant accounting policies (Continued)

(j) Intangible assets (Continued)

(ii) Goodwill (Continued)

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

(k) Impairment of non-financial assets

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

(l) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and which are not occupied by the Group are classified as investment property. Investment property is treated as a long term investment and is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are included in investment income in profit or loss. Land held under operating lease is classified and accounted for as investment property if and only if the property meets the definition of an investment property.

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

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

(m) Financial instruments

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

(i) Classification of financial assets

- Classification of financial assets at amortised cost

  The Group measures a financial asset at amortised cost if both of the following conditions are met:
  - The financial asset is held within the Group with an objective to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Group measures financial assets at fair value through other comprehensive income if both of the following conditions are met:
  - The financial asset is held within the Group with an objective to both collect contractual cash flows and sell the financial asset; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(ii) Classification of financial liabilities

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

- Classification of financial liabilities at amortised cost

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

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

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

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

The Group, at initial recognition irrevocably designates a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

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

2 Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

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

Group

At 31 December 2017	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	-	10,299,327	5,372,983	**15,672,310**
unquoted ordinary shares	-	9,464	-	**9,464**
Government securities	16,200,057	14,494,640	-	**30,694,697**
Corporate bonds	1,218,485	-	-	**1,218,485**
Unit trusts	-	5,807,945	-	**5,807,945**
Investment in property funds	-	9,271,750	-	**9,271,750**
Other receivables	1,644,946	-	-	**1,644,946**
Investment in liquid funds	869,180	-	-	**869,180**
Mortgage loans and receivables	1,178,307	-	-	**1,178,307**
Loans and receivables to policyholders	1,076,466	-	-	**1,076,466**
Receivables arising out of reinsurance arrangements	645,487	-	-	**645,487**
Receivables arising out of direct insurance arrangements	2,161,466	-	-	**2,161,466**
Restricted cash	47,191	-	-	**47,191**
Deposits with financial institutions	4,554,775	-	-	**4,554,775**
Cash and bank balances	2,999,200	-	-	**2,999,200**
Total financial assets	**32,595,560**	**39,883,126**	**5,372,983**	**77,851,669**
Financial liabilities				
Insurance contract liabilities	23,896,282	-	-	**23,896,282**
Payable under deposit administration contracts	-	28,017,662	-	**28,017,662**
Liabilities under investment contracts	-	4,025,507	-	**4,025,507**
Borrowings	7,963,470	-		**7,963,470**
Payables arising from reinsurance arrangements	752,226	-	-	**752,226**
Other payables	3,551,854	**-**	**-**	**3,551,854**
Total financial liabilities	**36,163,832**	**32,043,169**	**-**	**68,207,001**

Company

Financial assets				
Quoted ordinary shares	-	3,297,287	3,536,446	**6,833,733**
Investment in property funds	-	939,774	-	**939,774**
Other receivables	652,818	-	-	**652,818**
Investment in liquid funds	869,180	-	-	**869,180**
Amounts due from related parties	343,991	-	-	**343,991**
Deposits with financial institutions	771,434	-	-	**771,434**
Cash and bank balances	39,263	-	-	**39,263**
Total financial assets	**2,676,686**	**4,237,061**	**3,536,446**	**10,450,193**
Financial liabilities				
Borrowings	6,562,982	-	-	6,562,982
Amounts due to related parties	206,409	-	-	206,409
Other payables	97,933	-	-	97,933
Total financial liabilities	**6,867,324**	**-**	**-**	**6,867,324**

2 Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

Group 2016

	At amortised cost Shs' 000	At fair value through profit or loss Shs' 000	At fair value through other comprehensive income Shs' 000	Total Shs' 000
Financial assets				
Quoted ordinary shares	-	7,504,001	4,325,082	**11,829,083**
unquoted ordinary shares	-	9,585	-	**9,585**
Government securities	17,190,127	4,234,671	-	**21,424,798**
Corporate bonds	1,450,295	-	-	**1,450,295**
Unit trusts	-	6,649,003	-	**6,649,003**
Investment in property funds	-	8,616,740	-	**8,616,740**
Other receivables	1,813,158	-	-	**1,813,158**
Investment in liquid funds	1,042,825	-	-	**1,042,825**
Mortgage loans and receivables	1,179,022	-	-	**1,179,022**
Loans and receivables to policyholders	834,382	-	-	**834,382**
Receivables arising out of reinsurance arrangements	1,104,021	-	-	**1,104,021**
Receivables arising out of direct insurance arrangements	2,389,703	-	-	**2,389,703**
Restricted cash	46,049	-	-	**46,049**
Deposits with financial institutions	3,623,196	-	-	**3,623,196**
Cash and bank balances	1,300,996	-	-	**1,300,996**
Total financial assets	**31,973,774**	**27,014,000**	**4,325,082**	**63,312,856**
Financial liabilities				
Insurance contract liabilities	18,744,957	-	-	**18,744,957**
Payable under deposit administration contracts	-	21,839,735	-	**21,839,735**
Liabilities under investment contracts	-	4,910,059	-	**4,910,059**
Borrowings	9,379,826	-		**9,379,826**
Creditors arising from reinsurance arrangements	544,754	-	-	**544,754**
Creditors arising out of direct insurance arrangements	11,708	-	-	**11,708**
Other payables	2,443,573	**-**	**-**	**2,443,573**
Total financial liabilities	**31,124,818**	**26,749,794**	**-**	**57,874,612**

Company

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

2 Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

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

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

- Significant financial difficulty of the borrower;
- A breach of contract, such as default or delinquency in interest or principal repayments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;
- It 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;

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

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

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

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

2 Summary of significant accounting policies (Continued)

(m) Financial instruments (Continued)

(iv) Impairment of financial assets (Continued)

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

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

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

(v) Offsetting financial instruments

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

(n) Investment in property funds

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

(o) Renegotiated loans

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

(p) Cash and cash equivalents

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

(q) Employee benefits

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

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

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

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

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).

2 Summary of significant accounting policies (Continued)

(t) Employee benefits (Continued)

Consequently, as long-term yields rise and fall, the present value of the liabilities will fall and rise, but the change in value of the assets will only reflect the one-year declared rate.

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

The Group provides:

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

(r) Income tax

(i) Current income tax

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

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

(ii) Deferred income tax

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

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

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

(s) Borrowings

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

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

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

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

(t) Dividends

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

(u) Share capital

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

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

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

2 Summary of significant accounting policies (Continued)

(v) Segmental reporting

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

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

3 Critical accounting estimates, judgements and assumptions

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

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

• Valuation models and estimations

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

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

• Classification of financial instruments.

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

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

• Impairment of assets

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

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

In the current year and the previous year, the results of the impairment assessment tests performed on the investment in the associate resulted in recognition of an impairment as detailed in Note 25 (iii).

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

• Income taxes

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

• Property and equipment

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

• Retirement benefit liability

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

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

4 Risk management objectives and policies

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

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

(a) Insurance risk - Group

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

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

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

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

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

Year ended 31 December 2017

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

4 Risk management objectives and policies (Continued)

(a) Insurance risk - Group (Continued)

Year ended 31 December 2016

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

A 1% change in the Group's claims experience would result in a Shs 124,987,000 change in the Group's profit for the year (2016: Shs 50,011,000).

(b) Credit risk - Group and Company

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

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

The exposure to individual counterparties is managed by mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring by the management credit committee.

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

Group 1 - new customers/related parties.

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

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

4 Risk management objectives and policies (Continued)

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

Maximum exposure to credit risk before collateral held

Company 2017 Shs'000	Company 2016 Shs'000	Assets	Credit rating 2017 2016	Group 2017 Shs'000	Group 2016 Shs'000
-	-	Government securities at fair value through profit or loss	B+	14,494,640	4,234,671
-	-	Government securities held at amortised cost	B+	16,200,057	17,190,127
-	-	Receivables arising out of reinsurance arrangements	AA-	645,487	1,104,021
-	-	Corporate bonds at amortised cost	Group 2	1,218,485	1,450,295
-	-	Unit trusts	Group 2	5,807,945	6,649,003
939,773	737,493	Investments in property funds	Group 2	9,271,750	8,616,740
-	-	Mortgage loans and receivables	Group 2	1,178,307	1,179,022
-	-	Loans and receivables to policy holders	Group 2	1,076,466	834,382
-	-	Receivables out of direct insurance arrangements	Group 2	2,161,466	2,389,703
-	-	Reinsurers' share of insurance contract liabilities	Group 2	3,726,914	2,679,371
343,991	169,176	Receivables from related parties	Group 2	-	-
645,347	1,206,936	Other receivables (excluding prepayments)	Group 2	1,473,578	1,732,590
771,434	401,282	Deposits with financial institutions	Group 2	4,554,775	3,623,196
-	-	Restricted cash	Group 2	47,191	46,049
869,180	937,055	Investment in liquid funds	Group 2	869,180	1,042,825
39,263	49,877	Cash and bank balances (excluding cash in hand)	Group 2	2,993,115	1,299,635
3,608,988	**3,501,819**	**Total**		**65,719,356**	**54,071,630**

The above table represents a worst case scenario of credit risk exposure to the Group and the Company at 31 December 2017 and 2016, 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, 47% of the total maximum exposure is derived from government securities (2016: 40%) and 9% to the unit trusts (2016: 12%). In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

Mortgage loans are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees. Policy loans are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to Shs 3,107,045,000 (2016: Shs 2,730,252,000) while the surrender values of the policies with loans amounted to Shs: 5,599,376,000 (2016: Shs 3,259,002,544). In case of default the collateral would be realised thereby reducing the Group's credit risk.

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

a. the Group exercises stringent controls over the granting of new loans
b. 98% (2016: 91%) of the mortgages portfolio are neither past due nor impaired
c. 100% (2016: 100%) of the mortgages portfolio are backed by collateral
d. 96% (2016: 94%) of the investments in debt securities are government securities

4 Risk management objectives and policies (Continued)

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

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

	2017 Shs'000	2016 Shs'000
Receivables from direct insurance arrangements		
Counterparties without external credit rating - Group 2	2,161,466	2,389,703
Total	**2,161,466**	**2,389,703**

Group

Mortgage loans past due but not impaired

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

		2017 Shs'000	2016 Shs'000
Past due up to 30 days	Group 1	2,138	2,925
Past due 31 – 60 days	Group 1	2,565	2,201
Past due 61 – 180 days	Group 1	22,599	53,771
Total		**27,302**	**58,897**

Mortgage loans individually impaired

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

Impaired mortgage loans of Shs 39,058,000 as at 31 December 2017 (2016: Shs 47,039,000) were secured by collateral of Shs 817,880,000 (2016: Shs 522,971,000).

As at 31 December 2017 and 31 December 2016, there are no repossessed collateral and there were no renegotiated loans.

Receivables from direct insurance arrangements

Receivables from direct insurance arrangements are summarised as follows:

		2017 Shs'000	2016 Shs'000
Past due but not impaired	Group 2	2,161,466	2,389,703
Impaired	Group 2	446,668	458,400
Gross		**2,608,134**	**2,848,103**
Movements in the provision account:			
At 1 January		458,400	639,220
Increase / (Decrease)		(11,732)	(180,820)
At 31 December		**446,668**	**458,400**
Net receivable		**2,161,466**	**2,389,703**

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

4 Risk management objectives and policies (Continued)

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

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

	2017 Shs '000	2016 Shs '000
Past due 1 – 60 days	857,008	1,104,334
Past due 61 – 90 days	239,103	426,641
Past due 91 - 180 days	1,065,355	858,728
Over 180 days	446,668	458,400
Provision for bad debt	(446,668)	(458,400)
Total	**2,161,466**	**2,389,703**

These receivables from direct insurance arrangements are unsecured.

Receivables from direct insurance arrangements individually impaired

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

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

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

(c) Liquidity risk

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

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

The 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.

4 Risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Group

31 December 2017	Carrying values Shs '000	0-4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Over 5 Years Shs '000	Total Shs '000
Liabilities						
Insurance contract liabilities	23,896,282	1,792,659	2,723,493	9,434,637	36,682,799	50,633,588
Amounts payable under deposit administration contracts	28,017,662	1,350,771	2,701,543	28,508,346	78,949,291	111,509,950
Liabilities under investment Contracts	4,025,507	366,007	743,609	2,719,140	616,394	4,445,151
Creditors arising from direct insurance arrangements	-	-	-	-	-	-
Creditors arising out of reinsurance arrangements	752,226	752,226		-	-	752,226
Borrowings:						
- Britam 2014 medium term note	6,000,000	-	-	6,000,000	-	6,000,000
- Bank loan	205,000	-	205,000	-	-	205,000
- Other borrowings	996,064	-	-	996,064	-	996,064
Interest payable	762,406	357,982	-	404,424	-	762,406
Other payables	3,551,855	-	3,551,855	-	-	3,551,855
Total financial liabilities	**62,207,002**	**4,619,645**	**9,925,500**	**48,062,611**	**116,248,484**	**178,856,240**

Group

31 December 2017	Carrying values Shs '000	0-4 Months Shs '000	5-12 Months Shs '000	1-5 Years Shs '000	Over 5 Years Shs '000	Total Shs '000
Liabilities						
Insurance contract liabilities	18,744,957	1,749,626	3,202,633	5,377,780	39,650,096	49,980,135
Amounts payable under deposit administration contracts	21,839,735	1,046,071	2,092,142	22,084,985	61,160,824	86,384,022
Liabilities under investment Contracts	4,910,059	139,602	388,273	2,144,041	1,229,340	3,901,256
Creditors arising from direct insurance arrangements	11,708	11,708	-	-	-	11,708
Creditors arising out of reinsurance arrangements	544,754	544,754	-	-	-	544,754
Borrowings:						
- Britam 2014 medium term note	6,000,000	-	-	6,000,000	-	6,000,000
- Bank loan	1,780,000	-	-	1,780,000	-	1,780,000
- Other borrowings	996,064	-	-	996,064	-	996,064
Interest payable	603,762	359,103	634,654	1,560,000	-	2,553,757
Other payables	2,443,573	800,237	1,643,338	-	-	2,443,575
Total financial liabilities	**51,874,612**	**4,651,101**	**7,961,040**	**39,942,870**	**102,040,260**	**154,595,271**

4 Risk management objectives and policies (Continued)

(c) Liquidity risk (Continued)

Company

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

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

(d) Market risk

(i) Price risk

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

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

At 31 December 2017, if the Nairobi Securities Exchange (NSE) prices had changed by 15% (2016: 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 1,075,142,000 (2016: Shs 745,571,000) higher/lower, and the equity would have been Shs 1,075,142,000 (2016: Shs 745,571,000) higher/lower. The Company's post tax profit for the year would have been Shs. 491,450,000 (2016: Shs 370,905,000) higher/lower, and the Company's equity would have been Shs. 491,450,000 (2016: Shs 370,905,000) higher/lower.

Similarly, a change in the price by 15% (2016: 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 805,947,000 (2016: Shs_648,762,000), these equities would have been Shs 805,947,000 (2016: Shs 648,762,000) higher/lower. In the Company a change in the price by 15% (2016: 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 530,466,000 (2016: Shs 440,852,000), these equities would have been Shs 530,466,000 (2016: Shs 440,852,000) higher/lower.

The concentration on equities in general and on specific counters is closely monitored. As at 31 December 2017, the group held shares in Equity Group Holdings Plc amounting to Shs 11,921,003,000 (2016: Shs 9,307,564,000) or 12% (2016: 11%) of the total assets.

4 Risk management objectives and policies (Continued)

(d) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to cash flow and interest rate risk as a result of holding interest bearing assets which comprise 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 2017, 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 659,435,000 (2016: Shs 110,951,000) 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 2017 and 2016.

