Annual Report and Financial Statements 2017

The next 100 years

Sanlam Wealthsmiths

100 years

What will drive Africa in the next 100 Years?

Sanlam
Wealthsmiths

years

Vision, Mission and Values

Purpose (Mission)

Sanlam Kenya Plc is committed to help create a world worth living in and enable people to live the best possible life within it.

Vision

To be the leader in client-centric wealth creation, management and protection.

Core Values

- Lead with Courage and Serve with Pride
- Respect, Nurture and Care
- Act with Integrity and Accountability
- Guard our stakeholders' Trust
- Drive Innovation and Superior Performance

We are determined and resolute

For over 100 years we have been doing business with readiness, resolve and deep-rooted conviction. We are committed, resolute, determined and purposeful in what we do.

We are solid and sensible

We take pride in our solid nature - we choose functional over fancy and we don’t do window dressing. When it comes to our customers, the sensible thing is the right thing.

We do it very, very well

We do what we do exceptionally well. Our approach is methodical and thorough, we take no shortcuts. It is the only way we know to show you the respect you deserve.

We do it for good

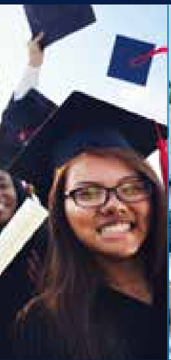
We desire to make a real and positive difference - to create lasting value that enables people live their best possible lives. Our work is never done and we do it for good.

The next 100 years

Technology

Regional Integration

Education



Entrepreneurship/Africa Rising

Youth

These days, the future is coming faster than ever. We live in an era of lightning speed technological advancement. In ten years, no industry will look like it does now. In twenty years almost all of today's jobs will be completely obsolete.

But tomorrow is about more than just tech. Health trends, economic trends, population growth and climate change, just to name a few, will also create massive challenges—and massive opportunities—in the years to come. At Sanlam, we believe that the time to start preparing for the next 100 years is now

The next 100 years

All Roads Lead to Africa

Africa has been touted as the last frontier for development. All roads lead to Africa, and we must therefore embrace this opportunity to tap into the global marketplace. Accelerated development in Africa will be achieved by harnessing local resources to boost entrepreneurship and drive its industrialization. Entrepreneurship is the engine and spirit that drives growth of the private sector


Sanlam
Wealthsmiths
years

Company information

Principal place of business
Sanlam House
1st Floor
Kenyatta Avenue
P.O Box 44041 - 00100
Nairobi

Registered office
LR No. 209/927
Sanlam House
1st Floor
Kenyatta Avenue
P.O. Box 44041 - 00100
Nairobi

Bankers
Barclays Bank of Kenya Limited
Barclays Plaza
P.O. Box 46661 - 00100
Nairobi

Standard Chartered Bank of Kenya Limited
Kenyatta Avenue
P.O. Box 30001 - 00100
Nairobi

Co-operative Bank of Kenya Limited
Ukulima Branch
P.O. Box 74956 - 00200
Nairobi

Family Bank Limited
Kenyatta Avenue Branch
P.O. Box 74145 - 00200
Nairobi

National Bank of Kenya Limited
Kenyatta Avenue
P.O. Box 30645 - 00100
Nairobi

Group Company secretary
Emma Wachira
Sanlam House
1st Floor
Kenyatta Avenue
P.O. Box 10493 - 00100
Nairobi

Independent auditor
PricewaterhouseCoopers
PwC Tower
Waiyaki Way
Westlands
P.O. Box 43963 - 00100
Nairobi

Legal advisers
Kaplan & Stratton Advocates
Williamson House, 4th Ngong Avenue
Nairobi

Muriu Mungai Advocates
MMC Arches
Spring Valley Crescent
Nairobi

Coulson Harney 2LP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
Nairobi

Muthaura Mugambi
Ayugi & Njonjo Advocates
4th Floor, Capital Hill Square, Upper Hill
Nairobi

Waruhiu & Company Advocates
12th Floor, International House
Mama Ngina Street

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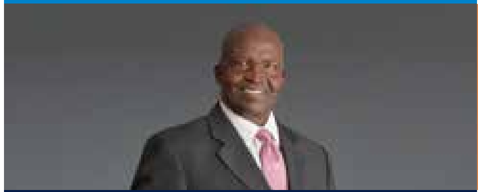
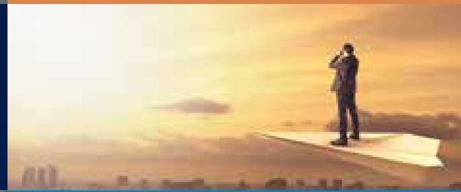




The next 100 years

Technology

Challenges can be turned into opportunities. In Africa, technology is improving people's lives, with advances in mobile services and applications leading the way. In the coming years, Sanlam is eager to be part of the revolution taking place in Africa; a revolution in which the continent adopts innovative technologies to solve its problems and catapult towards a faster growth trajectory

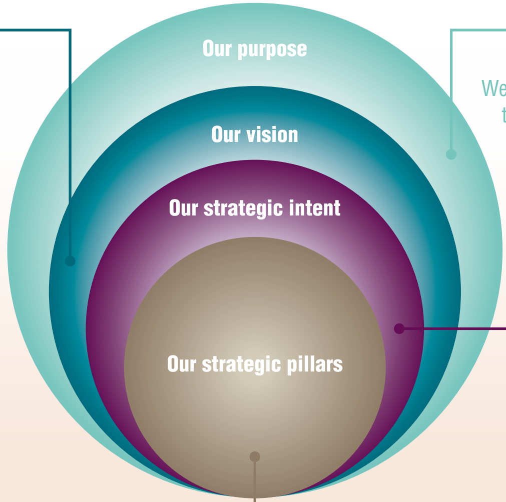
Sanlam at a glance

Sanlam Wealthsmiths

100 years

Understanding our strategy

Our vision is to:
Be the leader in client-centric wealth creation, management and protection.



Our purpose is to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at individual, organisational and societal levels.

Our strategic intent is to create sustainable value for all stakeholders.

Sanlam's vision and strategic intent is pursued through a strategy focused on **four pillars:**

Profitable top-line growth through a culture of client-centricity

Extracting value through innovation and improved efficiencies

Enhancing Sanlam's resilience and earnings growth through diversification

Responsible capital allocation and management

Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.

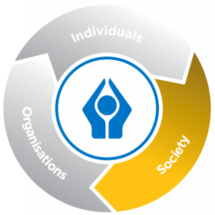
Understanding how our business creates shared value

The cornerstone of our purpose, to build a world of Wealthsmiths™, is our ability to create shared value for our material stakeholders. In this way we are able to strengthen their financial resilience and prosperity.

This contributes to a mutually beneficial value ecosystem for individuals, organisations and society.

Creating a world worth living in means that organisations have the benefit of:

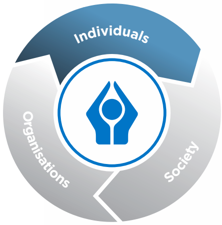
- Opportunities to generate fee income for our sales agents as distribution partners for Sanlam products and services
- Facilitating sustainable economic growth through Sanlam's sound investment of client funds under management
- Technical partnerships with regulators to enable economic, social and regulatory resilience and prosperity



Creating a world worth living in means that society has the benefit of:

- Economic empowerment and choice
- Stability and liquidity in the financial sector through Sanlam's investment of client funds under management
- Trust in the financial sector as a result of technical partnerships
- Collaboration and trust between stakeholders in support of inclusive economic growth

Understanding how our business creates shared value



Creating a world worth living in means that individuals have the benefit of:

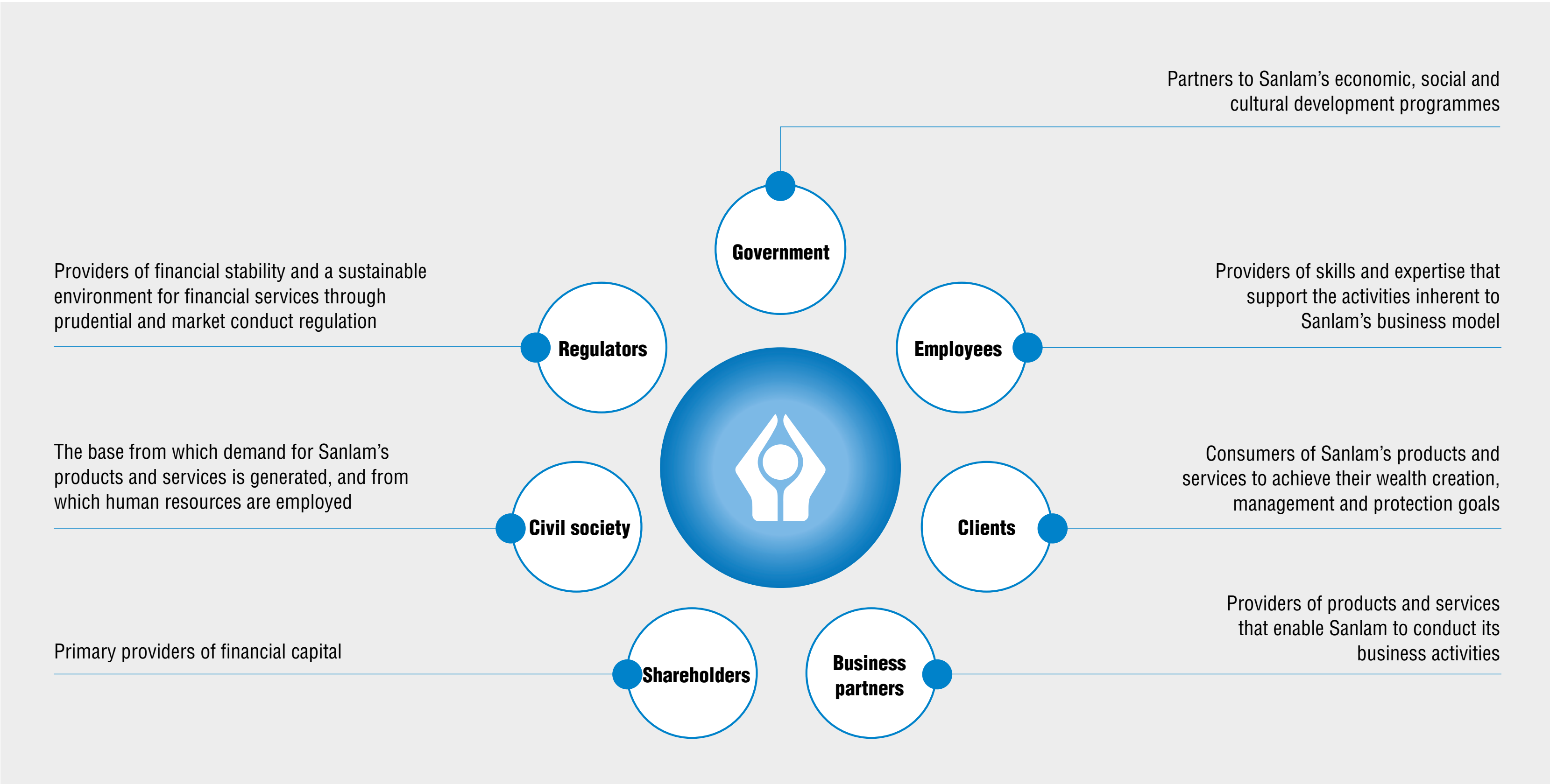
- Wealth creation, management and protection through sound advice, fair treatment and a range of financial solutions that meet individual needs and expectations
- Employment opportunities and fair remuneration that leads to career development and financial security
- Growth in shareholder value for all our shareholders

We're in the **business of helping** people make the most of their money while **delivering on sustainable and enduring value** for our stakeholders. We believe diversification is key to our success because only **when we embrace our differences** and draw on our **collective strengths,** can we transform people's lives in a meaningful way. **What drives us** is we do it for **good**. What **unites** us is our job is **never done**. This is what makes us **Wealthsmiths™.**

The Sanlam stakeholder network

We are committed to mutually beneficial relationships with our stakeholders.

Sanlam's strategic intent is to create sustainable value for all stakeholders. While we operate in an extended universe of stakeholders, we identify and select our stakeholders on the basis of their impact on Sanlam's business and the successful execution of our strategy. These stakeholders are illustrated below:



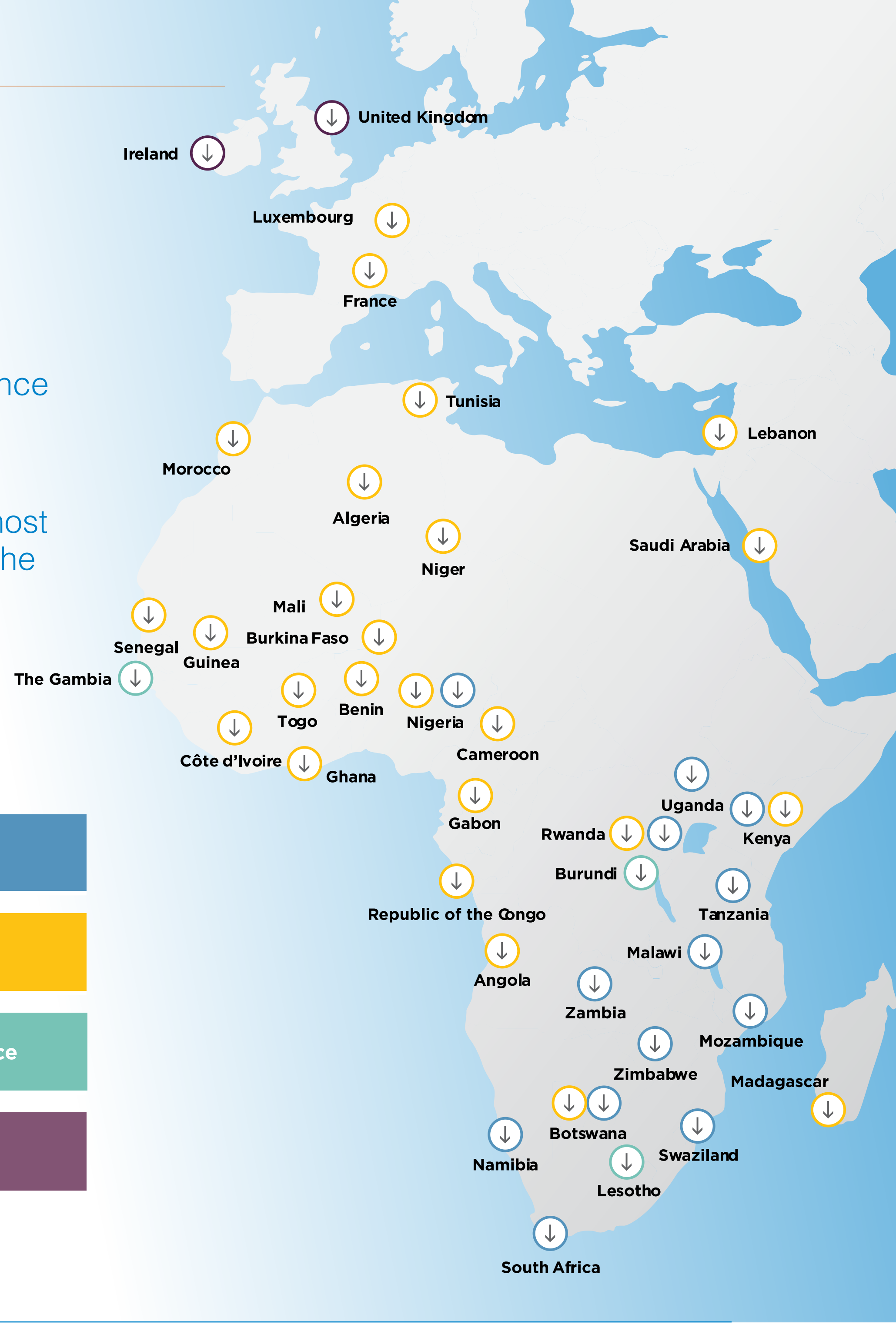
The intended outcome of our stakeholder value creation is to create financially resilient and prosperous individuals, organisations and societies. These three groups encapsulate our key stakeholders identified above.

Sanlam's global presence

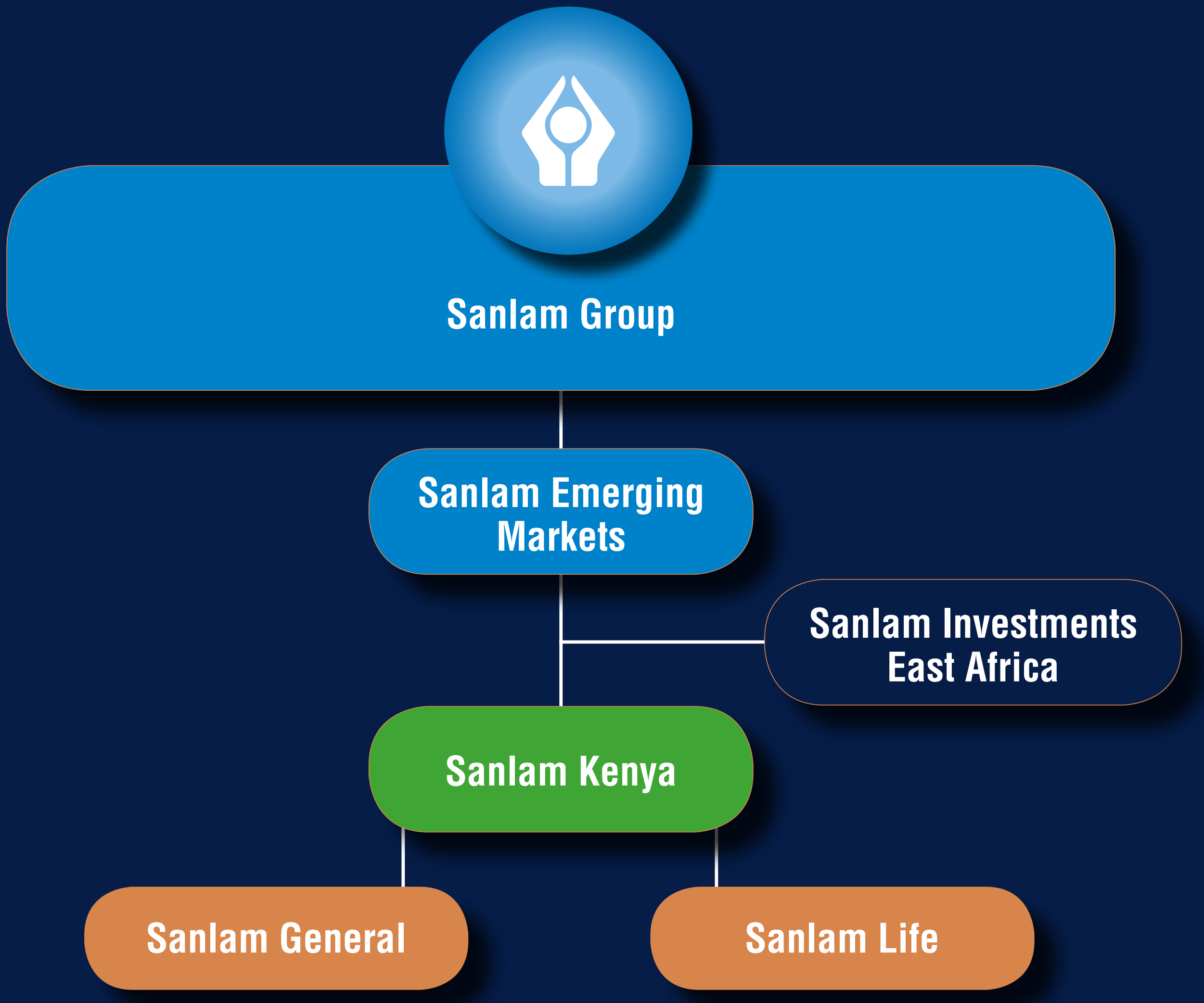
Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 45 countries.

Through SEM, Sanlam has the most extensive insurance footprint in the African continent.

- Emerging markets – direct presence
- Saham Finances presence
- Emerging markets – indirect presence
- Developed markets



Sanlam Group plc structure



Looking Back

Turnaround of General Insurance
The Company returned an underwriting profit of KShs. 40m as gains from the business transformation program in 2017. The general business is well on track to become a major player in the general insurance market in Kenya.

Sanlam Kenya One Year Anniversary
To celebrate our first anniversary following the rebrand to Sanlam, we unveiled a dedicated strategy to enhance our customer experience. The strategy focuses on entrenching the customer-first ethos as our service delivery hallmark.

Arthur Kamp in Kenya
The company hosted internationally acclaimed Investment Economist Arthur Kamp for a series of engagements. Mr. Kamp made a stop at the Nairobi Securities Exchange (NSE) and rang the bell to usher in the day's trading. He also met with regional Chief Executive Officers for an executive luncheon where they shared market strategies and discussed the impact of the local general election on the capital markets and investment opportunities.

Sanlam Tower
It's all systems go towards the move of our corporate headquarters to the new Sanlam Towers. The Kshs 2.7 billion, 18-storey architectural masterpiece along Nairobi's Waiyaki way will help advance our strategy to integrate and unify all our businesses under one roof to afford our clients convenience in solutions and services.

Travel Insurance
Through Sanlam General Insurance, we introduced to the local market a customised travel insurance cover. The product is backed by an extensive international support network across 220 destinations and is part of the firm's strategic plan to revamp its product offering.

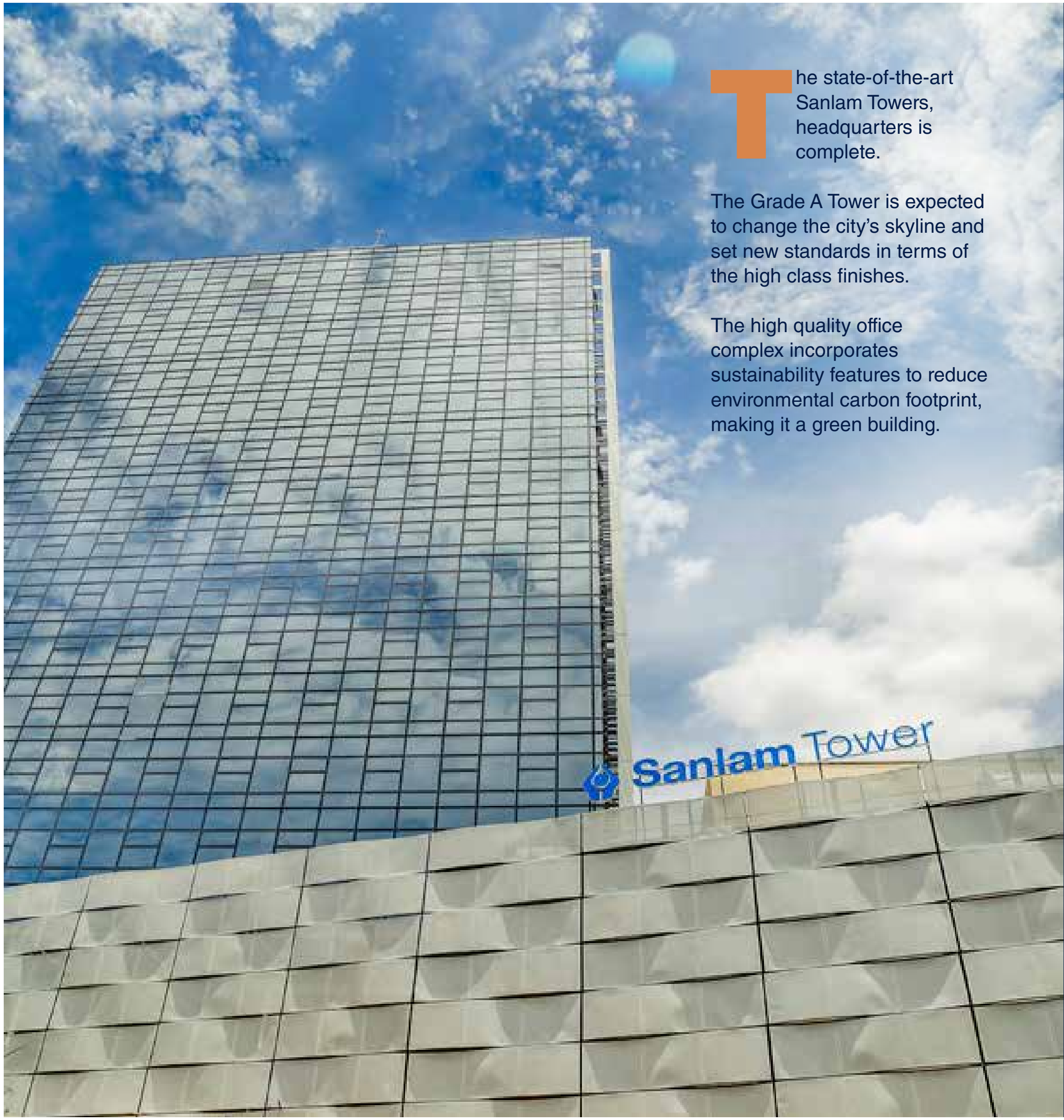
Partner Connect
The first Sanlam Kenya Partner connect forum was held last year. This was a forum geared at sharing insights and experiences with our channel partners as part of our commitment to facilitate shared prosperity.

Launch of Marine Insurance
In conjunction with Santam Marine, the largest marine insurer in Africa, at Sanlam Kenya we are now very well placed to insure a wide range of marine risks. Sanlam Kenya is actively targeting the Kshs 20 billion Marine Cargo insurance market by providing excellent service in the marine cargo insurance space.

VNB
Strategic efforts to revamp the Sanlam Life Assurance are beginning to bear fruit. The Corporate business premium income grew by 28% while retail business premium income grew by 2% attributable to stabilising distribution channels and marked improvement on our financial consultants' production.

Partnerships
We're partnering with Standard Chartered Bank to provide bancassurance products to our mutual clients. This partnership combines Standard Chartered Bank's expertise in banking and Sanlam Kenya's deep insurance proficiency to innovate and create value add products.

Our new headquarters



The state-of-the-art Sanlam Towers, headquarters is complete.

The Grade A Tower is expected to change the city's skyline and set new standards in terms of the high class finishes.

The high quality office complex incorporates sustainability features to reduce environmental carbon footprint, making it a green building.

18
storeys

140,000
square feet of office space

- Panoramic views
- Natural lighting and reduced glare
- Green building
- Occupation sensors to reduce electricity consumption
- 400 parking bays
- State of the art security

Kshs 247million

Profit before tax

Kshs 6,370million

Gross Premium Income

Kshs 2,285million

Group Investment Income

Five-year group review

	2013	2014	2015	2016	2017
	KShs.m	KShs.m	KShs.m	KShs.m	KShs.m
Statement of profit or loss:					
Operating profit before tax and share of associate	1,514	1,150	51	317	251
Profit / (loss) attributed to shareholders	1,253	871	(62)	90	31
Insurance business:					
Gross premium income	5,324	5,247	5,182	5,225	6,370
Net premium income	5,102	4,991	4,797	4,832	5,416
Net benefits and claims paid	5,274	5,054	4,257	4,478	4,534
Statement of financial position:					
Total equity	3,338	3,778	3,802	3,932	4,052
Long term policy liabilities	14,938	17,446	19,667	21,847	18,691
Share capital	480	480	720	720	720
Total assets	21,158	24,599	27,109	28,442	29,829
Key indicators:	**KShs.**	**KShs.**	**KShs.**	**KShs.**	**KShs.**
Basic earnings per share	13	6.05	(0.43)	0.63	0.21
Dividends per share	4.5	-	-	-	-
Dividends (KShs. m)	432	-	-	-	-
Market capitalisation at year end (KShs. m)	8,640	11,520	8,640	3,996	3,996
Group share prices at the NSE:					
Annual High	100	145	141*	65	31
Annual Low	39	87	55	28	18
Share price at year end	90	120	60	28	28

The next 100 years

Regional Integration

If you want to go fast, go alone. If you want to go far, go together. This African proverb illustrates how regional integration and cooperation is the way forward in Africa as there are many regional externalities that can only be addressed through regional cooperation

Our Leadership

The directors are pleased to present the annual report and audited financial statements for the year ended 31 December 2017 that discloses the state of affairs of Sanlam Kenya Plc (the "Company") and its subsidiaries (together the "Group").

The annual report and financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Kenyan Companies Act, 2015.

Business Review

Principal activities

The principal activity of the Group, through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited, is the underwriting of all classes of long-term and short-term insurance business as defined by the Insurance Act (Chapter 487 of the Laws of Kenya), with the exception of industrial life insurance. The Group has interests in a wholly owned investment company (Sanlam Securities Limited), wholly owned investment management company (Sanlam Investments Limited), Mae Properties Limited (dormant) and Chem Chemi Mineral Water Limited (dormant).

The Group's Performance

The Group recorded a profit before tax of KShs. 246,958,000 (2017: KShs. 317,053,000). The year was characterized by various challenges in the insurance industry in Kenya including rising inflationary pressures and an uncertain political environment.

The key performance indicators of the Group over a five-year period have been highlighted on page 25.

Principal risks and mitigation strategies

The Group's principal risks are set out below. These risks have been assessed considering their potential impact and likelihood of occurrence, and the resultant residual risk based on management controls and actions put in place to mitigate the residual risk.

1. Insurance risk

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 loss events are unpredictable, and the actual number and value 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 companies within the Group have developed insurance underwriting strategies 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.

2. Market risk

The risk that market movements (including in interest or exchange rates, equity or real estate prices) cause fluctuations in asset values, liabilities, or income from assets. The key components of market risk that impact the Group are explained below:

i. Price risk

The Group is exposed to equity securities price risk because of investments in quoted shares classified either at fair value through profit or loss or fair value through other comprehensive income. 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 approved by the Board.

ii. Cash flow and fair value interest rate risk

The Group is exposed to cash flow and interest rate risk because of holding interest bearing assets which comprise quoted corporate bonds, mortgages, investment in liquid funds, government securities, fixed deposits with financial institutions and policy loans.

iii. Currency risk

Currency risk is the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates. The Group is exposed to currency risk arising from a loan denominated in US Dollars.

The Group manages currency risk arising from future commercial transactions and recognised assets and liabilities using spot contracts, but has not designated any derivative instruments as hedging instruments.

The Group has subcontracted investment management to a professional fund manager to invest funds based on mandates approved by the Board and their best professional assessment of investment opportunities within these mandates. 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.

3. Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the 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

3. Credit risk (continued)

to credit risk. Credit exposures arise from;

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to frequent reviews, but at a minimum once every financial year. The exposure to any one borrower is further restricted by sub-limits. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, corporate and personal guarantees.

4. Liquidity risk

Liquidity risk may be defined as the risk that occurs when a firm, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure them only at excessive cost. Liquidity risk losses might arise from interest payments on borrowings to meet a shortfall, or from 'fire sale losses' incurred from the sale of illiquid assets.'

The Group is exposed to daily calls on its available cash resources from maturing policies, claims and calls on cash settled contingencies. The finance department monitors liquidity on a daily basis, and has put in place an asset and liability matching programme that ensures liquidity requirements are met. Cash flow forecasting is performed in the operating entities of the Group and in the Company and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operational needs. Such forecasting takes into consideration the debt financing plans, covenant compliance and compliance with internal liquidity appetite limits and targets.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

5. Cyber risk

'Cyber risk' means any risk of financial loss, disruption or damage to the reputation of the Group from some sort of failure of its information technology systems. Cybersecurity has become a critical issue for the Group. Cyber threats have evolved from being primarily focused on theft of customer personal information to broader threats against intellectual property such as trade secrets, product information, and negotiating strategies.

The Group has established and operationalised a Cyber Risk strategy, which is shaped by a Cyber Risk appetite. This strategy is benchmarked to ISO 27001 and represents an effective governance anchor to help the Group address the Group's plan to manage risks effectively. The strategy enables the Board and senior management to more deeply understand exposure to specific cyber risks, establish clarity on the cyber imperatives for the Group, work out trade-offs, and determine priorities.

6. Legal and regulatory risk

Legal risk is the potential loss from legal disputes or settlements, instituted by customers, counter parties, employees, shareholders, the authorities or third parties against the Group. Compliance risk is the risk of non-compliance with laws, regulations and standards, which relate to markets, pricing, taxes and regulations, and of new laws or regulations that require changes in business practices that may lead to financial loss.

Changes in government policy and legislation (including in relation to tax and capital controls), regulation or regulatory interpretation applying to companies in the insurance industry, and decisions taken by regulators in connection with their supervision of the Group, which in some circumstances may be applied retrospectively, may adversely affect the Group's product range, distribution channels, competitiveness, profitability, capital requirements, risk management approaches, corporate or governance structure and, consequently, reported results and financing requirements.

The Group is exposed to and subject to extensive laws and regulations including those that impact and regulate the capital markets, insurance industry, financial markets regulation, capital adequacy, those relating to financial crimes (money laundering, bribery and corruption, insider trading), taxation, anti-trust, employment and labour laws, contractual obligations. Significant changes to these laws and regulations or their more stringent enforcement or restrictive interpretation could significantly impact the operations of the Group.

The Group considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Head of Legal, together with the compliance functions facilitate the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Report of the Directors

Directors

The directors who served during the year and up to the date of this report are:

John PN Simba	Non – executive	Chairman
Mugo Kibati	Group Chief Executive Officer	Resigned 28 February 2018
George Kuria	Ag. Group Chief Executive Officer	Appointed 1 March, 2018
Julius Nyakia Magabe	Non – executive	
Theuns Botha	Non – executive	
Rohan Patel	Non – executive	Alternate: Baloobhai Patel
Susan Mudhune	Non – executive	
Matthys Lodewikus Olivier	Non – executive	Resigned 20 February 2018
John Burbidge	Non – executive	

Authorisation

The consolidated financial statements of Sanlam Kenya Plc for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 28th March 2018.

