

A close-up photograph of a Black family. A man on the left is smiling and looking at a baby. A woman on the right is also smiling and looking at the baby. The baby is in the center, wearing a green shirt, with its mouth open and hand near its face. The background is a neutral, light-colored wall.

EVERY PROMISE NEEDS A *Keeper*

Annual Report and
Financial Statements

2019



Sanlam

Wealthsmiths



KEEPING OUR Promise

With our core business being General and Life insurance our focus is to gain trust from our shareholders because they have entrusted us to take care of them. Our brand positioning is to make sure we keep all the promises we make to our clients so that they can be able to keep the promises they have made to others.

**EVERY
PROMISE
NEEDS A**

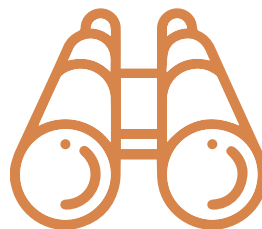
Keeper

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.



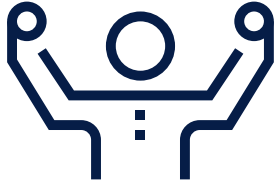
Vision

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



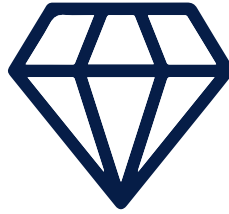
Core Values

- 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.

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Customer Excellence

It has been our quest to transform into an organisation that guarantees excellent client service and offers great products. Going forward, we will focus on accelerated organic business growth, while pursuing a market leadership position through high quality and differentiated service provision.

To our investors and stakeholders

Sanlam Kenya, formerly Pan Africa Insurance Holdings, is a diversified financial services group listed on the Nairobi Securities Exchange that provides a comprehensive suite of financial solutions tailored to meet the distinctive Kenyan market needs.

Through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited, Sanlam Kenya is well positioned to meet unique client needs in the General and Life Insurance space.

Founded on a rich heritage and good corporate citizenship, Sanlam Kenya currently features a branch network of 22 client experience centres across Kenya's major towns. The firm enjoys an estimated market share of 6% in the life insurance industry in Kenya, serving 99,401 policyholders under individual life and 236,507 under group life.

Globally, Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 44 countries. Our vision is to be the leader in client-centric wealth creation, management and protection, to be a leading player in Pan-African financial services while carving a niche in wealth and investment management in specific developed markets.

Sanlam operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets.

Sanlam has a decentralised management structure and conducts operations through five business clusters: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investment Group, Santam and Sanlam Corporate. The Group provides comprehensive and tailored financial solutions to individual and institutional clients across all market segments. Sanlam's areas of expertise include insurance (life and general), financial planning, retirement, investments and wealth.

The Group also has stakes in operations based in Namibia, Botswana, Swaziland, Zimbabwe, Mozambique, Mauritius, Malawi, Zambia, Tanzania, Rwanda, Uganda, Kenya, Nigeria, Morocco, Angola, Algeria, Tunisia, Ghana, Niger, Mali, Senegal, Guinea, Burkina Faso, Côte d'Ivoire, Togo, Benin, Cameroon, Gabon, Republic of the Congo, Madagascar, Lebanon, Saudi Arabia, India, Malaysia and the United Kingdom and has interests in the USA, Australia, Burundi, Lesotho and the Philippines.



Through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited, Sanlam Kenya is well positioned to meet unique client needs in the General and Life Insurance space.



44

Globally, Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 44 countries.



6%

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Company information

Principal place of business

Sanlam Tower, Waiyaki Way, Westlands
 P.O. Box 44041 - 00100
 Nairobi

Registered office

LR No. 1870/V/72
 Sanlam Tower, Waiyaki Way, Westlands
 P.O. Box 44041 - 00100
 Nairobi

Principal 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

Company secretary

Emma Wachira
 Sanlam Tower
 Waiyaki Way
 Westlands
 P.O. Box 44041 - 00100
 Nairobi

Independent auditor

PricewaterhouseCoopers LLP
 PwC Tower, Waiyaki Way/Chiromo Road
 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

Simba & Simba Advocates

6th Floor, Finance House
 Loita Street
 Nairobi

Ayugi & Njonjo Advocates

4th Floor, Capital Hill Square, Upper Hill
 Nairobi

Waruhiu & Company Advocates

12th Floor, International House
 Mama Ngina Street



Sanlam at a Glance



Flashback



Corporate Governance

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Product Innovation

As we strive to make products that address the market needs we keep in mind that partnerships are built on trust and we must deliver what we have promised to the market.