(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 2017, if the UGX had strengthened/weakened by 5% (2016: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 3,881,000 (2016: Shs 1,201,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UGX denominated Net assets.

At 31 December 2017, if the RWF had strengthened/weakened by 5% (2016: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,553,000 (2016: Shs 908,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RWF denominated trade receivables and payables.

At 31 December 2017, if the TZS had strengthened/weakened by 5% (2016: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,093,000 (2016: Shs 12,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of TZS denominated trade receivables and payables.

At 31 December 2017, if the MWK had strengthened/weakened by 5% (2016: 5%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 1,680,000 (2016: Shs 178,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MWK denominated trade receivables and payables.

At 31 December 2017, if the MZN had strengthened/weakened by 20% (2016: 20%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 686,000 (2016: Shs 6,054,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of MZN denominated trade receivables and payables.

At 31 December 2017, if the SSP had strengthened/weakened by 100% (2016: 100%) against the Kenya shillings with all other variables held constant, post-tax profit for the Group for the year would have been Shs 8,460,000 (2016: Shs 232,733,000) 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 2017.

Company

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

(e) Capital management

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

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

4 Risk management objectives and policies (Continued)

(e) Capital management (Continued)

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

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

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

i) Britam General Insurance Company (Kenya)Limited	2017 Regulatory requirement	2017 Maintained by the Company	2016 Regulatory requirement	2016 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	1,304,761	3,094,794	1,349,640	2,307,263

ii) Britam Insurance Company (Uganda) Limited	2017 Regulatory requirement	2017 Maintained by the Company	2016 Regulatory requirement	2016 Maintained by the Company
	UGX '000	UGX'000	UGX'000	UGX '000
Short-term capital	4,000,000	14,360,000	4,000,000	14,360,000
Solvency margin	4,275,310	5,418,540	3,209,462	5,496,145

iii) Britam Insurance Company Limited (South Sudan)	2017 Regulatory requirement	2017 Maintained by the Company	2016 Regulatory requirement	2016 Maintained by the Company
	SSPS'000	SSPS'000	SSPS'000	SSPS'000
Capital at 31 December	128,070	128,070	14,220	14,220

iv) Britam Insurance Company (Rwanda) Limited	2017 Regulatory requirement	2017 Maintained by the Company	2016 Regulatory requirement	2016 Maintained by the Company
	Rwfs'000	Rwfs'000	Rwfs'000	Rwfs'000
Capital at 31 December	1,000,000	4,428,036	1,000,000	3,031,896
Solvency margin	500,000	625,724	500,000	613,456

v) Britam - Companhia De Seguros De Mozambique S.A.	2017 Regulatory requirement	2017 Maintained by the Company	2016 Regulatory requirement	2016 Maintained by the Company
	Mzns'000	Mzns'000	Mzns'000	Mzns'000
Capital at 31 December	83,238	166,476	25,530	51,060
Solvency margin	16,648	134,376	5,106	25,845

4 Risk management objectives and policies (Continued)

(e) Capital management (Continued)

vi) Britam Insurance (Tanzania) Limited	2017 Regulatory requirement TShs'000	2017 Maintained by the Company TShs'000	2016 Regulatory requirement TShs'000	2016 Maintained by the Company TShs'000
Capital at 31 December	2,520,110	7,097,001	1,815,001	6,875,001
Solvency margin	2,520,110	2,630,857	2,731,227	1,946,271

vii) Britam Insurance Company Limited (Malawi)	2017 Regulatory requirement Mwks'000	2017 Maintained by the Company Mwks'000	2016 Regulatory requirement Mwks'000	2016 Maintained by the Company Mwks'000
Capital at 31 December	750,000	2,179,328	50,000	750,000
Solvency margin	800,708	1,429,328	701,851	800,708

viii) Britam Life Assurance Company (Kenya) Limited	2017 Regulatory requirement Shs'000	2017 Maintained by the Company Shs'000	2016 Regulatory requirement Shs'000	2016 Maintained by the Company Shs '000
Capital at 31 December	150,000	180,000	150,000	880,000
Solvency margin	4,921,965	10,523,759	6,171,934	4,956,267

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	2017 Regulatory requirement Shs'000	2017 Maintained by the Company Shs'000	2016 Regulatory requirement Shs'000	2016 Maintained by the Company Shs '000
Capital at 31 December	10,000	904,757	10,000	696,412
Working capital at 31 December	28,691	404,297	28,691	233,230

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

(f) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 Risk management objectives and policies (Continued)

(f) Fair value estimation (Continued)

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 December 2017 and 2016:

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

Group 2016	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	7,504,001	-	-	7,504,001
- Unquoted ordinary shares	-	-	9,585	9,585
- Government securities	-	4,234,671	-	4,234,671
- Unit trusts	-	6,649,003	-	6,649,003
Quoted ordinary shares at fair value through other comprehensive income	4,325,082	-	-	4,325,082
Property and equipment – building (Note 23)		602,707		602,707
Investment in property funds		8,616,740		8,616,740
Investment property		4,890,775		4,890,775
Total assets	**11,829,083**	**24,993,896**	**9,585**	**36,832,564**
Liabilities				
Liabilities under investment contracts	-	4,910,059	-	**4,910,059**
Total Liabilities		**4,910,059**		**4,910,059**

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

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

4 Risk management objectives and policies (Continued)

(f) Fair value estimation (Continued)

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

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

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

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

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

The Group had Level 3 financial instruments (unquoted stock) amounting to Shs 9,464,000 as at 31 December 2017 (2016: 9,585,000). The unlisted equity investment relates to UgandaRe and TanRe that are held by Britam Insurance Company (Uganda) Limited and Britam Insurance Company (Tanzania) Limited respectively carried at cost. These shares are not quoted in an active market and their fair value cannot be reliably measured. As such, the investment is measured at cost less accumulated impairment. The relationship between the subsidiaries and the investee entities is at arm's length. The subsidiaries do not intend to dispose of this investment in the foreseeable future.

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

Level 3 unquoted stock

	Group	
	2017 Shs '000	2016 Shs '000
At start of year	9,585	9,794
Additions	-	55
Translation loss	(121)	(264)
At end of year	**9,464**	**9,585**

There were no transfers in and out of level 3.

4 Risk management objectives and policies (Continued)

(f) Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. For the unquoted ordinary shares carried by the Group in December 2017 and 2016, the fair values approximated their cost. The Group uses its judgment to select a variety of methods such as discounted cash flow analysis and comparable company analysis and make assumptions that are mainly based on market conditions existing at the financial reporting date. The key source of estimation uncertainty is the discount rate.

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

Group		2017		2016	
	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	Level 2	16,200,057	14,420,713	17,190,127	16,738,404
Mortgage loans and receivables	Level 2	1,178,307	1,178,307	1,179,022	1,179,022
Loans and receivables to policy holders	Level 2	1,076,466	1,076,466	834,382	834,382
Other receivables	Level 2	1,644,946	1,644,946	1,813,158	1,813,158
Corporate bonds	Level 2	1,218,485	1,187,622	1,450,295	1,399,060
Investments in liquid funds	Level 2	869,180	869,180	1,042,825	1,042,825
Total assets		**22,187,441**	**20,377,234**	**23,509,809**	**23,006,851**
Liabilities					
Borrowings					
-Britam medium 2015 term note	Level 2	6,000,000	6,000,000	6,000,000	6,000,000
-Bank loan	Level 2	205,000	205,000	1,780,000	1,780,000
-Other borrowings	Level 2	996,064	996,064	996,064	996,064
-Interest payable	Level 2	762,406	762,406	603,762	603,762
Other payables	Level 2	3,551,853	3,551,853	2,443,573	2,443,573
Total liabilities		**11,515,323**	**11,515,323**	**11,823,399**	**11,823,399**

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

5 Segmental information

Group

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

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

These segments and their respective operations are as follows:

Long term insurance business

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

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

Short term insurance business

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

Asset management

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

Property

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

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

Corporate and other

Includes corporate operations, after allocations to operating segments. Corporate operations consist primarily of (1) corporate-level income and expenses; (2) returns from investments not allocated to any operating segments, including debt-financed investment portfolios.

5 Segmental information (Continued)

The segment information provided to the Executive Management Committee for the reportable segments for the year ended 31 December 2017 is as follows:

(a) Profit per segment

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

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

5 Segmental information (Continued)

(a) Profit per segment (Continued)

2016	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Gross revenue	8,814,058	11,477,786	1,006,301	18,291	-	21,316,436
Insurance premium ceded to reinsurers	(348,876)	(2,549,383)	-	-	-	(2,898,259)
Net revenue	8,465,182	8,928,403	1,006,301	18,291	-	18,418,177
Net income from investment property	612,935	-	(37,859)	482,582	(33,550)	1,024,108
Interest and dividend income	2,614,668	1,118,307	31,845	-	917,419	4,715,091
Net realised gains on financial assets	18,577	14,141	-	-	-	32,718
Net unrealised fair value gains on financial assets at fair value through profit or loss	(1,194,566)	(123,901)	(24,381)	-	(1,101,879)	(2,444,727)
Commissions earned	122,828	596,011	-	-	-	718,839
Other operating income	20,794	481,904	-	-	39,261	541,959
Net income	**10,660,418**	**11,014,865**	**975,906**	**500,873**	**(178,749)**	**22,973,313**
Insurance claims and loss adjustment expenses	2,902,502	6,085,327	-	-	-	8,987,829
Insurance claims recovered from reinsurers	(85,337)	(1,115,716)	-	-	-	(1,201,053)
Change in actuarial value of policyholders benefits	(2,785,611)	-	-	-	-	(2,785,611)
Net insurance benefits and claims	31,554	4,967,938	-	-	-	5,001,165
Interest payments/ increase in unit value	1,742,978	-	-	-	-	1,742,978
Acquisition expenses	2,019,107	1,450,297	77,854	-	-	3,547,258
Finance costs	-	-	-	244,654	932,610	1,177,264
Expenses	2,591,452	3,547,430	550,212	74,828	583,196	7,347,118
Net expenses	**6,385,091**	**9,967,338**	**628,066**	**319,482**	**1,515,806**	**18,815,783**
Reportable segment profit	**4,275,327**	**1,047,527**	**347,840**	**181,391**	**(1,694,555)**	**4,157,530**
Share of profit of associates	265,713	-	-	-	176,568	442,281
Segment profit before tax	**4,541,040**	**1,047,527**	**347,840**	**181,391**	**(1,517,987)**	**4,599,811**
Tax expense	(1,412,553)	(262,026)	(150,969)	88,630	(22,011)	(1,758,929)
Segment profit after tax	**3,128,487**	**785,501**	**196,871**	**270,021**	**(1,539,998)**	**2,840,882**

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

5 Segmental information (Continued)

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

	2017 Shs'000	2016 Shs'000
Total profit as per segmental reporting	**695,666**	**2,840,882**
Income from intra-segmental adjustments		
Intercompany loan interest income	(82,371)	(217,603)
Rental income from related parties	(57,655)	(32,301)
Management fees from related parties	(166,402)	(95,358)
Dividend from subsidiaries	(130,000)	(360,000)
Property and equipment revaluation adjustment (on part of building occupied by related parties)	(38,192)	(678)
Other income/ mark up	(5,608)	(2,517)
Total adjustments on income	**(480,228)**	**(708,457)**
Expenses from intra-segmental adjustments		
Intercompany loan interest expense	82,371	217,603
Margin up charge	5,608	2,517
Management fees expense from related parties	166,402	95,358
Rental income to related parties	57,655	32,301
Total adjustments on expenses	**312,036**	**347,779**
Profit as per the consolidated income statement	**527,474**	**2,480,204**

(c) Other segment reporting disclosures

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

2016	Long term insurance business Shs'000	Short term insurance business Shs'000	Asset Management Shs'000	Property Shs'000	Corporate and other Shs'000	Total Shs'000
Depreciation and amortisation	359,191	129,195	32,966	64	32,192	553,608
Investments in associates	3,790,177	-	-	-	2,518,386	6,308,503
Additions to non-current assets	224,501	458,604	67,236	105	85,159	835,605
Total assets	**52,902,022**	**16,344,802**	**1,055,048**	**1,605,154**	**11,735,584**	**83,642,609**
Total liabilities	**44,159,041**	**11,671,129**	**358,636**	**1,280,108**	**8,296,098**	**65,765,013**

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.

5 Segmental information (Continued)

(d) Income by geographical segments

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

	2017 Shs'000	2016 Shs'000
Kenya	20,154,901	17,674,485
Uganda	1,203,179	837,689
South Sudan	597,354	464,232
Rwanda	294,375	379,388
Tanzania	1,036,182	1,068,881
Malawi	699,114	552,654
Mozambique	240,237	339,107
Total	**24,225,342**	**21,316,436**

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

(e) The total of all assets are allocated as follows:

	2017 Shs'000	2016 Shs'000
Kenya	90,925,962	77,577,531
Uganda	2,178,039	1,439,718
South Sudan	1,181,011	841,462
Rwanda	401,794	441,374
Tanzania	2,673,598	1,924,727
Malawi	954,874	889,395
Mozambique	709,579	528,402
Total	**99,024,857**	**83,642,609**

(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:

	2017 Shs'000	2016 Shs'000
Kenya	4,655,742	5,464,009
Uganda	61,605	153,067
South Sudan	8,481	24,187
Rwanda	37,637	52,638
Tanzania	63,057	88,229
Malawi	65,701	121,871
Mozambique	30,767	26,475
Total	**4,922,990**	**5,930,476**

6 Gross revenue – Premium income and fund management fees

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

	Group					
	2017			2016		
	Gross Revenue Shs'000	Reinsurance ceded Shs'000	Net Revenue Shs'000	Gross Revenue Shs'000	Reinsurance ceded Shs'000	Net Revenue Shs'000
Insurance business – premium						
Long term insurance business						
- Ordinary life	2,553,531	(16,698)	2,536,833	852,118	(68,408)	783,710
- Ordinary life renewal recurring	6,916,671	(45,229)	6,871,442	6,250,129	-	6,250,129
- Group life	1,660,645	(309,724)	1,350,921	1,714,969	(281,382)	1,433,587
Total long term business	**11,130,847**	**(371,651)**	**10,759,196**	**8,817,216**	**(349,790)**	**8,467,426**
Short term insurance business						
- Engineering	562,693	(471,521)	91,172	533,504	(434,773)	98,731
- Fire	1,081,069	(623,265)	457,804	1,150,694	(733,557)	417,137
- Marine	517,914	(356,909)	161,005	488,637	(371,911)	116,726
- Motor	4,305,136	(337,703)	3,967,433	4,193,030	(152,518)	4,040,512
- Personal accident and medical	4,082,938	(562,637)	3,520,301	3,644,883	(648,126)	2,996,757
- Micro insurance	651,584	(910)	650,674	609,187	-	609,187
- Theft	279,199	(23,433)	255,766	271,627	(18,459)	253,168
- Liability	304,240	(164,071)	140,169	191,791	(98,806)	92,985
- Workmen's compensation	274,759	(29,606)	245,153	267,252	(19,250)	248,002
- Other	107,932	(58,485)	49,447	124,023	(71,069)	52,954
Total short term business	**12,167,464**	**(2,628,540)**	**9,538,924**	**11,474,628**	**(2,548,469)**	**8,926,159**
Total insurance revenue	**23,298,311**	**(3,000,191)**	**20,298,120**	**20,291,844**	**(2,898,259)**	**17,393,585**
Asset management business – Fund management fees						
- Unit trust funds	147,992	-	147,992	269,000	-	269,000
- Discretionary & wealth management	464,058	-	464,058	183,684	-	183,684
- Alternative investments	50,563	-	50,563	331,653	-	331,653
Property management business			-			
- Management fees	98,017	-	98,017	18,291	-	18,291
- Other	-	-	-	126,606	-	126,606
Total asset & property management business	**760,630**	**-**	**760,630**	**929,234**	-	**929,234**
Gross revenue	**24,058,941**	**(3,000,191)**	**21,058,750**	**21,221,078**	**(2,898,259)**	**18,322,819**