Financial Statements

At the date of this report, the directors were not aware of any circumstances, which would have rendered the values attributed to the assets and liabilities in the financial statements of the company to be misleading.

Report of the Directors

Disclosures to auditors

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

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

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

Terms of appointment of auditors

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract which sets out the terms of the auditor's appointment and the associated fees on behalf of the shareholders.

By Order of the Board

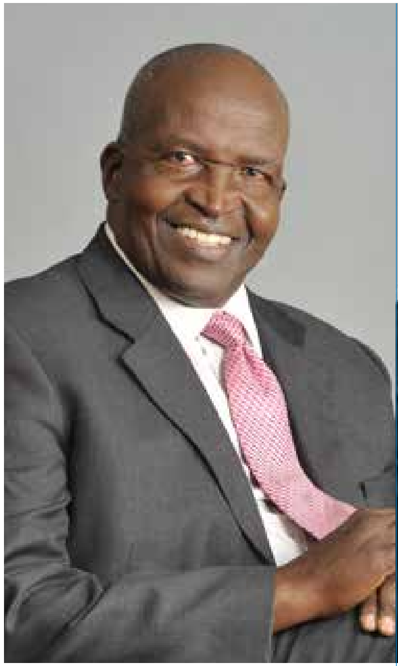
Dr. John P N Simba

Chairman

George Kuria

Ag. Group Chief Executive Officer

Board of Directors



Dr. John PN Simba OGW, MBS, EGH (73) (Chairman)
Appointed to the Board in December 2001; Appointed as Chairman in March 2002
Occupation: Lawyer, Partner in Simba & Simba, Advocates
Academic Qualifications: LLD ((Hon.) University of Nairobi), Bachelor of Law (University of Dar-es-Salaam)
Professional Qualification: Advocate of the High Court of Kenya, Member Institute of Directors (Kenya)

Theuns Botha (39)
Appointed to the Board on 19 May 2016
Occupation: Head of Actuarial, Africa, Sanlam Emerging Markets
Academic Qualifications: Bachelors of Science, University of Stellenbosch
Professional Qualifications: Fellow of the Actuarial Society of South Africa

Susan Mudhune (68)
Appointed to the Board on 18 August 2009
Occupation: Banker
Academic Qualifications: MBA (University of Nairobi, BA in Education (University of Nairobi)
Professional Qualifications: Fellow of the Institute of Bankers (Kenya), Fellow of the Kenya Institute of Management

Rohan Patel (42)
Appointed to the Board on 16 May 2015
Occupation: Director of Corporate Development
Academic Qualifications: MBA (IMD), MSC Management (LSE), BA Geography (LSE),
Professional Qualifications: Advanced Management Program (Harvard), Certificate in Real Estate, Hotel Development and Investment

George Kuria (43)
Appointed to the Board on 1 March 2018
Title: Ag. Group Chief Executive: Sanlam Kenya Plc
Academic Qualifications: B.Com. Insurance (UON), MBA (Strathmore University)
Professional Qualifications: Dip. CII, AIIK

Julius Nyakia Magabe (44)
Appointed to the Board on 18 August 2016
Occupation: Regional Executive, East Africa- Sanlam Emerging Markets, Chief Executive Officer Sanlam Life (T) Limited
Academic Qualifications: MBA (ESIM),
Professional Qualifications: Advanced Diploma Insurance and Risk Management (Institute of Finance Management- Tanzania)

John Burbidge (68)
Appointed to the Board on 16 May 2014
Occupation: Accountant
Academic Qualifications: Cheadle Hulme School, Manchester, United Kingdom.
Professional Qualifications: Fellow of the Institute of Chartered Accountants in England and Wales

Senior Management

George Kuria
Ag. Group Chief Executive Officer Sanlam Kenya

Stella Njunge
Chief Executive Officer Sanlam Life

Emma Wachira
Group Company Secretary/Chief Legal Officer

Simon Ngura
Group Head of IT and Innovation

Miriam Wambui
Chief Human Resource Officer

Lilian Onyach
Group Head of Marketing and Corporate Communications


Driving Africa Into the next Century
Sanlam
Wealthsmiths
years

In Kenya, insurance penetration is below 3 percent compared to South Africa where it is 13 percent. In low insurance penetration lies opportunity

Chairman's Statement

Dear Shareholders,

It gives me pleasure to present to you the Annual Report and Financial statements for the year ended 31st December, 2017.

Global Overview

The global economy took a recovery trajectory in 2017 following a period of muted growth. According to the World Bank, the renewed optimism was largely driven by a recovery in investments, manufacturing, trade and improved consumer confidence. Growth in 2017 was projected at 3.6 percent and this trend is expected to continue into 2018.

Africa recorded a moderate recovery during the year, growing at 2.4 percent compared to 1.3 percent the previous year. Mining output increased while agriculture recovered thereby boosting GDP growth which had remained muted. On a positive note during the period, the continent experienced increased capital inflows which helped stabilize growth.

In sub-Saharan Africa, stable oil prices and a recovery in commodity prices helped anchor its modest growth. Africa's leading economies – South Africa, Nigeria and Angola – also showed signs of recovery from a depressed performance the previous year, positively impacting on the rest of the continent.

Regionally, the economies were a mixed bag of fortunes, with countries like Burundi experiencing some challenges while others, such as Uganda and Ethiopia posting strong growth. Meanwhile, integration continued to become a reality, as Kenya and Rwanda opened up their borders to other African nationals who can now get visas at the point of entry, while the two countries additionally allowed their nationals to travel and work freely in either country.

Kenyan economy

The growth of the Kenyan economy was heavily and negatively impacted by the extended electioneering period. Business remained muted prior to the August poll and even after a repeat election was called; the attendant uncertainties led to most investment decisions being put on hold. Investor confidence in the economy was shaken.

The country also suffered from a prolonged drought and a weak credit growth occasioned by a cap on interest rates effected in 2016 but whose full impact was felt in 2017.

GDP growth dropped to 4.8 percent from 5.8 percent the previous year as the election and drought headwinds took a toll on growth.

Nevertheless, the economy remained quite resilient, with a stable macro-economic environment fueled by stable oil prices, growing tourist numbers and heavy investments in infrastructure by the Government. Credit goes to CBK for continuing to pursue prudent macro-economic policies in the face of a challenging economic environment.

The forex market remained relatively stable – with the shilling trading on average at Sh103 against the dollar while inflation closed the year at 4.5 percent, one of the lowest levels for the last four years.

Although trading at the Nairobi Securities Exchange started with a four-year low, it shrugged off the election blues and actually earned investors over Sh567 billion by the end of the year.

Industry trends

The insurance sector continues to be shaped by changes in the demographic profile of the population, macro-economic environment, competition and changes in the regulatory environment. Market players continue to address pertinent issues to enable them comply with the new Risk Based Capital requirements which will come into force in 2020.

Throughout the year, although competition remained stiff and will remain so in the years ahead, we are confident that as we implement the pillars constituting our strategic plan, we will appropriately respond to the needs of our customers through introducing innovative products and delivering superior service to them.

Insurance is a measure of economic growth since, as people's income grow, the more they see a need for insurance products. Over the years, one of the challenges we have faced as a country is low insurance penetration across the board. In Kenya, insurance penetration is below 3 percent compared for instance to South Africa where it is 13 percent. In low insurance penetration lies opportunity. Through a sustained education campaign stressing the values and benefits of insurance, the industry can and should improve on these figures.

Despite the slowed economic growth recorded in the year, the insurance industry registered a 10.7% growth in premiums during the period to September 2017 compared to a growth of 7.2% in a similar period in 2016. The growth was largely driven by accelerated growth in the life insurance segment which grew by 16.9% compared to the general insurance segment that grew by 7.2%. Overall premiums are however still largely skewed towards general insurance which accounted for 62.3% of the KShs 160.6 billion of premiums collected as at the end of September 2017.

Regulatory environment

The Risk Based Capital requirement will come into force in June 2020. Essentially, what this means for the industry is that all insurers will need to maintain an adequate level of capital that is commensurate with their risk profile.

It will also help to provide early warning signs of stress; in addition to aligning Kenya's policies with global best practice.

Whereas the intention is very clear and noble, it means the industry may undergo realignments and that investors will have to raise more capital for the businesses to meet compliance benchmarks. Any lines of business that have faced and continue to face challenges may find the need to review their business model in line with these new regulations.

Chairman's Statement

As a business, we have already embarked on strategic initiatives to ensure that we are fully compliant with these requirements ahead of the due date. We believe this is a good move for the entire insurance industry as it will ensure that insurance businesses remain well capitalised and have the ability to meet their obligations.

Corporate governance

As a business, we embrace, observe and endevour to practice good corporate governance. We strive to be a good, respected corporate citizen by adhering to the laws and regulations of the land.

We have created structures within the group to help us continue embedding corporate governance, starting with the establishment of various board committees to handle critical aspects of our business.

We have policies that clearly defines the different mandates of the board and management.

As part of living and entrenching these corporate governance values, our board members attend training programmes that are meant to bring them up to speed with the latest trends in governance.

Two board members, Messrs. Mugo Kibati and Matthys Lodewikus Olivier have left the board, the latter to pursue other interests within the Group and the former to pursue personal and professional interests.

Mr. Kibati, who was the Group CEO, led the company through a critical phase of the business, especially in formulating the company's five-year strategic plan.

The Board remains grateful to Mr. Kibati for his dedicated service to Sanlam Kenya, having assumed the Group leadership role from February 2015. During the period, Mr. Kibati provided strategic leadership, successfully overseeing the Group's rebrand from Pan Africa Insurance Holdings to Sanlam Kenya, the smooth integration of the Group's recently acquired General Insurance business and the construction to completion of Sanlam Tower, among other key growth plans that will help position the group as a major player in our industry. His resignation was effective 1st March 2018.

Group achievements

As a brand, we are celebrating a century of being Wealthsmiths. This is a milestone that we are proud of, and which will define what we do going forward. During the centennial year, and despite the many challenges that we faced as a business, we continued to effect strategic measures to counter the dampening effect of a slow down at the macro-economic stage.

We also completed the construction of the 'Grade A' Sanlam Headquarters, which has been built with sustainability in mind, complete with rain water harvesting, natural air flows and reduced energy consumption that will see tenants save up to a third of their energy bills.

As a business, we will continue focusing on the implementation of our five-year strategy as we head towards the penultimate year of its life. We are on course in terms of the targets that we had set for ourselves despite some setbacks in certain lines of business.

Dividend

Having reviewed the company's performance for the year and bearing in mind the need to conserve cash to continue growing the business, the board therefore does not recommend payment of a dividend for the year ended 2017.

It is critical that we continue to strengthen our foundation today to enable us to grow and generate good returns in the years ahead.

Outlook

We are optimistic that 2018 will be a year of a rebound for the business and the entire economy as a whole which is expected to grow on the back of improved consumer and investor confidence.

The easing of political tensions will allow for the economy to get back its footing, while this year's rains are expected to be sufficient to ensure a good crop and hopefully a bumper harvest.

We see the country's economic performance receiving a boost from the recent decision by majority of African countries to form a Free Trade Area. This is a step in the right direction towards the formation of a continent-wide FTA that will provide a diverse market with more than 1.2 billion people.

Implementation of business friendly cross border customs protocols will further boost trade between African countries and remove or bring down barriers to trade.

Even as we face emerging operational challenges, regulatory pressures and increased competition, we believe that our resilience is grounded in the business ethos that drives us towards achieving our goals of providing innovative products, exceptional customer experience, creating wealth for our shareholders, empowering our employees and improving other stakeholder relationships to grow the business.

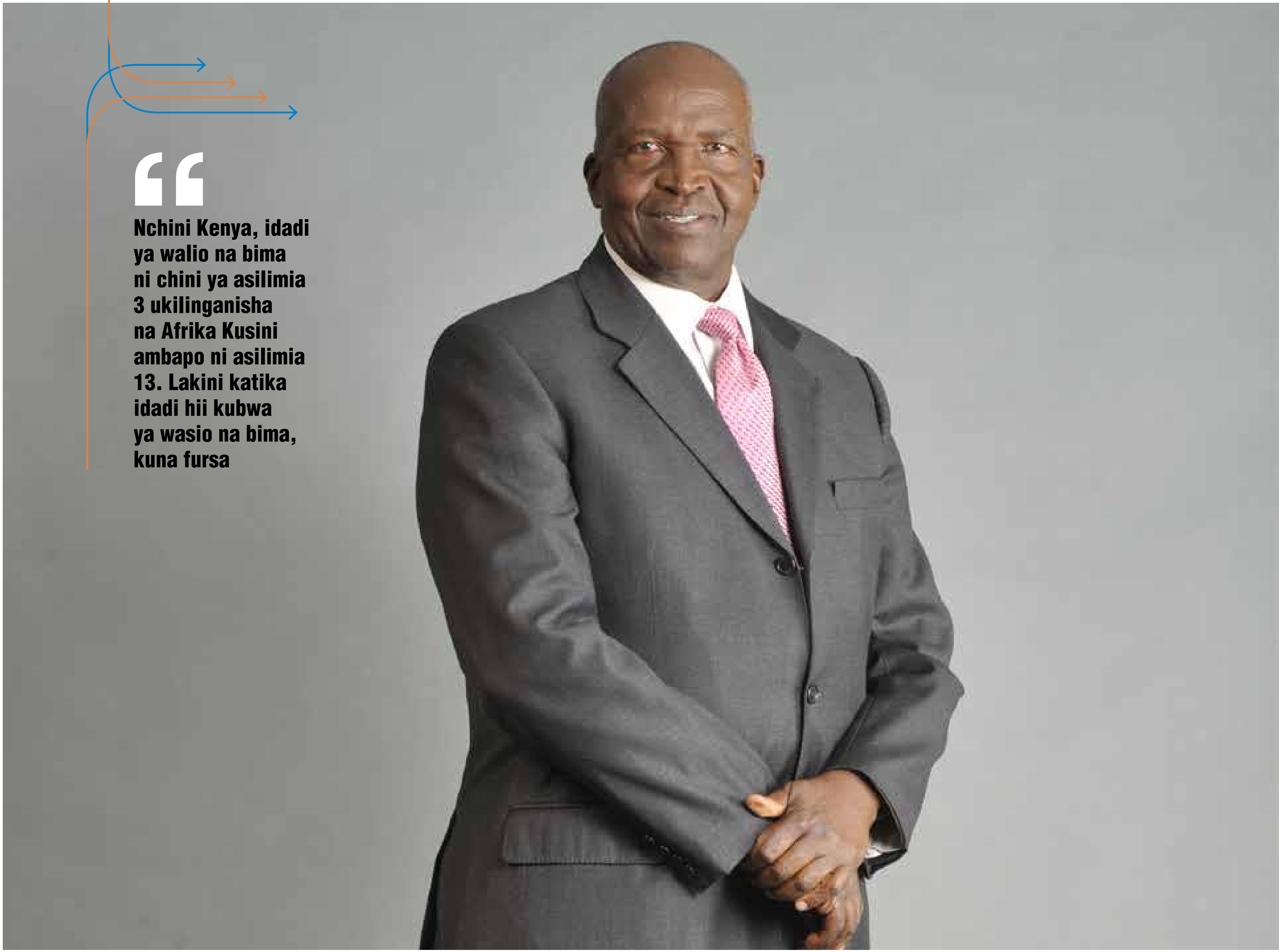
Finally

In closing, let me express my appreciation to the staff and management who worked diligently to actualize our strategy; our shareholders for your support and patience; our business partners for your support and walking with us and last but not least to my colleagues on the board for their support and providing the leadership that ensures sustainability of our business and achievement of our goals.

Dr. John P.N. Simba, OGW, MBS, EGH.

Chairman


The next
100
years
Sanlam
Wealthsmiths
years



> Nchini Kenya, idadi ya walio na bima ni chini ya asilimia 3 ukilinganisha na Afrika Kusini ambapo ni asilimia 13. Lakini katika idadi hii kubwa ya wasio na bima, kuna fursa

Taarifa ya Mwenyekiti

Kwa Wenyehisa wapendwa,

Ni furaha yangu kuu kuwasilisha kwenu Ripoti ya Kila Mwaka na Taarifa za Kifedha za mwaka uliomalizika Desemba 31, 2017.

Mtazamo wa uchumi duniani

Uchumi wa dunia ulianza kuimarika mwaka 2017 baada ya kipindi cha kudumaa kwa ukuaji. Kwa mujibu wa Benki ya Dunia, kuibuka tena kwa matumaini kulitokana zaidi na kuimarika kwa uwekezaji. Kadhalika, utengenezaji wa bidhaa, kuimarika kwa biashara na kuongezeka kwa jumla kwa imani ya watumiaji wa bidhaa. Ukuaji katika mwaka 2017 ulikadiriwa kuwa asilimia 3.6 na mkondo huu unatarajiwa kuendelea mwaka huu wa 2018.

Afrika ilishuhudia ukuaji wa wastani mwaka huo, ambapo kiwango chake cha ukuaji kiliimarika hadi asilimia 2.4 ukilinganisha na ukuaji wa asilimia 1.3 mwaka uliotangulia.

Uzalishaji katika sekta ya uchimbaji madini uliongezeka na kilimo kikaimarika pia. Hayo yaliimarisha ongezeko la pato la taifa (GDP), ambalo lilikuwa limedumaa. Jambo la kufurahisha kipindi hicho ni kwamba bara hili lilishuhudia ongezeko la uwekezaji kutoka nje. Hilo lilisaidia kuweka thabiti ukuaji wa uchumi.

Katika Kusini mwa jangwa la Sahara, kuwepo kwa uthabiti katika bei ya mafuta pamoja na kuimarika kwa bei za bidhaa kulichangia ukuaji. Mataifa makuu kiuchumi Afrika - Afrika Kusini, Nigeria na Angola – pia yalionyesha dalili za kujikwamua kiuchumi mwaka uliotangulia, jambo ambalo lilikuwa na faida kwa bara lote.

Katika kanda, mataifa yalishuhudia ukuaji wa viwango tofauti. Nchi kama vile Burundi zilikumbana na changamoto. Nchi nyingine kama vile Uganda na Ethiopia hata hivyo zilishuhudia ukuaji mkubwa wa uchumi.

Kadhalika, ufungamano uliendelea kufanikishwa, huku Kenya na Rwanda zikifungua mipaka yake kwa raia wa mataifa ya Afrika ambao sasa wanaweza kupata viza katika vituo vya mipakani na viwanja vya ndege. Mataifa hayo mawili kadhalika yaliwapa raia wake uhuru wa kusafiri na kufanya kazi katika mojawapo ya mataifa hayo bila masharti yoyote.

Uchumi wa Kenya

Ukuaji wa uchumi wa Kenya uliathiriwa pakubwa na kipindi kirefu cha uchaguzi. Ukuaji wa biashara ulidumaa katika kipindi cha kabla ya uchaguzi na hata baada ya uchaguzi wa marudio kufanyika; hali ya mtafaruku iliyofuatia ilisababisha wengi wa wawekezaji kusubiri kwanza kabla ya kuamua kuwekeza. Imani ya wawekezaji katika uchumi wa Kenya ilikuwa imeathirika pakubwa.

Nchi pia iliathiriwa na ukame wa muda mrefu pamoja na kupungua kwa pesa zilizokuwa zinatolewa kama mikopo. Hii ni kutokana na kuwekwa kwa kipimo kwenye viwango vya riba kupitia sheria ambayo ilianza kutekelezwa mwaka 2016. Matokeo yake kamili hata hivyo yalidhihirika mwaka 2017.

Ukuaji wa pato la taifa (GDP) ulishuka hadi asilimia 4.8 kutoka asilimia 5.8 mwaka uliotangulia kutokana na athari za uchaguzi na ukame.

Hata hivyo, uchumi ulisalia kuwa imara, ambapo mazingira ya kiuchumi kwa jumla hayakubadilika sana. Hili lilitokana na bei ya mafuta kuwa thabiti, kuongezeka kwa idadi ya watalii na uwekezaji mkubwa wa Serikali katika ujenzi wa miundo msingi. Benki Kuu ya Kenya iliendelea kutekeleza sera komavu za kiuchumi zilizosaidia kukabiliana na changamoto katika uchumi wa taifa.

Soko la ubadilishanaji wa fedha za kigeni lilikuwa pia imara kwa kiwango kikubwa. Shilingi ya Kenya kwa wastani ilikuwa imara ambapo dola moja ilikuwa na thamani ya Sh103. Kiwango cha mfumko wa bei pia kilikuwa kimefikia asilimia 4.5 kufikia mwisho wa mwaka, ikiwa ni mojawapo ya viwango vya chini zaidi vya mfumko katika miaka minne iliyopita.

Ingawa biashara katika Soko la Hisa la Nairobi ilishuka hadi kiwango cha chini zaidi katika kipindi cha miaka minne, ilijikwamua baadaye na hata kuwazolea wawekezaji zaidi ya Sh567 bilioni kufikia mwisho wa mwaka.

Mwelekeo wa sekta

Sekta ya bima iliendelea kuongozwa na mabadiliko katika idadi ya watu, umri wao na viwango vyao vya maisha, mazingira ya kiuchumi kwa jumla, ushindani na mabadiliko katika sheria. Wahudumu katika sekta hii waliendelea kuangazia masuala muhimu katika kujaribu kuwawezesha kutimiza masharti mapya ya kukadiria Mtaji kwa Kuzingatia Hatari. Masharti haya yataanza kutekelezwa 2020.

Mwaka huo mzima , ingawa ushindani ulisalia kuwa mkali na utaendelea kuwa hivyo kwa miaka kadha ijayo, tuna imani kwamba tunapoendelea kutekeleza nguzo kuu zilizo kwenye mpango wetu wa mikakati, tutakidhi vyema mahitaji ya wateja wetu. Tutatimiza hili kwa kuanzisha huduma zenye ubunifu mkubwa ambazo zitahakikisha utoaji huduma wa kiwango cha juu kwa wateja wetu.

Bima huwa ni kama kigezo cha ukuaji wa uchumi kwani kadiri mapato ya watu yanavyoimarika, ndivyo wanapogundua haja ya kujiwekea bima. Kwa miaka mingi, moja ya changamoto ambazo tumekuwa tukikabiliana nazo kama taifa ni hatua ya watu wengi kutochukua bima. Nchini Kenya, idadi ya walio na bima ni chini ya asilimia 3 ukilinganisha na Afrika Kusini ambapo ni asilimia 13. Lakini katika idadi hii kubwa ya wasio na bima, kuna fursa. Kupitia kampeni endelevu ya kuwahamasisha watu kuhusu manufaa ya bima, sekta hii inaweza na inafaa kuimarika zaidi.

Licha ya kupungua kwa kasi ya ukuaji wa uchumi mwaka jana, sekta ya bima iliandikisha ukuaji wa 10.7% wa malipo ya bima katika kipindi cha mwaka mmoja hadi Septemba 2017 ukilinganisha na ukuaji wa 7.2% katika kipindi sawa mwaka 2016. Ukuaji huu kwa kiwango kikubwa ulichangiwa na ongezeko la kasi ya ukuaji katika bima ya maisha, ambapo iliimarika 16.9% ukilinganisha na bima ya kawaida ambapo ukuaji ulikuwa 7.2%. Kwa jumla, malipo ya bima bado yanaegemea zaidi bima ya kawaida ambayo ilichangia 62.3% ya jumla ya malipo ya bima ya KShs 160.6 bilioni kufikia Septemba 2017.

Taarifa ya Mwenyekiti

Mazingira ya kisheria

Masharti mapya ya kuzingatia hatari katika kukadiria utoshelezaji wa mtaji yataanza kutekelezwa kikamilifu Juni 2020. Kimsingi, hii ina maana kwamba wahudumu wote katika sekta ya bima watawajibika kuhakikisha wana kiwango cha mtaji kinachoendana na hatari.

Hii itasaidia pia katika kutoa dalili za mapema za matatizo kwenye kampuni za bima; kando na kuhakikisha sera za bima Kenya zinafuata viwango vya ubora vya kimataifa.

Ingawa lengo la mabadiliko haya ni wazi na lenye manufaa, ina maana kwamba sekta hii huenda ikashuhudia mabadiliko miongoni mwa kampuni zenyewe. Wawekezaji watalazimika kuongeza kiwango cha mtaji kuhakikisha kampuni zao zinatimiza masharti haya. Kampuni ambazo zimekumbana au zinaendelea kukumbawa na changamoto mbalimbali huenda zikalazimika kutafakari upya mpangilio wake wa kibiashara ili kuendana na masharti haya mapya.

Kama kampuni, tayari tumeanza kutekeleza hatua madhubuti za kuhakikisha kwamba tunatimiza kikamilifu masharti haya mapema kabla ya muda wa mwisho kufika. Tunaamini kwamba hii ni hatua nzuri kwa sekta yote ya bima kwani itahakikisha kampuni zote za bima zina mtaji wa kutosha na zina uwezo wa kutimiza wajibu wake wote na kulipa wateja zinapohitajika kufanya hivyo.

Kuhusu usimamizi wa kampuni

Kama kampuni, huwa tunafuata na kutekeleza mwongozo na taratibu bora zaidi za usimamizi. Tunajizatiti kila mara kuwa kampuni nzuri, ya kuheshimika na inayotimiza na kufuata sheria zote za nchi.

Tumeunda mifumo ndani ya kampuni ya kutusaidia kuendeleza kufungamanisha usimamizi bora, tukianzia na kuundwa kwa kamati mbalimbali za bodi za kushughulikia sehemu muhimu za biashara yetu.

Tuna sera ambazo zinaeleza bayana mamlaka na majukumu ya bodi na wasimamizi.

Kama sehemu ya kufuata na kutekeleza maadili haya ya usimamizi bora, wanachama wa bodi yetu huhudhuria mafunzo yenye lengo la kuwafahamisha kuhusu mitindo ya karibuni zaidi ya usimamizi.

Wanachama wawili wa bodi, Mabwana Mugo Kibati na Matthys Lodewikus Olivier wameondoka kwenye bodi, Bw Olivier kuchukua majukumu mengine ndani ya Kampuni na Bw Kibati kufanya mambo mengine ya kibinafsi na kitaaluma.

Bw. Kibati, aliyekuwa Afisa Mkuu Mtendaji wa Kampuni, aliongoza kampuni hii katika kipindi muhimu sana, hasa katika kusaidia kutayarisha mpango wa mikakati wa kampuni hii wa miaka mitano.

Bodi inamshukuru sana Bw. Kibati kwa kujitolea kwake kuihudumia Sanlam Kenya, tangu alipochukua uongozi wa Kampuni mnamo Februari 2015. Katika kipindi hicho, Bw. Kibati alitoa uongozi wa busara, na kwa mafanikio makubwa, akaongoza shughuli ya kubadilisha sura ya kampuni hii kutoka Pan Africa Insurance Holdings hadi kuwa Sanlam Kenya. Kadhalika, alifanikisha kufungamanishwa vyema kwa biashara ya Bima ya kawaida ambayo ilinunuliwa hivi majuzi na kampuni hii. Pia, alihakikisha kukamilishwa kwa ujenzi wa jumba la Sanlam Tower, miongoni mwa mipango mingine ya kufanikisha ukuaji. Mipango hii itaisaidia kampuni hii kujiweka vyema kama mhusika mkubwa katika sekta ya bima nchini. Aliacha kutekeleza majukumu mnamo 1 Machi 2018.

Mafanikio ya kampuni

Tunaadhimisha kuhudumu kwa karne moja kama wazalishaji wa mali, kipindi ambacho tumejijengea sifa kama kampuni. Hii ni hatua muhimu sana ambayo tunajionea fahari sana. Ni hatua ambayo itasaidia kufafanua yale tutakayoyafanya siku zijazo. Katika kipindi hicho cha kusherehekea karne moja tangu kuanzishwa, na licha ya changamoto nyingi, tuliendelea kutekeleza mipango mingi ya kimikakati ambayo ilififisha athari za kudumaa kwa ukuaji wa uchumi kwa jumla.

Kadhalika, tulikamilisha ujenzi wa Makao makuu ya Sanlam ya 'Kiwango A' ambayo yamejengwa kwa kuzingatia uendelevu. Jengo hilo limejengwa kuwezesha kuhifadhiwa kwa maji ya mvua, kuingia na kuenea kwa hewa safi pamoja na kupunguzwa kwa matumizi ya umeme, hatua itakayowawezesha wapangaji kuhifadhi hadi theluthi moja ya gharama yao ya umeme.

Kama kampuni, tutaendelea kuangazia utekelezaji wa mpango wetu wa mikakati wa miaka mitano tunapokaribia kipindi cha mwisho cha miaka hiyo mitano. Tupo kwenye mkondo wa kutimiza malengo tuliyojiwekea licha ya changamoto katika baadhi ya maeneo ya biashara.

Mgawo wa faida

Baada ya kutathmini matokeo ya kifedha ya kampuni mwaka huo na kwa kuzingatia haja ya kuhifadhi fedha ili kuendelea kukuza biashara, Bodi haipendekezi malipo yoyote ya mgawo wa faida kwa mwaka uliomalizika 2017.

Ni muhimu tuendelee kuimarisha msingi wetu leo ili kutuwezesha kukua na kuzalisha mapato mema miaka ijayo.

Mtazamo kuhusu siku zijazo

Tuna matumaini kwamba mwaka 2018 utakuwa mwaka ambao biashara yetu itajikwamua na uchumi kwa jumla kuimarika pia. Hii itatokana na kuimarika kwa imani ya watumizi wa bidhaa na huduma pamoja na wawekezaji.

Kupungua kwa wasiwasi wa kisiasa kutasaidia uchumi kujikwamua. Mvua mwaka huu inatarajiwa kuwa ya kutosha pia jambo litakalofanikisha mavuno mazuri.

Tunatarajia pia uchumi wa taifa hili uimarike kutokana na hatua ya karibuni ya mengi ya mataifa ya Afrika ya kuunda eneo la pamoja la Soko Huria. Hii ni hatua nzuri katika juhudi za kuhakikisha soko huria la pamoja la bara lote ambalo litafanikisha kuwepo kwa soko lenye mahitaji mengi la watu zaidi ya 1.2 bilioni.

Taarifa ya Mwenyekiti

Kutekelezwa kwa mpangilio wa forodha mipakani ambao unafaa biashara pia kutaimarisha biashara baina ya nchi za Afrika. Hili litapunguza au hata kuondoa vikwazo vingi vinavyozuia biashara kufana.

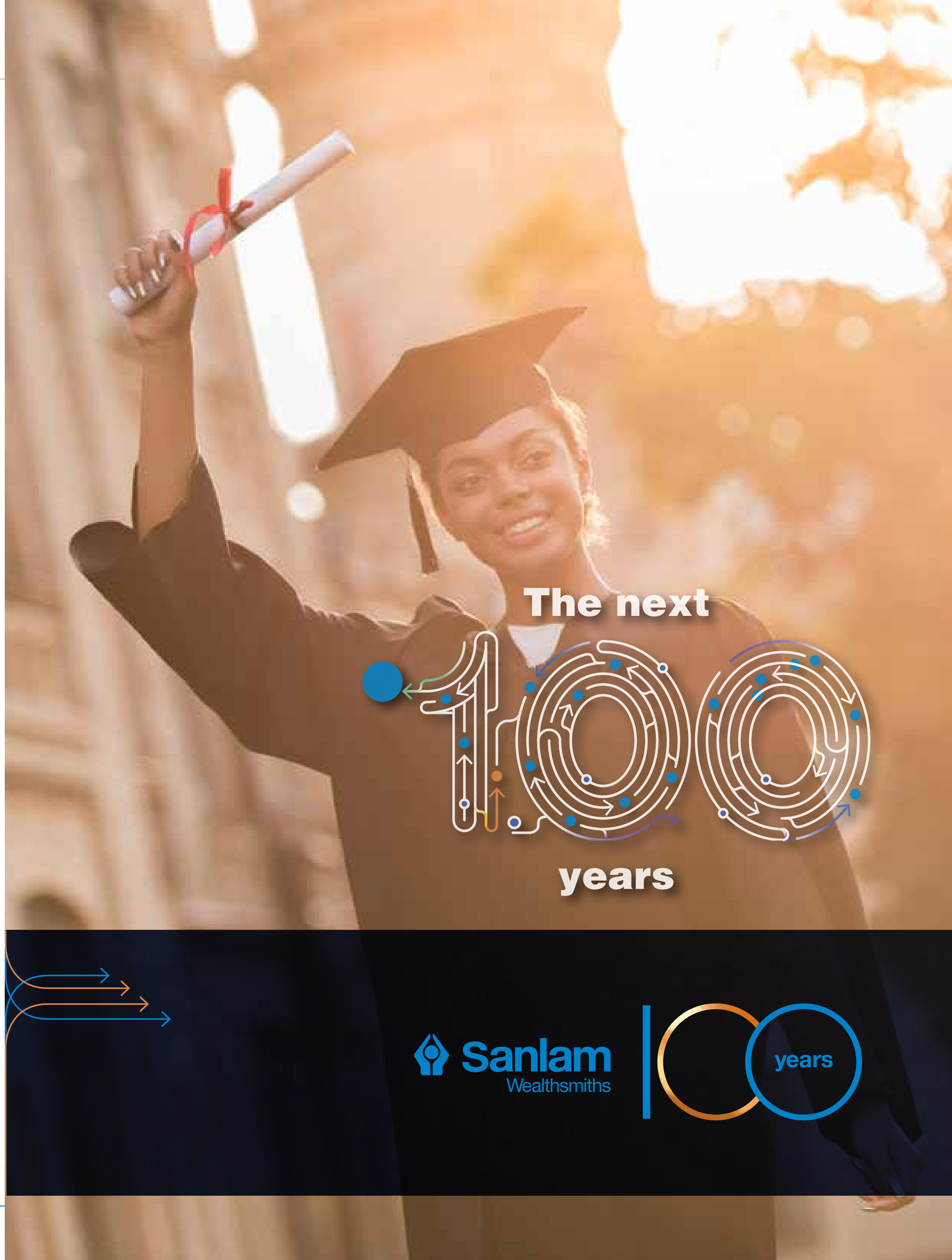
Hata tunapoendelea kukabiliana na changamoto katika uendeshaji shughuli, shinikizo za kisheria na kuongezeka kwa ushindani, tunaamini kwamba msingi wa ukakamavu wetu ni maadili mema ya kibiashara. Haya ndiyo hutuongoza katika kutimiza malengo yetu kwa kutoa huduma zenye ubunifu, huduma bora kwa wateja, na kuunda mali kwa ajili ya wenyehisa wetu. Kadhalika, hutuongoza kuwawezesha wafanyakazi wetu na kuimarisha uhusiano wetu na wadau kuhakikisha biashara yetu inaendelea kukua.