Sanlam at a Glance



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. This way, we strengthen their financial resilience and prosperity.

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

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™.



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



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

Our Stakeholder Network

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 material stakeholders on the basis of their impact on Sanlam's business and the successful execution of our strategy. Sanlam's ability to create mutually beneficial financial resilience and prosperity is reflected in RoGEV, our primary performance target for measuring shareholder value creation.

Governance of stakeholder relationships

The Sanlam Board and executive management are responsible for managing Sanlam in a sustainable and stakeholder-inclusive manner. This includes overseeing the strategic risks that relate to the interface between Sanlam and its stakeholders, and balancing the needs, interests and expectations of all material stakeholders in the best interests of Sanlam over time. Read more about governance responsibilities to stakeholders in the online Governance Report.

Stakeholder relations

Sanlam's stakeholder strategy guides engagement with material stakeholders. An approved stakeholder communication policy is in place. Stakeholder engagement is continuous and depends on the needs of the various stakeholders and business clusters.

Each business cluster manages stakeholder engagement according to the specific focus in their operations. The clusters report to the Sanlam stakeholder hub on a quarterly basis on all stakeholder engagement activities and concerns raised.

The stakeholder hub is a centralised stakeholder database that serves as an issue log.

The information in the stakeholder hub is collated and reported to the Social, Ethics and Sustainability (SES) committee on a quarterly basis. Group Market Development in the Group Office provides a support function for managing stakeholder relationships through face-to-face and client-centric engagement. This includes established relationships with multiple tertiary institutions in South Africa, trade unions, government departments, private sector institutions and affinity groups such as churches. Group Market Development further facilitates crossselling and collaboration between clusters to execute on market opportunities.

Stakeholder group

The basis of our relationship



Clients

Consumers of Sanlam's financial solutions to achieve their wealth creation, management and protection goals in support of financial resilience and prosperity



Employees

Providers of skills and expertise that support the activities underlying Sanlam's business model



Shareholders

Providers of financial capital at a Sanlam Group level



Business partners

Providers of products and services that enable Sanlam to conduct its business activities
Co-investors in Sanlam businesses where appropriate



Society

The base from which demand for Sanlam's financial solutions is generated, and from which human resources are employed



Government

Partners to Sanlam's education, social and enterprise development programmes



Regulators

Providers of financial stability and a sustainable environment for financial services through prudential and market conduct regulation