7 Net (loss)/ income from investment property

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Gross rental income	70,378	127,139	-	-
Less: investment property operating expenses	(14,691)	(70,711)	-	-
Net rental income	55,687	56,428	-	-
Fair value gain on investment properties (Note 28 (i))	264,569	749,126	-	-
Revaluation of property funds (Note 28 (ii))	(927,517)	185,575	(55,019)	(33,550)
Total investment income	**(607,261)**	**991,129**	**(55,019)**	**(33,550)**

8 Interest and dividend income

Interest from government securities at fair value through profit or loss	660,456	485,262	743	-
Interest from government securities at amortised cost	2,511,837	1,769,737	-	-
Interest from corporate bonds at amortised cost	157,366	161,904	-	-
Interest from investments in liquid funds	214,182	264,859	122,125	103,186
Interest from deposits with financial institutions	383,439	501,070	100,056	-
Mortgage loan interest income	365,830	248,403	88,835	-
Dividend from subsidiaries	-	-	130,000	352,000
Dividends from quoted ordinary shares at fair value through profit or loss	472,526	468,834	164,847	166,404
Dividends from quoted ordinary shares at fair value through other comprehensive income	288,339	332,777	195,934	295,829
Total interest and dividend income	**5,053,975**	**4,232,846**	**802,540**	**917,419**

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

Realised gains on government securities at fair value through profit or loss	6,989	66,772	(1,192)	-
Realised loss on quoted ordinary shares at fair value through profit or loss	(49,480)	(44,655)	-	-
Realised (losses)/ gains on unit trusts	(45,817)	10,601	-	-
Total net realised (losses)/ gains	**(88,308)**	**32,718**	**(1,192)**	**-**

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

Fair value gain/ (loss) on quoted ordinary shares fair value through profit or loss (Note 30 (i))	2,169,140	(1,871,866)	803,630	(824,235)
Fair value gain on unit trusts (Note 30 (iii))	304,636	248,261	-	-
Fair value gain/ (loss) on government securities at fair value through profit or loss (Note 30 (iv))	245,944	17,373	(1)	-
Fair value losses on financial assets through profit or loss	**2,719,720**	**(1,606,232)**	**803,629**	**(824,235)**
Impairment of investment in associate (Note 25 (iii))	(1,306,579)	(838,495)	(525,114)	(277,644)
Total net unrealised fair value gains/ (losses)	**1,413,141**	**(2,444,727)**	**278,515**	**(1,101,879)**

11 Commissions earned - Group

Long term insurance business	98,734	122,828
Short term insurance business	645,758	596,011
Total commissions earned	**744,492**	**718,839**

12 Other income / (expenses)

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Fee income				
- arising on long term insurance contracts	18,743	7,479	-	-
- arising on deposit administration contracts	99,127	37,222	-	-
Short-term facultative payables adjustments	-	74,869	-	-
Currency exchange gains/ (losses)	135,278	371,722	(11,850)	-
Gain on disposal of property and equipment	2,271	15,298	-	-
Miscellaneous income	6,466	-	5,993	39,261
Total other income	**261,885**	**506,590**	**(5,857)**	**39,261**

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

13 Insurance claims and loss adjustment expenses

	Group					
	2017			2016		
	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	2,420,078	-	2,420,078	2,106,971	-	2,106,971
- bonuses	1,075,528	-	1,075,528	795,531	-	795,531
Claims payable by principal class of business:						
- Engineering	-	658,773	658,773	-	157,252	157,252
- Fire	-	801,697	801,697	-	197,028	197,028
- Marine	-	77,307	77,307	-	29,523	29,523
- Motor	-	2,811,496	2,811,496	-	2,838,160	2,838,160
- Personal accident and medical	-	2,635,488	2,635,488	-	2,192,129	2,192,129
- Micro Insurance	-	371,589	371,589	-	340,711	340,711
- Theft	-	102,378	102,378	-	222,120	222,120
- Liability	-	(5,655)	(5,655)	-	41,774	41,774
- Workmen's Compensation	-	81,567	81,567	-	32,789	32,789
- Other	-	(5,799)	(5,799)	-	33,841	33,841
Total insurance claims and loss adjustment expenses	**3,495,606**	**7,528,841**	**11,024,447**	**2,902,502**	**6,085,327**	**8,987,829**
Change in actuarial value of policy holders' liabilities (Note 43 (ii))	3,859,430	-	3,859,430	(2,785,611)	-	(2,785,611)
Less: reinsurers' share	(130,838)	(2,254,278)	(2,385,116)	(85,337)	(1,115,716)	(1,201,053)
Total long term and short term	**7,224,198**	**5,274,563**	**12,498,761**	**31,554**	**4,969,611**	**5,001,165**

14 Interest payments/increase in unit value

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

	Group	
	2017	2016
	Shs'000	Shs'000
Long term business		
Interest on deposit administration contract (Note 44)	2,381,293	1,472,793
Fair value gain on investment contracts (Note 45)	81,668	270,185
Total interest payments / increase in unit value	**2,462,961**	**1,742,978**

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

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Staff costs (Note 15 (ii))	2,961,090	3,059,694	164,161	85,784
Auditor's remuneration	29,841	26,401	1,707	394
Depreciation on property and equipment (Note 23)	344,910	347,664	14,366	13,666
Amortisation of intangible assets (Note 24)	265,159	205,944	22,724	18,526
Provision for bad debt				
– Provision for reinsurance debtors (Note 34 (i))	196,762	33,607	-	-
– Provision/(write back) for direct debtors (Note 34 (iii))	924	(180,820)	-	-
– Provision for other debtors (Note 38)	60,051	-	-	-
– Mortgages write back (Note 32)	(7,981)	(1,762)	-	-
Information technology (ICT) costs	466,955	387,838	32,022	44,226
Directors emoluments (Note 53 (vi))	63,614	61,507	17,930	17,130
Directors expenses	39,677	31,863	10,823	4,038
Repairs and maintenance expenditure	90,094	106,200	5,868	8,553
General office management expenses	881,450	1,000,776	205,834	209,390
Professional fees	233,495	225,580	14,695	60,955
Training and development	55,198	102,750	1,777	10,233
Premium tax, levies and duty	297,948	289,834	-	22,011
Sales, marketing and brand management	1,021,392	1,029,089	19,864	45,568
Office rent and service charge	355,239	368,532	8,584	42,722
Total operating and other expenses	**7,355,818**	**7,094,697**	**520,355**	**583,196**

15 (ii) Staff costs - Group

Staff costs include the following:		
Salaries and wages	2,707,473	2,791,830
Retirement benefits costs		
- defined contribution scheme	228,942	244,212
- defined benefit scheme (Note 49)	(21,367)	(20,069)
- Social security benefits costs	46,042	43,721
Total staff costs	**2,961,090**	**3,059,694**

The number of persons employed by the Group at the year-end was 932 (2016: 880).

16 Borrowings

The total borrowings include a bank loan of Shs 205,000,000 (2016: Shs 1,780,000,000) at a fixed interest rate of 14% per annum, 5-year medium term note (MTN) of Shs 6,000,000,000 at fixed interest rate of 13% per annum and other borrowings Shs 996,064,000 at a rate of 13.5% (2016: 15%). 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 6,280,414,000 (2016: Shs 4,739,935,000). The balance of the undrawn short-term facility is Shs 1,795,000,000. Other borrowing relates to amount borrowed by Britam Properties (Kenya) Limited for use in purchasing land which is carried as an investment property.

The Company issued a 5-year medium term note in August 2014. The total value of the note issued is Shs 6,000,000,000. The effective interest rate is 13% per annum payable semi-annually. The Notes were issued in denominations of Kenya Shillings one hundred thousand. The Notes are listed on the Fixed Income Securities Market Segment (FISMS) on the Nairobi Securities Exchange. The Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and will at all times rank pari passu in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application. The borrowings are carried at amortised cost and their fair value approximates their carrying amounts. Here below is a table showing the amount of interest payable for each of the borrowings:

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Principal opening Balance:				
– Britam 2014 (MTN) 5 year corporate note	6,000,000	6,000,000	6,000,000	6,000,000
– Bank loan	1,780,000	600,000	1,780,000	600,000
– Other borrowings	996,064	-	-	-
Additions				
– Bank loan	205,000	1,180,000	205,000	1,180,000
– Other borrowings	-	996,064	-	-
Accrued Interest				
– Britam 2014 (MTN) 5 year corporate note	355,544	355,516	355,544	355,516
– Bank loan	2,438	3,592	2,438	3,592
– Other borrowings	404,424	244,654	-	-
– Principal repayment	(1,780,000)	-	(1,780,000)	-
Balance at 31 December	**7,963,470**	**9,379,826**	**6,562,982**	**8,139,108**
Interest paid				
– Britam 2014 (MTN) 5 year corporate note	780,000	780,000	780,000	780,000
– Bank loan	231,627	161,651	231,627	161,651
Total Interest paid	**1,011,627**	**941,651**	**1,011,627**	**941,651**
Interest expense				
– Britam 2014 (MTN) 5 year corporate note	780,000	780,000	780,000	780,000
– Bank loan	245,131	152,610	245,131	152,610
– Other borrowings	161,016	244,654	-	-
Total finance cost	**1,186,147**	**1,177,264**	**1,025,131**	**932,610**

17 Commissions expense

	Group 2017 Shs'000	Group 2016 Shs'000
Long term insurance business		
- Ordinary life	1,659,470	1,716,453
- Group life	103,719	137,212
- Deposit administration	112,316	165,442
Total long term insurance business	**1,875,505**	**2,019,107**
Short term insurance business		
- Engineering	112,652	74,039
- Fire	200,856	188,282
- Marine	89,681	70,997
- Motor	431,683	427,074
- Personal accident and medical	545,204	497,059
- Micro Insurance	73,529	69,190
- Theft	36,932	37,204
- Other	86,515	86,452
Total short term insurance business	**1,577,052**	**1,450,297**

Asset management business		
- Unit trust funds	27,542	24,705
- Discretionary & Wealth management	40,051	53,149
Total asset management business	**67,593**	**77,854**
Total commissions payable	**3,520,150**	**3,547,258**

18 (i) Share capital - Company

Group and Company	Number of shares Thousands	Ordinary shares Shs'000	Share premium Shs'000	Total Shs'000
1 January 2016 and 31 December 2016	1,938,416	193,841	4,263,412	4,457,253
Issue of new shares*	224,188	22,419	3,443,370	3,465,789
31 December 2017	2,162,604	216,260	7,706,782	7,923,042

*Issue of shares presented net of issue costs of Shs 87,586,000.

Ordinary shares

The total number of authorised shares is 3,000 million with par value of 10 cents per share (2016: 3,000 million with par value of 10 cents). The number of shares issued is 2,163 million with par value of 10 cents per share (2016: 1,938 million with par value of 10 cents per share. All shares issued are fully paid and carry equal rights.

Issue of new shares

In September 2017, IFC completed the acquisition of two hundred and twenty four million one hundred and eighty seven thousand six hundred and ninety seven (224,187,697) ordinary shares in the Company, at a price per share of Shs 15.85 and holds approximately 10.37% of the issued ordinary shares of the Company.

19 Other reserves

Other reserves include;

- **Fair value reserves**: arising from revaluation of financial assets carried at fair value through other comprehensive income. They are not distributable reserves.
- **Currency translation reserves**: arise from currency translation for the different countries in which the Group operates in. They are not distributable reserves.
- **Revaluation reserves**: arises on revaluation of the building that is part of the Group's property and equipment. This reserve is not distributable.
- **General reserves:** represent undistributed retained earnings for the long term business and statutory reserves for the Group's Ugandan subsidiary. The reserves for the long term business represent accumulated surpluses from the life fund net of deferred tax whose distribution is subject to the restrictions imposed by the Kenyan Insurance Act. The Insurance Act limits the amounts of surpluses of the life business available for distribution to shareholders to 30% of the accumulated surplus of the life business. A transfer to or from retain earnings is recorded each year to ensure that only amounts available for distribution to shareholders are held in the retained earnings. The statutory reserve represents amounts set up in accordance with the Ugandan Insurance Act, which requires the following amounts to be appropriated from earnings; a contingency reserve calculated at the higher of 2% of gross premium and 15% of net profits and a capital reserve calculated at 5% of net profits of Britam Insurance Company (Uganda) Limited. The reserve is available for distribution to the extent that the minimum amounts required by the Uganda Insurance Act are met.
- **Other reserves (Company):** arising from revaluation of financial assets carried at fair value through other comprehensive income and share of other comprehensive income from the associate.

Group	Fair value reserve	Revaluation reserve	Foreign currency translation Reserves	General Reserves	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Balance at 1 January 2017	**7,529,336**	**285,328**	**(851,777)**	**4,911,357**	**11,874,244**
Revaluation gain on building (Note 26)	-	38,192	-	-	**38,192**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 26)	867,430	-	-	315,330	**1,182,760**
Gain on disposal of financial assets at fair value through comprehensive income (Note 26)	71,961	-	-	-	**71,961**
Share of associate other comprehensive income (Note 26)	-	-	-	83,515	**83,515**
Re-measurement of the net defined benefit asset (Note 26)	-	-	-	(946)	**(946)**
Surplus for life business	-	-	-	295,059	**295,059**
Transfer from retained earnings (Note 20)	-	-	-	29,980	**29,980**
Currency translation gains (Note 26)	-	-	5,194	-	**5,194**
Balance at 31 December 2017	**8,468,727**	**323,520**	**(846,583)**	**5,634,295**	**13,579,959**
Balance at 1 January 2016	**8,777,295**	**284,650**	**(614,891)**	**1,977,923**	**10,424,977**
Revaluation gain on building (Note 26)	-	678	-	-	678
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income (Note 26)	(979,672)	-	-	(142,326)	(1,121,998)
Loss on disposal of financial assets at fair value through comprehensive income (Note 26)	(268,287)	-	-	-	(268,287)
Share of associate other comprehensive income (Note 26)	-	-	-	(6,495)	(6,495)
Re-measurement of the net defined benefit asset (Note 26)	-	-	-	(62,543)	(62,543)
Surplus for life business	-	-	-	3,127,080	3,127,080
Transfer from retained earnings (Note 20)	-	-	-	17,718	17,718
Currency translation losses (Note 26)	-	-	(236,886)	-	(236,886)
Balance at 31 December 2016	**7,529,336**	**285,328**	**(851,777)**	**4,911,357**	**11,874,244**

19 Other reserves (Continued)

Company	Other reserves Shs '000
At 1 January 2017	**2,011,516**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income	867,430
Gain on disposal of financial assets at fair value through comprehensive income	71,961
Share of associate other comprehensive income	40,958
At 31 December 2017	**2,991,865**
At 1 January 2016	**3,262,638**
Revaluation losses on quoted ordinary shares at fair value through other comprehensive income	(979,672)
Loss on disposal of financial assets at fair value through comprehensive income	(268,287)
Share of associate other comprehensive income	(3,163)
At 31 December 2016	**2,011,516**

20 Retained earnings

	Group Shs '000	Company Shs '000
At 1 January 2017	**897,351**	**2,215,237**
Profit/(loss) for the year	222,372	(523,202)
Transfer to general reserve (Note 19)	(29,980)	-
Dividends proposed (Note 22)	(756,911)	(756,911)
At 31 December 2017	**332,832**	**935,124**
At 1 January 2016	2,221,480	4,336,760
Loss for the year	(690,304)	(1,539,998)
Transfer to general reserve (Note 19)	(17,718)	-
Purchase of 35% Non-controlling Interest in Britam Insurance Company Limited (Malawi) (Note 27 (iii))	(34,582)	-
Dividends proposed (Note 22)	(581,525)	(581,525)
At 31 December 2016	**897,351**	**2,215,237**

21 Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares as at 31 December 2017 or 31 December 2016.