Mwisho

Katika kuhitimisha, ningependa kutoa shukrani za dhati kwa wafanyakazi na wasimamizi waliofanya kazi kwa bidii kuhakikisha tunatekeleza mpango wetu wa mikakati; wenyehisa kwa kutuunga mkono na kuwa na subira; washirika wetu wa kibiashara kwa kutusaidia na kuwa nasi. Mwisho kabisa, ningependa kuwashukuru wenzangu katika bodi kwa ushirikiano wao katika kutoa uongozi unaohitajika katika kuhakikisha uendelevu wa biashara yetu na kutimizwa kwa malengo yetu.

Dkt. John P.N. Simba, OGW, MBS, EGH.

Mwenyekiti




We have laid the ground work necessary to achieve long term sustainable growth of the business

Q&A with George Kuria, Acting GCEO, Sanlam Kenya

Q: How was the year 2017?

A. Overall, there was a general slowdown in business in 2017 compared to the previous year. The industry grew at 6.6 percent in 2017 against 12.3 percent in 2016, a fairly sharp drop reflecting the general slowdown in the economy on the back of an extended electioneering process and a slowdown in private sector lending.

These factors also affected our business in 2017 on an overall basis, although our general insurance experienced strong growth in the year.

Q: What were the key regulatory changes that took place during the year?

A: The Risk Based Capital requirements coming into force in 2017, and which all insurance companies should fully implement by 2020 has impacted the way insurers look at risks they are willing to underwrite. The regulations have an impact on the quality of assets that we can insure in addition to ensuring that we factor in the attendant risk of insurance claims materializing. The overall effect is insurers will be more prudent in underwriting of risks , ensuring that both pricing and acceptance criteria will support profitability. Further, timely collection of premium is also a key focus.

The regulator is also very keen to ensure that customers are treated fairly and we support these activities as they promote best practices in the industry, ensuring long term sustainability of the industry and ensuring enhanced quality of service for the insuring public.

Q: Overall, how did the business perform?

A: The life business posted a slight decline of revenue of 2 percent while the general insurance business revenue grew by 115 percent over the previous year.

The general insurance business posted revenue of Shs2.1 billion against Shs1 billion in 2016 with the business turning to profitability for the first time since we acquired it three years ago. The Life business declined marginally by 2 percent to post premiums of Shs4.3 billion from Shs4.4 billion in 2016 while shareholders' funds grew to Shs2.4 billion from Shs2 billion the previous year.

To further grow the business, we have refocused our attention on the retail life business to ensure that it is properly structured so that we can deliver quality products to our clients to ensure long term sustainability.

For the general insurance business, we will continue strengthening our fundamentals of the business to ensure profitable growth into the future.

Q: What were the key challenges you faced during the year?

A: The key challenges as mentioned earlier was the fact that the entire economy was adversely affected by the unprecedented circumstances surrounding last year's general elections which was further compounded by a muted credit expansion following the enactment of the interest rate capping law. The nationwide drought did not help matters and further stifled growth.

Competition remained stiff in the industry, with many players angling for a slice of the cake whose size has not been growing. Fortunately, there is renewed optimism that the overall macro-economic environment will improve in the coming year, as political temperatures wane and renewed focus is placed on measures that provide a stimulus for business growth.

In terms of re-engineering the business model, we now have working teams spread across our businesses who are exploring new business opportunities, refocusing on building partnerships and developing innovative ideas to grow our business.

Q: What is driving the five-year strategy?

A: This is third year of the implementation of the Five Year Strategy, where the focus now is on growing the retail business and improving the customer experience. We know that the key to driving the strategy is providing our clients with exceptional customer experience. We strive to respond quickly and positively to customers' needs because a satisfied customer has a positive impact on our business.

We are on course with our strategy even though the slowdown in the economy was a major hurdle that we faced during the year, but we are seeing a renewed sense of purpose across the business community, especially with the political situation stabilizing and hopes raised that the credit crunch will ease as we are seeing healthy discussions regarding revision of the banking rate capping.

Q: What was your business focus during the year?

A: We focused more on reviewing life insurance structure and refreshing our education, retrenchment and the last expense products. Our strategy is to make our products more relevant to the market in addition to filing in any existing gaps.

In our general insurance business, we brought to the market travel insurance and we are intensively training our teams and partners with a view to enhancing entrenching this product in the market.

Insurance products are really the same at the core; the differentiator lies in how you package them. We are therefore paying more emphasis on how we deliver our products to our clients. One of the things we are doing is strengthening the back end, such as adequately staffing the call centre to make sure we respond to customers efficiently. We are also looking at creating portals for our clients and sales people so that they are able to transact and respond quickly to customers. We continue to strengthen the partnerships that we have, by continuously scouting for like-minded organisations we can partner with to give the customers products that are relevant.

Q&A with George Kuria, acting GCEO, Sanlam Kenya

We are also looking at cross selling among our businesses, so that we deliver a seamless service to the client drawing on the various business units under the Sanlam umbrella.

We have upwards of 80,000 customers in our life business who are not necessarily our customers in general insurance and vice versa. The holy grail lies in integrating the entire business and tapping into our existing network. This presents a huge opportunity for us.

Q: How is technology helping in driving the business?

A: We have invested technology that will allow us have a single view of the customer across all the businesses,

We recognize the role of technology in business growth and therefore, we have continued to ensure that our core systems support the businesses properly.

In 2017, the Board approved an upgrade of our general insurance systems from the legacy system we have been using to align with modern systems used across the entire Sanlam Emerging Markets teams. This will enable us capture data properly and understand our customers better leading to better value for our stakeholders. We are now applying business intelligence tools as part of our day-to-day business decisioning processes.

Tremendous progress has been made in stabilizing our core life insurance system and we expect our customer to experience greatly improved responsiveness from us.

Q: How is the company dealing with claims fraud?

A: Investments in technology will help curb cases of fraud in the industry. For instance, we are implementing a claims management system for managing our motor insurance claims. It enables our assessors and garages to interact via the system thereby getting rid of cumbersome paperwork. The industry as a whole has implemented a system that will further curb fraud. Insurers on the platform will upload all claims into the system thereby providing a live account of what is happening across the entire industry in respect of motor insurance.

Q: What is the outlook for the year?

A: We have laid the ground work necessary to achieve sustainable growth of the business in the long term.

To this end, we have upgraded our IT systems, which is the backbone of all facets of our businesses. This has enhanced our business and enabled us deliver fast and excellent services to our clients. We are also utilizing data to enrich our decision making and to help drive sales.

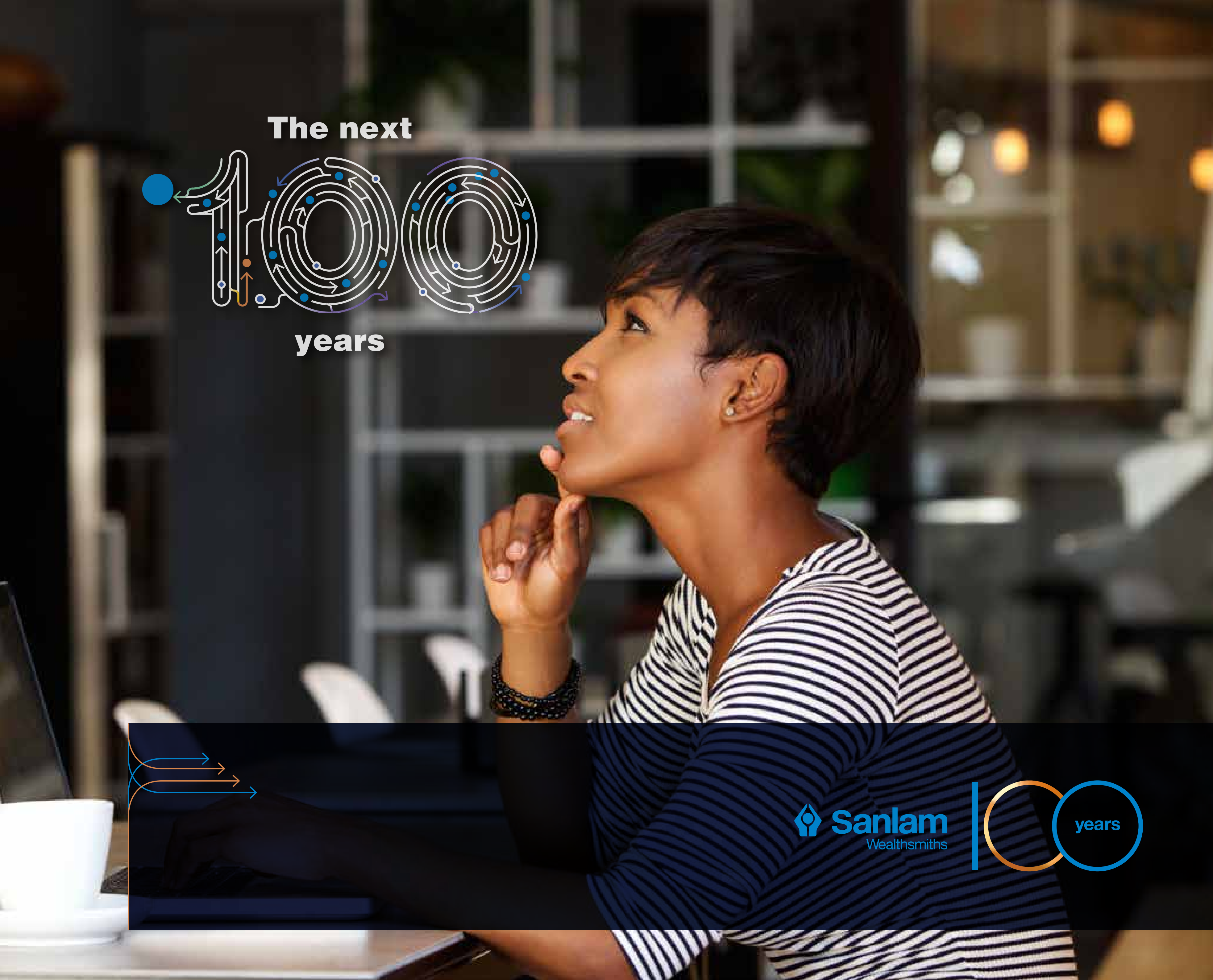
We believe we have the right skills set to allow us grow the business, backed by the Sanlam brand which has been very well received in the market since our rebrand in August 2016.

As part of our growth strategy, we are continuously developing innovative products that meet the evolving customers' needs. We are also making concerted efforts in strengthening distribution channels and agency workforce to boost productivity as well as having continued focus on profitable growth for the corporate business through the right business mix, pricing and relationship management. We are looking at stabilization of the agency force, with a focus on improving profitability for the corporate business.

As a business, we will also continue exploring new partnerships while also optimizing on existing ones and transforming back office processes and systems to improve service delivery.

Finally, this is also the year in which Sanlam moves to its new headquarters in Westlands, bringing together all the business units under one roof.

The outlook for 2018 for our business is therefore very positive.


The next
100
years
Sanlam
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years

"Tumefanya kazi nyingi katika kuweka msingi unaohitajika katika kufanikisha ukuaji wa biashara kwa kipindi kirefu.

Mahojiano na George Kuria, Kaimu GCEO, Sanlam Kenya

Q: Mwaka 2017 ulikuwaje?

A: Kwa jumla, biashara haikufanya vyema sana mwaka 2017 ikilinganishwa na mwaka uliotangulia. Sekta hii ilikua kwa asilimia 6.6 mwaka 2017 ikilinganishwa na ukuaji wa asilimia 12.3 ulioshuhudiwa mwaka uliotangulia. Hii inaashiria kushuka sana kwa ukuaji, jambo lililochangiwa na kipindi kirefu cha uchaguzi pamoja na kupungua kwa utoaji mikopo kwa wahudumu wa sekta ya kibinafsi.

Mambo haya pia yaliathiri biashara yetu mwaka 2017 kwa jumla, ingawa kitengo chetu cha bima ya kawaida kilishuhudia ukuaji mwaka huo.

Q: Ni mabadiliko gani ya kisheria yaliyotokea mwaka huo?

A: Masharti mapya ya kukadiria Mtaji kwa Kuzingatia Hatari, ambayo yalianza kutekelezwa mwaka 2017, yameathiri jinsi watoaji bima wanavyoangazia hatari ambazo wako tayari kukubali ziwekewe bima. Sheria hii inaathiri ubora wa mali ambayo tunaweza kukubali iwekewe bima pamoja na kuhakikisha kwamba tunazingatia hatari iliyopo ya madai ya kutaka kufidiwa. Matokeo yake ni kwamba watoaji huduma ya bima watakuwa makini zaidi katika kukubali mali kuwekewa bima. Watahakikisha kwamba ukadiriaji wa gharama ya bima na pia utaratibu wa kukubali mali iwekewe bima bado utawawezesha kutengeneza faida. Isitoshe, utoaji wa malipo ya bima kwa wakati pia umeangaziwa sana.

Serikali pia iko makini sana kuhakikisha wateja wanahudumiwa kwa haki, na sisi tunaunga mkono juhudi hizi. Hii ni kwa sababu zinaendeleza maadili mema katika sekta hii na kuhakikisha uendelevu wa sekta hii. Kadhalika, ni hatua ambazo zinahakikisha kutolewa kwa huduma ya ubora wa hali ya juu kwa wananchi wanaochukua bima.

Q: Kwa jumla, biashara ilikuwaje kwa kampuni hii?

A: Kitengo cha biashara cha bima ya maisha kilishuhudia upungufu wa mapato kwa asilimia 4. Hata hivyo, mapato kutoka kwa bima ya kawaida yaliongezeka kwa asilimia 115 kutoka mwaka uliotangulia.

Mapato kutoka kwa bima ya kawaida yalikuwa Shs2.1 bilioni dhidi ya Sh1 bilioni mwaka 2016. Kwa mara ya kwanza, kitengo hicho cha kibiashara kilituletea faida tangu tuliponunua biashara hiyo miaka mitatu iliyopita. Biashara ya bima ya maisha ilishuka kiasi kwa asilimia 2 ambapo malipo yalikuwa Sh4.3 billioni kutoka Sh4.4 bilioni mwaka 2016. Fedha za wenyehisa ziliongezeka hadi Sh2.4 bilioni kutoka Sh2 bilioni mwaka uliotangulia.

Ili kukuza biashara yetu zaidi, tumeamua kuangazia tena zaidi biashara ya bima ya maisha ya rejareja kuhakikisha muundo wake ni mzuri kutuwezesha kutoa huduma bora kwa wateja wetu na kuhakikisha uendelevu.

Kwa biashara yetu ya bima ya kawaida, tutaendelea kuiboresha kuhakikisha inaendelea kuongeza faida siku za usoni.

Q: Ni changamoto gani kuu ambazo mlikumbana nazo mwaka huo?

A: Changamoto kuu kama nilivyogusia hapo awali ilikuwa kwamba uchumi wote uliathiriwa sana na matukio ambayo hayakutarajiwa katika uchaguzi mkuu uliofanyika mwaka jana. Hali ilitatizwa zaidi na kupungua kwa utoaji wa mikopo kutokana na kuanza kutekelezwa kwa sheria ya kuweka kipimo katika viwango vya riba. Ukame ambao ulilikumba taifa lote pia ulisababisha mambo kuwa magumu zaidi na kuathiri zaidi ukuaji wa uchumi.

Aidha ushindani uliendelea kuwa mkali katika sekta hii, ambapo kulikuwa na wahusika wengi waliokuwa wanashindania wateja ambao bado ni wachache mno.

Habari njema, hata hivyo, ni kwamba kwa sasa kuna matumaini tena kwamba mazingira ya kiuchumi kwa jumla yataimarika mwaka huu kutokana na kupungua kwa joto la kisiasa pamoja na kuanza kuangaziwa tena kwa mipango na sera zinazochochea ukuaji wa biashara.

Kuhusu kubadilisha muundo wa biashara yetu, kwa sasa tuna makundi ya wafanyakazi wanaofanya kazi katika vitengo mbalimbali vya biashara zetu wakitafuta fursa zaidi na kuangazia tena kujengwa kwa uhusiano bora na kutumia ubunifu kutoa mapendekezo yatakayoimarisha biashara yetu zaidi.

Q: Nini kinaongoza Mpango wa mikakati wa miaka mitano?

A: Huu ni mwaka wa tatu wa utekelezaji wa Mpango wa Mikakati wa Miaka Mitano ambapo sasa tunaangazia zaidi biashara ya rejareja na kuboresha huduma kwa wateja. Tunafahamu kwamba jambo muhimu linaloongoza mkakati wetu ni kutoa huduma bora na ya kipekee kwa wateja wetu. Tunajizatiti kushughulikia mahitaji ya wateja kwa haraka na kwa njia bora kwa sababu mteja aliyeridhika ni faida kwa biashara yetu.

Tumepiga hatua kubwa sana katika kutekeleza mkakati wetu ingawa kudorora kwa uchumi kulikuwa kikwazo kikuu ambacho tulikumbana nacho mwaka huo. Lakini kwa sasa kumeibuka tena matumaini na mwelekeo mzuri kote katika jamii ya wanabiashara. Hasa, hili linatokana na kuimarika kwa hali ya kisiasa na matumaini yaliyoibuka kwamba hali ya kutotolewa kwa mikopo kwa wingi sasa itapungua kwani tunashuhudia mashauriano ya kufana yakiendelea kuhusu kufanyia marekebisho sheria ya kuweka kipimo katika viwango vya riba.

Q: Mliangazia nini katika biashara mwaka uliomalizika?

A: Tuliangazia zaidi kubadilisha muundo wa biashara yetu ya bima ya maisha na kupatia sura mpya bima zetu za elimu, fidia mtu anapofutwa kazi na bima ya kugharimia mazishi na gharama ya hospitali mtu akifariki. Mkakati wetu ni kufanya huduma zetu ziwe za kufaa zaidi sokoni pamoja na kujaza mapengo yaliyopo.

Katika biashara ya bima ya kawaida, tulianzisha bima ya usafiri na tumekuwa tukitoa mafunzo ya kina kwa wafanyakazi wetu na washirika kwa lengo la kukuza aina hii ya bima sokoni.

Mahojiano na George Kuria, Kaimu GCEO, Sanlam Kenya

Huduma za bima kimsingi huwa sawa, lakini tofauti huwa jinsi unavyoziandaa. Kwa hivyo, tunatilia mkazo zaidi jinsi tunavyowasilisha huduma hizi kwa wateja. Moja ya mambo ambayo tunafanya ni kuimarisha ubora wa huduma upande wetu, kuhakikisha kuna wafanyakazi wa kutosha katika kituo chetu cha kuwasiliana na wateja kuhakikisha tunatimiza mahitaji yao ipasavyo. Tunapanga kuanzisha mtandao wa kutumiwa na wateja na wauzaji wetu wa bima kuhakikisha shughuli za kibiashara zinaweza kukamilishwa upesi na wateja kuhudumiwa haraka iwezekanavyo. Tunaendelea kuboresha ushirikiano tulio nao, kwa kuendelea kutafuta mashirika yenye mtazamo na malengo sawa na yetu ambayo tunaweza kushirikiana na kuhakikisha tunawapa wateja huduma za bima zifaazo.

Tunatafakari pia mpango wa kuuza huduma zetu za bima kwa pamoja, ili kutoa huduma iliyolainishwa kwa wateja na kufaidi kutoka kwa kila kitengo cha biashara kilicho chini ya mwavuli wa Sanlam.

Tuna jumla ya wateja 80,000 walio na bima ya maisha ambao si wote ni wateja wetu haswa katika bima ya kawaida, na pia walio wateja wetu wa bima ya kawaida ambao hawana bima ya maisha. Kilicho muhimu zaidi ni kufungamanisha biashara yote na kufaidi kutokana na mtandao wetu mkubwa. Ni fursa nzuri sana kwetu.

Q: Teknolojia inasaidia vipi kukuza na kuendeleza biashara?

A: Tumewekeza katika teknolojia ambayo itatusaidia kuwa na mtazamo mmoja wa wateja katika biashara yote. Tunatambua mchango wa teknolojia katika ukuaji wa biashara na, kwa hivyo, tumeendelea kuhakikisha kwamba mifumo yetu mikuu ya kiteknolojia inahudumia biashara yetu ipasavyo.

Mwaka 2017, Bodi iliidhinisha kuboreshwa kwa mifumo yetu ya teknolojia ya bima ya kawaida kutoka kwa mfumo wa zamani na kulainisha teknolojia hiyo na mifumo ya kisasa ambayo inatumiwa katika vitengo vyote vya kibiashara vya Sanlam. Hii itatuwezesha kuchukua data na maelezo vyema na kuwafahamu wateja wetu vyema zaidi. Hii itachangia kuongeza faida ya uwekezaji kwa wenyehisa wetu. Kwa sasa, tunaanza kutumia teknolojia za kufanikisha ufahamu wa kibiashara kama sehemu kuu ya shughuli za kila siku za kufanya maamuzi ya kibiashara.

Hatua kubwa zimepigwa katika kufanya thabiti mfumo wetu wa msingi wa teknolojia wa bima ya maisha. Tunatarajia kwamba utoaji huduma wetu kwa wateja utaimarika pakubwa.

Q: Kampuni hii inakabiliana vipi na madai ya malipo ya fidia ya ulaghai?

A: Kuwekeza katika teknolojia kutasaidia kupunguza visa vya ulaghai katika sekta hii. Kwa mfano, tunatekeleza mfumo wa teknolojia wa kusimamia madai ya malipo ambao utaangazia madai ya malipo ya bima ya magari. Hii itawawezesha wakadiriaji wa thamani na wenye magereji kuwasiliana kupitia mfumo huu na hivyo basi kuondoa usumbufu unaotokana na kushughulikia karatasi nyingi. Sekta hii kwa jumla pia ina mfumo wa teknolojia unaotekelezwa ambao utapunguza visa vya ulaghai. Watoaji bima ambao wanatumia mfumo huo watakuwa wakiweka maelezo ya madai ya malipo ya fidia kwenye mfumo huo wa teknolojia na hivyo basi kutoa taswira kamili ya moja kwa moja ya mambo yanayotokea katika sekta ya bima ya magari.

Q: Mtazamo kuhusu mwaka ujao ukoje?

A: Tumefanya kazi nyingi katika kuweka msingi unaohitajika katika kufanikisha ukuaji endelevu wa biashara hii kwa kipindi kirefu.

Muhimu zaidi katika hili imekuwa ni uwekezaji na kuwekwa imara kwa mifumo ya kiteknolojia ambayo inahudumia vitengo vyote vya biashara yetu. Tumefanya hivi kama sehemu ya juhudi zetu za kuimarisha utoaji huduma kwa wateja. Tunatumia pia data vyema kuongeza mauzo na kusaidia kufanywa kwa maamuzi ya busara.

Tunaamini kwamba sasa tuna wafanyakazi wenye ujuzi na uzoefu unaofaa kutuwezesha kukuza biashara yetu na kuifikisha kampuni hii hadi ngazi nyingine. Juhudi hizi zitasaidiwa pia na sifa nzuri za jina Sanlam ambalo limepokelewa vyema sokoni tangu tulipobadilisha sura na jina la kampuni yetu Agosti 2016.

Kama sehemu ya mkakati wetu wa ukuaji, tunaendelea kuvumbua na kutumia ubunifu kuanzisha huduma mpya ambazo zinakidhi mahitaji ya wateja ambayo pia yanabadilika kila uchao. Kadhalika, tunafanya juhudi za pamoja na kuboresha mifumo yetu ya uuzaji wa bima na mawakala wetu ili kuongeza uzalishaji. Aidha, tunaendelea kuangazia zaidi ukuaji wa faida kwa biashara kwa kuhusisha kampuni na mashirika mbalimbali kwa kutumia mchanganyiko ufaao wa kibiashara, bei ya bima na uhusiano bora. Tunaangazia pia kuimarisha mbinu za usambazaji wa bidhaa zetu na mawakala wanaotufanyia kazi, kwa lengo la kudumisha utenda kazi na kuzidisha faida ya kampuni kupitia utangamano wa kibiashara unaofaa.

Kama biashara, tutaendelea pia kutafuta washirika wapya huku tukiendelea pia kukoleza na kutumia vyema ushirikiano uliopo tayari na pia kuboresha mifumo ya afisini mwetu ya utoaji huduma ili kuimarisha utoaji huduma.

Mwisho kabisa, huu ndio mwaka ambao Sanlam itahamia makao makuu yake mapya Westlands, na kuleta pamoja vitengo vyote vya biashara kwenye jumba moja.

Hivyo basi mtazamo wa biashara yetu kwa mwaka 2018 ni wenye matumaini makubwa.


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Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 72nd Annual General Meeting of the Company will be held at Mara Ballroom, Intercontinental Hotel, City Hall Way, Nairobi on Thursday 10th May 2018 at 10.00 am to conduct the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the Notice convening the meeting.
3. To confirm the minutes of the previous Annual General Meeting held on 05th May 2017.
4. To consider, and if approved, adopt the Balance Sheet and Accounts for the year ended 31 December 2017 together with the reports of the Chairman, the Ag. Group Chief Executive, the Directors, the Auditor and the Statutory Actuary.
5. To note that the Directors do not recommend the payment of Dividend for the financial year ended 31 December 2017.
6. To elect Directors:

   6.1 Mr John Burbidge, retires by rotation in accordance with the Company's Articles of Association and he offers himself for re-election.

   6.2 Mr Rohan Patel, retires by rotation in accordance with the Company's Articles of Association and he offers himself for re-election.

   6.3 Mrs. Susan Mudhune, retires by rotation in accordance with the Company's Articles of Association and he offers himself for re-election.
7. In accordance with the provisions of Section 796 of the Companies Act, 2015 the following Directors, being members of the Audit, Actuarial, Risk and Compliance Committee be elected to continue serving as members of the Committee:

   a) John Burbidge

   b) Julius Magabe

   c) Susan Mudhune
8. To approve the Directors' remuneration.
9. To note that the auditors, PricewaterhouseCoopers will continue in office in accordance with Section 721(2) of the Companies Act No. 17 of 2015 until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.
10. To transact any other business with the permission of the Chair for which 48 hours notice had been given to the Company Secretary at the registered office of the Company.

By Order of the Board

Emma Wachira

Group Company Secretary

Date: 16th April 2018

Note:

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 behalf. A proxy need not be a member of the Company. To be valid, a proxy form, which is available from the Company's head office or the Share Registrar's offices, must be completed and signed by the member and must be lodged at the offices of the Company's Share Registrar's Image Registrars, 5th Floor, Barclays Plaza, Loita Street, Kenya so at to arrive not later than 10.00 a.m. on 8th May 2018.
2. In accordance with the Company's Articles of Association, a copy of the entire Annual Report and Accounts will be available for viewing or from the Company's website www.sanlam.co.ke or from the registered office of the Company, Sanlam House, Kenyatta Avenue, Nairobi. An abridged set of the Balance Sheet, Income Statement, Statement of Changes in Equity and Cashflow Statement for the year ended 31 December 2017 have been published in two daily newspapers with nationwide circulation.

Ilani ya Mkutano wa Mwaka

ILANI INATOLEWA HAPA kwamba Mkutano Mkuu wa Kila Mwaka wa 72 wa Kampuni utafanyika katika ukumbi wa Mara Ballroom, Hoteli ya Intercontinental, iliyoko barabara ya City Hall Way mjini Nairobi siku ya Alhamisi tarehe 10 Mei 2018 saa nne asubuhi kuendesha shughuli zifuatazo:

1. Kuwatambua wawakilishi na kukagua idadi inayohitajika kuendeleza mkutano.
2. Kusoma ilani ya kuandaa mkutano.
3. Kuthibitisha kumbukumbu za Mkutano Mkuu uliopita uliofanyika tarehe 05 Mei 2017.
4. Kuzingatia na iwapo itaidhinishwa, kupitisha mizania na taarifa za kifedha kwa mwaka uliomalizika tarehe 31 Desemba 2017 pamoja na ripoti za Mwenyekiti, Afisa mkuu Mtendaji, Wakurugenzi na Watakwimu Sheria za Bima.
5. Kubaini kwamba Wakurugenzi hawajapendekeza malipo ya mgao wa faida kwa mwaka wa kifedha uliomalizika tarehe 31 Desemba 2017.
6. Kuchagua Wakurugenzi:
   - 6.1 Mr. John Burbidge anastaafu kwa zamu na kulingana na sheria za kampuni anajiwasilisha kuchaguliwa tena.
   - 6.2 Mr. Rohan Patel anastaafu kwa zamu na kulingana na sheria za kampuni anajiwasilisha kuchaguliwa tena.
   - 6.3 Mrs. Susan Mudhune anastaafu kwa zamu na kulingana na sheria za kampuni anajiwasilisha kuchaguliwa tena.
7. Kwa kutumia Kifungu cha 796 cha Sheria ya Kampuni ya Mwaka 2015, Wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu, Takwimu kuhusu Bima, Hatari na Utimizaji wa Masharti wateuliwe kuendelea kuhudumu kama wanachama wa Kamati hiyo.
   - a) John Burbidge
   - b) Julius Magabe
   - c) Susan Mudhune
8. Kubaini kwamba wakaguzi wa hesabu wa PricewaterhouseCoopers wataendelea mbele na jukumu lao kulingana na Sehemu ya 721(2) ya Sheria za kampuni Nambari 17 ya 2015 hadi kukamilika kwa Mkutano Mkuu wa Mwaka ujao na kuwaidhinisha Wakurugenzi kuamua malipo yao.
9. Kutekeleza shughuli nyingine zozote kwa idhini ya Mwenyekiti ambazo ilani ya saa 48 ilikuwa imetolewa kwa katibu wa kampuni katika afisi iliyosajiliwa ya Kampuni.

Kwa Amri ya Halmashauri

Emma Wachira

Katibu wa Kampuni

Tarehe: 16 April 2018

Kumbuka:

1. Mwanachama anayestahili kuhudhuria na kupiga kura kwenye mkutano na ambaye hana nafasi ya kuhudhuria ana haki ya kumteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi sio lazima awe mwanachama wa kampuni. Ili kuwa halali fomu ya uwakilishi ilioambatishwa mwisho wa ripoti hii ni lazima ijazwe kikamilifu na kutiwa sahihi na mwanachama na kupelekwa katika afisi za Msajili wa Hisa za Kampuni, Image Registrars, Orofa ya 5, Barclays Plaza, Barabara ya Loita, Nairobi, Kenya ili kufika kabla ya saa nne asubuhi siku ya Jumatano tarehe 3rd Mei 2018.
2. Kwa mujibu wa sheria za usajili wa Kampuni nchini, Ripoti kamili ya uhasibu ya mwaka wa 2017 inapatikana katika tovuti yetu, www.sanlam.co.ke au katika ofisi iliyosajiliwa ya Kampuni, Jumba la Sanlam, barabara ya Kenyatta Avenue, jijini Nairobi. Stakabadhi za vipengee maalum ya ripoti zilizofupishwa zimechapishwa katika gazeti mbili ambazo zinasambazwa kote nchini.

The next 100 years

Youth

With 65% of the total population of Africa between the ages of 18 and 35, Africa is the world's most youthful and vibrant continent. Any initiatives that are meant to make a lasting impression must therefore have a youth agenda. Our future lies with the youth. Engage them, mentor them, and involve them

Corporate Governance

Statement on Corporate Governance

For the year ended 31st December 2017

Principles of Corporate Governance

Corporate Governance is a system of practices and procedures through which a board directs and controls a company and by which it is held accountable by shareholders. Sanlam Kenya Plc's Board of Directors focuses on a corporate governance agenda that maximises shareholder value, increases profitability and guarantees a sustainable business. Four core values - responsibility, accountability, fairness and transparency - are the foundation of the Sanlam's governance framework and strategic objectives. The governance framework enables Sanlam Kenya Plc and its subsidiaries (the Group) to balance the interests of shareholders and other stakeholders.

The Group ascribes to its continuing obligations as a listed company in compliance with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and the ethical standards prescribed in the Group's Code of Conduct. The Group equally adheres to the tenets of the Constitution of Kenya and complies with the provisions of relevant governing statutes. The Group is also unwavering in its commitment to developing and implementing policies that not only incorporate best practice in corporate governance, but also encapsulate the corporate values of the Group which are client centricity, accountability, professionalism, integrity, dynamism and nurturing. These core values inform the operations of the Group. In 2017, the Group continued to adhere to the following principles:

i. Code of Ethics: This outlines the ethical principles that are designed to prevent employees from engaging in activities that would compromise the Group's integrity, respect for diversity, impartiality or reputation.

ii. Gift Policy: This outlines the policy on receipt and issue of gifts by employees and is designed to prevent the unfair granting of a gift or a favour. This is in line with the Bribery Act No. 47 of 2016, as well as the Anti-Corruption and Economic Crimes Act, 2003.

iii. Financial Crime Combating Policy: This outlines the guidelines of combating financial crime and unlawful conduct. This policy is in line with the Capital Markets Authority Guidelines on the Prevention of Money Laundering and Terrorism Financing in the Capital Markets.

iv. Schedule of Offences: This defines the different instances of unlawful conduct and the respective sanctions

v. Zero Tolerance Approach: This stipulates zero tolerance to financial crimes and unlawful conduct. It further outlines consequences of committing a financial crime and/or unlawful act.

In 2017, the Group continued to impress upon its employees and financial consultants to keep embracing the corporate culture of "The Sanlam Way" in line with the Mission and Vision and which is driven by four key principles:

i. We are determined and resolute

ii. We are solid and sensible

iii. We do it very, very well

iv. We do it for good.

Board of Directors

The Board of Directors is responsible for formulating the Company's policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. The Board also retains the overall responsibility for effective control of the Company and implements corporate governance polices of the Company. In carrying out the above responsibilities, the Board delegates its authority to the Group Chief Executive Officer to oversee the day to day business operations of the Company and its subsidiaries.

The Directors' conduct is regulated by the provisions of the Board Charter. The Charter provides guidelines to the Board in the following amongst others:

i. The separation of the roles, functions, responsibilities and powers of the Board

ii. Conduct of board meetings and procedures, and the nomination, appointment, induction, training, remuneration and evaluation of members of Board

iii. Powers delegated to the Board committees

iv. Policies and practices of the Board on matters of corporate governance, directors' declarations and conflict of interest

The Board Charter also comprises a Work Plan setting out the schedule of Board meetings and the main business to be dealt with at those meetings.

Board Composition and Independence

In 2017, the Board consisted of eight Directors with the Chairman, the Group Chief Executive Officer as the only Executive Director, four Non- Executive Directors representing the interests of our strategic Partner Sanlam and two Independent Non- Executive Directors thus balancing the board composition. The Board is composed of directors with a good mix of skills, experience and competences in the relevant fields of expertise and is well placed to take the business to greater heights.

The Directors' abridged biographies appear on pages 32 and 33 of this Annual Report.

Statement on Corporate Governance
For the year ended 31st December 2017

Changes to the Board

There have been the following changes to the Board of Directors as at the date of this Annual Report:

a. The Group Chief Executive Officer, Mugo Kibati, resigned on 28th February 2018 to pursue personal and business interests. The Board is very grateful to him for his significant contribution to the Group and wish him well in their future endeavours.

b. George Kuria was appointed Acting Group Chief Executive Officer effective 1st March 2018, as the Board embarks on a search for a substantive replacement of the position of Group Chief Executive Officer on a permanent basis.

c. Olivier Wikus resigned from the Board of Directors on 20th February 2018 to to take up other roles within the wider Sanlam Group. Mr Olivier was apponited a director on 16th may 2014 and has served as a member of the Audit Committee. The Board of Directors thanks Mr Olivier for his contribution to the growth of the business and wishes him the best in his future endeavours.

Re-election to the Board

In accordance with the provisions of the Company's Articles of Association, all the directors retire by rotation every three years and are eligible to offer themselves for re-election. In every year, new directors who are appointed during the year to fill any casual vacancies, are subject to election by the shareholders during the Annual General Meeting and thereafter offer themselves for re-election every three years. In the 2018 Annual General Meeting, John Burbidge, Rohan Patel and Susan Mudhune will retire by rotation as directors and seek to be re-elected to the Board.

Board Meetings

The Board meets quarterly or more often, in accordance with the requirements of the business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for meetings. The agenda and board papers are circulated in good time.

Board Responsibilities

The Group's Articles of Association and the Board Charter enumerate responsibilities of the Directors. Execution of the mandate of the Board requires each Director to observe a code of conduct aligned to his/her duties and responsibilities to the Group and shareholders, and act within limitations as defined in the Charter while observing principles of good corporate governance.

Each Director commits to uphold and promote effective and responsible use of resources and undertakes to act in good faith, with care and prudence in the best interest of the Group while exercising his/her power and executing his/her duties. The Directors are expected to familiarise themselves with the regulations and statutes, the Group's Memorandum and Articles of Association. the Board's operating norms and procedures, and other issues necessary for the discharge of their duties.

Further, the Directors commit that, while taking into account the financial impact of their decisions, they shall consider the consequences for sustainable development, effect on relations with stakeholders and interest of the society in general. The Directors are expected to be fully aware that they are individually and collectively responsible for the Group's vision, mission and values, its strategic objectives, ensuring the establishment of organisational structure, putting in place policies to achieve objectives as well as ensuring effective control over the Group and accounting to shareholders.

Role of the Chairman and Group Chief Executive Officer

The separation of the functions of the Chairman and the Group Chief Executive Officer ensures the independence of the Board and Management. The balance of power, increased accountability, clear definition of responsibilities and improved decision making is attained through this distinction between the non-executive and executive roles.

Director's Conflict of Interest

The Directors are obligated to disclose to the Board real or potential conflict of interest, which comes to their attention, whether direct or indirect. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group has been observed by the Board. All business transactions with all parties, directors or related parties are carried out at an arms' length. An acknowledgement that should it come to the attention of a Director that a matter concerning the Group may result in a conflict of interest, obligates him/her to declare it and exclude himself/herself from any discussion or decision on the matter.

At every meeting of the Board, an agenda item exists which requires members to make a declaration of any interest they may have in the business under discussion.

We confirm there was no business transactions with the Directors or their related parties.

Board Remuneration

In remunerating the directors, the Group 's policy has been to consider, the demands and requirements made on the directors in relation to the business of the Group, the availability of the directors for ad hoc consultation, professional and business counsel as and when the need arises, industry and related companies benchmarks, international experiences and the calibre of directors needed to run this Group. The directors have always, are, and will be expected to continue to add value to the business. The financial results indicate that the financial performance of the Group is on upward trend and it is recognised that this, in part, is due to the improvement of the quality of corporate governance at the board level. The directors' fee is annual but the sitting allowances are only paid subject to attendance at the board and/or committee meetings confirmed by the register of attendance . Both the annual fees and sitting allowance are paid on a quarterly basis. The Directors are not eligible for pension scheme membership and do not participate in any of the Group's remuneration schemes.

Details of the directors' remuneration are set out on pages 67 and 68

Committees of the board

To assist the Board better discharge its responsibilities, the Board has constituted several Board Committees comprising a balanced mix of non-executive directors. Executive management and Group consultants, experts and service providers are on occasion invited to the Board as circumstances dictate to provide their expertise.

Each Board Committee has a Charter which contains provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's detailed duties. Annual performance reviews of each Committee are carried out and presented to the Board. At every quarter, the Chairperson of each Committee presents a report on the discussions held at the Committee meeting and seeks the Board's ratification for any decision made.

Members and attendance of these committees are provided on pages 58 and 59

The Board has three committees as follows:

Audit, Actuarial, Risk and Compliance Committee

The Committee is responsible for the internal audit & risk management function by ensuring the Group's management acts on audit and risk management reports; reviews the performance and considers the independence of the external auditors; confirms that all regulatory compliance is considered in the preparation of financial statements; and invites a representative of the external auditors when reviewing the audited results.

The Audit, Risk & Compliance Committee's duties are based on six broad functions namely the Internal Control, Risk Management & Compliance, Financial Reporting, Internal Audit, External Audit, Compliance with laws and regulations; and Compliance with the Company's Code of Conduct and ethical guidelines functions.

The Committee assesses effectiveness of the Group's internal control and risk management & compliance framework. It reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements; meets the management and both external & internal auditors to review the financial statements and results of the audit process; and assesses if generally accepted accounting principles have been consistently applied within preparation of preliminary announcements & interim financial statements.

The members of the Committee, and their attendance to the four meetings held in the year 2017 were as follows:

Table 1: Audit, Actuarial, Risk and Compliance Committee Membership and Attendance 2017

	Member	Directorship Status	Number of Meetings scheduled in 2017
1	John Burbidge (Chairman)	Non-Executive Director	4/4
2.	Olivier Wikus	Non-Executive Director	4/4
3.	Susan Mudhune	Non-Executive Director	4/4
4	Julius Magabe	Non-Executive Director	4/4

Investment Committee

The primary functions of the Investment Committee are: To establish appropriate investment guidelines for the Life & General Businesses; To set investment benchmarks, for example, recommended percentage compositions of property, equities, cash, bonds etc for each of the two investment portfolios); To review the actual portfolio compositions against these benchmarks on a quarterly basis; To review the performance of investments and make recommendations where appropriate; To approve the acquisition and disposal of significant investments; To approve capital works on property investments.

The members of the Committee, and their attendance to the four meetings held in the year were as follows:

Table 2: Investment Committee Membership and Attendance 2017

	Member	Directorship Status	Number of Meetings scheduled in 2017
1	Rohan Patel (Chairman)	Non-Executive Director	4/4
2.	Theuns Botha	Non-Executive Director	4/4
3.	Mugo Kibati	Group Chief Executive Officer	4/4
4.	Dr John PN Simba	Chairman of the Board	4/4

Nomination and Remuneration Committee

The Committee monitors the policies and practices of the Group in relation to the Human Resources. The Committee's duties are based on three broad functions namely the Human Resources, Nomination and Remuneration functions.

Statement on Corporate Governance

For the year ended 31st December 2017

Human Resource Function

The Committee continually reviews the organisational structure, core functions and optimum establishment; policies and procedures on staff recruitment and selection, staff training and development policy for operational efficiency, of performance and reward system and capacity enhancement and reviews, the terms and conditions of service in line with the organisation's strategy. Further it reviews the Group's Human Resource policies and recommends amendments to the Board for approval.

Nomination Function

The Committee supports and advises the Board on the appropriate size and composition to enable it to discharge its responsibilities; transparent procedure for selecting new directors for appointment and re-selection to the Board; evaluation of the performance of the Board, the various committees and individual Directors.

Remuneration Function

The Committee reviews the Group's remuneration, recruitment, retention, incentive and termination policies and procedures for executive directors and senior managers; their salaries and the criteria for payment of bonuses to all staff and monitors its operation, considers any recommendations of the GCEO of the regarding payment of performance related remuneration.

Table 3: Nomination and Remuneration Committee Membership and Attendance 2017

	Member	Directorship Status	Number of Meetings scheduled in 2017
1	Susan Mudhune (Chairperson)	Non-Executive Director	4/4
2	Julius Magabe	Non-Executive Director	4/4
3	Dr John PN Simba	Non-Executive Director	4/4
4	Rohan Patel	Non-Executive Director	4/4

Executive Committee (ExCo)

The Group Chief Executive and senior managers makeup the Executive Committee (EXCO). This Committee serves as a link between the Board and Management.

ExCo's mandate and responsibility is ensuring compliance with the statutory and regulatory framework, and guidelines and adherence to Group policies and procedures. Its meetings are convened on a weekly basis.

Professional Advisors

The Board is of the view that to carry on its responsibilities in an independent and impartial fashion it should seek and benefit from professional counsel. The directors have full access to the advice of the Group Company Secretary. They are also entitled to obtain independent professional advice on any matter at Company expense should they deem this necessary.

Group Company Secretary

The Group Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK) is the Secretary to all the Committees of the Board and offers the critical role of supporting the Board on procedural and regulatory matters while ensuring the Group adheres to Board policies and procedures.

External Auditors

Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Company, the external auditors examine and give their opinion on the reasonableness of the financial statements.

The auditors report independently and directly to the Board at the half year and end year board meetings. PricewaterhouseCoopers were appointed as the company's external auditors and have carried out the company's audit for 2016.

Internal Auditors

The Company's internal auditors report directly to the Audit, Risk, Actuarial and Compliance Committee.

KPMG

They are the group's tax advisors. They were appointed by the Board and liaise with management to ensure that the Group optimises its tax position and complies with all tax matters.

Statutory Actuary

Giles Waugh (of Deloitte, South Africa) and James Olubayi (of Zamara Actuaries, Administrators & Consultants Limited) are the Group's statutory actuaries responsible for examining the financial soundness of the Group's Life and General Insurance Companies respectively. They do this by independently valuing the Companies assets and policy liabilities. The statutory actuaries report independently and directly to the Board at board meetings where the half results and the end year results are being considered.

Statement on Corporate Governance
For the year ended 31st December 2017

Statutory Actuary (continued)

Sanlam Investments Limited

Sanlam Investments Limited is a wholly owned subsidiary of the Group. It has since merged its operations with those of PineBridge East Africa, following an Agreement with the Sanlam Group, through its subsidiary Sanlam Emerging Markets, to acquire PineBridge's majority stake in PineBridge Investments East Africa Limited in Kenya, jointly forming what is now known as Sanlam Investments East Africa.

Sanlam General Insurance Limited

Sanlam General Insurance Limited provides general insurance services. It offers personal insurance policies that include risk, domestic package, personal accident, WIBA, and private motor insurance; commercial insurance policies, such as public liability, professional indemnity for lawyers, fire and perils, group personal, director and officers, product liability, marine/transit, medical, construction all risk, commercial motor, and goods and money in transit.

Sanlam General Insurance Limited is also a wholly owned subsidiary of the Company.

Llyod Masika

A significant component of the Investments within the Group comprise of residential and commercial properties. Llyod Masika are the property managers responsible for the management of these commercial properties, collection of rent, general repairs and maintenance. Quarterly reports from Llyod Masika are tabled before the Board for discussion at every meeting.

Code of Conduct

At Sanlam, good corporate governance is engrained as a valuable contributor to long-term success of the Company through the creation of the right culture in organisation. The Sanlam Code of Conduct continues to be in place and is geared towards inculcating a culture of Professionalism, Integrity, and Customer centric wealth creation in line with the Groups Vision and Mission Statements.

The Group conducts its business in compliance with legal principles and high ethical standards of business practice. The Board, Management and employees are required to observe the code of ethics and high standards of integrity. Further, these standards are applied in all dealings with customers, suppliers and other stakeholders

Relations with shareholders

The Board recognises the importance open channels of communications with all its shareholders. The Board therefore endeavours to keep its Shareholders appraised on the status of the Group's performance and utilizes the Annual General Meeting (AGM) a, Annual Reports and quarterly publications of its financial performance in the Daily Newspapers which are also available on the Group's website **www.sanlam.com/kenya**

An ample notice period of twenty one days notice of the AGM as provided for in the Kenyan Companies Act thereby giving shareholders a chance to place items on the Agenda by submitting questions and appoint proxies to represent them where they are unable to attend.

Additionally, Directors attend AGM's and are available to answer questions from shareholders.

Prevention of Insider Trading

The Group with the guidance of the Group Company Secretary has set up policies and procedures to curb insider trading. In compliance with the Nairobi Stock Exchange's regulations to prevent insider trading, the Group's policy is that directors, management, staff members, any of their relatives, or any of the companies / businesses / organisations that exercise significant influence over are the Group are not allowed to deal in the Group's shares during the closed season. The closed season is the period between the end of the Group's reporting period and the publication of results. This occurs at the year-end (between 31 December and 31 March) and the half year-end (30 June and 15 August).

The Group Company Secretary always advises the directors, management and staff of the closed season to avert any incidences of insider trading.

Going concern

The Board submits this annual report and audited financial statements for the year ending 31 December 2017. The annual report and audited financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Group's position and prospects. The Board reports that the business is a going concern and they have no reason to believe that the Group and its subsidiaries will not be a going concern into the foreseeable future.

Shareholding

The Company, through its Registrar, Image Registrars Limited, files returns regularly in line with the requirement of the Capital Markets Authority and the Nairobi Securities Exchange under the listing regulations on transactions related to shareholders.

Table 6: Directors' shareholding as at 31 December 2017

Details of the directors' shareholding in the Group are summarised in Table 6 below:

	Name	No. of Shares	Percentage
1.	Baloobhai Chhotabhai Patel (Alternate to Rohan Patel)	29,369,867	20.39
2.	Dr John PN Simba	106,950	0.07

Disclosure of Information to shareholders

The Board discloses to shareholders the financial position of the Group three times a year: at the annual general meeting, by publication of the half- year results in the English daily newspapers and by publication of the year-end results in the English daily newspapers. The financial position of the Group together with relevant information such as the share price and on the central depository system are made available for viewing on the Group's website, **www.sanlam.com/kenya** The share register is kept at the offices of the Group and a computer database stores this information. The Group Secretary is responsible for the share register and responds to correspondence directly from shareholders. The official books of the Group are kept at the head office of the Group and are available for the perusal of shareholders during working hours. The Group publishes the annual report and audited accounts, which are sent out to all shareholders, entitled to attend the annual general meeting.

The Group has an authorised share capital of KShs 2B divided into 400 Million shares of KShs 5/= each. 144 Million shares are currently issued.

Top 10 shareholders in the Group

The top 10 shareholders, based on the Group's Register of Members, as at 31 December 2017 are shown in Table 7 below:

Table 7: Top ten Shareholders as at 31st December 2017

Name	2017 No of shares	%age	2016 No of shares	%age
Hubris Holdings Limited	82,278,000	57.13	82,278,000	57.14
Patel Baloobhai Chhotabhai and Amarjeet Baloobhai Patel	29,369,867	20.39	29,369,867	20.40
Mayfair Insurance Company Ltd	1,282,050	0.89	1,282,050	0.89
Anjay Vithalbhai Patel	1,110,900	0.77	900,000	0.63
Standard Chartered Nominees A/C 9595	852,600	0.59	852,600	0.59
Cannon Assurance (Kenya) Limited	653,237	0.45	653,237	0.45
Leverton Limited	600,000	0.42	600,000	0.42
APA Insurance Limited	541,757	0.38	1,079,907	0.75
Kenya Reinsurance Corporation Limited	511,200	0.35	511,200	0.36
Best Investment Decisions	500,030	0.35	500,030	0.35

Distribution of shareholders

The Capital Markets Authority requires the Group to provide information on the distribution of the shareholders based on the number of shares owned and based on their nationality. This information is presented in Tables 8 and 9:

Table 8: Distribution Schedule

Range	Number of Shareholders	Number of Shares	Percentage
1 to 500	712	135,237	0.09
501 to 1,000	276	212,734	0.15
1,001 to 5,000	2,018	5,252,339	3.65
5,001 to 10,000	238	1,745,793	1.21
10,001 to 500,000	299	6,255,549	4.34
50,0001 to 100,000	47	3,306,420	2.30
100,001 to 500,000	45	9,407,513	6.53
500,001 to 1,000,000	6	3,658,824	2.54
1,000,001 and above	4	114,040,817	79.19
Grand Totals	3,645	144,015,226	100.00

Table 9: Shareholders' Profile

Category	Number of Shareholders	Number of Shares	Shareholding
Local Institutions	158	90,361,619	62.74
Local Individuals	3,267	51,370,422	35.67
Foreign Investors	220	2,283,185	1.59
Total	3,468	144,015,226	**100**

Dr. John P N Simba

Chairman

George Kuria

Ag. Group Chief Executive Officer

Sanlam General Business Review

Sanlam General Insurance posted production of Kshs2.15b, a growth of 115% from previous year production of Kshs1b. The company turned from a loss before tax of Kshs24.3m in 2016 to a profit before tax of Kshs102.3m.

Claims incurred stood at Kshs769.8m compared to Kshs134.6m in 2016. This growth is in line with growth in production. Management expenses grew by 28% from prior year level of Kshs481.6m to close at Kshs616.3m.

The company posted an underwriting profit of Kshs40.9m compared to an underwriting loss of Kshs37.7m in 2016.

Investment income realized Kshs61.6m, a growth of 6634% from prior year performance of Kshs0.9m. 2016 investment income was impacted negatively by a Kshs. 60m loss on sale of Investment property.

Overall, shareholder's funds have grown by 51% from Kshs 506m in December 2016 to Kshs763.5m in December 2017, following capital injection of Kshs188m and profit after tax of Kshs68.8m. Total assets have grown by 20% from Kshs2.64b in 2016 to Kshs3.17b.

Kshs2.15b
Amount of revenue Sanlam General Insurance generated

115%
Revenue growth from previous year

Kshs102m
Sanlam General Insurance profit before tax

Looking ahead

The Company's focus is to continue strengthening engagements with business partners and diversifying insurance solutions to our customers. In the coming period, we will grow the travel insurance product launched in the first quarter of 2018.

Sanlam Life Business Review

2%

Gross written premium declined by 2% to KShs 4.3b from KShs 4.4b in 2016

28%

Corporate business premium income grew by 28% while retail business premium income grew by 2%

Kshs 477m

Sanlam Life profitability declined by 24% to KShs 477m from 629m in 2016

Kshs 2.4b

Shareholders' funds increased to KShs. 2.4b up from KShs. 2.09b due to the profitability while expenses grew marginally by 8% from KShs 789 in 2016 to KShs 855 in 2017

Key Milestones

Though the business did not fully achieve the desired objectives, the following key milestones were notable;

Corporate business registered a strong performance in revenues driven by improved relationships with key intermediaries and service delivery supported by the leadership team

The market perception of Sanlam brand was quite receptive which led to improved sales especially in corporate business

Distribution of bancassurance retail products demonstrated sustained uptake. Focus will be to train bancassurance teams to grow steadily in this channel

Key focus areas in 2018

Development of innovative products that meet the evolving customers' needs.

Concerted efforts in strengthening distribution channels and agency workforce to boost productivity

Continued focus on profitable growth for corporate business through the right business mix, pricing and relationship management.

Explore new partnerships while also optimizing on existing ones

Continued efforts to transform back office processes and systems to improve service delivery.

Asset Management Business

28%

Fee income from our investment business decreased by 28% to KShs 113m from KShs 156m on account of lower outperformance fees in 2017 and slower AUM growth.

Kshs 15m

The business recorded an operating loss of KShs 15m compared to an operating profit of KShs 46m in 2016 resulting from the decline in fee income as well as one off expenses relating to transfer of the asset management business to Sanlam Investments East Africa Limited

Statement of Directors' Responsibilities

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

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

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

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

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

In preparing the financial statements, the directors have assessed the Group's and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group and Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 28 March 2018 and signed on its behalf by:

John P N Simba

Chairman

George Kuria

Ag. Group Chief Executive Officer

Directors' Remuneration Report

The Company's Directors Remuneration Policy and Strategy

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly stipulate remuneration elements such as Directors' fees, honorarium and attendance allowances that are competitive and in line with those of other agencies in the industry.

In accordance with the guidelines provided in the Companies (General) (Amendment) Regulations, Code of Corporate Governance as well as shareholder approval granted at the Annual General Meeting; the Directors and the Chairman are paid a taxable sitting allowance of KShs96,850 and KShs111,455 respectively, for every meeting attended.

It is proposed that each Director and the Chairman receives a fee of KShs 1,160,666 and KShs 1,608,021 respectively per annum for the financial year ended 31 December 2017 subject to approval by shareholders during the Annual General Meeting.

Contract of Service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive Directors, a third of the Board retires by rotation and is elected at every Annual General Meeting by the shareholders on a rotation basis.

The Group Chief Executive Officer has a permanent and pensionable contract with Sanlam Kenya Plc commencing 1 February 2015. The GCEO has since resigned effective 1 March 2018 to pursue personal and professional business interests.

Changes to Directors Remuneration

During the period, there were no changes in Directors Remuneration which is set as per the guidelines provided in Companies (General) (Amendment) Regulations and the Code of Corporate Governance.

Statement of Voting on the Directors Remuneration Report at the Previous Annual General Meeting

During the Annual General Meeting held on 5 May 2017, shareholders unanimously approved the payments of Directors fees for the year ended 31 December 2016 by a show of hands.

At the Annual General Meeting to be held on 10 May 2018, approval will be sought from shareholders to pay Director Fees for the financial year ended 31 December 2017.

The following table shows a single figure remuneration for the Executive Directors, Chairman and Non-Executive directors in respect of qualifying services for the year ended 31 December 2017 together with the comparative figures for 2016. The aggregate Directors' emoluments are shown on Note 36 (d). The fees paid to Sanlam Emerging Markets directors do not accrue to them personally.

For the year ended 31 December 2017	Salary	Fees	Bonuses	Expense allowances	Total
	KShs '000	KShs '000	KShs' 000	KShs '000	KShs '000
Mugo Kibati - Executive	44,633	-	3,433	-	48,066
John P N Simba - Chairman	-	3,175	-	-	3,175
Julius Nyakia Magabe	-	2,323	-	-	2,323
Matthys Lodewikus Olivier	-	1,825	-	-	1,825
John Burbidge	-	2,089	-	-	2,089
Rohan Baloobhai Patel	-	2,973	-	-	2,973
Susan Mudhune	-	2,391	-	-	2,391
Theuns Botha	-	2,046	-	-	2,046
Total	**44,633**	**16,822**	**3,433**	**-**	**64,888**

For the year ended 31 December 2016	Salary	Fees	Bonuses	Expense allowances	Total
Mugo Kibati - Executive	40,400	-	-	-	40,400
John P N Simba - Chairman	-	2,453	-	-	2,453
Julius Nyakia Magabe	-	868	-	-	868
Matthys Lodewikus Olivier	-	1,588	-	-	1,588
John Burbidge	-	1,944	-	-	1,944
Rohan Baloobhai Patel	-	2,080	-	-	2,080
Susan Mudhune	-	1,943	-	-	1,943
Theuns Botha	-	1,023	-	-	1,023
Margaret Dawes	-	1,028	-	-	1,028
Jonathan Paul Wrench	-	1,080	-	-	1,080
Total	**40,400**	**14,007**	**-**	**-**	**54,407**

Directors' Remuneration Report (continued)

Pension related benefits

	2017	2016
	KShs '000	KShs '000
Mugo Kibati - Executive	5,579	5,104
	5,579	5,104

On behalf of the Board

Susan Mudhune

Chairman, Remuneration Committee

28 March 2018


The next
100
years
Sanlam
Wealthsmiths
100 years

The next 100 years

Education

The population of Africa is expected to quadruple in the next 80 years. Young people need to improve their prospects for the future – and quality education is key to this. Africa's growth will therefore hinge on educating a new generation of leaders. With a burgeoning workforce, and vast resources to be tapped and developed, education will be crucial in amassing the knowledge, skills and experience required to exploit these in the years to come

Our Financial Results

For the year ended 31 December 2017

Sanlam
Wealthsmiths

100 years

Report of the Statutory Actuary - Sanlam Life Insurance Limited

Certificate of Solvency in respect of Sanlam Life Insurance Limited's Life and Pension Policies:

I have conducted a statutory actuarial valuation of the long-term business of Sanlam Life Insurance Limited as at 31 December 2017.

This valuation has been conducted in accordance with generally accepted actuarial principles and in compliance with the requirements of the Insurance Act. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies. In completing the actuarial valuation, I have relied upon the audited financial statements of the Company.

In my opinion, the long-term business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance and pension fund business did not exceed the amount of the Statutory Insurance Funds as at 31 December 2017.

Giles T Waugh

GTWaugh

Statutory Actuary, Fellow of the Actuarial Society of South Africa

20 February 2018

Report of the Statutory Actuary – Sanlam General Insurance Limited

I have conducted an actuarial valuation of Sanlam General Insurance Limited as at 31 December 2017.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements of the company.

In my opinion, the general business of the Company was financially sound and the actuarial value of the liabilities in respect of all the classes of general business did not exceed the amount of outstanding claims liabilities of the general business at 31 December 2017.

James Olubayi

Zamara Actuaries, Administrators & Consultants Limited

19 February 2018

Embedded Value Report

1. a) Definition of Embedded Value

This report sets out the embedded value and the value of new business of Sanlam Kenya Plc. The embedded value represents an estimate of the economic value of the Company excluding the value attributable to future new business. The embedded value comprises:

- The value of the shareholders' net assets; plus
- The value of the in-force business.
- The value of in-force business is the present value of future profits arising from business in force at the valuation date, discounted at the risk discount rate.

b) European Embedded Value Principles (EEV)

Sanlam Kenya Plc has fully adopted the revised embedded value guidance from the Chief Financial Officers (CFO) Forum's European Embedded Value (EEV) Principles.

2. Embedded Value Results

	2017 KShs.'000	2016 KShs.'000
(a) Group embedded value		
Shareholders' adjusted net assets	2,878,175	3,117,325
Net value of in force business	1,564,567	1,572,946
Gross value of in-force business	2,931,951	2,760,199
Tax provision	(879,585)	(828,060)
Cost of Capital Adequacy Requirement (CAR)	(487,799)	(359,193)
Embedded value	4,442,742	4,690,271
(b) Embedded Value Earnings		
The embedded value earnings are derived as follows:		
Embedded value at end of year	4,442,742	4,690,271
Embedded value at beginning of year	(4,690,271)	(5,220,390)
Change in embedded value	(247,529)	(530,119)
Dividends paid in the year	-	-
Embedded value earnings	(247,529)	(530,119)

	2017 KShs.'000	2016 KShs.'000
These earnings can be analysed as follows:		
Adjustment to fair value of subsidiary	(273,825)	(17,972)
Roll forward	559,012	501,687
Investment return on free assets	190,302	59,770
Expected return on life business in-force	368,710	441,917
Change over the period	(532,715)	(1,013,834)
Value of new business	45,099	(88,203)
Changes in assumptions and methodology	(147,165)	(466,316)
Experience variations	(157,669)	(15,242)
Decrease in NAV for other subsidiaries	(272,980)	(444,073)
Total earnings	(247,529)	(530,119)

3. Value of New Business

Value at point of sale (gross of tax)	101,829	(82,541)
Tax on value at point of sale	(30,549)	24,762
Cost of CAR at point of sale	(26,182)	(30,424)
Value of new business	45,098	(88,203)

4. Sensitivity to the Risk Discount Rate

The risk discount rate appropriate to an investor will vary depending on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future profits of the Group. The sensitivity of the embedded value to the risk discount rate is set out below:

Risk Discount Rate	17.50% (basis)	18.50%
	KShs. '000	KShs. '000
Shareholders' net assets	2,878,175	2,878,175
Value of in-force business	1,564,567	1,452,800
Embedded value	4,442,742	4,330,975
Value of one year's new business	45,099	34,488

5) Assumptions

The assumptions used in the calculation of the embedded value are based on the Group's best estimate of future experience.

The main assumptions used are as follows:

a) Economic Assumptions

The main economic assumptions (p.a.) used are as follows:

	2017	2016
	%p.a	%p.a
Risk discount rate	17.50	17.80
Overall investment returns (pre-tax)	13.41	13.48
Expense inflation rate	9.50	9.80

The effect of the above economic assumptions on embedded value is as follows:

	2017	2016
	KShs. '000	KShs. '000
Risk discount rate	17,119	100,070
Overall investment returns (pre-tax)	(150,081)	(157,852)
Expense inflation rate	37,724	37,684
Total	(95,238)	(20,098)

b) Mortality Rates

The assumptions for future mortality rates are based on the results of recent investigations conducted by the Group.

c) Expenses

The maintenance expense assumption is based on the results of recently conducted internal expense investigations.

d) Premium Escalations

The embedded value of in-force business includes the expected value of future premium increases resulting from premium indexation arrangements on in-force business. The value of new business includes the expected value of future premium increases resulting from premium indexation arrangements on new business written during the year to 31 December 2017.

e) Persistency / Surrender Basis

The assumptions for lapse and surrender rates are based on the results of recent experience investigations conducted by the Group.

f) Tax

Allowance was made for the current life office taxation basis.

Embedded Value Report (continued)

6) Sensitivities

This section illustrates the effect of different assumptions on the value of in-force business net of cost of capital. The effect of assumption changes in the Gross Premium Valuation has been included in the value of in-force business. For each sensitivity illustrated, all other assumptions have been left unchanged.

	Value of in force	%change over base
	KShs. '000	KShs. '000
Values as at 31 December 2017	**1,564,567**	
Investment Returns		
Investment return (and inflation) decreased by 10% and with bonus rates and discount rates changing commensurately	1,566,442	0.12%
Equity/property assets fall by 10% without a corresponding fall/rise in dividend/rental yield - Assume portfolio asset mix is rebalanced after fall in market values	1,558,988	-0.36%
Increase expected return on equities/property assets by 1% p.a. due to a change in the equity/property risk premium with no consequential changes to discount rates	1,590,865	1.68%
Shock scenario *	1,572,149	0.48%
Expenses and persistency		
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	1,606,891	2.71%
Discontinuance rates decrease by 10%	1,582,170	1.13%
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	1,585,972	1.37%
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	1,569,426	0.31%
The sensitivity of the value of new business is as follows;		
Value of one year's new business as at 31 December 2017	**45,099**	-

	Value of in force	%change over base
	KShs. '000	KShs. '000
Investment returns		
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	51,266	13.67%
Equity/property assets fall by 10% without a corresponding fall/rise in dividend/rental yield - Assume portfolio asset mix is rebalanced after fall in market values	47,904	6.22%
Shock scenario *	56,692	25.71%
'New business volumes decrease by 10%	27,820	-38.31%
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	60,597	34.37%
Non-commission acquisition expenses decrease by 10%	64,397	42.79%
Discontinuance rates decrease by 10%	60,860	34.95%
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	64,654	43.36%
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	44,241	-1.90%

Shock scenario*: Shock scenario is defined as an immediate 30% drop in equity values, 15% drop in property values, overseas assets fall at least 20% and fixed interest rate yields rise 25% .i.e. higher assumed returns and inflation rates as well as risk discount rates).