	2017	2016
Profit attributed to equity holders (Shs' thousands)	517,431	2,436,776
Weighted number of ordinary shares in issue (thousands)	1,994,463	1,938,416
Basic and diluted earnings per share (Shs)	**0.26**	**1.26**

22 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting. At the annual general meeting to be held on 20 June 2018 a final dividend in respect of the year ended 31 December 2017 of Shs 0.35 per share (2016: Shs 0.30) amounting to a total of Shs 756,911,000 (2016: Shs 581,525,000) is to be proposed.

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

23 Property and equipment

Group

	Buildings	Leasehold improvements	Motor vehicles	Furniture, fittings & office equipment	Computer equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
2017						
Cost or valuation						
1 January 2017	602,707	417,020	121,852	1,103,340	657,560	2,902,479
Additions	109	22,868	6,180	29,905	63,685	122,747
Disposals	-	(4,086)	(8,368)	(7,916)	(2,816)	(23,186)
Revaluation surplus (Note 26)	38,192	-	-	-	-	38,192
Transfer from intangible assets (Note 24)	-	-	-	-	11,193	11,193
Reclassification	-	109,702	-	(143,159)	30,738	(2,719)
Translation	275	(3,081)	114	(636)	1,000	(2,328)
At 31 December 2017	**641,283**	**542,423**	**119,778**	**981,534**	**761,360**	**3,046,378**
Depreciation						
1 January 2017	-	240,714	68,789	565,786	335,599	1,210,888
Charge for the year	207	57,617	20,475	147,966	118,645	344,910
Reclassification	-	83,714	-	(89,844)	14,797	8,667
Disposal	-	(1,689)	(8,368)	(6,187)	(2,777)	(19,021)
Translation	18	(2,147)	(340)	(592)	586	(2,475)
At 31 December 2017	**225**	**378,209**	**80,556**	**617,129**	**466,850**	**1,542,969**
Net book value						
At 31 December 2017	**641,058**	**164,214**	**39,222**	**364,405**	**294,510**	**1,503,409**
2016						
Cost or valuation						
1 January 2016	602,029	414,011	112,867	1,073,611	613,360	2,815,878
Additions	-	48,087	34,036	211,273	61,312	354,708
Disposals	-	(132,796)	(19,971)	(51,363)	(9,577)	(213,707)
Revaluation surplus (Note 26)	678	-	-	-	-	678
Transfer to intangible assets (Note 24)	-	-	-	(16,158)	(12,075)	(28,233)
Reclassification	-	92,240	-	(103,704)	11,464	-
Translation	-	(4,522)	(5,080)	(10,319)	(6,924)	(26,845)
At 31 December 2016	**602,707**	**417,020**	**121,852**	**1,103,340**	**657,560**	**2,902,479**
Depreciation						
1 January 2016	-	247,273	63,719	516,052	239,377	1,066,421
Charge for the year	-	35,609	24,338	185,258	102,459	347,664
Reclassification	-	88,221	-	(95,145)	6,924	-
Transfer to intangible assets (Note 24)	-	-	-	(3,117)	(865)	(3,982)
Disposal	-	(129,289)	(16,538)	(30,249)	(6,555)	(182,631)
Translation	-	(1,100)	(2,730)	(7,013)	(5,741)	(16,584)
At 31 December 2016	**-**	**240,714**	**68,789**	**565,786**	**335,599**	**1,210,888**
Net book value						
At 31 December 2016	**602,707**	**176,306**	**53,063**	**537,554**	**321,961**	**1,691,591**

In the opinion of the Directors, there is no impairment of leasehold improvements and equipment. The valuation of land and buildings was carried out by independent, registered professional valuers, Gimco Limited as at 31 December 2017. The revaluation surplus of Shs 38,192,000 (2016: 678,000) was credited to other comprehensive income. The amount is shown in `other reserves' in shareholders' equity (Note 19) which are not distributable. The depreciation which would be attributable to the gain on revaluation of Shs 38,192,000 (2016: 678,000) is immaterial. The fair values arising from the open market valuation of buildings are categorised as Level 2 in the fair value hierarchy.

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

23 Property and equipment (Continued)

Company

	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture, fittings & office equipment Shs'000	Computer equipment Shs'000	Total Shs'000
2017					
Cost or valuation					
At 1 January 2017	14,843	34,198	20,078	8,271	77,390
Additions	-	-	29	5,308	5,337
At 31 December 2017	**14,483**	**34,198**	**20,107**	**13,579**	**82,727**
Depreciation					
At 1 January 2017	6,071	18,040	5,943	3,628	33,682
Charge for the year	1,412	6,840	3,948	2,167	14,367
At 31 December 2017	**7,483**	**24,880**	**9,891**	**5,795**	**48,049**
Net book value					
At 31 December 2017	**7,360**	**9,318**	**10,216**	**7,784**	**34,678**
2016					
Cost or valuation					
At 1 January 2016	14,778	34,198	4,729	7,698	61,403
Additions	65	-	15,349	2,319	17,733
Transfer to intangibles (Note 24)	-	-	-	(1,525)	(1,525)
Disposals	-	-	-	(221)	(221)
At 31 December 2016	**14,843**	**34,198**	**20,078**	**8,271**	**77,390**
Depreciation					
At 1 January 2016	4,659	11,200	2,261	2,253	20,373
Charge for the year	1,412	6,840	3,682	1,732	13,666
Transfer to intangible (Note 24)	-	-	-	(357)	(357)
At 31 December 2016	**6,071**	**18,040**	**5,943**	**3,628**	**33,682**
Net book value					
At 31 December 2016	**8,772**	**16,158**	**14,135**	**4,643**	**43,708**

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

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

	Group	
	2017 Shs'000	2016 Shs'000
Cost	392,095	392,095
Accumulated depreciation	(316,154)	(306,352)
Net book value	**75,741**	**85,743**

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

24 Intangible assets

	Group			COMPANY		
	Computer software costs	Internally generated software development costs	Total	Computer software costs	Internally generated software development costs	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost						
At 1 January 2016	676,062	1,354,140	2,030,202	5,187	91,309	96,496
Transfer from P&E (Note 23)	28,233	-	28,233	1,525	-	1,525
Capitalised	789,935	(789,935)	-	83,307	(83,307)	-
Write down	(2,380)	-	(2,380)	-	-	-
Additions	480,897	-	480,897	67,426	-	67,426
Reclassification	-	(49,200)	(49,200)	-	-	-
Translation	(8,424)	(1,915)	(10,339)	-	-	-
At 31 December 2016	**1,964,323**	**513,090**	**2,477,413**	**157,445**	**8,002**	**165,447**
At 1 January 2017	1,964,323	513,090	2,477,413	157,445	8,002	165,447
Transfer to P&E (Note 23)	(11,193)	-	(11,193)	-	-	-
Capitalised	205,270	(205,270)	-	-	-	-
Additions	621,525	(186,969)	434,556	-	5,890	5,890
Reclassification	(38,527)	(7,594)	(46,121)			-
Translation	(7,306)	-	(7,306)	-	-	-
At 31 December 2017	**2,734,092**	**113,257**	**2,847,349**	**163,930**	**7,407**	**171,337**
Accumulated amortisation and impairment						
At 1 January 2016	278,398	-	278,398	2,507	-	2,507
Amortisation charge	205,944	-	205,944	18,526	-	18,526
Transfer from P&E (Note 23)	3,982	-	3,982	357	-	357
Translation	(262)	-	(262)	-	-	-
At 31 December 2016	**488,062**	**-**	**488,062**	**21,390**	**-**	**21,390**
Amortisation charge	263,341	1,818	265,159	22,724	-	22,724
Reclassification	541	-	541	-	-	-
At 31 December 2017	**751,944**	**1,818**	**753,762**	**44,114**	**-**	**44,114**
Net book value						
At 31 December 2016	**1,476,261**	**513,090**	**1,989,351**	**136,055**	**8,002**	**144,057**
At 31 December 2017	**1,982,148**	**111,439**	**2,093,587**	**119,816**	**7,407**	**127,223**

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

24 Intangible assets (Continued)

Internally generated software development costs: Since 2014, the Group has had an ongoing project of implementing new information technology (IT) systems. The project will enable the Group achieve a complete transformation from the current information technology systems that it is using currently in all its different lines of business. The new systems being implemented will enable the Group to be more efficient. Some of the systems have already been implemented and are being used in the day today running of the business. These are inclusive of the Pensions line of business system and the Enterprise Resource Planning (ERP), covering finance, human resource and supply chain management modules in Kenya. The two systems were transferred from the Work In Progress (WIP) account into the asset account as at December 2016 and amortisation commenced in January 2017 as the assets were deemed to have been in the location and condition necessary for them to be capable of operating in the manner intended by management towards the end of December 2016.

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

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

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

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

25 Investment in associate – Group and Company

(i) Details of the investment

The investment in associate at 31 December 2017 represents an equity interest of 48.42% (2016: 48.82%) of the ordinary shares of HF Group Plc. HF Group Plc is the leading mortgage provider bank and a premier property developer that is a market leader in offering of integrated solutions for the property and real estate investment, housing and property developments in Kenya. HF Group Plc place of business and country of incorporation is Kenya.

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

		% of ownership interest			
		Group		Company	
Name of entity	Place of business/country of incorporation	2017	2016	2017	2016
HF Group Plc	Kenya	48.42%	48.82%	19.49%	19.49%

25 Investment in associate – Group and Company (Continued)

(i) Details of the investment (Continued)

The movement in investment in associate is as follows:

	Group		Company	
	2017	2016	2017	2016
	HF Group Plc	HF Group Plc	HF Group Plc	HF Group Plc
	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January	**6,308,503**	**6,821,327**	**2,518,387**	**2,666,746**
Share of associate's profit for the year	53,006	442,281	21,336	176,568
Share of associate's other comprehensive profit /(loss)	101,754	(7,923)	40,958	(3,163)
Dividends received in the year	(83,583)	(108,687)	(33,939)	(44,121)
Shares sold	(51,199)	-	-	-
Impairment	(1,306,579)	(838,495)	(525,114)	(277,644)
As at 31 December	**5,021,902**	**6,308,503**	**2,021,628**	**2,518,386**
Made up of:				
Carrying amount of existing equity interest	6,328,481	7,146,998	2,546,742	2,796,030
Impairment	(1,306,579)	(838,495)	(525,114)	(277,644)
At end of year	**5,021,902**	**6,308,503**	**2,021,628**	**2,518,386**

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

In March 2015, HF Group Plc floated a rights issue diluting the previous ownership of the Group from 46.04% to 30.61%. The Britam Group however acquired rights, increasing the shareholding by 18.21% to 48.82%. The movement in the carrying amount of the investment during the year is presented above. Investment in associate at 31 December 2017 includes goodwill of Shs 1,629,831,000 (2016: Shs 1,636,277,000) for the Group and Shs 595,569,000 (2016: Shs 596,031,000) for the Company.

As at 31 December 2017, the fair value of the Group's interest in HF Group Plc which is listed on the Nairobi Securities Exchange, was Shs 1,762,035,000 (2016: Shs 2,380,000,000).

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

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

(ii) Goodwill

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

	Group	Company
	Shs'000	Shs'000
Balance at the start of the year	**1,636,277**	**596,031**
Movement	(6,464)	(462)
Balance at the end of the year	**1,629,813**	**595,569**

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

25 Investment in associate – Group and Company (Continued)

(iii) Impairment assessment

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

In the current year, management made an assessment of the investment in associate and concluded that the investment was impaired as at 31 December 2017. The impairment indicators considered were the significant decline in the listed share price, the net assets valuation of the associate in comparison to its market capitalisation and the changes in the regulatory environment for banks as a result of the interest rate capping regulations effected in August 2016. The change in the interest rates also contributed to the performance of the bank being below the budgeted performance in 2016 and 2017. All the factors indicated the need to assess the carrying value of the associate.

The recoverable value of the associate should be the higher of its fair value less costs to sell and its value in use. The value in use was computed as the present value of the future cash flows expected using a discount rate of 19.91% determined as the company's weighted average cost of capital. A terminal growth rate of 5% was used. This resulted in an impairment loss of Shs 1,306,579,000 (Company Shs 525,114,000) which has been recognised in these financial statements. The impairment loss is included in the 'unrealised fair value losses' line in the statement of profit or loss. In the view of the Directors, the assumptions used are appropriate and the resultant carrying value is reasonable. An impairment of Shs 838,495,000 was recognised in 2016.

(iv) Summarised financial information for associate

Summarised statement of profit or loss and other comprehensive income

	2017 Shs'000	2016 Shs'000
Interest income	7,132,626	8,607,499
Interest expense	(4,156,259)	(4,673,384)
Other income	1,323,655	773,322
Other expenses	(3,988,581)	(3,341,784)
Profit from continuing operations	**311,441**	**1,365,653**
Income tax expense	(201,973)	(459,710)
Post-tax profit from continuing operations	109,468	905,943
Other comprehensive loss, net of tax	210,151	(16,229)
Total comprehensive income	**319,619**	**889,714**
Dividends received from associate	83,583	108,687

Summarised statement of financial position

	2017 Shs'000	2016 Shs'000
Total assets	67,527,274	71,930,251
Total liabilities	56,091,581	60,640,875
Net assets	11,435,693	11,289,376
Customer deposits	36,744,273	38,090,006
Loans and advances	49,639,639	54,469,605

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

25 Investment in associate – Group and Company (Continued)

Reconciliation of summarised financial information

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

	Group		Company	
	HF Group 2017 Shs'000	HF Group 2016 Shs'000	HF Group 2017 Shs'000	HF Group 2016 Shs'000
Opening net assets 1 January	**11,287,835**	**10,624,904**	**11,287,835**	**10,624,904**
Profit for the year	109,470	905,943	109,470	905,943
Other comprehensive loss	210,149	(16,229)	210,149	(16,229)
Transactions with owners recorded directly in equity	(171,761)	(226,783)	(171,761)	(226,783)
Closing net assets	**11,435,693**	**11,287,835**	**11,435,693**	**11,287,835**
Interest in associate Group 48.42% (2016: 48.82%) Company 19.49% (2016: 19.49%)	5,537,163	5,510,721	2,228,817	2,199,999
Impairment (cumulative)	(2,145,074)	(838,495)	(802,758)	(277,644)
Goodwill (Note 25 (ii))	1,629,813	1,636,277	595,569	596,031
Carrying value	**5,021,902**	**6,308,503**	**2,021,628**	**2,518,386**

Summarised statement of cash flows for HF Group

	2017 Shs'000	2016 Shs'000
Net cash flows absorbed in operating activities	4,113,696	(4,860,535)
Net cash flows used in investing activities	(480,475)	(1,013,829)
Net cash flows used in financing activities	(2,835,188)	971,049
Net decrease in cash and cash equivalents	**798,033**	**(4,903,315)**

26 Income tax expense

	Group		Company	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Current income tax	458,342	387,324	18,039	22,011
Deferred tax (Note 37)	(119,973)	1,371,605	-	-
Income tax expense	**338,369**	**1,758,929**	**18,039**	**22,011**

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	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Profit/(loss) before tax	865,843	4,239,133	(505,163)	(1,517,987)
Tax calculated at a tax rate of 30% (2016: 30%)	259,753	1,271,740	(151,549)	(455,396)
Add/ (less):				
- Tax effect of income not subject to tax	(138,962)	(130,766)	-	4,199
- Under provision in prior year	32,197	6,836	-	-
- Deferred tax not recognised	97,866	190,712	97,866	190,712
- Tax effect of expenses not deductible for tax purposes	87,515	420,407	71,722	282,496
Income tax expense	**338,369**	**1,758,929**	**18,039**	**22,011**

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

26 Income tax expense (Continued)

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

	2017			2016		
	Before tax Shs'000	Tax (charge) credit Shs'000	After tax Shs'000	Before tax Shs'000	Tax (charge) credit Shs'000	After tax Shs'000
Currency translation losses	5,194	-	5,194	(236,886)	-	(236,886)
Re-measurement of the net defined benefit asset (Note 49)	(1,351)	405	(946)	(89,347)	26,804	(62,543)
Share of other comprehensive income from associates (Note 25)	101,754	(18,239)	83,515	(7,923)	1,428	(6,495)
Gain on disposal of financial assets at fair value through other comprehensive income	71,961	-	71,961	(268,287)	-	(268,287)
Fair value gains:						
– Building (Note 23)	38,192	-	38,192	678	-	678
– Financial assets at fair value through other comprehensive income (Note 29)	1,317,901	(135,141)	1,182,760	(1,182,995)	60,997	(1,121,998)
Other comprehensive income	**1,533,651**	**(152,975)**	**1,380,676**	**(1,784,760)**	**89,229**	**(1,695,531)**

Movement in the tax recoverable account is as follows:	Group 2017 Shs'000	2016 Shs'000
At 1 January	61,295	236,051
Taxation charge	(458,342)	(387,324)
Tax paid	466,460	212,568
At end of year	**69,413**	**61,295**

Disclosed as follows;	Group 2017 Shs'000	2016 Shs'000
Current income tax recoverable	221,139	196,567
Current income tax payable	(151,726)	(135,272)
Net	**69,413**	**61,295**

27 (i) Goodwill on business combinations

On 31 July 2014, the Group acquired 99% of Real Insurance Company Limited Group for Shs 1.9 billion. This transaction resulted in a goodwill of Shs 1,548,262,000. In June 2015, the Group acquired the remaining 1% of Britam General Insurance Company (Kenya) Limited (formerly Real Insurance Company Limited) from Kenya Farmers Association.

	2017 Shs'000	2016 Shs'000
Goodwill brought forward	1,558,433	1,558,433
At end of year	**1,558,433**	**1,558,433**

In assessing impairment of the goodwill, management have reviewed the five year business plans (strategies). The value in use method was used to determine the value of the investment. Discount rates used ranged between 27% and 38% (2016: 21% and 33%) depending on the circumstances of the entity and terminal rate of 5% (2016: 5% to 7%).

The recoverable amount calculated based on the value in use exceeded carrying value by Shs 12,938,097,000 (2016: Shs 6,749,574,000). A fall in the terminal rate of above 100% (2016:74%) or a rise in the discount rate of above 100% (2016:31%) would remove the remaining headroom.

From the assessment carried out at the end of the year, no impairment charge was deemed necessary as at 31 December 2017 (2016: Nil).

27 (ii) Investment in subsidiary companies

The Company had the following subsidiaries as at 31 December 2016

	Country of incorporation and place of business	Nature of Business	Proportion of ordinary shares directly held	Proportion of ordinary shares directly/ indirectly held	Proportion of shares held by non-controlling interests	
			2017	2016	2017	2016
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%	-	-	-

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

27 (ii) Investment in subsidiary companies (Continued)

The Company had the following subsidiaries at 31 December:

	% holding in equity shares 2017	2016	2017 Shs'000	2016 Shs'000
Britam Life Assurance (Kenya) Limited	100%	100%	180,000	480,000
Britam Asset Managers (Kenya) Limited	100%	100%	80,000	80,000
Britam Insurance Company (Uganda) Limited	100%	100%	500,000	500,000
Britam Insurance Company Limited (South Sudan)	100%	100%	391,710	391,710
Britam Insurance Company (Rwanda) Limited	100%	100%	608,000	608,000
Britam Properties (Kenya) Limited	100%	100%	50,100	50,100
Britam General Insurance (Kenya) Limited	100%	100%	3,925,282	4,325,282
Britam Insurance Company Limited (Malawi)	100%	100%	461,540	461,540
Britam Insurance (Tanzania) Limited	55%	55%	298,442	291,460
Britam - Companhia De Seguros De Mozambique S.A.	98%	98%	315,220	119,291
Britam Asset Managers (Uganda) Limited	100%	100%	30,250	-
Britam Properties (Uganda) Limited*	100%	100%	102,776	-
Total Investment			**6,943,320**	**7,307,383**

*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 2017 Shs'000	2016 Shs'000
Revenue	827,917	826,296
Profit before income tax	68,522	94,161
Income tax expense	(45,562)	(18,729)
Total comprehensive income	**22,960**	**75,432**

Summarised statement of financial position

	Britam Insurance (Tanzania) Limited as at 31 December 2017 Shs'000	2016 Shs'000
Current		
Assets	2,570,634	1,797,165
Liabilities	(2,339,402)	(1,613,510)
Total current net assets	**231,232**	**183,655**
Non-current		
Assets	102,964	118,341
Total non-current net assets	**102,964**	**118,341**
Net assets	**334,196**	**301,996**

27 (ii) Investment in subsidiary companies (Continued)

Summarised statement of cash flows

	Britam Insurance (Tanzania) Limited as at 31 December 2017 Shs'000	2016 Shs'000
Cash generated from operations	313,339	36,016
Income tax paid	(56,204)	(5,775)
Net cash generated from operating activities	257,135	30,241
Net cash used in investing activities	(64,420)	(7,579)
Net cash used in financing activities	10,249	179,305
Net increase in cash and cash equivalents and bank overdrafts	**202,964**	**201,967**

27 (iii) Non-controlling interest (NCI)

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

31 December 2016	Britam - Companhia De Seguros De Mozambique S.A.	Britam Insurance (Tanzania) Limited	Britam Insurance Company Limited (Malawi)	19.985 mm
Proportion of shares held by non-controlling interests	2%	45%	0%	
Total non-controlling interest at the start of the year	3,664	20,131	(34,582)	**(10,787)**
(Loss)/ profit after tax attributable to non-controlling interests	(82)	43,510	-	**43,428**
Total comprehensive income attributable to non-controlling interests	-	-	-	**43,428**
Purchase of 35% NCI in Britam Insurance Company Limited (Malawi)	-	-	34,582	**34,582**
Total non-controlling interests at year end	**3,582**	**63,641**	**-**	**67,223**

28 (i) Investment property

	Group 2017 Shs'000	Group 2016 Shs'000
At start of year	4,890,775	3,602,438
Additions	756,747	763,775
Transfer to property funds (Note 28 (ii))	-	(224,564)
Fair value gains on investment property	264,569	749,126
At end of year	**5,912,091**	**4,890,775**

The valuation of investment property was carried out by Gimco Limited, registered professional valuers as at 31 December 2017. Investment property is valued on an open market basis using fair value that considers the economic benefits generated by the property in its highest and best use. The highest and best use took into account that the use is physically possible, legally permissible and financially feasible. The location of the property was a key consideration.

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

28 (ii) Investment in property funds

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	8,616,740	5,938,567	737,493	471,421
Additions	1,582,527	2,268,034	257,300	299,622
Transfer from investment property (Note 28 (i))	-	224,564	-	-
Fair value gains/ (losses) on property funds	(927,517)	185,575	(55,019)	(33,550)
At end of year	**9,271,750**	**8,616,740**	**939,774**	**737,493**

Investment in property funds balance is classified as a non-current asset. The fair values arising from the open market valuation of investment property funds are categorised as Level 2 in the fair value hierarchy.

29 Financial assets at fair value through other comprehensive income

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

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,325,082	7,012,499	2,939,016	6,283,112
Disposals	(270,000)	(3,067,548)	(270,000)	(2,364,424)
Additions	-	1,563,126	-	-
Fair value gains/ (losses) (Note 26)	1,317,901	(1,182,995)	867,430	(979,672)
At end of year	**5,372,983**	**4,325,082**	**3,536,446**	**2,939,016**

30 Financial assets at fair value through profit or loss

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Quoted ordinary shares (Note 30 (i))	10,299,327	7,504,001	3,276,337	2,472,707
Unquoted ordinary shares (Note 30 (ii))	9,464	9,585	-	-
Unit trusts (Note 30 (iii))	5,807,945	6,649,003	-	-
Government securities (Note 30 (iv))	14,494,640	4,234,671	20,950	-
Total	**30,611,376**	**18,397,260**	**3,297,287**	**2,472,707**

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

(i) Quoted ordinary shares

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	7,504,001	9,141,190	2,472,707	3,296,942
Additions	1,328,014	941,026	-	-
Disposals	(701,828)	(706,349)	-	-
Fair value gains /(losses)	2,169,140	(1,871,866)	803,630	(824,235)
At end of year	**10,299,327**	**7,504,001**	**3,276,337**	**2,472,707**

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

(ii) Unquoted ordinary shares

	Group	
	2017	2016
	Shs'000	Shs'000
At start of year	9,585	9,794
Addition	-	54
Translation	(121)	(263)
At end of year	**9,464**	**9,585**

Unquoted ordinary shares at fair value through profit or loss are classified as non-current assets. Please see Note 4(f) for their fair value hierarchy.

(iii) Unit trusts

	Group	
	2017	2016
	Shs'000	Shs'000
At start of year	6,649,003	5,529,452
Additions	773,845	1,831,243
Disposals	(1,919,539)	(959,953)
Fair value gains	304,636	248,261
At end of year	**5,807,945**	**6,649,003**

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	
	2017	2017	2017	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Treasury bills and bonds maturing				
- Within 1 year	1,060,973	105,307	20,950	-
- In 1 – 5 years	4,676,359	1,876,838	-	-
- After 5 years	8,757,308	2,252,526	-	-
Total	**14,494,640**	**4,234,671**	**20,950**	**-**
Treasury bills and bonds movement				
- At start of the year	4,234,671	2,629,930	-	-
- Additions	14,164,756	2,298,439	325,829	-
- Fair value gains/(losses)	245,944	17,373	(1)	-
- Disposals and maturities	(4,150,731)	(711,071)	(304,878)	-
At end of year	**14,494,640**	**4,234,671**	**20,950**	**-**

31 Government securities and corporate bonds at amortised cost

	Group 2017 Shs'000	2016 Shs'000
Government securities (Note 31 (i))	16,200,057	17,190,127
Corporate bonds (Note 31 (ii))	1,218,485	1,450,295
Total	**17,418,542**	**18,640,422**

(i) Government securities

Treasury bills and bonds maturing		
- Within 1 year	1,730,286	490,249
- In 1 – 5 years	3,448,209	6,648,896
- After 5 years	11,021,562	10,050,982
Total	**16,200,057**	**17,190,127**
At start of year	17,190,127	14,042,036
Amortization	(52,175)	(12,850)
Additions	424,738	7,256,480
Maturities	(1,362,633)	(4,095,539)
At end of year	**16,200,057**	**17,190,127**

(ii) Corporate bonds

Maturing Profile		
- Within 1 year	327,513	197,726
- In 1 – 5 years	890,972	1,165,687
- After 5 years	-	86,882
Total	**1,218,485**	**1,450,295**
At start of year	1,450,295	1,868,900
Amortization	(1,242)	(955)
Additions	43,125	296,047
Maturities	(273,693)	(713,697)
At end of year	**1,218,485**	**1,450,295**

32 Mortgage loans

Total loans at start of year	1,226,061	1,043,082
Loans advanced	197,655	298,368
Interest charged	91,033	91,627
Loan repayments	(297,384)	(207,016)
Total loan amount at end of year	**1,217,365**	**1,226,061**
Less: Provision for impairment losses	(39,058)	(47,039)
Net loan amount at end of year	**1,178,307**	**1,179,022**
Movement in provision for mortgages impairment losses:		
At 1 January	47,039	48,801
Decrease	(7,981)	(1,762)
At 31 December	**39,058**	**47,039**
Lending commitments:		
Mortgage loans approved by investment committee but not disbursed as at 31 December	42,898	57,145
Mortgage loans maturity profile		
- Within 1 year	7,947	3,859
- In 1 – 5 years	192,422	94,667
- After 5 years	977,938	1,080,496
At end of year	**1,178,307**	**1,179,022**

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

33 Loans and receivables to policyholders

	Group 2017 Shs'000	Group 2016 Shs'000
At start of year	834,382	614,663
Loans advanced	1,115,251	851,501
Surrenders	(22,822)	(157,648)
Loan repayments	(999,291)	(582,108)
Accrued interest	148,946	107,974
At end of year	**1,076,466**	**834,382**

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

(i) Receivables arising out of reinsurance arrangements

At the start of the year	1,104,021	804,445
Movement	(458,534)	299,576
At the end of the year	**645,487**	**1,104,021**
Past due 1 – 60 days	284,574	184,303
Past due 61 – 90 days	81,133	780,827
Past due 91 – 180 days	102,786	58,034
Over 180 days	176,994	80,857
Impaired	252,499	55,737
Gross	**897,986**	**1,159,758**
Provision for impairment	(252,499)	(55,737)
Net	**645,487**	**1,104,021**
Movements in the provision account :		
At 1 January	55,737	22,130
Increase	196,762	33,607
At 31 December	**252,499**	**55,737**

(ii) Payables arising out of reinsurance arrangements

At the start of the year	544,755	805,745
Movement	207,471	(260,991)
At the end of the year	**752,226**	**544,754**

(iii) Receivables arising out of direct insurance arrangements

Current outstanding	540,203	1,009,334
Past due but not impaired	1,621,263	1,380,369
Impaired	446,668	458,400
Gross	**2,608,134**	**2,848,103**
Provision for impairment	(446,668)	(458,400)
Net	**2,161,466**	**2,389,703**
Movements in the provision account :		
At 1 January	458,400	639,220
Decrease*	(11,732)	(180,820)
At 31 December	**446,668**	**458,400**
Past due 1 – 60 days	857,008	1,009,334
Past due 61 – 90 days	239,103	426,641
Past due 91 - 180 days	1,065,355	953,728
Total	**2,161,466**	**2,389,703**

(iv) Payables arising from direct insurance arrangements

At the start of the year	11,708	6,007
Net movements	(11,708)	5,701
At the end of the year	**-**	**11,708**

* The 2017 movement in the provision is made up of additional provisions of shs 924,000 (2016: 5,701,000) and write-off Shs 12,656,000 (2016: Nil) relating to receivables that had previously been provided for. The 2016 decrease relates to write backs of receivables that had previously been provided for.

35 Reinsurers’ share of insurance liabilities

Reinsurers’ share of:		
- notified claims outstanding – long term	140,812	153,735
- notified claims outstanding – short term (Note 42)	2,258,247	1,384,100
- unearned premium (Note 46)	942,006	796,402
- claims incurred but not reported (Note 42)	385,849	345,134
At end of year	**3,726,914**	**2,679,371**

Amounts due from reinsures in respect of claims already paid by the Group on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Reinsurers’ share of insurance liabilities is classified as a non-current asset.

36 Deferred acquisition costs

	2017 Shs’000	2016 Shs’000
At start of year	458,201	540,225
Net movement	5,947	(82,024)
At end of year	**464,148**	**458,201**

Deferred acquisition costs represent a proportion of acquisition costs that relates to policies that are in force at year-end. The basis of deferral is explained in Note 2(d) (ii). Deferred acquisition costs are classified as current assets.