Assumed Management Action

Mortality charges have been assumed to change in line with the costs of providing benefits

Giles T Waugh

GTWaugh

Statutory Actuary, Fellow of the Actuarial Society of South Africa.

28 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANLAM KENYA PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Sanlam Kenya Plc (the "Company") and the consolidated financial statements of the Company and its subsidiaries (together, the "Group") set out on pages 84 to 178, which each comprise a statement 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 Group and of the Company 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.

Key audit matters

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

Key audit matters (continued)

Key audit matter	*How our audit addressed the matter*
Valuation of insurance contract liabilities Insurance contract liabilities as disclosed under Note 26 comprise; outstanding claims, policyholder liabilities and incurred but not reported claims (IBNR). The estimation of insurance contract liabilities involves significant judgement given the inherent uncertainty in estimating the expected future outflows. Assumptions are made for both economic and non-economic inputs into the valuation. Economic assumptions, such as discount rates, investment returns and inflation rates are based on available market information. Non-economic assumptions are typically determined using past experience a guide. These non-economic assumptions include future claims experience such as mortality rates, future expenses, investment returns, discount rates and lapse rates. Additional qualitative judgement is employed to assess the extent to which past trends may or may not recur in the future, (for example to reflect one-off occurrences, changes in internal and external factors) in order to arrive at the estimated actuarial liability that presents the likely outcome from the range of possible outcomes. A margin for adverse deviation is included in the liability valuation. The valuation of these liabilities is conducted by independent actuaries on the basis of the best information available at year end. The actuarial valuation of the policyholder liabilities for the life fund has been carried out using a gross premium valuation method in compliance with Insurance Regulatory Authority guidelines. The valuation of these liabilities relies on accurate data about the volume, amount and the pattern of current and historic claims both internal and external to the business. Small changes in these assumptions can result in a material impact to the estimate.	Our procedures included the following: • Validating the completeness and accuracy of the data used for the valuations by comparing the policyholder data used in the valuation to the data on the operation systems or audited results; • Agreeing a sample of the claims paid and outstanding as at year end to supporting documentation; • Working with our internal actuaries to assess the appropriateness of the methodology and assumptions used by the appointed actuary and management in the estimation of reserves as at 31 December 2017; • Assessing the reasonableness of the economic assumptions used by comparing this to market observable data and non-economic assumptions through consideration of the Group's past experience; • Checking the methodologies applied in the estimation of insurance contract liabilities to generally accepted actuarial approaches, in relation to the business written and expected risks; • Ensuring that reserving methods and basis of assumptions are applied consistently year on year; and • Back testing the robustness of the general reserving process by performing an actual vs expected analysis on prior years' reserves to assess this for any surpluses or shortfalls.

Key audit matters (continued)

Key audit matter	*How our audit addressed the matter*
Valuation of financial assets As disclosed under note 16 (a), financial assets comprise the most significant assets of the Group. The financial assets held by the Group are classified into the following categories as per IAS 39 Financial Instruments; held to maturity instruments, available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables. The valuation of some of the financial assets especially, the unquoted securities is highly subjective due to the lack of observable market prices. As such, the valuation is conducted using internally developed valuation models. Additionally, there is significant judgement inherent in assessing the financial assets for impairment.	Our procedures included the following: • Understanding the valuation models used by management to value the different financial assets; • Reviewing the inputs used by management in their valuation models; • Ascertaining the reasonableness of the valuation of the financial assets using readily available market prices and comparable financial assets information; and • Reviewing and challenging the judgement made by management on any impairment provisions for reasonableness and their reflection of any publicly available information.
Recoverability of premium debtors Premium debtors form a significant proportion of the assets of the Group. The nature of the insurance industry in Kenya is such that a significant amount of premium is received through intermediaries (agents/brokers). There are occasional delays in the remittance of premiums collected by the intermediaries to the insurance companies. There is inherent judgement involved in estimating the impairment provision required for uncollectible debtors.	Our procedures included the following: • Evaluating and testing controls around the underwriting process; • Understanding the policies and procedures followed by management in making premium debtors provisions; • On a sample basis, sending premium debtor confirmations to ascertain the existence of those balances; • Verifying the make-up of the outstanding debtors balances by reviewing signed debit notes as well as reviewing subsequent payments on the respective premium debtors balances; • Testing the process management that was applied in making the impairment provisions; and • Validating the debtors ageing and challenging management on the recoverability of overdue balances.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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 the directors 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.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANLAM KENYA PLC

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

Report of the directors

In our opinion, the information given in the directors' report on page 28 - 31 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 67 and 68 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Kang'e Saiti – Practising Certificate No. 1652.

Certified Public Accountants

PricewaterhouseCoopers

Nairobi 29th March 2018

Consolidated and company statement of profit or loss

For the year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Gross premium income	4(a)	6,369,847	5,224,546	-	-
Premium ceded to reinsurers	4(b)	(953,632)	(392,341)	-	-
Net premium income		**5,416,215**	**4,832,205**	**-**	**-**
Fees and commission income	5	300,092	175,068	-	-
Investment income	6(a)	2,285,310	2,418,532	-	1,197
Fair value gains / (losses)	6(b)	368,951	(450,341)	-	-
Impairment of financial assets	6(c)	(1,125,243)	(93,397)	-	-
Other operating revenue	6(d)	129,436	272,007	150,921	496,318
Total other revenue		1,958,546	2,321,869	150,921	497,515
Total revenue		**7,374,761**	**7,154,074**	**150,921**	**497,515**
Gross benefits and claims paid	7(a)	(5,408,384)	(4,193,984)	-	-
Claims ceded to reinsurers	7(a)	583,321	204,498	-	-
Gross change in insurance contract liabilities	7(a)	(809,065)	(1,205,314)	-	-
Gross change in investment contract liabilities	7(a)	1,085,819	600,054	-	-
Change in contract liabilities ceded to reinsurers	7(a)	13,827	116,279	-	-
Net benefits and claims		**(4,534,482)**	**(4,478,467)**	**-**	**-**
Fee and commission expense	7(b)	(735,150)	(660,731)	-	-
Cost of sales - plots	7(c)	(10,463)	(28,009)	(10,463)	(28,009)
Other operating and administrative expenses	8	(1,843,601)	(1,669,594)	(235,083)	(206,238)
Total benefits, claims and other expenses		**(7,123,696)**	**(6,836,801)**	**(245,546)**	**(234,247)**
Profit/(loss) before share of profit of associate		251,065	317,273	(94,625)	263,268
Share of loss of associate	14(b)	(4,107)	(220)	-	-
Profit/(loss) before tax		**246,958**	**317,053**	**(94,625)**	**263,268**
Income tax expense	10	(193,913)	(246,430)	23,985	6,831
Profit /(loss) for the year		**53,045**	**70,623**	**(70,640)**	**270,099**
Profit/(loss) attributable to:					
Owners of the parent		30,814	90,252	(70,640)	270,009
Non-controlling interests		22,231	(19,629)	-	-
Earnings per share:					
Basic	32	0.21	0.63	(0.49)	1.88
Diluted	32	0.21	0.63	(0.49)	1.88

Consolidated and company statement of other comprehensive income

For the year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Profit/(loss) for the year:		53,045	70,623	(70,640)	270,099
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in fair value of available for-sale-financial assets	16 (a)	140	23,249	-	-
Other comprehensive income for the year net of tax		140	23,249	-	-
Total comprehensive income for the year		**53,185**	**93,872**	**(70,640)**	**270,099**
Attributable to:					
Owners of the parent		30,909	106,061	(70,640)	270,009
Non-controlling interests		22,276	(12,189)	-	-

Consolidated and company statement of financial position
As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
ASSETS					
Property and equipment	12	157,361	177,071	7,575	9,826
Investment properties	13(a)	3,180,700	2,761,200	-	-
Intangible assets	11(a)	109,035	116,661	-	-
Goodwill	11(b)	-	-	-	-
Investments in subsidiaries	14(a)	-	-	1,465,396	1,343,604
Investment in associate	14(b)	17,465	21,572	4,861	4,861
Deferred income tax	29	192,843	182,721	48,868	24,883
Loans	15	758,234	930,564	-	-
Held to maturity financial assets	16(a)	9,463,228	8,836,392	-	-
Available for sale financial assets	16(a)	104,793	104,653	-	-
Financial assets at fair value through profit or loss	16(a)	9,934,526	10,566,547	-	-
Deferred acquisition costs	22(c)	153,049	150,427	-	-
Reinsurance share of insurance contract liabilities	17	633,226	554,983	-	-
Land and development	21	118,734	127,366	118,734	127,366
Current income tax	10	20,094	65,583	15,423	15,423
Insurance receivables	22(a)	830,044	550,622	-	-
Receivables and other financial assets	22(b)	451,941	798,792	173,287	366,767
Deposits with financial institutions	23	2,239,644	2,033,481	-	-
Cash and bank balances	23	301,567	463,955	26,362	11,659
Non-current assets held for sale	13(b)	1,145,000	-	-	-
TOTAL ASSETS		**29,811,484**	**28,442,590**	**1,860,506**	**1,904,389**

Consolidated and company statement of financial position
As at 31 December 2017 (continued)

		Group		Company	
EQUITY AND LIABILITIES		**2017**	**2016**	**2017**	**2016**
CAPITAL AND RESERVES		**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Issued share capital	24	720,000	720,000	720,000	720,000
Revaluation reserves		15,904	15,809	-	-
Statutory fund	24	1,609,658	1,862,245	-	-
Retained earnings		1,459,314	1,172,154	(201,682)	(131,042)
Shareholder's funds		3,804,876	3,770,208	518,318	588,958
Non-controlling interests		247,074	162,036	-	-
TOTAL CAPITAL AND RESERVES		**4,051,950**	**3,932,244**	**518,318**	**588,958**
LIABILITIES					
Borrowings	25	1,030,741	-	1,030,741	-
Insurance contract liabilities	26	13,561,183	12,704,048	-	-
Investment contract liabilities	26	6,568,158	7,653,977	-	-
Payables under deposit administration contracts	26	1,433,027	1,489,407		
Unearned premium	27	655,110	474,115	-	-
Deferred income tax	29	747,449	844,396	-	-
Provisions	28	51,925	51,925	-	-
Current income tax	10	230,684	8,668	-	-
Insurance payables	30	759,006	802,471	-	-
Payables and other charges	31	722,251	481,339	311,447	1,315,431
TOTAL LIABILITIES		**25,759,534**	**24,510,346**	**1,342,188**	**1,315,431**
TOTAL EQUITY AND LIABILITIES		**29,811,484**	**28,442,590**	**1,860,506**	**1,904,389**

The financial statements were approved by the Board of Directors on 28th March, 2018 and signed on its behalf by:

John P N Simba

Chairman

28 March 2018

George Kuria

Ag. Group Chief Executive Officer

28 March 2018

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Note	Share capital	Share Premium	Revaluation surplus	Statutory fund	Retained earnings	Total	Non-controlling interests	Total
		Attributable to owners of Sanlam Kenya Plc							
		KShsh.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Year end 31 December 2016:									
At 1 January		720,000	-	-	1,450,011	1,546,063	**3,716,074**	85,973	**3,802,047**
Profit or loss:									
Total comprehensive income		-	-	15,809	-	90,252	**106,061**	(12,189)	**93,872**
Transfer to statutory fund	24	-	-	-	412,234	(412,234)	**-**	-	**-**
Transactions with minorities		-	-	-		(51,927)	**(51,927)**	88,252	**36,325**
At 31 December 2016		720,000	-	15,809	1,862,245	1,172,154	**3,770,208**	162,036	**3,932,244**
Year end 31 December 2017:									
At 1 January		720,000	-	15,809	1,862,245	1,172,154	**3,770,208**	162,036	**3,932,244**
Profit or loss:									
Total comprehensive income		-	-	95	-	30,814	**30,909**	22,276	**53,185**
Transfer to statutory fund	24	-	-	-	307,666	(307,666)	**-**	-	**-**
Transfer to retained earnings		-	-	-	(560,253)	560,253	**-**	-	**-**
Transactions with minorities		-	-	-		3,759	**3,759**	62,762	**66,521**
At 31 December 2016		720,000	-	15,904	1,609,658	1,459,314	**3,804,876**	247,074	**4,051,950**

Company statement of changes in equity
For the year ended 31 December 2017

	Note	Share capital	Share premium	Retained earnings	Total
		KShs.'000	KShs.'000	KShs.'000	KShs.'000
Year Ended 31 December 2016:					
At 1 January		720,000	-	(401,141)	318,859
Total comprehensive income		-	-	270,099	270,099
At 31 December 2016		720,000	-	(131,042)	588,958
Year Ended 31 December 2017:					
At 1 January		720,000	-	(131,042)	588,958
Total comprehensive income		-	-	(70,640)	(70,640)
At 31 December 2017		720,000	-	(201,682)	518,318

Consolidated statement of cash flows

For the year ended 31 December 2017

	Note	2017	2016
		KShs. '000	KShs. '000
Operating activities			
Net cash utilized in operations	35(a)	(1,903,215)	(2,337,522)
Investing activities			
Purchase of intangible assets	11(a)	(16,248)	(5,962)
Purchase of property and equipment	12	(25,037)	(87,170)
Purchase of investment property	13(a)	(847,751)	(624,788)
Net purchase of financial assets through profit and loss		(848,606)	(667,666)
Purchase of government securities	16	(759,901)	(763,962)
Disposal/Maturities of government securities		149,225	51,900
Proceeds from disposal of investment property	13(a)	-	600,000
Investments in land and development	21	-	(50,238)
Loans advanced	18/19	(829,770)	(748,675)
Loans repaid	18/19	1,123,646	898,309
Rental income	6	40,070	53,876
Dividend income received	6	118,463	161,788
Interest received		2,746,578	2,065,053
Net cash generated from investing activities		850,669	882,465
Financing activities			
Proceeds from borrowings		1,029,800	-
Proceeds from issue of share capital to non-controlling interests		66,521	36,325
Net cash generated from financing activities		1,096,321	36,325
Decrease in cash and cash equivalents		43,775	(1,418,732)
Cash and cash equivalents at start of year		2,497,436	3,916,168
Cash and cash equivalents at end of year	23	2,541,211	2,497,436

Company statement of cash flows

For the year ended 31 December 2017

	Note	2017	2016
		KShs.'000	KShs.'000
Operating activities			
Net cash (used in) /generated from operations	35(b)	(915,646)	(4,628)
Investing activities			
Investment income		30	2,783
Dividends received		36,000	250,000
Investment in land and development		-	(50,328)
Purchase of property and equipment	12	(206)	(8,351)
Investments in subsidiaries	14	(121,792)	(213,675)
Net cash utilised in investing activities		(85,968)	(19,571)
Financing activities			
Interest paid		(13,483)	(21,775)
Proceeds from borrowings		1,029,800	
Net cash utilised in financing activities		1,016,317	(21,775)
Decrease in cash and cash equivalents		14,703	(45,974)
Cash and cash equivalents at start of year	23	11,659	57,633
Cash and cash equivalents at end of year	23	26,362	11,659

1. General information

Sanlam Kenya Plc underwrites life and non-life insurance risks such as those associated with death, disability, credit protection, mortgage protection and property protection through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited. The Group through its subsidiary Sanlam Investments Limited, also provide its customers with diversified asset management solutions for their savings and retirement needs. The Company does business in Kenya and employs over 1,000 employees (staff and agents).

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and the Kenyan Companies Act, 2015. The measurement basis used is the historical cost basis, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise the statements of profit or loss, statements of other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes. For purposes of the Kenyan companies Act, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss. Income and expenses, excluding the components of other comprehensive income, are recognised in the statement of profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to statement of profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (ad).

b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 January 2017:

Recognition of Deferred Tax Asset for Unrealised Losses - Amendment to IAS 12; Effective 1 January 2017. Amendments made to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Company (continued)

It also clarifies certain other aspects of accounting for deferred tax assets.

Amendments to IFRS 12 'Disclosure of interests in other entities': The amendment clarifies the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale, except for summarised financial information.

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

(ii) New standards and interpretations not yet adopted

The company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2017.

- IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:

- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

- The derecognition provisions are carried over almost unchanged from IAS 39.

The Group has done the assessment of IFRS 9's full impact. Once adopted the value of treasury bonds initially held to maturity and valued at amortized cost of KShs. 9,217,653,000 will be revalued to KShs. 8,870,645,000 while insurance contract liabilities backed by these assets and valued at held to maturity of KShs 8,896,830,000 will be revalued to KShs 8,554,893,000. The revaluation loss will be adjusted through the opening reserves as at 1 January 2018.

- Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial assets. The Group does not intend to apply the temporary exemption.

- IFRS 17 Insurance Contracts (issued in May 2017) - establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts

- IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus can direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue'

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company's main activity is insurance (underwriting individual life and super-annuation) business. Insurance contracts are excluded from the scope of IFRS 15. Consequently, the impact of IFRS 15 to the company will not be significant.

- Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

- Amendments to IAS 40 titled Transfers of Investment Property (issued in December 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

- Amendments to IAS 7, 'Statement of Cash Flows' titled Disclosure Initiative: The amendments require enhanced disclosure concerning changes in liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

  Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

  The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Group's financial statements. There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions

  There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

c) Consolidation

The consolidation of financial statements comprises the financial statements of the Group and its subsidiaries as at 31 December 2017.

i. Subsidiaries

Subsidiaries are all entities over which the Group has control. when they are exposed, the company has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an entity if and only if the Group has:

- Power over the entity (i.e. existing rights that give it the current ability to direct the relevant activities of the entity)

- Exposure or rights to variable returns from its involvement with the entity and

- The ability to use its power over the investee to affect returns.

- When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all the relevant facts and circumstances in assessing whether it has power over the entity, including:

  The contractual arrangement with the other vote holders of the entity

  Rights arising from other contractual arrangements; and

  The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets and liabilities are included from the date of acquisition to the date of sale in the statement of financial position while income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and the non-controlling interests, even if these results in the non-controlling interest have a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. This is by adjusting the carrying amounts of the controlling and non-controlling

Notes (continued)

2. Summary of significant accounting policies (continued)

c) Consolidation (continued)

i Subsidiaries (continued)

Interests to reflect the changes in their relative interests in the subsidiary.

If the group loses control over the subsidiary it;

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss and;

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate as would be required if the Group had directly disposed of the related assets or liabilities.

Any losses within a subsidiary which are attributed to the non-controlling interest are recognised as such even if this results in a deficit balance.

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 subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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.

ii. Associates

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint arrangement.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive profit/(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 where appropriate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. 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 in the 'share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. Any interest in the equity of the associate that was recorded directly in other comprehensive income of the investor is recycled to the profit or loss and is included in the calculation of the gain or loss on disposal.

Subsidiaries and associates are stated at cost in the separate financial statements of the company.

2. Summary of significant accounting policies (continued)

d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests that are not present ownership interests are measured at fair value. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the of the acquiree are assigned to those units.

e) Segment reporting

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

An operating segment is a component of an entity:

i. That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)

ii. Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance, and

iii. For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

f) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Group's activities. It is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts.

When revenue is recognised the group estimates whether rebates or trade discounts will be provided and include this estimate in measuring the revenue at the amount received or receivable. Later changes in estimates are included in the revenue line.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services is recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

2. Summary of significant accounting policies (continued)

f) Revenue recognition (continued)

i. Gross premiums

Gross recurring premiums on life and investment contracts with discretionary participating features are recognised as revenue when payable by the policyholder. For single premium business revenue is recognised on the date on which the policy is effective. Gross written premiums under short term life insurance contracts comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts.

For general insurance business, premium income is recognised on assumption of risks. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

ii. Reinsurance premiums

Gross reinsurance premiums on life and investment contracts with discretionary participation features are recognised as an expense when payable or on the date on which the policy is effective. Gross reinsurance premiums under short term life reinsurance contracts and general insurance contracts comprise the total premiums payable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts, or risk is assumed. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

iii. Fees and commission income

Insurance and market linked investment contract liabilities policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

iv. Investment income

Investment income comprise of interest income, rental income and dividends.

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as part of the carrying amount of properties in the statement of financial position.

Dividends are recognised when the Group's right to receive the payment is established

v. 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.

vi. Financial services income

Financial services income includes income from investment management and related activities. This is based on the value of the assets managed on behalf of clients such as fund management fees, collective investment and linked product administration fees. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

g) Benefits, claims and expenses recognition

i. Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with discretionary participation features include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance and market linked investment contract liabilities. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Claims incurred for general business 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 setting all claims arising from incidents occurring

2. Summary of significant accounting policies (continued)

g) Benefits, claims and expenses recognition (continued)

i. Gross benefits and claims (continued)

prior to the 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.

ii. Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Reinsurance claims are measured with reference to the corresponding insurance liability recognised and the reinsurance agreement.

h) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims or insurance contract liabilities associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

i) Deposit administration contracts

The Group administers the funds of a number of retirement benefit schemes on behalf of the retirement schemes. The liability of the Group to the schemes is measured at fair value and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the consolidated statement of profit or loss.

Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

j) Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Motor vehicles, furniture, equipment and computers are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred.

Land and buildings are subsequently stated at valuation. Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the statement of profit or loss.

Depreciation is calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Freehold land	-	Nil
Computers	-	25%
Motor vehicles	-	25%
Furniture and Equipment	-	12.5%

Depreciation on an item of property and equipment commences when it is available for use and continues to be depreciated until it is derecognised, even if during that period the item is idle. Depreciation of an item ceases when the item is retired from active use or is being held for disposal. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for.

2. Summary of significant accounting policies (continued)

j) Property and equipment (continued)

When no parts of items of property and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item. The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

k) Investment properties

Investment property is property held to earn rentals and/or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external valuers. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

When the Group can reliably determine the fair value of a self-constructed investment property under construction or development, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

The difference between the carrying value and the fair value of the properties at the date of reclassification to investment properties is recognised in the statement of profit or loss.

When the Group can reliably determine the fair value of a self-constructed investment property under construction or development, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

The difference between the carrying value and the fair value of the properties at the date of reclassification to investment properties is recognised in the statement of profit or loss.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

l) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (three to five years).

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

Software under implementation is recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such software includes professional fees and costs directly attributable to the software. The software is not amortised until it is ready for the intended use.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (continued)

m) Borrowing costs

In the instance of specific funding being obtained, the net borrowing cost capitalised is the actual borrowing cost incurred on the amount borrowed specifically to finance the asset less any investment income earned on surplus funds. In the case of general borrowings, the capitalised borrowing cost is determined using the overall weighted average cost of the general borrowings during the year and applying this rate to the costs incurred on the asset. The amount capitalised can never exceed the borrowing costs incurred. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

n) Financial instruments

Financial instruments are recognised when the group or company becomes a party to the contractual provisions of the instrument. Financial assets are recognised and derecognised on the basis of trade date accounting.

Financial instruments are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date.

i. Financial assets at fair value though profit or loss

Financial assets at fair value through profit and loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a portfolio of financial assets, financial liabilities or both which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information regarding these instruments are reported to the key management personnel on a fair value basis.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gain and loss are recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss comprise quoted shares, government securities, commercial paper and corporate bonds.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are disclosed on the face of the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Gains and losses on loans and receivables are recognised on impairment, derecognition and through the amortisation process.

iii. Held–to-maturity investments

Held–to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company has the positive intention and ability to hold to maturity. Held-to-maturity investments comprise of bonds under lien. Investments are initially recognised at fair value plus transaction costs. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses on held to maturity assets are recognised on impairment, derecognition and through the amortisation process.

iv. Available –for–sale investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. They include investments in non-quoted shares. These investments are initially recorded at fair value. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported in other comprehensive income and as a separate component in of equity until the investment is derecognised or the investment is determined to be impaired. Where equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured the instruments have been measured at cost. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

- The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

n) Financial instruments (continued)
Derecognition of financial assets (continued)

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the amount of the asset and the maximum amount of consideration that the Group could be required to repay.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Derecognition of financial liabilities

A financial liability is derecognised when and only when;

it is extinguished— i.e. when the obligation specified in the contract is discharged or cancelled or expires.

- there is a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor),
- This is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Amortised cost

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Impairment of financial assets

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

Notes (continued)

2. Summary of significant accounting policies (continued)

n) Financial instruments (continued)

Financial assets carried at amortised cost

An entity 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 an entity 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 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of profit or loss.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Due from loans and advances to customers

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The company has evaluated the changes in the underlying assumptions and concluded that they would not have any significant impact on due from loans and advances to customers.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost.

'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Policy loans

Policy are recognised when premiums have been in arrears for three cumulative months. Bad debts are written off when all possible measures have been taken without success.

o) Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS.IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined

p) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates), which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and

2. Summary of significant accounting policies (continued)

p) Translation of foreign currencies (continued)

from year-end translation are recognised on a net basis in the statement of profit or loss in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

q) Accounting for leases

Finance leases as the lessee

Leases of property and equipment including hire purchase contracts where the Group assumes substantially all the risks and rewards incident to ownership and are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease.

The finance cost is charged to the statement of profit or loss in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases where the Group (as lessor) does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Leases of assets (Group as lessee) where a significant proportion of the risks and rewards of ownership are retained by the lessor are also classified as operating leases.

Payments made/received under operating leases are charged/credited to the statement of profit or loss on a straight-line basis over the lease period. Prepaid operating lease rentals paid are recognised as assets and are subsequently amortised over the lease period. If a prepayment is received, it is recognised as a liability and subsequently amortised over the lease period. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination took place.

r) Land and development

Land and development, comprising plots held for resale is stated at the lower of cost and net realisable value. The cost of land and development includes infrastructure costs incurred in respect of unsold plots, which are capitalised and released to income as the plots are sold. Cost is calculated on specific costs incurred to bring land and development to its present condition.

s) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in (o) have been met.

t)Financial and insurance liabilities

Insurance contract liabilities (including investment contracts with discretionary participation features) and reinsurance assets. Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium Valuation method in accordance with the Insurance Act and related guidelines. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss. The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period.

The Group used the 1/365 method in computing this reserve. The estimate of the incurred claims that have not yet been reported to the Group (IBNR) is computed using the basic chain ladder method. The basic assumption using this method is that claims will emerge in a similar way in each development year.

Profits originated from margins of adverse deviations on run-off contracts are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

t) Financial and insurance liabilities (continued)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF(present value insurance in force) and DAC (deferred acquisition cost – refer to policy y), by using an existing liability adequacy test as laid out under the Kenyan Insurance Act.

u) Employee entitlements

i. Retirement benefit obligations

The Company operates a defined contribution retirement benefit scheme for qualifying employees. The Company and all its employees also contribute to the National Social Security Fund which is also a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company 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 Company's contributions to the defined contribution schemes are charged to the statement of profit or loss in the year to which they relate.

ii. Cash settled non-share entitlements

The Company has a long-term retirement benefit scheme that is separately administered by Trustees under a legal entity registered with the Retirement Benefits Authority (RBA). The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay qualifying employees the benefits due to them on vestation. The amount expensed each year is based on the increase in value of In-force (VIF) and charged directly to the statement of profit or loss on approval by the Board of directors. The Company has no claim whatsoever on the amounts that have not vested as this is redistributed to the existing qualifying members.

iii. Bonus

Staff are entitled to a bonus which is based on preset performance parameters on an annual basis. The full cost of the bonus is expensed in the year in which it is incurred.

iv. Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

v)Other financial liabilities and insurance payables

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of profit or loss. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Borrowings and trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and losses on financial liabilities at amortised cost are recognised on derecognition and through the amortisation process. Gains and loss on financial liabilities at fair value through profit or loss are recognised in the statement of profit or loss.

Insurance payables are recognised when due and measured on initial recognition at the fair value of the claim payable plus directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

w) Income tax expense

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the statement of profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred income tax

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

w) Income tax expense (continued)

Deferred income tax (continued)

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised, or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Value added taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of value added taxes and premium taxes except:

- when the value added taxes or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of value added taxes or premium tax included.

Outstanding net amounts of value added taxes or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

x) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

y) Deferred acquisition cost

Incremental costs directly attributable to the acquisition of insurance and investment contracts with discretionary participating features and investment management services are capitalized to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and its probable that they will be recovered. DAC are amortized in the statement of profit or loss over the term of the contracts as the related services are rendered and revenue recognized, which varies from year to year depending on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi annually and written down when it is not expected to be fully recovered. For the period to the end of the year, no DAC asset has been recognized since the incremental costs cannot be separately identified and measured reliably.

z) Expenses

Expenses are recognised in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

ii) An expense is recognised immediately in the statement of profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

aa) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

2. Summary of significant accounting policies (continued)

aa) Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

The recoverable amount for the life insurance business has been determined based on a fair value less costs to sell calculation. The calculation requires the Group to make an estimate of the total of the adjusted net worth of the life insurance business plus the value of in-force covered business. New business contribution represents the present value of projected future distributable profits generated from business written in a period. Growth and discount rates used are suitable rates which reflect the risks of the underlying cash flows.

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired

Associates

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate less costs to sell and the carrying value and recognises this amount in the statement of profit or loss.

ab) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounting using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

ac) Cash and cash equivalents

Cash and cash equivalents include cash in hand and on demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalent as defined above, net of outstanding bank overdrafts.

ad) Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Notes (continued)

2. Summary of significant accounting policies (continued)

ad) Significant judgements and key sources of estimation uncertainty (continued)

i. Significant judgements made in applying the Group's accounting policies:

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

a. Whether it is probable that that future taxable profits will be available against which temporary differences can be utilised; and

b. Whether the Group has the ability to hold 'held-to maturity' investments until they mature. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

c. Whether the Group has control over an investee in view of the criteria set out under IFRS 10.

These are;

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns

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

(a) The classification of financial assets and leases

(b) Classification of contracts as insurance or investments contracts

(c) Whether assets are impaired.

(d) Whether land and buildings meet the criteria to be classified as investment property.

ii. Key sources of estimation uncertainty

ae) Valuation of insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. These assumptions are set out in accounting policy (s) above and in 5(a) of the embedded value report. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

a) Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in accounting policy (j) above.

b) Impairment losses

Estimates made in determining the impairment losses on receivables and goodwill. Such estimates include the determination the recoverable amount of the asset.

c) Income taxes

The Group is subject to income taxes under the Kenya Income Tax Act. Estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 the deferred tax provisions in the period in which such determination is made.

af) Events after the reporting date.

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

ag) Share capital and share premium.

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

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

ah) Statutory fund - Life business

The Group matches the assets to liabilities, after which there is a surplus/deficit that is transferred to the statutory fund. The Insurance Act regulations stipulate that only a maximum 30% of this can be transferred to the shareholders. The statutory actuary advises on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2017: 30% (2016:30%) is incurred.

3. Segment information

The core business of the Group is underwriting of long-term and short-term business. The Insurance Act (Regulations under section 180 subsection 9) defines the following classes for the purpose of accounting.

Serial Number:	Brief description of class
31	Bond investment business
32	Industrial life assurance business
33	Ordinary life assurance business
34	Superannuation business

The Group does not underwrite bond investment and industrial life assurance business.

Superannuation business as defined by the above regulation means life assurance business being the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policy: -

(a) That is vested in the trustees of a fund established or maintained by a person, being a fund the terms and conditions applicable to which provide for:

(i) the payment of contributions to the fund by that person; and

(ii) payments being made from the fund, on account of injury, sickness, retirement or death of the employees of that person or of a Company in which that person has a controlling interest; or

(b) That was:

(i) effected for the purposes of a superannuation or retirement scheme; or

(ii) accepted by the person maintaining such a scheme for the purpose of the scheme.

For management purposes, the Group is organised into business units based on decision making, allocation of resources, products and services and has four reportable operating segments as follows:

(i) The ordinary life insurance segment offers individual life insurance products.

(ii) The superannuation segment deals with group insurance schemes.

(iii) The general insurance segment offers general insurance products

(iv) The investments segment provides investment management services.

No operating segments have been aggregated to form the above reportable operating segments.

In the Group, the Ordinary Life and Superannuation segments are the business of Sanlam Life Insurance Limited. The General business segment is the business of Sanlam General Insurance Limited while the other companies handle the Investments segment. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results include those transfers between segments which are then eliminated on consolidation.

The Group operating segments are all based in one geographical area in Kenya.