37 Deferred income tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 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

	31-12-17 Shs’000	2017 Movement Shs’000	31-12-16 Shs’000	2016 Movement Shs’000	31-12-15 Shs’000
Property and equipment:					
- on historical cost basis (buildings)	79,714	69,343	10,371	64,560	(54,189)
Provisions	202,811	(27,577)	230,389	(169,315)	399,704
Tax losses brought forward:	813,216	154,031	659,185	259,299	399,886
Less: Deferred tax asset not recognised:					-
- Britam Holdings Limited	(645,344)	(97,866)	(547,478)	(190,712)	(356,766)
Life fund surplus	(3,424,054)	(64,929)	(3,359,125)	(1,246,208)	(2,112,917)
Net deferred income tax liability	**(2,973,656)**	**33,002**	**(3,006,658)**	**(1,282,376)**	**(1,724,282)**
Reconciliation:					
Income statement					
Credit (Note 26)	-	-	-	-	-
Charge (Note 26)	-	(119,973)	-	(1,371,605)	-
Other comprehensive income (Note 26)	-	152,975	-	89,229	-
Total	**-**	**33,002**	**-**	**(1,282,376)**	**-**
Statement of financial position					
Deferred income tax asset	450,398	62,278	388,120	17,818	370,302
Deferred income tax liability	(3,424,054)	(29,276)	(3,394,778)	(1,300,194)	(2,094,584)
Net deferred income tax liability	**(2,973,656)**	**33,002**	**(3,006,658)**	**(1,282,376)**	**(1,724,282)**

37 Ineferred 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.

	31-12-17 December Shs'000	2017 Movement Shs'000	31-12-16 December Shs'000	2016 Movement Shs'000	31.12.15 Shs'000
Property and equipment:					
- on historical cost basis	(10,624)	(20,878)	10,254	9,188	1,066
Provisions	1,387	(390)	1,777	(13,981)	15,758
Tax losses brought forward	654,581	119,134	535,447	195,505	339,942
Deferred tax asset not recognised	(645,344)	(97,866)	(547,478)	(190,712)	(356,766)
Net deferred income tax liability	-	-	-	-	-

38 Other receivables

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Staff and agents loans	117,096	170,545	558	-
Car loans and premium financing	512,336	410,611	-	9,993
Accrued income	27,425	33,271	-	-
Dues from managed funds	9,681	418,644	-	-
Refundable deposits	71,263	26,377	-	-
Motor pool	45,913	41,993	-	-
Prepayments	171,368	80,568	7,471	175
Other receivables	689,864	631,149	644,789	1,196,942
Total	**1,644,946**	**1,813,158**	**652,818**	**1,207,110**

Staff & agents loans are presented net of provisions Shs 60,051,000 (2016: Nil) All other receivables are classified as current. The carrying value of other receivables approximates their fair value.

Company

As part of a business transfer transaction effected in 2015 of the general insurance business of the former composite British-American Insurance Company (Kenya) Limited to Britam General Insurance Company (Kenya) Limited, the Company entered into a Debtors Cession Agreement for an amount of Shs 900,000,000 with Britam General Insurance (Kenya) Limited. Under this Agreement, which was part of the demerger process approved by Insurance Regulation Authority (IRA), Britam General Insurance Company (Kenya) Limited would collect the outstanding receivables and remit the funds to Britam Holdings Limited. The balance as at 31 December 2017 is Shs 554,271,000 (2016: Shs 804,722,000). During the year Shs 250,451,000 was repaid to the Company as part of settling this arrangement. The responsibility for management of the debtors and credit risk exposure is borne by Britam General Insurance Company (Kenya) Limited. The balance at 31 December 2017, which is part of the Shs 644,789,000 other receivables in the Company, represents a current receivable.

39 (i) Cash and cash equivalents

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

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits with financial institutions	4,554,775	3,623,196	771,434	401,282
Investment in liquid funds	869,180	1,042,825	869,180	937,055
Cash and bank balances	2,999,200	1,300,996	39,263	49,877
Cash and cash equivalents	**8,423,155**	**5,967,017**	**1,679,877**	**1,388,214**

39 (ii) Restricted cash

Restricted cash	47,191	46,049	-	-

Investments in liquid funds are investments in the Cash Management Solution (CMS) product by Britam Asset Managers Limited. The CMS product, represents investments in deposits with financial institutions and is therefore liquid in nature. The Group entities on occasions invest in the fund, in the short term (maximum 3 months at a time) with the option to renew.

The weighted average effective interest rate on short-term bank deposits as 31 December 2017 was 9.75% (2016: 8.8%).

Cash and cash equivalents of Shs 47,191,000 (2016: Shs 46,049,000) represents restricted cash in Britam Insurance Company Limited (South Sudan). Under Section 9(i) of the Bank of South Sudan Act, Britam South Sudan is required to maintain a security deposit with the Bank of South Sudan equivalent to at least 10% of the prescribed minimum paid up capital. The Bank of South Sudan retained 10% from the first instalment paid.

40 Insurance contract liabilities

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

	Group	
	2017	2016
	Shs'000	Shs'000
Long term insurance contracts		
- claims reported and claims handling expenses	811,830	753,379
- actuarial value of long term liabilities (Note 43 (ii))	16,156,142	12,296,712
Total – long term	**16,967,972**	**13,050,091**
Short term non-life insurance contracts		
- claims reported and claims handling expenses (Note 42)	4,456,821	3,446,020
- claims incurred but not reported (Note 42)	2,471,489	2,248,846
Total – short term (Notes 42)	**6,928,310**	**5,694,866**
Total gross insurance liabilities	**23,896,282**	**18,744,957**

41 Short-term non-life insurance contracts liabilities

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern.

The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

41 Short-term non-life insurance contracts liabilities (Continued)

The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Accident year	2013	2014	2015	2016	2017	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Estimate of ultimate claims costs:						
– at end of accident year	2,760,116	3,049,034	4,535,713	3,547,121	5,919,154	**19,811,138**
– one year later	3,203,432	3,346,157	4,813,929	3,681,936	-	**15,045,454**
– two years later	3,335,819	3,400,894	4,748,830	-	-	**11,485,543**
– three years later	3,375,014	3,440,785	-	-	-	**6,815,799**
– four years later	3,398,333	-	-	-	-	**3,398,333**
Current estimate of cumulative claims	**3,398,333**	**3,440,785**	**4,748,830**	**3,681,936**	**5,919,154**	**21,189,038**
Add: Incurred but not Reported	127,243	149,742	314,986	470,726	1,408,792	**2,471,489**
Add: Liability in respect of prior years	862,875	-	-	-	-	**862,875**
Less: Cumulative payments to date	(3,063,780)	(3,198,106)	(4,098,963)	(3,129,155)	(4,105,088)	**(17,595,092)**
Liability included in the statement of financial position	**1,324,671**	**392,421**	**964,853**	**1,023,507**	**3,222,858**	**6,928,310**

42 Movements in insurance liabilities and reinsurance assets

Short term insurance business	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Notified claims	3,446,020	(1,384,100)	2,061,920	3,873,553	(1,743,179)	2,130,374
Incurred but not reported	2,248,846	(345,134)	1,903,712	2,109,819	(429,483)	1,680,336
Total at beginning of year	**5,694,866**	**(1,729,234)**	**3,965,632**	**5,983,372**	**(2,172,662)**	**3,810,710**
Cash paid for claims settled in year	(6,128,771)	993,339	(5,135,432)	(6,072,190)	907,077	(5,165,113)
Increase in liabilities:						
- arising from current year claims	5,412,400	(2,488,041)	2,924,359	3,490,049	(320,505)	3,169,544
- arising from prior year claims	1,949,815	579,840	2,529,655	2,293,635	(143,144)	2,150,491
Total at end of year	**6,928,310**	**(2,644,096)**	**4,284,214**	**5,694,866**	**(1,729,234)**	**3,965,632**
Notified claims	4,456,821	(2,258,247)	2,198,574	3,446,020	(1,384,100)	2,061,920
Incurred but not reported	2,471,489	(385,849)	2,085,640	2,248,846	(345,134)	1,903,712
Total at the end of year	**6,928,310**	**(2,644,096)**	**4,284,214**	**5,694,866**	**(1,729,234)**	**3,965,632**

43 (i) Long term insurance contract liabilities - Group

The Group valued its long term insurance business liabilities using the Gross Premium Valuation (GPV) methodology in compliance with the requirements of the Insurance Act as amended by the Finance Act 2016 and as required by the Insurance Regulatory Authority (IRA). This basis contains prudent margins for adverse experience in mortality, expenses, withdrawals and investment return.

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

43 (i) Long term insurance contract liabilities - Group (Continued)

Valuation assumptions

The key assumptions are summarized below:

(a) Mortality

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

(b) Interest rate

The Insurance Regulations (IRA issued) prescribes a 20% risk margin to the risk free yield curve as the investment return assumption and for discounting the cash flows (benefits less premium and investment income). In 2016 the NPV regime was used to value liabilities where the interest rate used was prescribed as 10%.

(c) Persistency, expenses, expense inflation and tax

The prescribed GPV basis explicitly allows for the Best Estimate Persistency, Expenses, Expense Inflation and Prescribed Tax assumptions to be used. There are additional prescribed risk margins loaded onto the Best Estimate Assumptions as per regulations.

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	10% decrease
Surrenders	10% (increase or decrease in surrender rate depending on which alternative gives rise to an increase in the liability of the policy concerned)	N/A
Expenses & Expense inflation	10% increase on base expenses 10% increase of the base escalation rate	5% increase in best estimate assumption for expenses 1% increase in best estimate assumption for inflation
Catastrophe	N/A	An absolute increase in the rate of policyholders dying over the following year of 1.5 per mille.
Group/Umbrella Pension Savings Plans	N/A	1.0% increase in fund value
Deposit Administration	N/A	1.0% increase in fund value
Group Life	N/A	10% increase on premium reserves 8% increase on claims reserves
Group Credit	N/A	12% increase on premium reserves 10% increase on claims reserves

43 (ii) Actuarial value of long term liabilities

	2017			2016		
	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	10,335,499	1,961,213	12,296,712	13,412,923	1,669,400	15,082,323
Surrenders and annuity payments	(2,691,952)	(672,816)	(3,364,768)	(2,041,006)	(777,833)	(2,818,839)
Change in the period (net)	3,937,627	(173,652)	3,763,975	(1,847,651)	96,633	(1,751,018)
New business	2,579,849	880,374	3,460,223	811,233	973,013	1,784,246
Change in Actuarial Reserves	**3,825,524**	**33,906**	**3,859,430**	**(3,077,424)**	**291,813**	**(2,785,611)**
At end of year	**14,161,023**	**1,995,119**	**16,156,142**	**10,335,499**	**1,961,213**	**12,296,712**

44 Payable under deposit administration contracts

Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 10% for the year (2016: 8.5%).

	Group	
	2017	2016
	Shs'000	Shs'000
At start of year	21,839,735	14,964,027
Pension fund deposits received	6,596,029	7,712,733
Surrender and annuities paid	(2,799,395)	(2,309,818)
Interest payable to policyholders (Note 14)	2,381,293	1,472,793
At end of year	**28,017,662**	**21,839,735**

45 Liabilities under investment contracts

	Group	
	2017	2016
	Shs'000	Shs'000
At start of the year	**4,910,059**	**5,486,194**
Net investments	573,867	652,529
Liabilities released for payments:	(1,540,087)	(1,498,849)
Fair value gain on investments (Note 14)	81,668	270,185
At end of year	**4,025,507**	**4,910,059**

For the unit linked investment contracts, the benefits offered are based on the return on equities and debt securities. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

46 Unearned premiums

Unearned premium represents the liability for short term business contracts where the Group's obligations are not expired at the year end. Movement in the reserve is shown below:

	2017			2016		
	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	3,563,949	796,402	4,360,351	4,558,320	702,850	5,261,170
(Decrease)/ increase in the year (net)	66,112	145,604	211,716	(994,371)	93,552	(900,819)
At end of year	**3,630,061**	**942,006**	**4,572,067**	**3,563,949**	**796,402**	**4,360,351**

47 Other payables

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Accrued expenses	657,162	414,871	6,172	7,666
Premiums paid in advance	563,085	292,124	-	-
Stale cheques	742	7,326	-	-
Accrued dividends payable	15,388	276,355	14,838	276,251
Payables to staff	18,517	148,353	4,626	13,980
Trade payables	110,578	117,904	-	-
Government taxes & statutory deductions	458,577	121,482	13,441	12,194
Payables for property funds	867,140	-	-	-
Other liabilities	860,664	1,065,168	58,856	78,569
Total other payables	**3,551,853**	**2,443,583**	**97,933**	**388,660**

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

48 Cash generated from operations

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

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Profit/ (loss) before tax	865,843	4,239,133	(505,163)	(1,517,987)
Adjustments for:				
Depreciation of leasehold improvements and equipment (Note 23)	344,910	347,664	14,367	13,666
Amortisation of intangible assets (Note 24)	265,159	205,944	22,724	18,526
Net (loss) / income from investment property	607,261	(991,129)	55,019	33,550
Interest and dividend income	(5,053,975)	(4,232,846)	(802,540)	(917,419)
Net realised gains/(loss) on financial assets	88,308	(32,718)	1,192	-
Net fair value gains on financial assets at fair value through profit or loss	(1,413,141)	2,444,727	(278,515)	1,101,879
Translation differences	(135,278)	236,886	11,850	-
Share of profit of the associates	(53,006)	(442,281)	(21,336)	(176,568)
Finance costs	1,186,147	1,177,264	1,025,131	932,610
Gain on disposal of fixed assets	(2,271)	(15,298)	-	-
Changes in:				
- Receivables arising out of direct insurance arrangements	228,237	(98,384)	-	-
- Receivables from related party	-	-	(174,815)	185,473
- Re-insurers' share of insurance liabilities	(1,047,543)	764,965	-	-
- Receivables arising out of reinsurance arrangements	458,534	(299,576)	-	-
- Unearned premiums	211,716	(900,819)	-	-
- Retirement benefit asset	(52,326)	5,752	-	-
- Other payables	1,108,280	(109,744)	(290,727)	215,492
- Deferred acquisition costs	(5,947)	82,024	-	-
- Other receivables	168,212	(160,346)	554,292	(160,501)
- Payable to related party	-	-	(927,542)	(304,915)
- Insurance contract liabilities	5,151,325	(3,041,787)	-	-
- Liabilities under investment contracts	(884,552)	(576,135)	-	-
- Payable under deposit administration contracts	6,177,927	6,875,708	-	-
- Payables arising out of reinsurance arrangements	207,472	(255,509)	-	-
- Payables arising out of direct insurance arrangements	(11,708)	5,701	-	-
- Restricted cash	(1,142)	759	-	-
Cash generated from/ (used in) operations	**8,408,442**	**5,229,955**	**(1,316,063)**	**(576,194)**

49 Retirement benefit

The Group operates two types of retirement benefit schemes for its employees and qualifying agents.

Defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution schemes are charged to the profit or loss statement in the year to which they relate. The scheme is open to new entrants.

Defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past -service costs are recognised immediately in income. The scheme is not open to new entrants.

The Scheme is registered with the Retirements Benefits Authority of Kenya. The Scheme is established under a trust and governed by Trustees who are responsible for the overall management of the Scheme. The scheme funds are invested by the treasury & investment manager in a variety of asset classes comprising government securities (treasury bills and bonds), stocks and shares and commercial paper.