Notes (continued)

3. Segment information (continued)

Segment statement of comprehensive income for the year ended 31 December 2017

	Ordinary life KShs.'000	Super-annuation KShs.'000	General business KShs.'000	Investments KShs.'000	Consolidation adjustments KShs.'000	Total KShs.'000
Gross written premiums from external customers	2,553,922	1,773,010	2,042,915	-	-	6,369,847
Premiums ceded to reinsurers	(27,287)	(372,037)	(554,308)	-	-	(953,632)
Net premium Income	2,526,635	1,400,973	1,488,607	-	-	5,416,215
Fee and commission income	26,081	91,078	133,096	113,366	(63,529)	300,092
Investment income	1,037,829	1,123,694	57,396	2,862	63,529	2,285,310
Fair value gains and losses	553,661	-	4,723	(189,433)	-	368,951
Impairment of financial assets	(1,125,243)	-	-	-	-	(1,125,243)
Other operating revenue	2,714	-	(646)	163,368	(36,000)	129,436
Total other revenue	495,042	1,214,772	194,569	90,163	(36,000)	1,958,546
Total revenue	3,021,677	2,615,745	1,683,176	90,163	(36,000)	7,374,761
Gross benefits and claims paid	(2,310,938)	(1,854,815)	(1,242,631)	-	-	(5,408,384)
Claims ceded to reinsurers	12,544	117,493	453,284	-	-	583,321
Gross change in insurance contract liabilities	654,164	(1,488,150)	24,921	-	-	(809,065)
Gross change in investment contract liabilities	1,085,819	-	-	-	-	1,085,819
Change in contract liabilities ceded to reinsurers	-	19,276	(5,449)	-	-	13,827
Net benefits and claims	(558,411)	(3,206,196)	(769,875)	-	-	(4,534,482)
Other operating and administrative expenses	(993,283)	(402,325)	(810,932)	(441,274)	58,600	(2,589,214)
Total benefits, claims and other expenses	(1,551,694)	(3,608,521)	(1,580,807)	(441,274)	58,600	(7,123,696)
Profit before share of profit of associate	1,469,983	(992,776)	102,369	(351,111)	22,600	251,205
Share of loss of associate	-	-	-	-	(4,107)	(4,107)
Profit before tax	1,469,983	(992,776)	102,369	(351,111)	18,493	246,958
Income tax expense	(522,250)	352,709	(33,669)	9,297	-	(193,913)
Profit for the year	947,733	(640,067)	68,700	(341,814)	18,493	53,045
Other comprehensive income	-	-	140	-	-	140
Total comprehensive income	947,733	(640,067)	68,840	(341,814)	18,493	53,185

All expenses, including depreciation and amortization costs, have been charged to the respective operating segments. All revenues and expenses are included in the consolidated statement of profit or loss.

The consolidation adjustment of KShs 36,000,000 relates to the elimination of dividend income from Sanlam Investments Limited to Sanlam Kenya Plc while the KShs 58,600,000 adjustment relates to reversal of impairment in investments in subsidiaries recorded in Sanlam Securities.

Notes (continued)

3. Segment information (continued)

Segment statement of comprehensive income for the year ended 31 December 2016

	Ordinary life KShs.'000	Super-annuation KShs.'000	General business KShs.'000	Investments KShs.'000	Consolidation adjustments KShs.'000	Total KShs.'000
Gross written premiums from external customers	2,507,245	1,889,094	828,207	-	-	5,224,546
Premiums ceded to reinsurers	(29,550)	(182,525)	(180,266)	-	-	(392,341)
Net premium Income	2,477,695	1,706,569	647,941	-	-	4,832,205
Fee and commission income	869	39,377	34,709	-	-	74,955
Interest income	535,104	556,945	37,798	48,430	-	1,178,277
Investment income	715,174	522,718	22,661	142,623	(330,000)	1,073,176
Fair value gains and losses	(154,651)	-	(60,029)	(298,469)	-	(513,149)
Impairment of financial assets	(53,791)	(39,606)	-	-	-	(93,397)
Other operating revenue	3,668	22,231	474	575,634	-	602,007
Total other revenue	1,046,373	1,101,665	35,613	468,218	(330,000)	2,321,869
Total revenue	3,524,068	2,808,234	683,554	468,218	(330,000)	7,154,074
Gross benefits and claims paid	(1,981,042)	(1,704,911)	(508,032)	-	-	(4,193,985)
Claims ceded to reinsurers	13,761	76,294	114,444	-	-	204,499
Gross change in insurance contract liabilities	(752,484)	(554,395)	101,565	-	-	(1,205,314)
Gross change in investment contract liabilities	600,054	-	-	-	-	600,054
Change in contract liabilities ceded to reinsurers	-	(41,091)	157,370	-	-	116,279
Net benefits and claims	(2,119,711)	(2,224,103)	(134,653)	-	-	(4,478,467)
Cost of sales	-	-	-	(28,009)	-	(28,009)
Fee and commission expense	(427,233)	(141,906)	(91,592)	-	-	(660,731)
Other operating and administrative expenses	(609,009)	(194,799)	(471,587)	(394,199)	-	(1,669,594)
Total benefits, claims and other expenses	(3,155,953)	(2,560,808)	(697,832)	(422,208)	-	(6,836,801)
Profit before share of profit of associate	368,115	247,426	(14,278)	46,010	(330,000)	317,273
Share of loss of associate	-	-		-	(220)	(220)
Profit before tax	368,115	247,426	(14,278)	46,010	(330,220)	317,053
Income tax expense	(124,935)	(92,773)	(30,338)	1,620	-	(246,430)
Profit for the year	243,180	154,653	(44,616)	47,630	(330,220)	70,623
Other comprehensive income	-	-	23,249	-	-	23,249
Total comprehensive income	243,180	154,653	(21,367)	47,630	(330,220)	93,872

All expenses, including depreciation and amortization costs, have been charged to the respective operating segments. All revenues and expenses are included in the consolidated statement of profit or loss.

Notes (continued)

3. Segment Information (continued)

The consolidation adjustment of KShs 330,000,000 relates to the elimination of dividend income from Sanlam Securities and Sanlam Investments to Sanlam Kenya PLC

Segment statement of financial position

At 31 December 2017:	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
ASSETS	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Intangible assets	86,179	-	20,279	2,577	-	109,035
Property and equipment	126,521	-	19,123	11,716	-	157,360
Investment properties	2,664,000	-	516,700	-	-	3,180,700
Equity accounted investments	-	-	-	4,861	12,602	17,463
Investments in subsidiaries	-	-	-	1,465,396	(1,465,396)	-
Financial instruments	8,989,544	9,199,300	513,704	800,000	-	19,502,548
Long term reinsurance assets	-	153,572	479,654	-	-	633,226
Land and development	-	-	-	118,734	-	118,734
Insurance receivables	139,219	69,845	620,980	-	-	830,044
Other assets	3,159,807	323,586	998,585	1,375,938	(595,542)	5,262,374
Total assets	15,165,270	9,746,303	3,169,025	3,779,222	(2,048,336)	29,811,484
LIABILITIES						
Borrowings	-	-	-	1,030,741	-	1,030,741
Insurance contracts liabilities	8,122,471	4,000,620	1,438,092	-	-	13,561,183
Investment contract liabilities	3,113,077	3,455,081	-	-	-	6,568,158
Deposit administration contracts	1,433,027	-	-	-	-	1,433,027
Other non-current liabilities	747,449	-	-	-	-	747,449
Other liabilities	2,485,847	(846,174)	964,053	410,792	(595,542)	2,195,239
Total liabilities	15,901,871	6,609,527	2,402,145	1,441,533	(595,542)	25,759,534
Net assets	(736,601)	3,136,776	766,880	2,337,689	(1,452,794)	4,051,950

Other segment reporting disclosures

For the year ended 31 December 2017	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
	KShs.'000	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Additions to non-current assets	870,859	604,901	333,560	122,448	(121,792)	1,809,977

Notes (continued)

3. Segment information (continued)

At 31 December 2016:	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
ASSETS	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Intangible assets	101,987	-	11,739	2,935	-	116,661
Property and equipment	138,418	-	23,604	15,049	-	177,071
Investment properties	2,244,500	-	516,700	-	-	2,761,200
Equity accounted investments	-	-	-	4,861	16,711	21,572
Investments in subsidiaries	-	-	-	1,402,204	(1,402,204)	-
Financial instruments	9,421,697	8,667,101	344,451	1,074,343	-	19,507,592
Long term reinsurance assets	-	134,296	420,687	-	-	554,983
Land and development	-	-	-	127,366	-	127,366
Insurance receivables	106,846	99,263	344,513	-	-	550,622
Other assets	2,596,421	999,610	999,610	1,675,278	(1,569,329)	4,625,523
Total assets	14,609,869	9,900,270	2,585,237	4,302,036	(2,954,822)	28,4442,590
LIABILITIES						
Insurance contracts liabilities	7,563,701	3,725,405	1,414,942	-	-	12,704,048
Investment contract liabilities	3,627,717	4,026,260	-	-	-	7,653,977
Deposit administration contracts	1,489,407	-	-	-	-	1,489,407
Other non-current liabilities	844,396	-	-	-	-	844,396
Other liabilities	951,148	154,412	663,930	1,618,357	(1,569,329)	1,818,518
Total liabilities	14,476,369	7,906,077	2,078,872	1,618,357	(1,569,329)	24,510,346
NET ASSETS	133,500	1,957,868	506,365	2,683,679	(1,385,493)	3,895,919

Other segment reporting disclosures

For the year ended 31 December 2016						
Additions to non-current assets	697,243	729,471	222,916	45,763	-	1,659,393

4. a) Group gross premium income

The principal activity of the Group is the underwriting of long-term and general insurance business as defined by the Insurance Act. Premium income can be analysed between the two main lines of insurance business as follows

i) Long term insurance business

	2017	2016
	KShs. '000	**KShs. '000**
New business: Recurring		
Individual life	394,931	363,120
Group business	493,182	155,535
New business: Single premiums		
Individual life	-	100
Group business	892,506	1,415,528
Total new business	**1,780,619**	**1,934,283**
Renewal recurring		
Individual life	2,158,991	2,144,025
Group business	387,322	318,031
Total renewal premium income	**2,546,313**	**2,462,056**
Total long-term business gross premium income	**4,326,932**	**4,396,339**

Notes (continued)

4. a) Group gross premium income (continued)

ii) General insurance business

Class of business	2017	2016
	KShs.'000	KShs.'000
Fire domestic	12,169	4,412
Fire industrial	103,738	19,280
Liability	61,907	25,541
Marine	38,576	5,926
Motor private	425,522	249,479
Motor commercial	283,460	158,242
Motor PSV	131,069	85,319
Personal accident	21,568	10,803
Medical	808,469	200,162
Theft	60,501	21,030
Workmen compensation	50,963	14,972
Miscellaneous	26,255	18,155
Total general business gross premium income	**2,042,915**	**828,207**
Total group gross premium income	**6,369,847**	**5,224,546**

4. b) Premiums ceded to reinsurers

Section 29(1) of the Insurance Act requires all registered underwriters to have in place appropriate reinsurance arrangements being arrangements approved by the Commissioner of Insurance in respect of insurance business underwritten in the course of the business.

The premiums ceded to reinsurers can be analyzed by the main classes of business as follows;

	2017	2016
	KShs.'000	KShs.'000
Long term insurance business		
Ordinary life	27,287	29,550
Super-annuation	372,037	182,525
General insurance business	554,308	180,266
Total premiums ceded to reinsurers	**953,632**	**392,341**

5. Fee and commission income

	2017	2016
	KShs.'000	KShs.'000
Fee	49,837	100,113
Commission received	250,255	74,955
	300,092	**175,068**

6. Investment return

a) Investment income

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Rental income:				
Gross rental income	82,289	69,420	-	-
Net rental expenses	(42,219)	(15,544)	-	-
	40,070	53,876	-	-
Financial assets designated at fair value through profit or loss				
- Interest income	780,707	829,443	-	-
- Dividend income	118,463	161,788	-	-
Interest income on held to maturity financial assets	1,142,676	1,029,167	-	-
Interest income on loans to related parties	13,483	21,775	-	-
Interest income on loans and receivables	153,667	214,512	-	-
Interest income on cash and cash equivalents	36,244	107,971	-	1,197
Total investment income	2,285,310	2,418,532	-	1,197

Notes (continued)

6. Investment return (continued)

b) Fair value gains/ (losses)

	Group	
	2017	2016
	KShs.'000	KShs.'000
Unrealised fair value gains on investment properties	176,749	61,613
Realised loss on sale of investment properties	-	(60,000)
Financial assets at fair value through profit or loss		
- Realised (losses)/gains on equity securities	154,658	(352,083)
- Unrealised (losses)/gains on debt securities	(44,795)	37,443
- Unrealised losses on equity securities	82,339	(137,314)
Total fair value losses	368,951	(450,341)

The realised gains and losses on disposals relate to the gains/losses made on financial instruments since the last reporting date.

c) Impairment of financial assets

Impairment is reported as a deduction from the carrying value of the investment and recognized in the statement of comprehensive income as 'Impairment of financial assets'. The impaired amount recognized below relates to non-performing corporate bonds of KShs. 1,078,903,000 and KShs. 46,340,000 fixed deposit held as lien with a financial institution for ex staff loans that are in payment arrears. The 2016 impairment related to non-performing financial instruments in the period.

	Group	
	2017	2016
	KShs. '000	KShs. '000
Carrying value	1,257,109	373,585
Impaired amount	(1,125,243)	(93,397)
Net book value	131,866	280,188

Notes (continued)

6. Investment return (continued)

d) Other operating revenue and expenses

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Plot sales	31,700	186,600	31,700	186,600
Other income	97,736	85,407	119,221	309,718
Total other income	129,436	272,007	150,921	496,318

7. Details of expenses

a) Claims and benefits paid

	Group	
	2017	2016
	KShs.'000	KShs.'000
Long term insurance contracts with fixed and guaranteed terms		
- Death and disability claims	1,033,970	1,420,238
- Maturity and survival benefits	1,687,397	1,176,665
- Policy surrenders	531,710	241,541
- Annuities	912,676	847,508
General insurance business claims	1,242,631	508,032
Gross benefits and claims paid	5,408,384	4,193,984
Claims ceded to reinsurers	(583,321)	(204,498)
Gross change in actuarial value of insurance contract liabilities	809,065	1,205,314
Gross change in actuarial value of investment contract liabilities	(1,085,819)	(600,054)
Change in contract liabilities ceded to reinsurers	(13,827)	(116,279)
Net benefits and claims	4,534,482	4,478,467

Notes (continued)

7. Details of expenses (continued)

b) Fee and commission expense

	Group	
	2017	2016
	KShs.'000	KShs.'000
Payable to agents	538,270	518,825
Payable to brokers and other intermediaries	196,880	141,906
Fee and commission expense	735,150	660,731

c) Cost of sales - land

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Construction	7,018	18,788	7,018	18,788
Land	2,132	5,707	2,132	5,707
Legal costs	1,313	3,514	1,313	3,514
Total cost of sales	10,463	28,009	10,463	28,009

Items of cost of sales represent costs incurred in the sale of land.

8. Operating expenses

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Other operating charges include:				
Staff costs (Note 9)	746,366	776,306	193,026	172,267
Amortisation (Note 11(a))	22,388	19,122	-	-
Depreciation (Note 12)	44,747	44,237	2,457	2,395
Fees for managerial and administrative services:				
Auditors remuneration	11,712	10,133	2,095	1,263
Tax audit fees	8,883	2,132	1,780	815
Legal fees	27,081	20,841	2,807	3,823
Actuarial fees	4,919	4,420	-	-
Premium tax and stamp duty	49,943	37,968	-	-
Premium collection charges	68,623	51,761	-	-
Advertising	57,645	52,127	-	18,050
Office rent	93,952	79,494	3,846	2,353
Repairs and maintenance	11,241	13,945	1,173	5,272
Other expenses	696,101	557,108	27,899	-
Total operating expenses	1,843,601	1,669,594	235,083	206,238

9. Staff costs

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Staff costs include the following:				
Defined contribution pension costs	56,133	47,326	16,134	13,445
Social security benefit costs	747	1,987	116	190
Salaries and other short-term benefits	675,486	709,993	165,776	144,632
Long term incentive costs	14,000	17,000	11,000	14,000
Staff costs	746,366	776,306	193,026	172,267

Notes (continued)

10. Income tax expense

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Statement of profit or loss				
Current year tax charge	60,874	69,943	-	816
Deferred income tax charge /(credit) (Note 29)	133,039	188,983	(23,985)	(6,727)
Over provision in deferred tax in prior years	-	(12,496)	-	(920)
Current year tax charge	193,913	246,430	(23,985)	(6,831)
Reconciliation of income tax expense to tax based on accounting profit: -				
Profit before income tax	246,958	317,053	(94,625)	263,268
Tax calculated at a statutory rate of 30%	74,087	95,116	(28,388)	78,980
Tax effect of:				
Income not subject to tax	(43,557)	(97,997)	(6,397)	(99,000)
Expenses not deductible for tax	163,383	249,311	10,800	13,189
Income tax expense/(credit)	193,913	246,430	(23,985)	6,831
Statement of financial position:				
At start of the year:	56,916	22,891	15,423	(1,428)
Instalment tax paid	33,477	103,968	-	16,238
Under/(over)provision from prior years	-	-	-	(6,218)
Current income tax charge	(60,874)	(69,943)	-	6,831
Transfer from deferred tax on life fund surplus	(240,109)	-	-	-
	(210,590)	56,916	15,423	15,423
At the end of the year:				
Assets				
Current income tax	20,094	65,583	15,423	15,423
Deferred income tax (Note 29)	192,843	182,721	48,868	24,883
	212,937	248,304	64,291	40,306
Liabilities				
Current income tax	(230,684)	(8,668)	-	-
Deferred income tax (Note 29)	(747,449)	(844,396)	-	-
	(978,133)	(853,064)	-	-

11. (a) Group intangible assets

Year ended 31 December 2017	Software
	KShs.'000
Cost:	
At 1 January	189,843
Additions	16,248
At 31 December	206,091
Amortisation	
At start of year	(73,182)
Charge for the year	(23,874)
At 31 December	(97,056)
Carrying amount	
At 31 December	109,035

Year ended 31 December 2016	Software
	KShs.'000
Cost:	
At 1 January	183,881
Additions	5,962
At 31 December	189,843
Amortisation	
At start of year	(54,060)
Charge for the year	(19,122)
At 31 December	(73,182)
Carrying amount	
At 31 December	116,661

11. (b) Goodwill on business combinations

	2017	2016
	KShs.'000	KShs.'000
Goodwill on acquisition of Sanlam General Insurance	564,080	564,080
Provision for impairment	(564,080)	(564,080)
	-	-

On 1 March 2015, the Group completed a part acquisition of Sanlam General Insurance Limited ("Gateway") with Gateway becoming a subsidiary of the Group. The transaction resulted in the recognition of goodwill in the consolidated accounts of the Group as a result of the business combination.

The following table summarises the consideration paid to shareholders of Gateway to acquire a 51% stake in the company, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	KShs.'000
Total consideration	561,024
Recognised amounts of identifiable net liabilities at fair value	5,992
Non-controlling interest	(2,936)
Goodwill	564,080

The Group tests whether intangible assets (being goodwill and acquisition-related intangible assets) have suffered any impairment. The recoverable amounts of cash-generating units are determined using value-in-use calculations. These calculations require the use of estimates. Based on these impairment tests, impairment losses, if any, are identified and recorded in the financial statements.

The recoverable amount of the cash-generating unit is based on the higher of value in use and fair value less cost to dispose. The value in use is determined by means of cash flow projections based on the five year budgeted cash flows of the cash generating unit.

The annual impairment tests carried out by the Group for 2015 indicated that the operating segment that contained goodwill was impaired since the carrying value of the cash-generating unit was higher than the recoverable amount of the cash-generating unit. The Group therefore recognised an impairment loss in the consolidated statement of profit or loss for the year ended 31 December 2015 equal to the carrying value before impairment (KShs 564,080,000).

Cash flows to perpetuity were arrived at by assuming a 7% growth rate and these were used to compute the terminal value of the company. The discount rate used to determine the value in use of the cash generating unit was 22.4% which was determined by adding the risk adjustment of 10% to the risk free rate of 12.4% as determined by the yield on a treasury bond.

12. (a) Group property and equipment

Year ended 31 December 2017	Motor vehicles	Computer equipment	Furniture and equipment	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost				
At 1 January	15,596	195,445	344,980	556,021
Additions	10,430	8,861	5,746	25,037
Disposals	(1,742)	-	(99)	(1,841)
At 31 December	24,284	204,306	350,627	579,217
Depreciation and impairment				
At 1 January	(15,596)	(177,919)	(185,435)	(378,950)
Disposals	1,742	-	99	1,841
Charge for the year	(1,305)	(11,306)	(32,136)	(44,747)
At 31 December	(15,159)	(189,225)	(217,472)	(421,856)
Carrying amount				
At 1 January	-	17,526	159,545	177,071
At 31 December	9,125	15,081	133,155	157,361

The useful lives of property and equipment are assessed every year.

No borrowing costs have been capitalised in the additions to property and equipment. None of the above assets was pledged as collateral for liabilities.

Year ended 31 December 2016	Motor vehicles	Computer equipment	Furniture and equipment	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost				
At 1 January	15,596	180,992	272,263	468,851
Additions	-	14,453	72,717	87,170
At 31 December	15,596	195,445	344,980	556,021
Depreciation and impairment				
At 1 January	(15,572)	(162,416)	(156,725)	(334,713)
Charge for the year	(24)	(15,503)	(28,710)	(44,237)
At 31 December	(15,596)	(177,919)	(185,435)	(378,950)
Carrying amount				
At 1 January	24	18,576	115,538	134,138
At 31 December	-	17,526	159,545	177,071

12. (b) Company property and equipment

Year ended 31 December 2017	Computer equipment	Furniture and equipment	Total
	KShs.'000	KShs.'000	KShs.'000
Cost			
At 1 January	2,812	18,846	21,658
Additions	206	-	206
At 31 December	3,018	18,846	21,864
Depreciation and impairment			
At 1 January	(1,429)	(10,403)	(11,832)
Charge for the year	(346)	(2,111)	(2,457)
At 31 December	(1,775)	(12,514)	(14,289)
Carrying amount			
At 31 December	1,243	6,332	7,575

Year ended 31 December 2016	Computer equipment	Furniture and equipment	Total
	KShs.'000	KShs.'000	KShs.'000
Cost			
At 1 January	1,207	12,100	13,307
Additions	1,605	6,746	8,351
At 31 December	2,812	18,846	21,658
Depreciation and impairment			
At 1 January	(1,143)	(8,294)	(9,437)
Charge for the year	(286)	(2,109)	(2,395)
At 31 December	(1,429)	(10,403)	(11,832)
Carrying amount			
At 31 December	1,383	8,443	9,826

13. a) Investment properties

	Work in Progress	Other	Total	Total
	2017	2017	2017	2016
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
At 1 January	1,133,387	1,627,813	2,761,200	2,674,799
Additions	847,751	-	847,751	624,788
Disposals	-	-	-	(600,000)
Fair value gains	118,862	57,887	176,749	61,613
Transfer to non-current assets held for sale (Note 13 (b))	-	(605,000)	(605,000)	-
At 31 December	2,100,000	1,080,700	3,180,700	2,761,200

Investment properties are stated at fair value, which has been determined based on valuations performed by Knight Frank Limited and Lloyd Masika as at 31 December 2017 and 31 December 2016. Knight Frank Limited and Lloyd Masika are industry specialists in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The valuation takes into account recent prices of similar properties with adjustments being made to reflect any changes in economic conditions since the date of the transactions at those prices.

The Group leases some of its investment properties. The rental income arising during the year and expenses arising in respect of those properties are disclosed in Note 6(a)

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows

	Level 1	Level 2	Level 3	Total
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
As at 31 December 2017				
Investment properties	-	-	3,180,700	3,180,700
As at 31 December 2016				
Investment properties	-	-	2,761,200	2,761,200

The valuation technique used to derive Level 3 fair value on investment property is on the basis of highest and best use that is Market Value for existing use. Leasehold considerations and tenancies have been reflected in the valuation.

Notes (continued)

13 b) Assets held for sale

	2017	2016
	KShs. '000	KShs. '000
At 1 January	-	-
Additions	-	-
Disposals	-	-
Transfer from investment properties (Note 13(a))	605,000	-
Transfer from other receivables	540,000	-
Total	1,145,000	-

Assets held for sale comprise land and buildings which the Group intends to sell before the end of 2018.

The Group intends to move into Sanlam Tower in Westlands, currently under construction in the course of 2018. As such, this is designated as the future office of the Group. The Board of Directors of Sanlam Kenya Plc, have approved the sale of Sanlam House, Loresho Building and Grevilia House. Sanlam House is actively being marketed and the directors believe the sale of the property will be completed by the end of 2018. At year end, there were existing sale agreements for Loresho Building and Grevilia House but this did not qualify to be accounted for a sale and hence disclosed as held for sale. Sanlam House was previously classified under investment properties in the books of the Group.

Sanlam House, Loresho Building and the Grevilia House were classified as held for sale as at year end as required by IFRS 5 and were measured at fair value as per the guidelines of IAS 40 "Investment Properties". The fair value of the assets held for sale was determined based on valuations performed by Knight Frank Limited as at 31 December 2017. Knight Frank Limited are industry specialists in valuing these types of investment properties. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

14. (a) Investments in subsidiaries

Company	Shareholding	2017	2016
		KShs.'000	KShs.'000
Sanlam Life Insurance Limited	100%	230,261	230,261
Sanlam Securities Limited	100%	679,009	679,009
Sanlam Investments Limited	100%	59,514	59,514
Sanlam General Insurance Limited	67.54%	496,612	374,820
		1,465,396	1,343,604

In 2017 Sanlam Kenya made additional investments of KShs 121,792,000 in Sanlam General while minority interests made additional investments of KShs 66,521,000. There was no change in the shareholding structure as a result of the investments.

14. (a) Investments in subsidiaries (continued)

Set out below is the summarised financial information of Sanlam General Limited, the only subsidiary whose non-controlling interest is material to the group. The amounts disclosed are before intercompany eliminations.

Summarised statement of financial position	2017	2016
	KShs'000	KShs'000
Total assets	3,115,019	2,585,232
Total liabilities	(2,351,501)	(2,078,870)
Net assets	763,518	506,362

Summarised statement of comprehensive income		
Gross earned premiums	2,042,915	828,207
Underwriting profit/(loss)	40,895	(37,693)
Profit/(loss) before income tax	102,369	(14,278)
Income tax expense	(33,669)	(30,338)
Other comprehensive income	140	23,249
Total comprehensive income/(loss) for the year	68,840	(21,367)
Total comprehensive income allocated to non-controlling interests	22,276	(12,189)

Summarised cash flows		
Net cash generated from operating activities	(87,693)	(811,648)
Net cash generated (used in)/generated from investing activities	(187,100)	507,353
Net cash generated from financing activities	188,316	250,000
Net decrease in cash and cash equivalents	(86,477)	(54,295)
Cash and cash equivalents at beginning of year	226,035	280,330
Cash and cash equivalents at end of year	139,558	226,035

14. (b) Investment in associate

		2017	2016
Investments comprise:	**Principal activity**	**Shareholding**	**Shareholding**
Runda Water Limited	Water distribution	24.90%	24.90%

Runda Water Limited is a private entity incorporated in Kenya. The entity is not listed on any public exchange and there is no published price quotation for the fair value of this investment. The country of incorporation of the associate is also its principal place of business. The share capital in the entity is solely made up of ordinary shares. The reporting date of Runda Water Limited is the same as the Group's and both use uniform accounting policies. There are no contingent liabilities relating to the group's interest in the associates.

Set out below is the summarised financial information of Runda Water.

	2017	2016
Summarised statement of financial position	**KShs'000**	**KShs'000**
Total assets	121,774	158,373
Total liabilities	(51,631)	(71,016)
Net assets	70,143	87,357
Summarised statement of comprehensive income		
Gross revenues	54,061	72,835
Administration and other expenses	(70,555)	(73,719)
Loss for the year	**(16,494)**	**(884)**

Shown below is the reconciliation to the carrying amounts in the financial statements as at 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs. '000	KShs. '000
At 1 January	21,572	21,792	4,861	4,861
Share of results before tax	(4,107)	(220)	-	-
At 31 December	17,465	21,572	4,861	4,861
Share of associates' statement of financial position:				
Total assets	30,322	39,435	-	-
Total liabilities	(12,857)	(17,683)	-	-
Net assets	17,465	21,572	-	-
Share of associates' revenue and loss:				
Revenue	13,461	18,136	-	-
Loss in associate	(4,107)	(220)	-	-

15. Loans

	Group	
	2017	2016
	KShs.'000	KShs.'000
Mortgage loans (Note 18)	215,681	366,500
Policy loans (Note 19)	510,689	564,064
IPF Loans	31,864	-
Total Loans	758,234	930,564

Loans, receivables and other financial assets, cash and cash equivalents make up the loans receivable category. As at the reporting date, the carrying value of the loans receivable fairly approximates the fair value of the loans. Mortgage loans are secured on the underlying property while policy loans are secured by the cash surrender value of the underlying policies.

16. Financial instruments

(a) Summary per category

	Designated as fair value through profit or loss	Held-to-maturity	Available for sale	Total
As at 31 December 2017:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Public sector stocks and loans	5,733,553	9,463,228	-	15,196,781
Equities and similar securities	4,200,973	-	104,793	4,305,766
	9,934,526	9,463,228	104,793	19,502,547

	Designated as fair value through profit or loss	Held-to-maturity	Available for sale	Total
As at 31 December 2016:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Public sector stocks and loans	6,302,671	8,836,392	-	15,139,063
Equities and similar securities	4,263,876	-	104,653	4,368,529
	10,566,547	8,836,392	104,653	19,507,592

Notes (continued)

16. Financial instruments (continued)

The movement in financial assets is as shown below:

	Designated as fair value through profit or loss	Held-to-maturity	Available for sale	Total
As at 31 December 2017:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Opening balance	10,566,547	8,836,392	104,653	19,507,592
Purchases	936,377	759,901	-	1,696,278
Disposals	(1,663,494)	-	-	(1,663,494)
Maturities	(87,771)	(149,225)	-	(236,996)
Net investment income:				
Premium	781,207	1,126,772	-	1,907,979
Investment income received	(632,261)	(1,110,612)	-	(1,742,873)
Fair value gains	33,921	-	140	34,061
Closing balance	9,934,526	9,463,228	104,793	19,502,547

	Designated as fair value through profit or loss	Held-to-maturity	Available for sale	Total
As at 31 December 2016:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Opening balance	10,039,667	8,069,169	81,404	18,190,240
Purchases	667,666	763,962	-	1,431,268
Disposals	(729,631)	-	-	(729,631)
Maturities	-	(51,900)	-	(51,900)
Net investment income:				
Premium	1,397,849	1,045,609	-	2,443,458
Investment income received	(706,463)	(990,448)	-	(1,696,911)
Fair value gains	(102,541)	-	23,249	(79,292)
Closing balance	10,566,547	8,836,392	104,653	19,507,592

Notes (continued)

16. Financial instruments (continued)

Maturity analysis:	< 1 year	1 - 5 years	> 5 years	Open ended	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
As at 31 December 2017:					
Public sector stocks and loans	649,408	3,597,183	10,950,190	-	15,191,781
Equities and similar securities	-	-	-	4,305,766	4,305,766
	649,408	3,597,183	10,950,190	4,305,767	19,502,547
As at 31 December 2016:					
Public sector stocks and loans	605,183	3,479,605	11,054,275	-	15,139,063
Equities and similar securities	-	-	-	4,368,529	4,368,529
	605,183	3,479,605	11,054,275	4,368,529	19,507,592

Loans and receivables are analyzed in Notes 19 and 22. Included within the held-to-maturity investments are government bonds held under lien as required by the Insurance Regulatory Authority. The Group has the positive intention and ability to hold until maturity. The fair value as at 31 December 2017 of held-to-maturity investments was KShs. 8.871 billion (2016: KShs 7.802 billion). Loans are adequately secured while government bonds that are considered to be risk free hence the securities are not impaired.

(b) Determination of fair value and fair value hierarchy

Below is the required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures only cover instruments measured at fair value.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. 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. Fair value of the deposit administration liabilities is based on the fair value of the assets backing these liabilities. The assets are traded in an active market and quoted prices are available.

Level 2

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique such as discounted cash flows, based on assumptions that are supported by prices from observable current market transactions are categorised as level 2. The Group's level 2 financial assets indicated below comprise of government securities which are at fair value through P&L. Fair value is determined by discounting estimated cash flows with a discount rate based on a market yield for similar instruments at year-end. Inputs applied include a market discount rate and credit risk of the counterparty.

Notes (continued)

16. Financial instruments (continued)
(b) Determination of fair value and fair value hierarchy (continued)

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.
Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

	Level 1	Level 2	Level 3	Total fair value
As at 31 December 2017:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Financial assets :				
Equities and similar securities	3,401,664	800,000	104,102	4,305,766
Public sector stocks and loans	5,733,553	-	-	5,733,553
Non-financial assets at fair value				
Investment properties	-	-	3,785,700	3,785,700
Non-current assets held for sale	-	-	1,145,000	1,145,000
	9,135,217	800,000	5,034,802	14,970,019
Financial liabilities:				
Investment contract liabilities	-	6,568,158	-	6,568,158
	-	6,568,158	-	6,568,158

	Level 1	Level 2	Level 3	Total fair value
As at 31 December 2016:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Financial assets:				
Equities and similar securities	3,286,098	977,778	104,653	4,368,529
Public sector stocks and loans	6,302,671	-	-	6,302,671
Non-financial assets at fair value				
Investment properties	-	-	2,761,200	2,761,200
Non-current assets held for sale	-	-	-	-
	9,588,769	977,778	2,865,853	13,432,400
Financial liabilities:				
Investment contract liabilities	-	7,653,977	-	7,653,977
	-	7,653,977	-	7,653,977

Notes (continued)

17. Reinsurance asset

The reinsurance asset can be broken down as follows;

	Group	
	2017	2016
	KShs. '000	KShs. '000
Long term business reinsurance asset	153,572	134,296
General business reinsurance asset	479,654	420,687
	633,226	554,983

The following is a summary of the movements in the reinsurance asset

i. Long term reinsurance asset movement

Opening balance	134,296	93,205
Current year movement	19,276	41,091
	153,572	134,296

ii. General reinsurance asset movement

	Group	
	2017	2016
	KShs. '000	KShs. '000
As at 1 January 2017		
Reinsurer's share of contract liabilities (Note 26(a))	327,341	166,371
Reinsurer's share of unearned premium (Note 27)	93,346	67,121
Current year movements		
Increase in reinsurer's share of contract liabilities	(10,029)	160,970
Increase in reinsurer's share of unearned premiums (Note 27)	68,996	26,225
At 31 December 2017		
Reinsurer's share of contract liabilities (Note 26(a))	317,312	327,341
Reinsurer's share of unearned premium (Note 27)	162,342	93,346
Total reinsurer's share of liabilities	479,654	420,687

18. Mortgage loans

	2017	2016
	KShs. '000	KShs. '000
At start of year	372,574	390,719
Accrued interest	30,201	37,728
Additional loans advanced	-	30,884
Loan repayments	(181,020)	(86,757)
At end of year	221,755	372,574
Impairment:		
At 1 January	(6,074)	(5,751)
Increase during the year	-	(323)
At 31 December	(6,074)	(6,074)
At end of year (Note 15)	215,681	366,500

Maturity profile of mortgage loans

Loans maturing:		
Within 1 year	1,397	2,267
In 1 - 5 years	8,390	13,609
After 5 years	211,968	356,698
Provision for impairment	(6,074)	(6,074)
	215,681	366,500

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

19. Policy loans

	Group	
	2017	2016
	KShs.'000	KShs.'000
At start of year	564,064	580,824
Additions	811,872	717,791
Repayments	(935,821)	(811,552)
Interest accrued	70,871	77,298
At end of year	510,986	564,361
Provision for impairment:		
At start of the year	(297)	(297)
Increase during the year	-	-
At end of the year	(297)	(297)
Net policy loans	510,689	564,064

The collateral for the policy loans is the cash surrender value of the underlying policy. In case of default the loan is written off against the cash surrender value. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

20. Weighted average effective interest rate

The following table summarises the fixed average effective interest rates at the year-end on the principal interest-bearing investments. The interest contractual rates do not fluctuate during the term of the investments.

	2017	2016
Treasury bills	9%	13%
Treasury bonds	12%	13%
Mortgage loans and commercial papers	11%	10%
Deposits with financial institutions	12%	8%
Policy loans	16%	16%

Notes (continued)

21. Land and development

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At start of year	127,366	77,038	127,366	77,038
Additions	-	75,000	-	75,000
Disposals	(8,632)	(24,672)	(8,632)	(24,672)
As at December	118,734	127,366	118,734	127,366

Land and development refers to land which is held by the Company for resale.

22. Receivables and deferred acquisition costs

(a) Insurance receivables

		Group	
		2017	2016
		KShs.'000	KShs.'000
Due from policyholders		1,728,063	1,663,765
Provision for doubtful debts	38(u)	(1,261,847)	(1,192,861)
Amount due from policyholders		466,216	470,904
Amounts due from reinsurers		361,943	98,432
Provision for doubtful debts		(20,686)	(20,686)
Amounts due from agents, brokers and intermediaries		22,571	1,972
Provision for doubtful debts		-	-
		830,044	550,622

The amounts receivable do not carry interest and are due within a period ranging from 30 days to 180 days.

The impairment is charged to expenses in the respective period.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

22. Receivables and deferred acquisition costs (continued)

(b) Receivables and other financial assets

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amounts due from related parties (Note 36)	26,899	69,932	100,152	156,190
Rent outstanding	4,934	3,058		-
Other receivables	391,887	708,699	72,333	210,577
Prepayments	28,221	17,103	802	-
Total	451,941	798,792	173,287	366,767

The carrying amounts disclosed above reasonably approximate fair value at reporting date due to their short-term nature.

(c) Deferred acquisition costs

The movement in deferred acquisition costs is shown below;

	Group	
	2017	2016
	KShs.'000	KShs.'000
At start of year	150,427	19,776
Net movements in the year	2,622	130,651
At end of year	153,049	150,427

23. Cash and cash equivalents

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

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cash and bank balances	301,567	463,955	26,362	11,659
Deposits with financial institutions	2,239,644	2,033,481	-	-
	2,541,211	2,497,436	26,362	11,659

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. All deposits are subject to an average interest rate of 12% (2016: 8%).The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

24. Share capital and reserves

Share capital	Ordinary shares	2017	2016
	Thousands	KShs.'000	KShs.'000
At start and end of year	144,000	720,000	720,000
At the end of the year	144,000	720,000	720,000

The total number of authorised ordinary shares is 400,000,000 with a par value of KShs. 5 per share. There are 144,000,000 shares in issue with a par value of KShs. 5 per share. All issued shares are fully paid.

Statutory fund - Group

The statutory fund represents a reserve maintained within the long-term insurance business and represents unallocated surpluses from previous actuarial valuations as required by section 46(5) of the Insurance Act. Transfers from this fund are made upon recommendation of the actuary. This movement has been shown on the statement of changes in equity.

	Group	
	2017	2016
	KShs.'000	KShs.'000
Balance at the beginning of the year	1,862,245	1,450,011
Surplus for the year	307,666	412,234
Transfer to retained earnings	(560,253)	-
Closing fund	1,609,658	1,862,245

During the year, the statutory actuary recommended a transfer of KShs 800,362 (KShs 560,253 net of tax) from the statutory fund to retained earnings.

25. Borrowings – Group and Company

Year ended 31 December 2017	Current	Non-Current	Total
	KShs.'000	KShs.'000	KShs.'000
Loan from related party	941	1,029,800	1,030,741

Year ended 31 December 2016	Current	Non-Current	Total
	KShs.'000	KShs.'000	KShs.'000
Loan from related party	-	-	-

Sanlam Kenya Plc acquired a loan facility from Sanlam Capital Markets amounting to USD 10 million for a period of two years whose interest is referenced to the 3month libor. The facility was obtained to settle intercompany balances with related parties.

Notes (continued)

25. Borrowings – Group and Company (continued)

The movement in the loan balance during the period is as shown below;

	2017	2016
	KShs.'000	**KShs.'000**
At start of year	-	-
Loans advanced	1,029,800	-
Interest charged	941	-
End of year	1,030,741	**-**

26. Insurance contract liabilities

The insurance contract liabilities are made up of liabilities arising from both general and long-term insurance contracts. The balances as presented in the statement of financial position are made up as follows;

	2017	2016
	KShs.'000	**KShs.'000**
Insurance contract liabilities		
- General insurance policy liabilities	1,438,091	1,414,942
- Long term policy liabilities	12,123,092	11,289,106
Total insurance contract liabilities	**13,561,183**	**12,704,048**
Investment contract liabilities - long-term	6,568,158	7,653,977
Payables under deposit administration contracts	1,433,027	1,489,407
Total investment contract liabilities	8,001,185	9,143,384
Total Liabilities	**21,562,368**	**21,847,432**

For purposes of the financial statement disclosures, the liabilities have been categorized as follows;

	2017	2016
	KShs.'000	**KShs.'000**
General insurance policy liabilities (Note 26(a))	1,438,091	1,414,942
Long term policy liabilities (insurance and investment contracts) (Note 26(b))	18,691,250	18,943,083
Payables under deposit administration (Note 26(b))	1,433,027	1,489,407
	21,562,368	**21,847,432**

Notes (continued)

26. Insurance contract liabilities (continued)

(a) Group General policy liabilities

The movement in the Group general insurance contract liabilities and reinsurance assets are shown below;

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	1,414,942	327,341	1,087,601	1,512,908	166,371	1,346,537
Cash paid for claims settled in year	(1,189,921)	(453,284)	(736,637)	(508,032)	(114,443)	(393,589)
Movement in liabilities						
- arising from IBNR	54,672	603	54,069	32,693	748	31,945
- arising from current year claims	982,608	363,648	618,960	225,373	167,404	57,969
- arising from prior year claims	175,790	79,004	96,786	152,000	107,261	44,739
Total at end of year	1,438,091	317,312	1,120,779	1,414,942	327,341	1,087,601
Notified claims	1,199,136	279,714	919,422	1,230,659	290,346	940,313
Incurred but not reported	238,955	37,598	201,357	184,283	36,995	147,288
Total at end of year	1,438,091	317,312	1,120,779	1,414,942	327,341	1,087,601

b) Group long-term policy liabilities

Long term policy liabilities refer to the amount that needs to be set aside by the life assurance company in order to be able to cover future obligations to policy holders. It is the difference between the present value of the future benefits and the present value of the expected premiums. In the case of unit linked policies, it is the current value of the fund held by the Group on behalf of policy holders.

Current value of unit linked fund is determined by multiplying the number of units purchased by the policyholder from premium by the unit price as at the valuation date. This is done at a policy by policy level. The number of units purchased is a function of allocated premium using factors based on age, term and defined allocation criteria.

Notes (continued)

26. Insurance contract liabilities (continued)

b) Group long-term policy liabilities (continued)

Summary of movements is as shown below;

	2017			2016		
	Total	Insurance & Investment contract	Deposit admin contracts	Total	Insurance & Investment contracts	Deposit admin contracts
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
(i) Analysis of movement in policy liabilities:						
Premium income/contributions (net)	4,339,406	3,927,609	411,797	4,457,569	4,184,264	273,305
Income on Investment	1,923,799	1,771,670	152,129	2,459,341	2,224,742	234,599
Asset management fees	(76,917)	(65,890)	(11,027)	(91,066)	(76,701)	(14,365)
Net investment income	1,846,882	1,705,780	141,102	2,368,275	2,148,041	220,234
Income /Inflow	6,186,288	5,633,389	552,899	6,825,844	6,332,305	493,539
Policy benefits (net)	(4,616,236)	(4,035,716)	(580,520)	(4,012,757)	(3,595,898)	(416,859)
Sales remuneration and administrative expenses	(1,424,366)	(1,395,607)	(28,759)	(1,380,392)	(1,358,546)	(21,846)
Transfer from shareholders				-	-	-
Transfer to statutory fund	(473,175)	(473,175)	-	(629,943)	(629,943)	-
Outflow	(6,513,777)	(5,904,498)	(609,279)	(6,023,092)	(5,584,387)	(438,705)
Net movement for the year	(327,489)	(271,109)	(56,380)	802,752	747,918	54,834
Balance at beginning of the year (net of reinsurance)	20,432,490	18,943,083	1,489,407	19,495,442	18,060,869	1,434,573
Contract liabilities ceded to reinsurers	19,276	19,276	-	134,296	134,296	-
Balance at end of year	20,124,277	18,691,250	1,433,027	20,432,490	18,943,083	1,489,407

The assets backing the amounts payable under deposits administration contracts are included in the investments reported by the group under fair value through profit and loss and deposits with financial institutions. The carrying values of the liabilities approximate the fair value of the investments.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

Notes (continued)

26. Insurance contract liabilities (continued)
b) Group long-term policy liabilities (continued)

(ii) Maturity analysis of long term policy liabilities:

	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
	< 1 year	**1-5 years**	**>5 years**	**open ended**	**Total**
As at December 2017:					
Linked and market-related investment contract liabilities	1,041,723	3,602,468	1,772,200	151,767	6,568,158
Insurance Contract liabilities:					
Reversionary bonus policies	141,419	153,470	1,613,841	-	1,908,730
Other non-participating liabilities	2,014,054	3,984,060	4,216,248	-	10,214,362
Total insurance contracts liabilities	2,155,473	4,137,530	5,830,089	-	12,123,092
Deposit administration contracts	-	-	-	1,433,027	1,433,027
Total long-term policy liabilities	3,197,196	7,739,998	7,602,289	1,584,794	20,124,277
As at December 2016:					
Linked and market-related insurance contract liabilities	1,231,267	4,257,946	2,094,656	70,108	7,653,977
Insurance Contract liabilities:					
Reversionary bonus policies	185,012	200,777	2,111,308	-	2,497,097
Other non-participating liabilities	1,088,566	3,199,643	4,394,526	109,274	8,792,009
Total insurance contracts liabilities	1,273,578	3,400,420	6,505,834	109,274	11,289,106
Deposit administration contracts	-	-	-	1,489,407	1,489,407
Total long-term policy liabilities	2,504,845	7,658,366	8,600,490	1,668,789	20,432,490

The maturity analysis for the long-term policy liabilities is derived from the contract period of the underlying policies.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2017.

	Gross provisions	Reinsurance assets	Net
	KShs.'000	KShs.'000	KShs.'000
Long-term business:			
Insurance contracts liabilities	6,568,158	(153,572)	6,414,586
Investment contract liabilities	12,123,092	-	12,123,092
Deposit administration contracts	1,433,027	-	1,433,027
	20,124,277	(153,572)	19,970,705

Notes (continued)

26. Insurance contract liabilities (continued)
b) Group long-term policy liabilities (continued)

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2016.

	Gross provisions	Reinsurance assets	Net
	KShs.'000	KShs.'000	KShs.'000
Long-term business			
Insurance contracts liabilities	11,289,106	(134,296)	11,154,810
Investment contracts liabilities	7,653,977	-	7,653,977
Deposit administration contracts	1,489,407	-	1,489,407
	20,432,490	(134,296)	20,298,194

The summary of the movements in the reinsurance asset is outlined in Note 17.

c) Interest and bonus declaration

Deposit administration contracts

The liabilities of the Group in respect of funds managed under deposit administration contracts are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 7.5% (2016: 10.5%).

Insurance contracts

The insurance contract liabilities are shown gross of bonus declaration. Bonus with profit policies was declared and credited as follows:

	2017	2016
Reversionary bonus	0.5%	2.5%
Terminal bonus	0.5%	2.5%
Total bonus declared	1.0%	5.0%

Reversionary bonus vest immediately while terminal bonus vest after 8 years or on maturity if earlier.

27. Unearned premium

Unearned premiums reserve represents the liability for general business contracts where the Group's obligations are not yet expired at the year end. The movements in the reserve are as shown below;

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	474,115	(93,346)	380,769	273,895	(67,121)	206,774
Net increase in the period	180,995	(68,996)	111,999	200,220	(26,225)	173,995
At end of year	655,110	(162,342)	492,768	474,115	(93,346)	380,769

28. Provisions

	Group	
	2017	2016
	KShs.'000	KShs.'000
General provision on insurance claims	34,620	34,620
Specific provision for financial guarantee	17,305	17,305
	51,925	51,925
The movement in the provisions is as follows:		
At 1 January	51,925	51,925
Unused amounts reversed	-	-
At end of year	51,925	51,925

The above provisions relate to provisions on insurance claims under special arrangements and the directors have a reason to believe the amounts provided will be paid out as benefits under the claims.

29. Deferred income tax

a) Group

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

For the year ended 31 December 2017	At start of year KShs. '000	(Charge)/ credit to profit or loss KShs. '000	Transfer to current tax KShs. '000	At end of year KShs. '000
Property and equipment	5,559	702	-	6,261
Quoted shares – fair value gain	(9,435)	-	-	(9,435)
Unrealised fair value losses	18,117	8,550	-	26,667
Provisions	132,437	14,303	-	146,740
Tax losses carried forward	39,277	(13,433)	-	25,844
Deferred tax on life fund surplus	(844,396)	(143,162)	240,109	(747,449)
	(658,441)	(133,040)	240,109	(551,372)
Sanlam Life Insurance Limited	(844,396)	(143,162)	240,109	(747,449)
Sanlam Securities Limited	36,406	8,930	-	45,336
Mae Properties Limited	3,234	-	-	3,234
Sanlam Investments Limited	4,136	(2,086)	-	2,050
Sanlam Kenya Plc	24,883	23,985	-	48,868
Sanlam General Insurance Limited	117,296	(20,707)	-	96,589
	(658,441)	(133,040)	240,109	(551,372)

Notes (continued)

29. Deferred income tax (continued)

The impact of deferred tax movement to the financial statements is depicted below:

For the year ended 31 December 2017:	At start of year KShs.'000	(Charge) /credit to Income statement KShs.'000	Transfer to current tax KShs.'000	At end of year KShs.'000
Property and equipment	5,559	702	-	6,261
Quoted shares – fair value gain	(9,435)	-	-	(9,435)
Unrealised fair value losses	18,117	8,550	-	26,667
Provisions	132,437	14,303	-	146,740
Tax losses carried forward	39,277	(13,433)	-	25,844
Deferred tax on life fund surplus	(844,396)	(143,162)	240,109	(747,449)
	(658,441)	(133,040)	240,109	(551,372)
Deferred tax not recognised	3,234	-	-	3,234
Deferred tax asset	182,721	10,122	-	192,843
Deferred tax liability	(844,396)	(143,162)	240,109	(747,449)

The transfer to current tax of KShs 240,109 relates to deferred tax on transfers from the statutory fund to retained earnings in 2017 of KShs 800,362 for which tax is now payable at the statutory rate of 30%.

For the year ended 31 December 2016:	At start of year KShs.'000	(Charge)/credit to Income statement KShs.'000	Transfer to current tax KShs.'000	At end of year KShs.'000
Property and equipment	4,079	658	-	4,737
Quoted shares – fair value gain	(9,435)	-	-	(9,435)
Unrealised fair value losses	798	17,319	-	18,117
Provisions	174,783	(42,346)	-	132,437
Tax losses carried forward	3,234	36,043	-	39,277
Deferred tax on life fund surplus	(655,413)	(188,983)	-	(844,396)
	(481,954)	(176,487)	-	(658,441)
Deferred tax not recognised	3,234	-	-	3,234
Deferred tax asset	170,225	12,496	-	182,721
Deferred tax liability	(655,413)	(188,983)	-	(844,396)

Mae properties Limited's deferred tax asset has not been recognised as the directors are of the view that the company may not generate any taxable income in the near future to precipitate utilisation of the same.

Notes (continued)

29. Deferred income tax (continued)

b) Company

For the year ended 31 December 2017:	At start of year KShs.'000	Credit to profit or loss KShs.'000	At end of year KShs.'000
Plant and equipment	1,116	459	1,575
Provisions	23,767	2,731	26,498
Tax losses carried forward	-	20,795	20,795
Deferred tax	24,883	23,985	48,868

For the year ended 31 December 2016:	At start of year KShs.'000	(Charge)/credit to profit or loss KShs.'000	At end of year KShs.'000
Plant and equipment	312	804	1,116
Provisions	16,924	6,843	23,767
Deferred tax	17,236	7,647	24,883

30. Insurance payables

	Group	
	2017	2016
	KShs.'000	KShs.'000
Outstanding claims	444,558	441,990
Payables arising out of direct insurance arrangements	242,696	245,238
Payables arising out of reinsurance operations arrangements	71,752	115,243
Total insurance payables	759,006	802,471

The amounts payable do not carry interest and are due within period ranging from 30 days to 180 days.

Notes (continued)

31. Payables and other charges

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amounts due to related parties (Note 36)	-	-	241,666	1,135,895
Stale cheques	36,142	39,075	-	-
Deposits received from sale of plots	-	3,200	-	3,200
Accruals	107,310	138,774	17,027	17,519
Other payables	578,799	300,290	52,754	158,817
	722,251	481,339	311,447	1,315,431

The carrying amounts disclosed above reasonably approximate fair value at reporting date due to their short-term nature. The amounts payable do not carry interest and are due within a period ranging from 30 days to 180 days. Payables and other charges are included in financial liabilities at amortized cost.

32. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computation:

a) Group

	2017	2016
	KShs.'000	KShs.'000
Net profit attributable to ordinary shareholders for basic and diluted earnings	30,814	90,252
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	0.21	0.63
Diluted earnings per ordinary share KShs.	0.21	0.63

b) Company

Net (loss)/profit attributable to ordinary shareholders for basic and diluted earnings	(70,640)	270,099
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	(0.49)	1.88
Diluted earnings per ordinary share KShs.	(0.49)	1.88

There have been no other transactions involving ordinary shares between the reporting date and date of completion of these financial statements.

Notes (continued)

33. Contingent liabilities – Group

Companies in the Group are defendants to legal proceedings filed against them by third parties. Unverified claims have also been placed against the former Pan Africa Insurance Holdings Limited Group (See Note 28). The directors are of the opinion that the outcome of these proceedings and claims will not have a material impact on the financial position of the Group.

The Group operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings (including litigations), the directors are of the opinion that the results of the Group, having sought the advice of the Group's legal counsel, will not have a material effect on its results and financial position. The quantum has not been disclosed as these amounts are unverifiable

The Group is also subject to insurance solvency regulations and these are detailed in Note 37. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

34. Capital commitments – Group

The Group is in the process of constructing a new head office in Westlands Nairobi. The construction is at an advanced stage with completion expected in the second quarter of 2018.

Capital commitments:

Capital commitments relating to completion of the head office building are as follows:

	Payable	
	2017	2016
	KShs.'000	KShs.'000
Not later than 1 year	784,350	1,037,965
Later than 1 year but not later than 5 years	-	190,646
	784,350	1,228,611

The Group has entered commercial property leases in respect of its investment property portfolio, including the Group's unutilized office space. Leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Operating lease commitments:

The future minimum lease commitments under non-cancellable operating leases are as follows:

	Receivable		Payable	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Not later than 1 year	19,980	19,029	12,510	11,914
Later than 1 year but not later than 5 years	101,991	97,134	63,859	60,818
More than 5 years	32,174	30,642	20,146	19,817
	154,145	146,805	96,515	92,549

35. Cash generated from operations

a) Group

Reconciliation of profit before income tax to cash generated from operations:

	Note	2017	2016
		KShs. '000	**KShs. '000**
Profit before tax:		247,098	317,053
Adjusted for:			
Interest income on financial assets at fair value through profit and loss	6(a)	(780,707)	(929,556)
Interest income on held to maturity financial assets	6(a)	(1,142,676)	(1,029,167)
Revaluation gain on investment property	6(a)	(176,749)	(61,613)
Depreciation and amortization		68,082	63,360
Fair value gains on financial assets at fair value through profit or loss	6(b)	(192,340)	511,954
Rental income	6(a)	(40,070)	(53,879)
Other investment income	6(a)	(321,857)	(506,042)
Impairment of financial assets	6(c)	1,125,243	-
Other operating revenues		(129,436)	
Share of associate's loss / (profit))		4,107	220
		(1,339,307)	(1,687,890)

Changes in working capital:

Actuarial value of policyholder liabilities		(228,684)	691,043
Payables under deposit administration contracts		(56,380)	54,834
Reinsurance share of insurance contract liabilities		(78,243)	(228,286)
Insurance receivables		(279,422)	(550,622)
Insurance payables		(43,465)	338,198
Receivables and other financial assets		(139,149)	(576,568)
Payables and other charges		294,912	(274,393)
Cash utilised in operations		(1,869,738)	(2,233,464)
Tax paid		(33,477)	(104,058)
Net cash utilised in operations		(1,903,215)	(2,337,522)

Notes (continued)

35. Cash generated from operations (continued)

b) Company

Reconciliation of profit before income tax to cash generated from operations

Cash flow from operations	2017 KShs.'000	2016 KShs.'000
Profit /(loss) before tax	(94,624)	263,268
Adjusted for:		
Investment income	(30)	(2,783)
Depreciation and amortization	2,457	2,395
Dividend income	(36,000)	(330,000)
Interest expense	13,483	21,775
	(114,714)	(45,345)
Changes in working capital		
Receivables and other financial assets	202,112	(131,312)
Payables and other charges	(1,003,044)	189,696
	(915,646)	13,039
Tax paid	-	(17,667)
Net cash generated from/(used in) operations	(915,646)	(4,628)

36. Related party transactions

The Group is controlled by the following entities;

			Ownership interest	
Name	Type	Place of incorporation	2017	2016
Hubris Holdings Limited	Immediate parent entity	Kenya	57.14%	57.14%
Sanlam Emerging Markets Proprietary Limited	Ultimate parent entity and controlling party	South Africa	57.14%	57.14%

Interests in subsidiaries are set out in note 14(a)

Notes (continued)

36. Related party transactions (continued)

a) Amounts due from related parties:

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Sanlam Securities Limited (Subsidiary)		-		122,273
Hubris Holdings Limited (Parent)	15,311	31,455	11,853	1,652
Sanlam Emerging Markets Proprietary Limited (Ultimate Parent)	11,588	38,316	-	-
Sanlam Investment Management South Africa (Sister company)	-	161	-	-
Sanlam Investments Limited (Subsidiary)	-	-	4,324	10,262
Sanlam General Insurance Limited (Subsidiary)	-	-	83,975	22,003
Total	26,899	69,932	100,152	156,190

There were no provisions made or amounts written off on related party balances during the year (2016: nil). The amounts due from related parties are non-interest bearing and will be paid using cash and cash equivalents.

b) Amounts due to related parties

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Sanlam Capital Markets (Note 25)	1,030,741		1,030,741	
Sanlam Life Insurance Limited (Subsidiary)	-	-	66,594	775,203
Sanlam Securities Limited (Subsidiary)	-	-	175,072	298,634
Mae properties Limited (Subsidiary)	-	-	-	62,058
Total	1,030,741	-	1,272,407	1,135,895

c) Key management compensation:

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Salaries and other short-term employment benefits	177,350	161,227	90,001	81,819
Post-employment benefits	22,169	27,489	11,250	10,227
	199,519	188,716	101,251	92,046

Notes (continued)

36. Related party transactions (continued)

d) Directors' remuneration:

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Fees	16,822	14,007	6,717	6,340
Other emoluments (included in (c) above)	48,066	40,400	48,066	40,400
Total	64,888	56,407	54,783	46,740
Mortgage loans to key management where collateral is accepted as security	-	34,525	-	-

e) Directors' pension

	Group		Company	
	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Pension benefits	5,579	5,104	5,579	5,104

f) Other related party transactions through the statement of profit or loss

	Group		Company	
Other operating income	2017	2016	2017	2016
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Management expenses:				
Management fees- Sanlam Emerging Markets Proprietary Limited	15,362	12,420	-	-

g) Particulars of the Group's principal subsidiaries are shown below:

	Country of incorporation and domicile	Primary business operation	% Held
Sanlam Life Insurance Limited	Kenya	Life insurance	100
Sanlam General Insurance Limited	Kenya	General insurance	67.64
Sanlam Securities Limited	Kenya	Investment	100
Sanlam Investments Limited	Kenya	Investment Managers	100
Mae Properties Limited	Kenya	Investment in Properties (dormant)	100
Chem Chemi Mineral Water Limited	Kenya	Dealing with bottled water (dormant)	100

The assets and liabilities held by the respective companies can only be transferred within the subsidiaries if a proper Board resolution is passed and sanctioned by the shareholders as provided by the regulatory framework touching on transfer of the said assets and liabilities.

37. Capital management

Objective:

The Group's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders.

The Life insurance part of the Group business is subject to the following external capital requirements:

Condition:	Status:	
a) Required share capital (Life Insurer)	KShs. 150 million	Achieved
b) Margin of Solvency: Insurance Act-S.41(1)	Admitted Assets(AA)>Admitted Liability.	Achieved
c) Government Securities: Ins Act-S.50(1)(a)	10% AA in >2 years Govt Security.	Achieved
d) Securities under Lien (Insurance Act- S.32)	2.5% >2 years Govt Security	Achieved
e) Asset Management required core capital	KShs. 10mn or 3 times operational monthly expense	Achieved

The General insurance part of the Group business is subject to the following external capital requirements;

Condition:	Status:	
a) Required share capital (General Insurer)	KShs. 300 million	Achieved
b) Margin of Solvency: Insurance Act-S.41(1)	AA>AL + KShs. 10m or 15% of prior year net premiums	Achieved
c) Government Securities: Ins Act-S.50(1)(a)	10% AA in >2 years Govt Security.	Achieved
d) Securities under Lien (Insurance Act- S.32)	5% AA under lien with CBK	Achieved

Other businesses of the Group are not subject to any external capital requirements.

The effective management of Sanlam Kenya Plc capital base is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is the Group Embedded Value, as reported on pages 12 to 15. The Group Embedded Value is the aggregate of the following components:

(i) The embedded value of covered business, which comprises the long - term required capital supporting these operations and their net value of in - force business (refer embedded value report on page 9);

(ii) The fair value of other Group operations, which includes the land and property development, capital markets and short - term insurance.

The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on Group Embedded Value. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

37. Capital management (continued)

All the subsidiaries of the Group are within the Kenyan jurisdiction and therefore apply the same capital management policies and processes.

Processes for managing capital:

a) Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of long-term required capital to the *covered business*:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements of the Insurance Act and Kenya Companies Act. A deterministic modelling process is used to determine the long-term required capital levels.

The fair value of *other Group operations* includes the working capital allocated to the respective operations.

The Group's policy to ensure appropriate capital levels is twofold:

(i) The Group dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and

(ii) Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

b) Required capital

Long-term required capital – covered business

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value.

The following main strategies are used to achieve this objective:

i. Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities, but also for participating business where asset/liability matching and investment strategy have a direct impact on capital requirements.

ii. Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business per business.

iii. The asset mix of the long-term required capital also impacts on the overall capital requirement. An increased exposure to interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. The expected investment return on these instruments are however lower than equity with a potential negative impact on the return on Group Embedded Value. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used to determine the optimal asset mix that will ensure the highest return on capital.

iv. Certain of the Group's long term required capital covered business investments in other Group operations qualify, to a varying degree, to be utilised as regulatory capital for the covered business. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life companies' regulatory capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements (for example the Solvency II initiative in the European Union).

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on Group Embedded Value.

c) Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

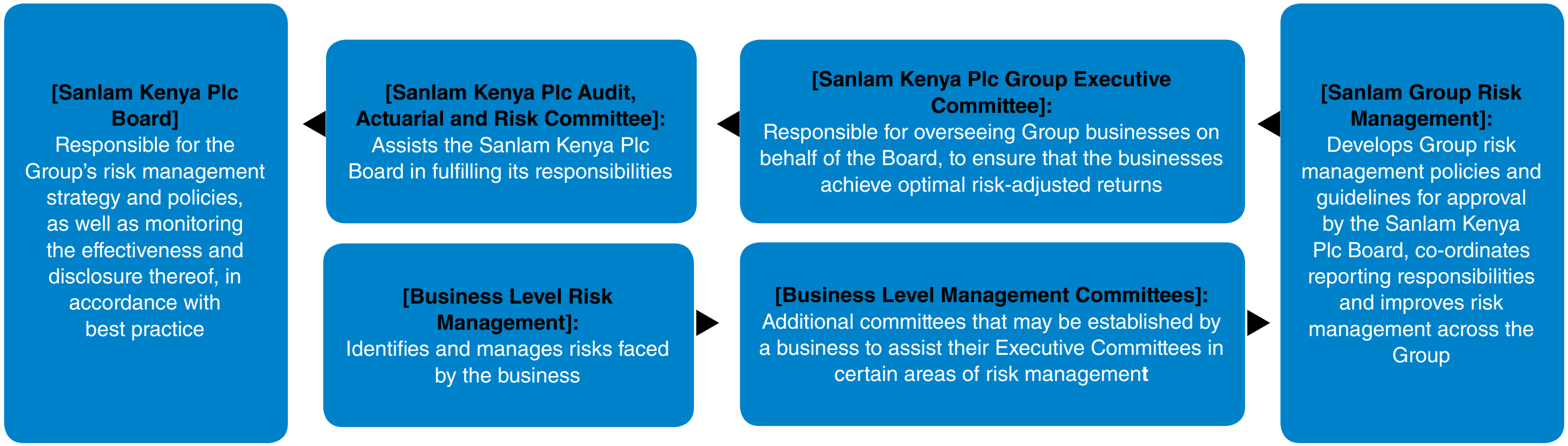
The Group's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Group's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Group's performance by setting acceptable levels of risk. The Group's does not hedge against any risks.

38. Risk management

a) Governance structure

The Board meetings of Group are held according to a Board calendar that is planned at the beginning of each year. The Board meetings are scheduled in a manner that increases the efficiency of the Board. Meetings of the Boards and Board Sub-committees of the subsidiaries are held first and the Sanlam Kenya Plc. Board and Board Sub-committees meet after the subsidiaries Boards conclude their meetings and prepared their reports for submission to the Board of Sanlam Kenya Plc. The agenda of the Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development, corporate governance and requirements of the Capital Markets Authority (CMA) and Nairobi Securities Exchange (NSE). The Board of each group company is responsible for statutory matters as well as monitoring operational efficiency and risk issues throughout the Group

The Group operates within a decentralised business model. In terms of this philosophy, the Sanlam Kenya Plc. Board sets the Group risk management policies and frameworks while the individual businesses take responsibility for all operational and risk-related matters at a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Kenya Plc. Board.



38. Risk management (continued)

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table.

OTHER RISK MONITORING MECHANISMS

[Compliance]
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

[Asset and Liability Matching]
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

[Capital Management]
Reviews and oversees the management of the Group's capital base

[Actuarial]
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

[Non-listed Assets]
The Audit Committee reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Kenya Plc Board

[General Manager (Finance)]
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

[Group Risk Forum]
Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Kenya Plc Board

[Group Legal and Corporate Secretarial]
Reviews and reports on corporate governance practices and structures. Reports on applicable Legal and compliance matters

[Sanlam Forensics]
Investigates and reports on fraud and illegal behaviour in businesses

[Investment Committee]
Determines and monitors appropriate investment strategies for policyholder solutions

[IT Risk Management]
Manages and reports Group-wide IT risks

[Risk Officer]
Assists business management in their implementation of the Group risk management strategy, and to monitor the risk profile of the business

[Internal Audit]
Assists the Sanlam Kenya Plc Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Notes (continued)

38. Risk management (continued)

b) Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are:

i. The Group Enterprise Risk Management (ERM) Framework

ii. The Group Strategic Risk Management (SRM);

iii. Group Risk Escalation Policy (REP);

iv. Group Business Continuity Policy (BCP);

v. Group Information and Communication Technology (ICT) Risk Management Policy;

vi. Assets and Liabilities Matching (ALM) Policy; and

vii. Group Investment Policy

The above policies SRM, REP, BCP and ITRMP policies were developed by Sanlam Group Enterprise Risk Management and have been implemented by all Group businesses. The maturity of the implementation within the Group does, however, vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Sanlam Kenya Plc. Board, risk management reports are tabled that must also indicate the extent of compliance with the Sanlam Risk Management Policies.