The amounts recognised in the statement of financial position in respect of defined benefit scheme are determined as follows:

	2017 Shs'000	2016 Shs'000
Present value of funded obligations	(438,927)	(416,982)
Fair value of plan assets	703,987	627,521
Asset ceiling adjustment (10% of Present Value of funded obligations)	(43,893)	(41,698)
Total	**221,167**	**168,841**
Asset in the statement of financial position	**221,167**	**168,841**
The movement in the defined benefit obligation over the year was as follows:		
At start of year	416,982	357,340
Current service cost	10,948	12,098
Interest cost	52,593	48,660
Impact of change in financial assumptions	30,268	-
Experience adjustments	(47,020)	18,417
Benefits paid	(24,844)	(19,533)
At end of year	**438,927**	**416,982**
The movement in the fair value of the plan assets is as follows:		
At start of year	627,521	531,933
Interest income	82,237	77,764
Re-measurements:		
Return on plan assets	(15,908)	(29,232)
Employer contributions	32,310	63,526
Employee contributions	6,185	7,853
Expenses paid	(3,514)	(4,790)
Benefits paid	(24,844)	(19,533)
At end of year	**703,987**	**627,521**
The amounts recognised in the income statement for the year are as follows:		
Current service cost	10,948	12,098
Interest income	(29,644)	(29,104)
Contributions received from members	(6,185)	(7,853)
Expenses paid	3,514	4,790
Total included in employee benefit expense (Note 15)	**(21,367)**	**(20,069)**

49 Retirement benefit (Continued)

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

	2017 Shs'000	2016 Shs'000
Gain/(loss) on pension benefit obligations	16,752	(18,417)
Loss on pension benefit assets	(15,908)	(29,232)
Asset ceiling adjustment (10% of present value of funded obligations)	(2,195)	(41,698)
Amounts recognised through other comprehensive income statement (Note 26)	**(1,351)**	**(89,347)**

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

Discount rate	13.00%	14.00%
Future salary increases	10.00%	10.00%
Future pension increases	0.00%	0.00%

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

	Group			
	2017		2016	
	Present Value Shs'000	Change %	Present Value Shs'000	Change %
+100bp in Discount Rate	411,983	-6.14%	390,221	-6.42%
-100bp in Discount Rate	469,431	6.95%	447,249	7.26%
+1% in Salary increases	440,575	0.38%	419,025	0.49%
-1% in Salary increases	437,330	-0.36%	415,014	-0.47%
+0.5% in Pension increases	452,992	3.20%	430,243	3.18%

50 Weighted average effective interest rates

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

	Group 2017	2016
Mortgage loans	8.01%	8.54%
Policy loans	14.5%	14.5%
Government securities	12.54%	12.2%
Deposits with financial institutions	9.75%	8.8%
Corporate bond	12.88%	12.6%

Deposits with financial institutions have an average maturity of 3 months (2016: 3 months).

51 Commitments

(i) Capital commitments

The Group's capital commitments were as follows:

	Group 2017 Shs'000	2016 Shs'000
Investment property	2,517,614	588,211
Property funds	867,140	605,447
Investment in information technology software	906,442	328,857

(ii) Operating lease commitments

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

	Receivable		Payable	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Not later than 1 year	144,681	16,813	150,011	7,642
Later than 1 year but not later than 5 years	511,996	235,885	583,319	111,435
Later than 5 years	37,280	311,396	38,361	19,245
Total	**693,957**	**564,094**	**771,691**	**138,322**

52 Contingent liabilities

(i) Litigation

In common with the insurance industry in general, the Group's insurance subsidiaries are subject to litigation arising in the normal course of insurance business. The Directors are of the opinion that the outcome of the various ongoing legal cases will not have a material effect on the financial position or profits of the Group.

(ii) Taxes

The Group entities have outstanding matters with Kenya Revenue Authority (KRA) as a result of an assessment carried out in 2016. The Directors have assessed the status of the contingent liabilities and as a result do not anticipate any material changes from the amounts already provided for in this financials.

(iii) Claims

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

53 Related party transactions and balances

The Group is controlled by Britam Holdings Plc (formally" Britam Holdings Limited") incorporated in Kenya being the ultimate parent. There are other companies that are related to Britam Holdings Limited through common shareholdings or common Directorships.

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

(i) Transactions with subsidiaries

The Group has a controlling interest in various entities as disclosed under Note 27(ii). Information on the contact details and places of operation has been included under "Corporate information". The nature of services provided by these entities are summarised below: -

Subsidiary	Date of incorporation	Date operations commenced	Licensed Business	Principal Regulator
Britam Life Assurance Company (Kenya) Limited	1979	1979	Life assurance business	Insurance Regulatory Authority Kenya
Britam General Insurance Company (Kenya)	2015	2016	Non-life insurance business	Insurance Regulatory Authority Kenya
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

53 Related party transactions and balances (Continued)

(a) Transactions in the normal course of business

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

Transactions with subsidiaries outside Kenya are governed by the Group's transfer pricing policy with respect to applicable rate and commencement of sharing costs and where applicable are invoiced at a 5% mark – up.

(b) Other significant transactions

Transactions between Britam Life Assurance Company Limited and Britam Holdings Plc

	2017 Shs'000	2016 Shs'000
Sale of quoted investment held in OCI	-	860,000
Total	**-**	860,000

Transactions between Britam General Insurance Company (Kenya) Limited and Britam Holdings Plc and Other insurance entities Limited

A debtor's cession arrangement exists as detailed under Note 38.

(ii) Outstanding balances with subsidiaries

Due to related parties – Company

	2017 Shs'000	2016 Shs'000
Britam Life Assurance Company (Kenya) Limited	206,409	847,045
Britam General Insurance Company (Kenya) Limited	-	284,602
Britam Insurance Company Limited (Malawi)	-	2,304
Total	**206,409**	**1,133,951**

Due from related parties – Company

Britam Asset Managers Limited	2,637	31,361
Britam General Insurance Company (Kenya) Limited	1,229	-
Britam Insurance Company (Uganda) Limited	63,720	36,700
Britam Insurance Company Limited (South Sudan)	75,589	35,647
Britam Insurance Company (Rwanda) Limited	21,663	9,315
Britam Properties Limited	103,249	31,845
Britam Companhia De Seguros De Mozambique S.A.	9,840	8,288
Britam Insurance Company Limited (Malawi)	51,149	-
Britam Insurance (Tanzania) Limited	14,915	16,020
Total	**343,991**	**169,176**

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

(iii) Dividends received

Group	2017 Shs'000	2016 Shs'000
Dividends received from HF Group Plc	83,583	108,687
Dividends received from Equity Group Holdings Plc	605,125	663,317
Total	**688,708**	**772,004**

Company	2017 Shs'000	2016 Shs'000
Dividends received from HF Group Plc	33,939	44,121
Dividends received from Equity Group Holdings Plc	360,782	462,232
Dividends received from subsidiaries	130,000	360,000
Total	**524,721**	**866,353**

53 Related party transactions and balances (Continued)

(iv) Transactions with related banks

(a) Investment information

The Group has invested in 299,899,443 (2016: 310,252,143) ordinary shares of Equity Group Holdings Plc (EGH) valued at Shs 11,921,003,000 (2016: Shs 9,307,564,000). Fair value gains relating to the disposal of the EGH shares totalled to Shs 71,961,000 (2016 loss: Shs 268,287,000). Fair value gains on revaluation of the EGH shares totalled to Shs 2,924,547,000 (2016 loss: Shs 2,760,989,000).

The Group also holds 48.42% (2016: 48.82%) of the ordinary shares of HF Group Plc which is accounted for as an associate as disclosed in Note 25. Details relating to the Group's share of profits and share of other comprehensive income have been disclosed in that note.

(b) Business relationships

Various group entities transact business with HF Bank (a wholly owned subsidiary of HF Group Plc) and Equity Bank Limited (a wholly owned subsidiary of Equity Group Holdings Plc).

	2017 Shs'000	2016 Shs'000
Gross earned premiums		
Equity Bank Limited	1,779,296	1,660,932
HF Bank	322,759	329,665
Net claims incurred		
Equity Bank Limited	716,040	876,845
HF Bank	189,393	129,344

(c) Outstanding balances

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

	2017 Shs'000	2016 Shs'000
Equity Bank Limited	378,859	438,538
HF Bank	29,388	15,554
Total	**408,247**	**454,092**

In relation to the amounts due from Equity Bank Limited, a provision of Shs 1,116,630 (2016: 5,626,000) has been recognised.

(d) Banking relationships

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

	2017 Shs'000	2016 Shs'000
Equity Bank Limited	498,968	421,702
HF Bank	6,323	3,357
Total	**505,291**	**425,059**

(v) Mortgage loans to Directors of the Group

	2017 Shs'000	2016 Shs'000
Loans to Directors		
At start of year	203,832	192,248
Loans advanced during the year	28,900	5,871
Interest charge for the year	17,723	22,943
Loan repayments	(73,379)	(17,230)
At end of year	**177,076**	**203,832**

Mortgage loans are given to both executive and non- executive Directors. The loans are fully secured and attract interest at 6% per annum (2016: 6% per annum) for executive Directors and at 14.5% per annum (2016: 14.5% per annum) for non-executive Directors.

53 (i) Related party transactions and balances (Continued)

(vi) Directors' emoluments

	Group		Company	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Directors' fees	47,476	44,558	14,150	13,350
Directors' other remuneration	16,138	16,949	3,780	3,780
Total	**63,614**	**61,507**	**17,930**	**17,130**

The above relates to payments made to non-executive Directors.

(vii) Key management compensation

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the 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	
	2017	2017
	Shs'000	Shs'000
Salaries and other short-term employment benefits	538,689	498,680
Retirement benefits costs		
- defined contribution scheme	13,046	26,308
- Social security benefits costs	14,030	42,302
- Other benefits	7,728	4,907
Total	**573,493**	**572,197**

(viii) Transactions with other related parties

The Group has also invested Shs 5,807,945,000 (2016: Shs 6,649,003,000) in the various British-American unit trust funds. The investment in property funds and in liquid funds of Shs 9,271,750,000 (2016: Shs 8,616,740,000) and Shs 869,180,000 (2016: Shs 1,042,825,000) respectively are both managed by Britam Asset Managers Limited.

(ix) Loans from shareholders

There were no loans from shareholders outstanding at 31 December 2017 (2016: Nil).

54 Events after reporting date

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure in or adjustment to these financial statements.

55 New and revised Accounting standards

i) New standards and amendments to standards effective for the year ended 31 December 2017

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IAS 7 Disclosure Initiative *(Effective for annual periods beginning on or after 1 January 2017)*	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods.	There has been no impact to the Group's financial statements.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses *(Effective for annual periods beginning on or after 1 January 2017)*	1. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; 2. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and 3. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.	There has been no impact to the Group's financial statements.
Amendments to IFRS 12 Disclosure of interest in other entities *(Effective for annual periods beginning on or after 1 January 2017)*	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities that are classified as held for sale The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.	The Group anticipates no material impact to its financial statements.

55 New and revised Accounting standards (Continued)

ii) New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 9 Financial Instruments (as revised in 2014) *(Effective for annual periods beginning on or after 1 January 2018)*	**Phase 2: Impairment methodology** The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition. **Phase 3: Hedge accounting** The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced. The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2015 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2015. The project is under re-deliberation at the time of writing. **Transitional provisions** IFRS 9 (as revised in 2015) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to: 1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and	The Group early adopted the first phase of IFRS 9 in January 2013. Management is currently reviewing the impact of phase 2 and 3 of the standard. Some impact is foreseen.

55 New and revised Accounting standards (Continued)

ii) New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017 (continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 9 Financial Instruments (as revised in 2014) *(Effective for annual periods beginning on or after 1 January 2018)*	2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9. An entity may early apply the earlier versions of IFRS 9 instead of the 2015 version if the entity's date of initial application of IFRS 9 is before 1 February 2016. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.	The Group early adopted the first phase of IFRS 9 in January 2013. Management is currently reviewing the impact of phase 2 and 3 of the standard. Impact is foreseen.
IFRS 15 Revenue from Contracts with Customers *(Effective for annual periods beginning on or after 1 January 2018)*	In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed. The Group is still 'assessing the impact of IFRS 15 and will adopt the amendment prospectively. The Group anticipates no material impact to the financial statements currently.	Extensive disclosures are required by IFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed. The Group is still 'assessing the impact of IFRS 15 and will adopt the amendment prospectively. Impact is foreseen.

55 New and revised Accounting standards (Continued)

ii) New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017 (continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
IFRS 16 Leases *(Effective for annual periods beginning on or after 1 January 2019)*	After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios). IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.	The Group is a lessee in very minimal circumstances. The Group anticipates no material impact to its financial statements.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions *(Effective for annual periods beginning on or after 1 January 2018)*	The amendments clarify the following: *The amendments clarify the following:* 1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.	The Group anticipates no impact to its financial statements.

55 New and revised Accounting standards (Continued)

ii) New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017 (continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions *(Effective for annual periods beginning on or after 1 January 2018)*	2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. 3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognised; (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.	The Group anticipates no impact to its financial statements
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Effective for annual periods beginning on or after a date to be determined)*	The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows: IAS 28 has been amended to reflect the following: • Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture. • Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.	The Group anticipates no impact to its financial statements.

55 New and revised Accounting standards (Continued)

ii) New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017 (continued)

New standard and/ or amendments	Details of the amendments	Assessment of the impact on the Group financial statements
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Effective for annual periods beginning on or after a date to be determined)*	IFRS 10 has been amended to reflect the following: • Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.	The Group anticipates no impact to its financial statements.
Amendments to IAS 40 Transfer of investment property. *(Effective for annual periods beginning on or after 1 January 2018)*	Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight	The Group anticipates no impact to its financial statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration issued *(Effective for annual periods beginning on or after 1 January 2018)*	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.	The Group anticipates no impact to its financial statements.

Other than for the adoption of the first phase of IFRS 9, the group has not early adopted any other standards. These standards will be adopted when they become due.

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NOTICE OF THE ANNUAL GENERAL MEETING

To the Shareholders of Britam Holdings Plc

NOTICE IS HEREBY GIVEN THAT THE 22ND ANNUAL GENERAL MEETING of the Company will be held at Safari Park Hotel, Nairobi on Wednesday, 20th June 2018 at 10.00 a.m. to transact the following business:

ORDINARY RESOLUTIONS:

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 2017, together with the Chairman's, Directors' and Auditors' reports thereon.

4. To approve the payment of a final dividend for the year ended 31st December 2017 of Shs. 0.35 per ordinary share of Shs. 0.10 each, subject to withholding tax where applicable, to shareholders on the register of members at the close of business as at 15th May 2018.

5. Rotation and election of Directors:

   i) Dr. Peter K. Munga retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and being eligible, offers himself for re-election.

   ii) Mr. Jimnah M. Mbaru retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and having attained the age of seventy years retires in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and being eligible, offers himself for re-election.

   iii) Ms. Marianne Loner who was appointed to fill a casual vacancy retires in accordance with Article 115 of the Articles of Association of the Company and being eligible, offers herself for re-election.

   iv) Mr. W. Andrew Hollas retires by rotation in accordance with Articles 92 and 93 of the Articles of Association of the Company and being eligible, offers himself for re-election as a director.

6. In accordance with the provisions of Section 769 (1) of the Companies Act, 2015, the following directors, being members of the Board Audit Committee be confirmed to continue to serve as members of the said Committee;

   i) Ms. Caroline Kigen

   ii) Mr. Mike Laiser

   iii) Mr. Mohamed S. Karama

7. To receive, consider and if deemed fit, approve the Directors' Remuneration Report for the year ended 31st December 2017 and to authorize the Board to fix the remuneration of Directors.

8. To re-appoint Messrs Deloitte & Touché as auditors, in accordance with Sections 721(2) and 724 of the Companies Act, 2015, and to authorise the directors to fix their remuneration.

SPECIAL RESOLUTION:

9. To consider and if deemed fit, pass the following Resolution with regard to Amendment of the Company's Articles of Association as Special Resolution:

   (i) THAT the Articles of Association of the Company be amended as per the draft amended Articles of Association available on the Company's website www.britam.com, the changes being to align the Articles of Association to the Companies Act, 2015, the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and the Unclaimed Financial Assets Act, 2011.