The aim of the Group Escalation Policy is to ensure that key risks and risk events in any business in the Group are reported to the appropriate governance level. The Group Business Continuity Policy ensures that effective vertical and horizontal recovery abilities, consistent with business priorities, exist across the Group, to deal with disasters and related contingencies. The Sanlam Kenya Plc Group Strategic Risk Management is briefly summarised below:

Sanlam Kenya Plc Group Strategic Risk Management.

Definition

SRM is a high-level over-arching approach to ensure that:

i. All risks which could jeopardise or enhance achievement of the Group's strategic goals are identified;

ii. Appropriate structures, policies, procedures and practices are in place to manage these risks;

iii. Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices;

iv. The organisation's risks are indeed being managed in accordance with the foregoing; and

v. The impact of strategic decisions on the risk-adjusted return on Group Embedded Value is considered by way of appropriate modelling techniques prior to such decisions being implemented.

Objective

The primary objective of SRM is to optimise the Group's risk-adjusted return on Group Embedded Value.

Philosophy

SRM is achieved by:

i. Applying a decentralised philosophy, in that the individual businesses are responsible for the identification of risks in their business and to apply appropriate risk management. Only significant risks are escalated to the Sanlam Kenya Plc. Group level, in accordance with the Group Risk Escalation Policy (mentioned above). This policy guides the businesses to assess the impact of the risk (on a scale of insignificant to extreme), likelihood of risk (on a scale of rare to almost certain), and accordingly to determine the role players to whom the risk should be reported (from the Enterprise Risk Manager of the business to the chairman of the Audit, Actuarial, Risk and Compliance Committee).

i. Implementing maximum loss limits, by using measures such as "value at risk", long term solvency requirements, capital adequacy requirements and sensitivities on return on embedded value/value of new business; and

ii. Clearly defining and documenting the business's risk appetite, being the degree of uncertainty that a business is willing to accept in pursuit of its goals, and describing it both qualitatively and quantitatively.

Risk is inherent in doing business, and includes all of the uncertain consequences of business activities that could prevent Sanlam Kenya Plc from achieving its strategic goals. The Group's strategic risk management process is aimed at managing three elements of risk:

i. Opportunity: managing risk on the upside as an "offensive" function; focusing on actions taken by management to increase the probability of success and decrease the probability of failure.

ii. Hazard: managing risk on the downside as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses; and

iii. Uncertainty: managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range.

Process

Each business has a documented process that links into the business's normal management process and includes:

- Strategic organisational and risk management context:
  - Strategic context (defining the strengths,

Notes (continued)

38. Risk management (continued)

b) Group risk policies and guidelines (continued)

weaknesses, opportunities and threats relative to the business environment),

- Organisational context (understanding the business's goals, strategies, capabilities and values),
- Risk management context (setting of scope and boundaries),

- Developing risk evaluation criteria, defining a logical framework for risk identification, establishing a risk identification process, analysing the risks identified, evaluating the risks against established risk criteria, deciding on the appropriate action and communication, with the aim of continuous management and improvement.

c) Risk types

The Group is exposed to the following main risks:

	Risk type	Description	Potential significant impact
GENERAL RISKS	Operational	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/ inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws and regulations, as well as investment management mandates.	
		Fraud risk: the risk of financial crime and unlawful conduct occurring within the Group.	
	Taxation	Taxation risk is the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Embedded Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	All Group businesses
	Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	All Group businesses
	Legislation	Legislation risk is the risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss.	All Group businesses
	Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

Notes (continued)

38. Risk management (continued)

c) Risk tpyes (continued)

	Risk type	Description	Potential significant impact
FINANCIAL AND BUSINESS(SPECIFIC RISKS)	Market	Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price. Market risk includes:	Life insurance General insurance
		Equity risk: the risk that the fair value of cash flows of a financial instrument will fluctuate as a result of changes in equity prices.	
		Interest rate risk: the risk that the value of an unmatched financial instrument will fluctuate as a result of changes in interest rates and the risks that mismatch losses will be incurred in respect of a matched asset/liability position following changes in interest rates.	
		Foreign Exchange Risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	
		Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment.	Life insurance General insurance
	Credit	Credit risk is the risk that the group/company will incur a financial loss from the inability or unwillingness of counterparty to a financial instrument to discharge its contractual obligations. Credit risk includes:	Life insurance General insurance
		Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	
	Liquidity	Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	All Group businesses
	Insurance	Insurance risk includes:	Life insurance General insurance
		Underwriting risk: the risk that the actual experience relating to mortality, disability and medical risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience.	
		Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.	
		Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile.	
	Capital adequacy	Capital adequacy risk is the risk that there are insufficient assets to provide for variations in actual future experience, worse than that which has been assumed in the valuation bases.	Life insurance General insurance

Notes (continued)

38. Risk management (continued)

d) Risk management

Operational risk

The Group mitigates this risk through the strategic planning, selection of experienced and technically competent staff with high ethical values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted based on the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is addressed in the Corporate Governance Report.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. A regular risk-focused review of internal control and risk management systems is carried out, and has unrestricted access to the Chairman of the Audit Committee and the Sanlam Kenya Plc Board. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

The Group's external auditors are PricewaterhouseCoopers. The external auditors consider internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances and express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard.

Enterprise Risk Management

The Enterprise Risk Management function performs an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice and the changing risk profile of the Group or any business units. The function also supports business units within the Group to incorporate risk considerations into their agenda and all decision-making processes.

e) Information and technology risk

The Group Information and Communication Technology risk management policies are authorised and ratified by the Group Executive Committee. These policies stipulate the role of the Information Security manager and other persons with IT risk management roles. Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.

f) Compliance risk

Laws and regulations:

The Group considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

g) Fraud risk

The Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group' code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Kenya Plc Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group.

The head of each business unit is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Board of Sanlam Kenya Plc. Quarterly reports are submitted by Group Forensic Services to the Group's Audit Committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

h) Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, and are involved in the development of new products. External tax advice is obtained as required.

The Group consults widely with tax consultants when considering new initiatives to identify tax impact. As much as possible, the Group policy is to negotiate contracts gross of tax. Overseas contracts are negotiated inclusive of taxes and preference is given to parties in countries where Kenya has double taxation agreement.

i) Reputational risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Audit committee and board of directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups. Quarterly reports on the client complaints and adverse media mentions are submitted to the Executive Committee.

38. Risk management (continued)

j) Strategic risk

The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breaches.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual strategic session of the Group's Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Executive Committee of the Group, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Group's Executive Committee, which includes the Group Chief and the Chief Executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

k) Risk management - life insurance

The Group's life insurance business is exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non - participating policyholder solutions and those that provide investment guarantees, such as market - related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies and deposit administration (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance business to financial risk as this risk is assumed by the policyholder. The life insurance business' capital is invested in financial instruments and properties, which also exposes the business to financial risk, in the form of market, property, credit and liquidity risk. The management of these risks is described below.

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held. At Group level, it also arises in relation to the overall portfolio businesses and in the value of investment assets owned directly by the shareholders.

Equity risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's shareholders are exposed to the following sources of equity risk:

i. Direct equity shareholdings in shareholder funds

ii. The indirect impact from changes in the value of equities held in policyholders' funds from which management charges or a share of performance are taken;

iii. Equity assets backing insurance liabilities that are not participating or not fully market linked; and

iv. Interest in the free estate of long term with profit funds

Changes in prices of equities will have the following impact in the statement of profit or loss. The impact is net of tax

Gross Portfolio			
	KShs.'000	% change in base	KShs.'000
31 December 2017			
Equities and similar securities	1,081,529	+(-) 11.2%	+(-) 107,568
31 December 2016			
Equities and similar securities	1,218,478	+(-)44.4%	+(-)540,617

Change in base is the relative movement in the carrying value of equities and similar securities over the two reporting periods in review.

Linked and market-related business

Linked and market-related business are contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-

38. Risk management (continued)

k) Risk management - life insurance (continued)

related policies however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance business to market risk.

The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Actuarial committee, and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios.

l) Market risk on Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policies provide for the payment of an after-tax and after - cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a bonus stabilisation reserve, for future distribution to policyholders.

In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from shareholders in instances where negative stabilisation reserves will not be eliminated by these management actions. At end of year 2017, all stable and reversionary bonus business portfolios had a funding level in excess of 100%. (2016: 100%)

Equity risk is borne by policyholders to the extent that the after-tax and after - cost investment return is declared as bonuses. The capital portfolio is however exposed to some equity risk as an under performance in equity markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. Actuarial committee oversees the investment policy for the various smoothed-bonus portfolios.

The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, inter alia, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Kenya Plc Board.

m) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group is not exposed to cash flow interest risk as it does not hold instruments with a floating rate. The Group is however exposed to fair value interest risk as it holds investments in public sector loans and stocks which are designated at fair value though profit and loss. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group manages this risk by adopting close asset

Notes (continued)

38. Risk management (continued)

m) Interest rate risk (continued)

liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements. Interest rate risk is managed as follows with regard to long-term life business.

Changes in prices of public loans and stock as a result of changes in interest rates will have the following impact in the statement of profit or loss. The impact is net of tax.

	Gross portfolio	% change in base	2017	Gross portfolio	% change in base	2016
	KShs.'000	%	KShs.'000	KShs.'000	%	KShs.'000
Financial assets	-	-	-	-	-	-
Public sector stocks and loans	5,733,553	+(-) 9.03%	+(-) 362,462	6,302,671	+(-) 3.4%	+(-) 214,567
Financial liabilities						
Borrowings	1,030,741	+(-)1.0%	+(-)113	-	-	-

The table below summarises the exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual maturity and interest rate repricing.

		Contractual cashflows (undiscounted)		
At 31 December 2017	**Carrying amount**	**< 1 year**	**1 - 5 years**	**> 5 years**
	KShs.'000	**KShs.'000**	**KShs.'000**	**KShs.'000**
Assets				
Public sector stocks and loans	15,196,781	649,408	3,597,183	10,950,190
Deposits with financial institutions	2,239,644	2,239,644	-	-
Cash and bank balances	301,567	301,567	-	-
Total	**17,737,992**	**3,190,619**	**3,597,183**	**10,950,190**
Liabilities				
Borrowings	1,030,741	941	1,029,800	-
Total	**1,030,741**	**941**	**1,o29,800**	**-**

		Contractual cashflows (undiscounted)		
At 31 December 2016	**Carrying amount**	**< 1 year**	**1 - 5 years**	**> 5 years**
	KShs.'000	**KShs.'000**	**KShs.'000**	**KShs.'000**
Assets				
Public sector stocks and loans	15,139,063	605,183	3,479,605	11,054,275
Deposits with financial institutions	2,033,481	2,033,481	-	-
Cash and bank balances	463,955	463,955	-	-
Total	**17,636,499**	**3,102,619**	**3,479,605**	**11,054,275**
Liabilities				
Borrowings	-	-	-	-
Total	**-**	**-**	**-**	**-**

Notes (continued)

38. Risk management (continued)

m) Interest rate risk (continued)

Linked and market - related business

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full interest rate risk in respect of linked business.

The life business is exposed to interest rate risk to the extent that guaranteed minimum benefits at death or maturity are provided. Refer to equity risk in note (k) above for the management of market risk in respect of these policies.

Stable, reversionary bonus and participating annuity business (smoothed - bonus business)

The life business is exposed to interest rate risk to the extent that changes in effective interest rates result in negative stabilisation reserves that cannot be eliminated through the smoothed - bonus management action philosophy. In these circumstances the life insurance businesses will have to provide support to the policyholders' portfolios.

Guarantee plans

Our Flexi Saver and Flexi Educator policies provide for guaranteed maturity amounts. The life insurance business is therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value.

Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

n) Currency risk

The Group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies, as nearly all such holdings are backing either unit linked or with profit contract liabilities. For this reason, no sensitivity analysis is given for these holdings.

o) Property risk

The Group is subject to property price risk due to holdings of investment properties in a variety of locations. Investment in property is managed by a professional property manager with regard to liquidity requirements and the expectations of shareholders' and policyholders as well as overall risk appetite. The Group Investment Committee also monitors property assets owned directly by the Group on a quarterly basis.

The majority of the investment properties are held in respect of market-related and non-participating policyholder business as well as smoothed - bonus business. Refer to Equity Risk above for a description on how the risks associated with these types of business are managed.

p) Market risk – capital

Comprehensive measures and limits are in place to control the exposure of the life insurance businesses' capital to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

Notes (continued)

38. Risk management (continued)

p) Market risk – capital (continued)

Credit risk

The amount that best represents the Group's and Company maximum exposure to credit risk at end of year 2017 is tabulated in the industry analysis below:

Group:	Government	Services	Financial Services	Manufacturing	Non Governmental Organizations	Others	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Public sector stocks and loans	3,093,379	2,640,174	-	-	-	-	5,733,553
Held to maturity	9,463,228	-	-	-	-	-	9,463,228
Reinsurers' share of technical provisions and reserves	-	-	633,226	-	-	-	633,226
Receivables arising out of direct insurance arrangements	-	-	830,044	-	-	-	830,044
Loans	-	-	-	-	-	758,234	758,234
Receivables and other financial assets	-	-	-	-	-	451,941	451,941
Cash and cash equivalents	-	-	2,541,211	-	-	-	2,541,211
	12,556,607	2,640,174	4,004,481	-	-	1,210,175	20,411,437
Company							
Receivables and other financial assets	-	-	-	-	-	173,287	173,287
Cash and cash equivalents	-	-	26,362	-	-	-	26,362
	-	-	26,362	-	-	173,287	199,649

The amount that best represents the Group's and Company maximum exposure to credit risk at end of year 2016 is tabulated in the industry analysis below:

Group:	Government	Services	Financial Services	Manufacturing	Non Governmental Organizations	Others	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Public sector stocks and loans	3,788,403	2,514,268	-	-	-		6,302,671
Held to maturity	8,836,392	-	-	-	-	-	8,836,392
Reinsurers' share of technical provisions and reserves	-	-	554,983	-			554,983
Receivables arising out of direct insurance arrangements	-	-	550,622	-	-	-	550,622
Loans	-	-	-	-	-	926,591	926,591
Receivables and other financial assets	-	-	-	-	-	798,792	798,792
Cash and cash equivalents	-	-	2,497,436	-	-	-	2,497,436
	12,624,795	2,514,268	3,603,041	-	-	1,725,383	20,467,487
Company							
Receivables and other financial assets	-	-	-	-	-	366,767	366,767
Cash and cash equivalents	-	-	11,660	-	-	-	11,660
	-	-	11,660	-	-	366,767	378,427

Notes (continued)

38. Risk management (continued)

p) Market risk – capital (continued)

Credit risk (continued)

Credit exposure by credit rating

Owing to the fact that there is no readily available credit rating information, the group assesses the credit quality of the institution, taking into account its financial position, past experience and other factors

The table below provides information regarding the credit risk exposure of the Group and Company

Group	Neither past due nor impaired	Past due but not impaired	Impaired	Total
31 December 2017	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Financial Instruments:	15,196,781	-	-	15,196,781
Reinsurers' share of technical provisions and reserves	633,226	-	-	633,226
Receivables arising out of direct insurance arrangements	830,044	-	1,282,533	2,112,577
Loans	758,234	-	6,371	764,605
Receivables and other financial assets	451,941	-	-	451,941
Cash and cash equivalents	2,541,211	-	-	2,541,211
	20,411,437	-	1,288,904	21,700,341

Company:				
31 December 2017				
Financial Instruments:	-	-	-	-
Receivables and other financial assets	173,287	-	-	173,287
Cash and cash equivalents	26,362	-	-	26,362
	199,649	-	-	199,649

Notes (continued)

38. Risk management (continued)

p) Market risk – capital (continued)

Credit risk (continued)

Credit exposure by credit rating (continued)

Group	Neither past due nor impaired	Past due but not impaired	Impaired	Total
31 December 2016	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Financial Instruments:	15,139,063			15,139,063
Reinsurers' share of technical provisions and reserves	554,983	-	-	554,983
Receivables arising out of direct insurance arrangements	550,622	-	1,213,547	1,764,169
Loans	926,591	-	6,371	932,962
Receivables and other financial assets	798,792	-	-	798,792
Cash and cash equivalents	2,497,436	-	-	2,497,436
	20,467,487	-	1,219,918	21,687,405
Company:				
31 December 2016				
Financial Instruments:	-	-	-	-
Receivables and other financial assets	366,767	-	-	366,767
Cash and cash equivalents	11,659	-	-	11,659
	378,426	-	-	378,426

The fair value of collateral on the mortgage loans of KShs 215,681,000 (2016: 366,500,000) amounted to KShs. 591,535,000 (2016: KShs. 867,670,000) while the surrender value of the policy loans adequately covers the outstanding loans of KShs 510,689,000 (2016: KShs 564,500,000) No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market and careful and planned use of financial instruments.

Notes (continued)

38. Risk management (continued)

q) Market risk – sensitivities

Sensitivities that illustrate the effect of changes in investment return assumptions on the value of in-force (VIF) business are disclosed on page 13. The change in VIF relative to the base value is an indication of how the present value of future after-tax profits (including the allowance for the cost of capital at risk) are impacted based on these assumptions.

If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be a decrease of KShs. 32.5 million (2015: decrease of KShs. 26.4million).

The basis of valuation of insurance contract liabilities is prescribed in the insurance Act of Kenya 1984. The Act prescribes Net premium valuation method which is very conservative. The rates prescribed by the Act are applicable for all insurers in the country.

Changes in economic mortality and expense assumptions will have the following impact in the statement of profit or loss

Sensitivities	% change in base	Insurance Participating	Insurance non-participating	Shareholders' funds
31 December 2017				
Interest rate	+(-)3%	+(-) 96,720	+(-) 368,983	+(-) 73,741
Equity/Property	+(-)4%	+(-) 29,281	+(-) 81,108	+(-) 61,150
31 December 2016				
Interest rate	+(-) 3%	+(-)103,560	+(-)395,632	+(-)67,286
Equity/Property	+(-) 4%	+(-)38,931	+(-)93,452	+(-)53,251

The above sensitivity analysis excluded unit linked investments, as the movement in assets and liabilities offset each other. Risk discount rate sensitivity is disclosed in note 4 of the Embedded Value Report

r) Credit risk - policyholder solutions and capital

Sanlam Kenya Plc recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss due to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Kenya Plc Investment Risk Policy and Strategy has been established for this purpose.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis. The Group does not grade the credit quality of financial assets that are neither past due nor impaired. These activities in the Group are conducted mostly by Sanlam Investments (SIM) in terms of the investment guidelines granted to them by the Investment Committee. The Board of SIM has delegated responsibility for credit risk management to the Central Credit Committee.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group, and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

Notes (continued)

38. Risk management (continued)

r) Credit risk - policyholder solutions and capital (continued)

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam Kenya Plc interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counter-parties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas.
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract.
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

	Fully Performing	Past due but not impaired	Past due and impaired	Total
At 31 December 2017:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Financial assets:				
Public sectors stocks and loans	5,733,553	-	-	5,733,553
Held to maturity financial assets	9,463,228	-	-	9,463,228
Reinsurance assets	633,226	-	-	633,226
Receivables and other financial assets	451,941	-	-	451,941
Mortgages	215,681	-	6,074	221,755
Policy loans	542,553	-	297	542,850
Insurance receivables	830,044	-	1,282,533	2,112,577
Deposits with financial institutions	2,239,644	-	-	2,239,644
Cash at bank	301,567	-	-	301,567
Gross financial assets	20,411,437	-	1,288,904	21,700,341

All amounts that are past due and impaired have been provided for

Notes (continued)

38. Risk management (continued)

r) Credit risk - policyholder solutions and capital (continued)

	Fully Performing	Past due but not impaired	Past due and impaired	Total
At 31 December 2016:	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Financial assets:				
Public sectors stocks and loans	6,302,671	-	-	6,302,671
Held to maturity financial assets	8,836,392	-	-	8,836,392
Reinsurance assets	554,983	-	-	554,983
Receivables and other financial assets	798,792	-	-	798,792
Mortgages	362,230	-	6,074	368,304
Policy loans	564,361	-	297	564,658
Insurance receivables	550,622	-	1,213,547	1,764,169
Deposits with financial institutions	2,033,481	-	-	2,033,481
Cash at bank	463,955	-	-	463,955
Gross financial assets	20,467,487	-	1,219,918	21,687,405

All amounts that are past due and impaired have been provided for

Notes (continued)

38. Risk management (continued)

r) Credit risk - policyholder solutions and capital (continued)

The past due receivables are not impaired and continue to be paid. An impairment provision of KShs 1,268 million (2016: KShs 1,207.1 million) is held against the impaired receivables. The Group holds collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables

The following is a movement of impairment provision account:

	Mortgages	Policy loans	Insurance receivables	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
The movement in the provisions is as follows:				
At 1 January 2017	6,074	297	1,213,547	1,219,918
Additional provision	-	-	68,986	68,986
Unused amounts reversed	-	-	-	-
At end of year	6,074	297	1,282,533	1,288,904
At 1 January 2016	5,751	297	957,828	963,876
Additional provision	323	-	255,719	256,042
Unused amounts reversed	-	-	-	-
At end of year	6,074	297	1,213,547	1,219,918

s) Reinsurance risk

Sanlam Kenya Plc makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

t) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities and policy holder liabilities. The board has developed a risk management framework for the management of the Group short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

Notes (continued)

38. Risk management (continued)

t) Liquidity risk (continued)

The Group manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

Liquidity risk – policyholder solutions

Stable, reversionary bonus and participating annuity business (smoothed - bonus business)

These policyholder solutions expose the Group to liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

Guarantee plans

Other policyholder business

Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

The following table summarises the overall maturity profile of the business:

Year ended 31 December 2017:

Group	1 Year	1-5 Years	>5 Years	Open ended	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial liabilities					
Borrowings	941	1,029,800	-	-	1,030,741
Market linked investment contracts	1,041,723	3,602,468	1,772,200	151,767	6,568,158
Non-market related insurance contracts	2,155,473	4,137,530	5,830,089	-	12,123,092
Deposit administration contracts	-	-	-	1,433,027	1,433,027
Insurance payables	-	-		759,006	759,006
Payables and other charges	722,251	-	-	-	722,251
Total liabilities	3,920,388	8,769,798	7,602,289	2,343,800	22,636,275

Company					
Borrowings	941	1,029,800	-	-	1,030,741
Payables and other charges	311,447	-	-	-	311,447
Total liabilities	312,388	1,029,800	-	-	1,342,188

Notes (continued)

38. Risk management (continued)

t) Liquidity risk (continued)

Year ended 31 December 2017:

Group	1 Year	1-5 Years	>5 Years	Open ended	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial Assets:					
Public sector stocks and loans	649,408	3,597,183	10,950,190	-	15,196,781
Mortgages and policy loans	7,582	447,358	303,294	-	758,234
Reinsurance assets	412,543	169,645	51,036	-	633,224
Insurance receivables	830,044	-	-	-	830,044
Receivables and other financial assets	451,941	-	-	-	451,941
Deposits with financial institutions	2,239,644	-	-	-	2,239,644
Total assets	4,591,162	4,214,186	11,304,520	-	20,109,868

Company					
Receivables and other financial assets	173,287	-	-	-	173,287
Total assets	173,287	-	-	-	173,287

Year ended 31 December 2016:

Group	1 Year	1-5 Years	>5 Years	Open ended	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial liabilities					
Borrowings	-	-	-	-	-
Market linked investment contracts	1,231,267	4,257,946	2,094,656	70,108	7,653,977
Non-market related insurance contracts	2,688,520	3,400,419	6,505,834	109,275	12,704,048
Deposit administration contracts	-	-	-	1,489,407	1,489,407
Insurance payables	-			802,471	802,471
Payables and other charges	481,339	-	-	-	481,339
Total liabilities	4,401,126	7,658,365	8,600,490	2,471,261	23,131,242

Company					
Borrowings	-	-	-	-	-
Payables and other charges	1,315,431	-	-	-	1,315,431
Total liabilities	1,315,431	-	-	-	1,315,431

Notes (continued)

38. Risk management (continued)

t) Liquidity risk (continued)

Year ended 31 December 2016:

Group	1 Year	1-5 Years	>5 Years	Open ended	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial Assets:					
Public sector stocks and loans	605,183	3,479,605	11,054,275	-	15,139,063
Mortgages and policy loans	9,306	549,033	372,226	-	930,565
Reinsurance assets	361,629	148,599	44,754	-	554,982
Insurance receivables	550,622	-	-	-	550,622
Receivables and other financial assets	798,792	-	-	-	798,792
Deposits with financial institutions	2,033,481	-	-	-	2,033,481
Total assets	4,359,013	4,177,237	11,471,255	-	20,007,505
Company					
Receivables and other financial assets	366,767	-	-	-	366,767
Total assets	366,767	-	-	-	366,767

u) Insurance risk

Insurance risk arises from the writing of other non-participating life business, as these products are valued prospectively and therefore expose the long - term required capital to risk if actual experience differs from that which is assumed. The Group is however also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of insurance contracts.

The Group manages underwriting risk through:

Underwriting risk

- Its product development process and underwriting policy to prevent anti - selection and ensure appropriate premium rates (loadings) for substandard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly full actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

Notes (continued)

38. Risk management (continued)

u) Insurance risk (continued)

Policies and practices: underwriting strategy	
i)	All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
ii)	Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/ Aids;
iii)	Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
iv)	Appropriate income replacement levels apply to disability insurance;
v)	The experience of reinsurers is used where necessary for the rating of substandard risks;
vi)	The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary.
	Risk profits are determined on a regular basis; and
vii)	Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timorously identified, and corrective action taken. The Group's reserving policy is based on the statutory required Gross Premium Method which ensures that adequate provision is made for lapses, surrenders and paid-up policies.

Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual expenses versus budgeted is conducted and reported on.

Claims risk

The risk that Sanlam Kenya Plc may pay fraudulent claims (claims risk) is mitigated by employing highly trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The Sanlam forensic investigation team also advises on improvements to internal control systems.

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients.

Notes (continued)

38. Risk management (continued)

u) Insurance risk (continued)

The tables below provide an analysis of the Group's exposure to the value of benefits insured:

Value of benefits insured per individual: non-participating life business

	Number of lives		Before Reinsurance		After reinsurance	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
KShs.'000			**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
0 – 500	184,967	216,764	8,404,960	3,067,271	4,034,012	2,233,738
500 - 1 000	33,422	39,168	28,388,356	10,359,928	13,510,040	7,480,863
1 000- 5 000	53,298	62,460	77,473,753	28,272,948	23,809,511	13,183,950
5 000- 8000	265	311	277,990,761	101,448,788	86,910,411	48,124,572
>8 000	302	354	417,253,260	152,270,663	132,607,678	73,428,346
Total	272,254	319,057	809,511,090	295,419,598	260,871,652	144,451,469

Non-participating annuity payable per annum per life insured

	Number of lives		Before Reinsurance		After reinsurance	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Kshs'000			**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
0 – 200	2,405	2,463	188,329,560	188,206,495	188,329,560	188,206,495
200– 400	658	622	185,725,440	175,381,656	185,725,440	175,381,656
400 – 600	305	293	150,387,408	143,957,352	150,387,408	143,957,352
600 – 800	146	137	100,169,052	93,990,072	100,169,052	93,990,072
800 – 1000	72	65	64,271,556	58,081,248	64,271,556	58,081,248
>1000	129	121	202,799,337	184,229,819	202,799,337	184,229,819
Total	**3,715**	**3,701**	**891,682,353**	**843,846,642**	**891,682,353**	**843,846,642**

v) Capital adequacy risk

Refer to the capital management section (Note 38) for details on the management of the Group's capital base.

All subsidiaries of Sanlam Kenya Plc were adequately capitalised, with CAR covered 3.55 times by the excess of assets over liabilities.

39. Statutory compliance

Insurance Act

Sanlam Life Insurance Limited, a wholly owned subsidiary and Sanlam General Insurance Limited which the Company controls are licensed under the Kenya Insurance Act. The group is therefore required to comply with the provisions of insurance act.

Some of the key financial requirements are listed below.

a) Minimum Capital Requirement

The minimum paid up capital required for an insurer carrying on the business of life insurance is at least one hundred and fifty million Kenya shillings while for an insurer carrying on general business it is at least two hundred million shillings

The Group complied with this requirement with respect to long term insurance business as follows:

	2017	2016
	KShs.'000	**KShs.'000**
Paid up share capital	200,000	200,000
Share premium	30,260	30,260
Total paid up capital	230,260	230,260
Required capital	150,000	150,000

The Group complied with this requirement with respect to general insurance business as follows:

	2017	2016
	KShs.'000	**KShs.'000**
Paid up share capital	788,600	600,285
Share premium	102,759	102,759
Total paid up capital	891,359	703,044
Required capital	300,000	300,000

b) Admitted Assets - Sanlam Life Insurance Limited

Section 41-1 defines what constitutes admitted assets for the purpose of complying with the Kenya Insurance Act for a life insurance company

	2017	2016
	KShs.'000	**KShs.'000**
Total life assets	24,929,132	24,473,795
Non-admitted assets	(394,323)	(410,210)
Admitted assets	24,517,231	24,063,585

Notes (continued)

39. Statutory compliance (continued)

b) Admitted Assets - Sanlam Life Insurance Limited (continued)

	2017	2016
Assets not admitted comprise the following:	**KShs.'000**	**KShs.'000**
Premium debtors	129,017	199,002
Prepayment	18,976	15,533
Intercompany charges	78,182	
Fixed assets	168,148	195,675
Total Non-admitted assets	394,323	410,210

Section 41 Subsection (1) of the Kenya Insurance Act requires an insurer carrying on long term life insurance business in Kenya but not general insurance shall keep, at all times, admitted assets of not less than the aggregate value of its admitted liabilities and ten million shillings or 5% plus admitted liabilities, whichever is higher.

	2017	2016
	KShs.'000	**KShs.'000**
Total admitted assets(A)	24,612,992	24,063,585
Total admitted liabilities (B)	22,516,284	22,402,698
Surplus assets (A-B)	2,096,708	1,660,887
Less		
5% of Admitted liabilities	1,230,650	1,120,135
Solvency Margin as per insurance Act	866,058	540,752
No of times solvency cover	1.70	1.48

The Act further requires the insurer to maintain 5% of the admitted assets in lien with Insurance Regulatory Authority.

Total assets under lien with IRA (A)	1,676,000	1,728,350
Lien amount required by insurance regulation (B)	1,225,965	1,204,250
Number of times lien cover (A/B)	1.37	1.44

Notes (continued)

39. Statutory compliance

c) Admitted Assets - Sanlam General Insurance Limited

Section 41-1 defines what constitutes admitted assets for the purpose of complying with the Kenya Insurance Act for a general insurance company

	2017	2016
	KShs.'000	**KShs.'000**
Total general assets	3,145,335	2,578,464
Non-admitted assets	(1,025,679)	(762,334)
Admitted assets (A)	2,119,656	1,816,130

Section 41 Subsection (1) of the Kenya Insurance Act requires an insurer carrying on in Kenya general insurance business to keep at all times admitted assets of not less than the aggregate value of admitted liabilities and KShs10 million, or 15% of net premium during the preceding financial year, whichever is greater.

		2017	2016
		KShs.'000	**KShs.'000**
1.	Solvency Margin		
	Total admitted assets	2,119,656	1,816,130
	Total admitted liabilities	(1,868,550)	(1,643,400)
	Surplus	251,106	172,730
2	Net premium 2016	647,941	490,977
	15% of net premium	97,191	73,647
3.	KShs 10 million		

For the General Insurance business, the solvency margin has been met with 15% of preceding year net premium being lower than the surplus of admitted asset.

PROXY FORM

To:
The Share Registrars
Image Registrars Limited
Barclays Plaza, 5th Floor, Loita Street
P.O. Box 9287- 00100
NAIROBI

I/We……………………………………………………………………………………….. of ……………………………………………………………………………………..

being member/members of **SANLAM KENYA PLC** hereby appoint ……….…………………….…………….………………………...……………….………….……

of.……………….……………….………….……………………..…………….……….or failing him/her ……………………..…………….…………….……….…………..

of ……………….…………………………………..…………………………………….. as my/our proxy to vote for me/us on my/our behalf at the 72nd Annual General Meeting of the company to be held on 10th May 2018 at 10.00 am and at any adjournment thereof.

Signed/Sealed this ……………………................ day of ………….......................... 2018

Notes:

1. If you wish, you may appoint the Chairman of the meeting as your Proxy
2. In the case of a member being a corporation, the proxy must be under the Common Seal or under the hand of an officer or attorney dulyauthorised.
3. Completed proxy forms must be lodged with or posted to the Company's Share Registrars, so as to be received, no later than forty-eight hours before the time appointed for the holding of the Annual General meeting or any adjournment thereof.

Notes

Notes