   (ii) THAT the Company's Board of Directors be and is hereby authorized to take all such actions as are necessary to give effect to the above resolution.

10. To consider any other business for which due notice has been given.

By Order of the Board

Nancy K. Kiruki
Company Secretary
P. O. Box 30375 – 00100
NAIROBI
15th May 2018

Notes

1. A member entitled to attend and vote at the meeting and who is unable to attend, is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

   A Proxy Form may be obtained from the Company's website www.britam.com, registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, P.O. Box 30375 – 00100, Nairobi, or offices of the Company's shares registrar firm, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi.

   To be valid, a form of Proxy, must be duly completed by the member and lodged with the Company Secretary at the registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, P.O. Box 30375 – 00100, Nairobi or at the registered office of the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than Monday, 18th June 2018 at 10.00 a.m., failing which it be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in pdf format.

2. In accordance with Article 151 of the Articles of Association of the Company, a copy of the entire Annual Report & Accounts may be viewed at the Company's website at www.britam.com or a printed copy may be obtained from the registered office of the Company, Britam Centre, Mara/Ragati Roads, Upperhill, P.O. Box 30375 – 00100, Nairobi or at the registered office of the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi.

3. Transport shall be provided to shareholders from Kencom bus stop to the Safari Park Hotel from 7.30 a.m. to 9.00.a.m. on 20th June 2018.

TANGAZO LA MKUTANO MKUU WA MWAKA

Kwa wenye hisa wa Britam Holdings Plc

ILANI INATOLEWA KWAMBA MKUTANO MKUU WA 22 WA KILA MWAKA wa kampuni utafanyika katika Safari Park Hotel, Nairobi, mnamo Jumatano, Juni 20, 2018, kuanzia saa nne za asubuhi ili kuendesha shughuli zifuatazo:

1. Kuwasilisha majina ya wawakilishi wa wenye hisa wanaoruhusiwa kisheria kuhudhuria na kupiga kura katika mkutano lakini wakakosa nafasi ya kufika, na kuthibitisha kuna wingi wa watu wanaohitajiwa ili mkutano ufanyike.
2. Kusoma ilani ya kuitisha mkutano mkuu wa mwaka.
3. Kupokea, kukagua, na ikikubaliwa, kuidhinisha taarifa za jumla za hesabu zilizokaguliwa za mwaka uliomalizika Desemba 31, 2017, pamoja na taarifa za Mwenyekiti, Wakurugenzi na Wakaguzi wa Hesabu.
4. Kuidhinisha malipo ya mgao wa mwisho wa faida ya mwaka uliomalizika Desemba 31, 2017, wa Shs 0.35 kwa kila hisa ya kawaida ya Shs 0.10, baada ya kutolewa ushuru wa faida ya akiba panapofaa, kwa wenye hisa watakaokuwa kwenye rejista ya wamiliki wa kampuni kufikia Mei 15, 2018.
5. Kuchagua wakurugenzi kwa zamu:
    i) Dkt Peter K. Munga ambaye ametimiza umri wa miaka 70, anastaafu kwa mujibu wa kanuni za kampuni na pia kwa Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015 na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.
    ii) Bw Jimnah M. Mbaru ambaye ametimiza umri wa miaka 70, anastaafu kwa mujibu wa wa kanuni za kampuni na pia kwa Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015 na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.
    iii) Bi Marianne Loner aliyeteuliwa bila kuidhinishwa na wenye hisa anastaafu kwa zamu kwa mujibu wa Kifungu 115 cha Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi wa kampuni.
    iv) Bw. W. Andrew Hollas anastaafu kwa zamu kwa mujibu wa Vifungu 92 na 93 vya Kanuni za Kampuni na kwa vile anastahili, anajitolea kuchaguliwa tena kuwa mkurugenzi.
6. Kwa mujibu wa kanuni za Kifungu 769 (1) cha Sheria ya Makampuni ya 2015, wakurugenzi wafuatao, na ambao ni wanachama wa Kamati ya Bodi ya Ukaguzi wa Hesabu na Taratibu za Kampuni, wachaguliwe ili kuendelea kuhudumu katika kamati hiyo:
    i) Bi Caroline Kigen
    ii) Bw Mike Laiser
    iii) Bw Mohamed S. Karama
7. Kuidhinisha ripoti ya malipo ya wakurugenzi.
8. Kuwateua tena Messrs Deloitte & Touché waendelee kuwa wakaguzi wa hesabu wa kutoka nje ya kampuni kulingana na vifungu 721(2) na 724 vya Sheria ya Makampuni ya 2015 na kuwaruhusu wakurugenzi kuamua malipo ya wakaguzi hao.

AZIMIO MAALUMU:

9. Kufikiria na ikipatikana inafaa, kupitisha azimio maalumu lifuatalo kuhusiana na kufanyia mabadiliko Kanuni za Kampuni:
    (i) KWAMBA Kanuni za Kampuni zifanyiwe mabadiliko yaliyopendekezwa katika mswada wa Kanuni za Kampuni unaopatikana katika tovuti ya shirika www.britam.com, mabadiliko ambayo yanafungamanisha Kanuni za Kampuni na Sheria ya Makampuni, 2015, Mwongozo wa Kanuni za Usimamizi wa Mashirika kwa Watoaji Amana kwa Umma wa 2015 na Sheria ya Rasilmali za Kifedha Zisizodaiwa na Wenyewe ya 2011.
    (ii) KWAMBA Bodi ya Wakurugenzi wa Kampuni ipewe mamlaka yote ya kuchukua hatua zozote zinazofaa kutekeleza azimio hilo.
10. Kushughulikia suala jingine lolote na ambalo ilani ifaayo ilishatolewa awali.

Kwa amri ya bodi ya wakurugenzi

Nancy K. Kiruki
Katibu
S. L. P. 30375 – 00100
NAIROBI

Mei 15, 2018

ILANI:

1. Mwenye hisa yeyote anayeruhusiwa kisheria kuhudhuria na kupiga kura katika mkutano lakini hana nafasi ya kufika, ana haki kisheria kumchagua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Si lazima mwakilishi awe mwenye hisa wa kampuni.

   Fomu ya kumteua mwakilishi inaweza kupatikana katika tovuti ya kampuni www.britam.com, afisi iliyosajiliwa ya kampuni ambayo ni Britam Centre, Mara/Ragati Roads, Upperhill, S.L.P. 30375 – 00100, Nairobi, ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Orofa ya tano, Loita Street, Nairobi.

   Ili kukubaliwa, fomu ya mwakilishi lazima ijazwe kikamilifu, itiwe sahihi na mwenye hisa na ipelekwe kwa Katibu wa Kampuni katika afisi zilizosajiliwa za Kampuni, Britam Centre, Mara/Ragati Roads, Upperhill, S.L.P. 30375 – 00100, Nairobi ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Orofa ya tano, Loita Street, Nairobi, mnamo ama kabla ya Jumatatu, Juni 18, 2018, saa nne za asubuhi, ama sivyo fomu haitakubaliwa. Vinginevyo, fomu za uwakilishi zilizosainiwa zinaweza kunakiliwa kielektroniki na kusafirishwa kwa barua pepe kutumia anwani info@image.co.ke zikiwa katika muundo wa pdf.

2. Kulingana na Kifungu 151 cha Kanuni za Kampuni, nakala ya Ripoti yote ya Mwaka na Taarifa ya Hesabu inapatikana katika tovuti ya Kampuni www.britam.com. Nakala iliyochapishwa inapatikana kwenye afisi zilizosajiliwa za Kampuni, Britam Centre, Mara/Ragati Roads, Upperhill, S.L.P. 30375 – 00100, Nairobi ama afisi za shirika msajili wa hisa za Kampuni, Image Registrars Limited, Barclays Plaza, Orofa ya tano, Loita Street, Nairobi.

3. Wenyehisa watasafirishwa kutoka kituo cha mabasi cha Kencom hadi Safari Park Hotel kuanzia saa moja u nusu hadi saa tatu za asubuhi mnamo Juni 20, 2018.

Britam Holdings Plc

Annual General Meeting - 20th June 2018,

Proxy Form

I/We ____

____

CDS Account No. ______________________________ of P.O. BOX ______________________________

being a member(s) of Britam Holdings Plc, hereby appoint ______________________________

____

of (address) ____

or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 20th June 2018 at 10.00 a.m., or at any adjournment thereof.

As witness to my/our hands this ______________________ day of ______________________ 2018

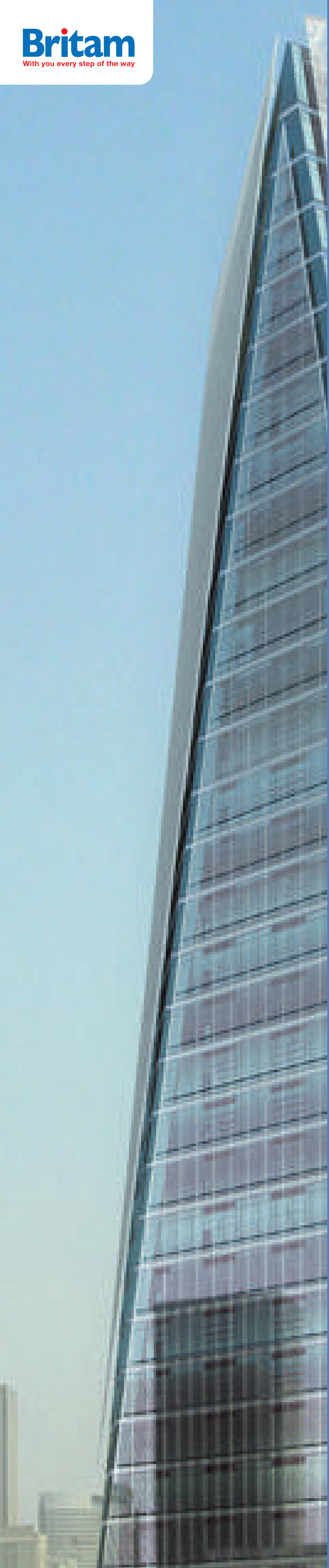
Signature(s) ____

Notes:

1. A member is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company.

2. The Proxy Form must be delivered to the office of the Company Secretary at the Company's head office situated at Britam Centre, Mara/Ragati Road, Upper Hill, P. O. Box 30375-00100, Nairobi or the Shares Registrar, Image Registrars Limited, Barclays Plaza, 5th Floor, Loita Street, Nairobi, not later than 10.00 am on Monday 18th June 2018 failing which it will be invalid. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format

NOTES



Registered Office

Britam Holdings Plc
Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O Box 30375, 00100 Nairobi, Kenya
Tel: (+254) 020 2833 000/2710 927
Fax: (+254) 020 2717 626
E-mail: info@britam.com
Website (Group): www.britam.com

The Chief Executive Officers (CEOs) and /or Principal Officers for the entities below are the individuals that held office as at the time of approval of these consolidated financial statements.

Local Subsidiaries

Three of the local subsidiaries share physical and postal addresses with the Company as below;

Britam Life Assurance Company (Kenya) Limited
CEO/ Principal Officer: Mr. Ambrose Dabani
E-mail: insurance@britam.com

Britam Asset Managers (Kenya) Limited
CEO/ Principal Officer: Mr. Kenneth Kaniu
E-mail: assetmanagement@britam.com

Britam Properties (Kenya) Limited
General Manager: Mr. Benson Kamau
E-mail: info@britam.com

Britam General Insurance Company (Kenya) Limited
CEO/ Principal Officer:
Ms. Margaret Kathanga
Renaissance Corporate Park
Elgon Road
Upper Hill
P.O Box 30375-00100, Nairobi, Kenya
Tel: (+254) 020 2833000/0703094000
Email: info@britam.com

Regional Subsidiaries

Britam Insurance Company (Uganda) Limited
CEO/ Principal Officer: Mr. Allan S. Mafabi
Plot 24A, Akii-Bua Road, Nakasero
P.O Box 36583, Kampala Uganda
Tel: (+256) 417 702 600
Email: britamug@britam.com

Two Uganda subsidiaries share physical and postal addresses with BRITAM INSURANCE COMPANY (UGANDA) LIMITED as below;

Britam Asset Managers (Uganda) Limited
General Manager: Ronald Kasolo
Email: britamug@britam.com

Britam Properties (Uganda) Limited
Email: britamug@britam.com

Britam Insurance Company Limited (South Sudan)
CEO/ Principal Officer:
Mr. John K. Githinji
The Britam Place, Hai Malakal Juba, South Sudan
Tel:(+211) 956 444 457/8
Email: britamss@britam.com

Britam Insurance Company (Rwanda) Limited
CEO/ Principal Officer: Mr. Antoine Uwamungu
Kigali Investment Company, 5th Floor
P.O Box 913, Kigali, Rwanda
Tel: (+250) 252 579 031/2/3
Email: rwanda@britam.com

Britam Insurance (Tanzania) Limited
CEO/ Principal Officer:
Mr. Stephen Lokonyo
PPF Tower 2nd Floor, Garden/Ohio Street
P. O. Box 75433, Dar es Salaam, Tanzania
Tel: (+255) 22 2138058/ 762
Email: britamtz@britam.com

Britam Insurance Company Limited (Malawi)
CEO/ Principal Officer:
Mr. Grant Mwenechanya
Delamere House, Victoria Avenue,
P.O. Box 442, Blantyre, Malawi
Tel: (+265) 01 824 044/ 08 81893856 /09 91461230
Email: britammw@britam.com

Britam Companhia De Seguros De Moçambique, SA
Ag.CEO/ Principal Officer:
Mr. Stephen Wambugu
Av Marginal No 4067 R/C Caixa
Postal 3681,Maputo Mozambique
Tel: (+258) 21 492840/8/9
Email: britammz@britam.com

Locally related parties

HF GROUP PLC
Rehani House
Kenyatta Avenue/Koinange Street
Nairobi Kenya
Tel: (+254) 020 3262000
Email: info@hfgroup.co.ke

EQUITY GROUP HOLDINGS PLC
Equity Centre
Upper Hill - Hospital Road
Nairobi Kenya
Tel: (+254) 020 2262000,
Email: info@equitybank.co.ke

Share Registrar
Image Registrars Limited
Barclays Plaza, 5th Floor
Loita Street
P.O Box 9287-00100, Nairobi
Tel: (+254) 020 2230330
Email: info@image.co.ke

Auditor
Deloitte & Touché
Deloitte Place, Muthangari,
Waiyaki Way Nairobi, Kenya
Tel: (+254) 020 423 0353
Fax: (+254) 020 444 8966

Secretary
Nancy K. Kiruki
Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O Box 30375-00100 Nairobi, Kenya

Actuarial Services
QED Actuaries and
Consultants (Pty) limited
Sandton, South Africa.
Triangle Actuarial Services
Wake Forest, North Carolina, USA

Legal Advisors
Kaplan & Stratton, Advocates
Daly & Inamdar Advocates
Bowmans (previously Coulson Harney
Advocates)
Walker Kontos, Advocates
Ngatia and Associates
South Sudan Associated Advocates
Katende, Ssempebwa & Co Advocates
(Uganda)
FK Advocate (Rwanda)
Tanscar Attorneys (Tanzania)
Nanthuru & Associates (Malawi)
Costa Amanze (Mozambique)

Bankers
Equity Bank Limited
Commercial Bank of Africa Limited
Barclays Bank of Kenya Limited
Citibank
Kenya Commercial Bank Limited
National Bank of Kenya Limited
Standard Chartered Bank
Co-operative Bank of Kenya
Housing Finance
Chase Bank Kenya Limited

HEAD OFFICE
Britam Centre
Mara/Ragati Road Junction, Upper Hill
P.O. Box 30375-00100, Nairobi
Tel: (020) 2833000
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Email: info@britam.com
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