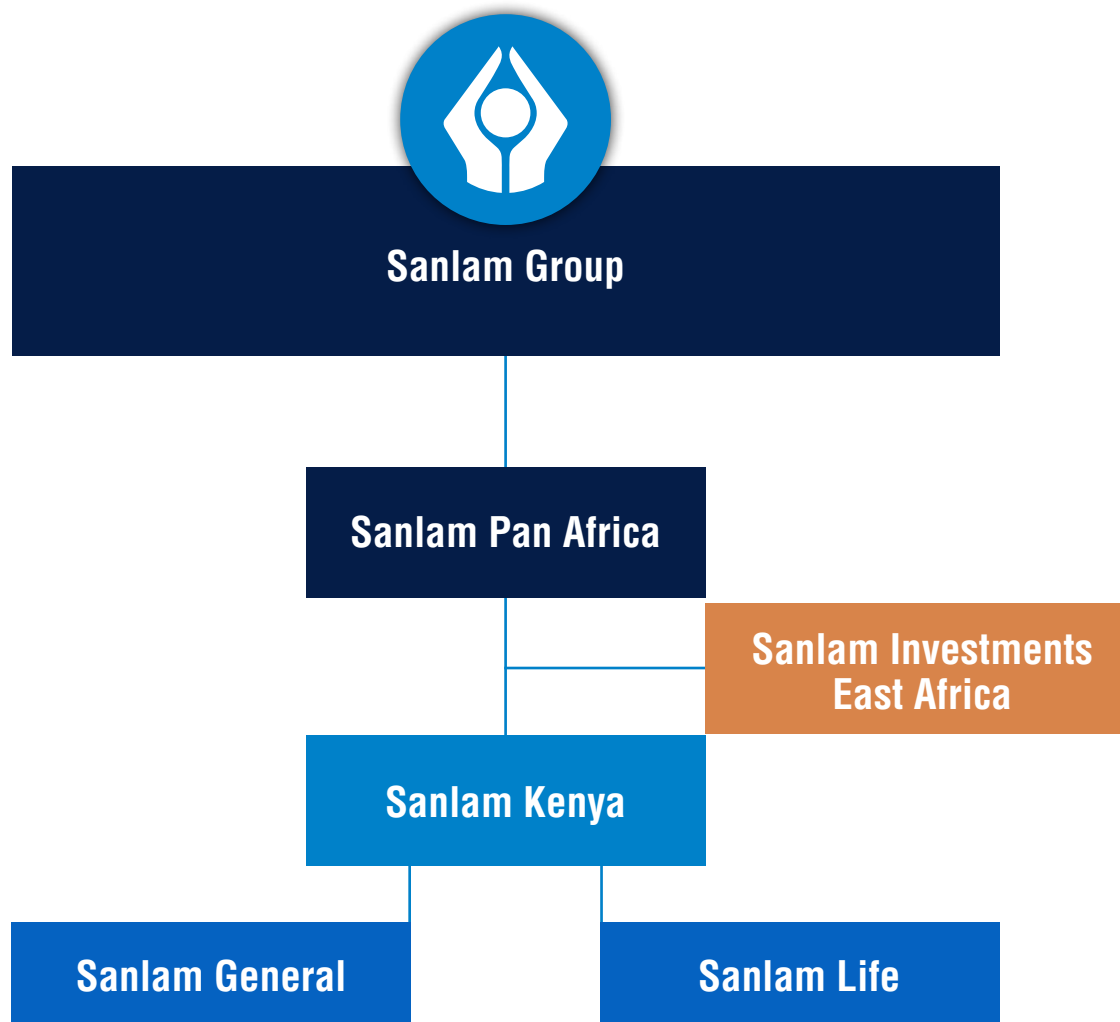
The Sanlam Board and executive management are responsible for managing Sanlam in a sustainable and stakeholder-inclusive manner. This includes overseeing the strategic risks that relate to the interface between Sanlam and its stakeholders, and balancing the needs, interests and expectations of all material stakeholders in the best interests of Sanlam over time.

Our Global Presence

Sanlam is one of the 50 largest internationally active insurance groups in the world with a direct and indirect presence in 44 countries. Through SEM, Sanlam has the most extensive insurance footprint on the African continent.



Sanlam Group plc structure





At Sanlam Kenya, Life is a Marathon

This year, Sanlam Kenya geared up for the Cape Town Marathon in a unique and engaging way that saw the company recognize and celebrate the tenacity and resilience that has become synonymous with athletes in Kenya.

Championed by the corporate communications team, Sanlam Kenya rolled out a social media campaign dubbed "Life is a marathon" on 9th August. The campaign aimed to demonstrate the importance of collaborating with the right partner in order for one to live their best life and achieve their goals.

The first stage of the competition, involved participants submitting their photos or videos showcasing how they would prepare for a marathon as a 2-member team or share a story about a person who had had a positive impact on their life. Participants were then shortlisted for the second stage of the competition, during which they underwent a series of outdoor fitness challenges culminating in a high intensity interval training session at the gym.

Internally, staff were asked to nominate colleagues who live a very 'fit' life and would appreciate the opportunity to run a marathon. The nominees were then shortlisted to 6, and staff voted for the final 2 based on their commitment to fitness.

Lorin Otieno, Kennedy Ochieng, Victor Onditi emerged the public winners while Brian Mabonga and Raymond Kimutai were the staff winners of the month long campaign. They all won an all-expenses paid trip to South Africa to run the Sanlam Cape Town Marathon.

We hope Team Kenya represents us well at the Marathon, showcasing the true sportsmanship spirit we experienced here in Nairobi.

See you all at the Cape Town Marathon!





Sanlam Kenya Group CEO Dr Patrick Tumbo Strikes a signature "Bolt" pose with the campaign winners.



Banca Women Event

Chief guest Rose Kimotho with Susan Mavungu, Head of Premier Unit and Grace Mwamba of Prestige and Malls, ABSA Bank.

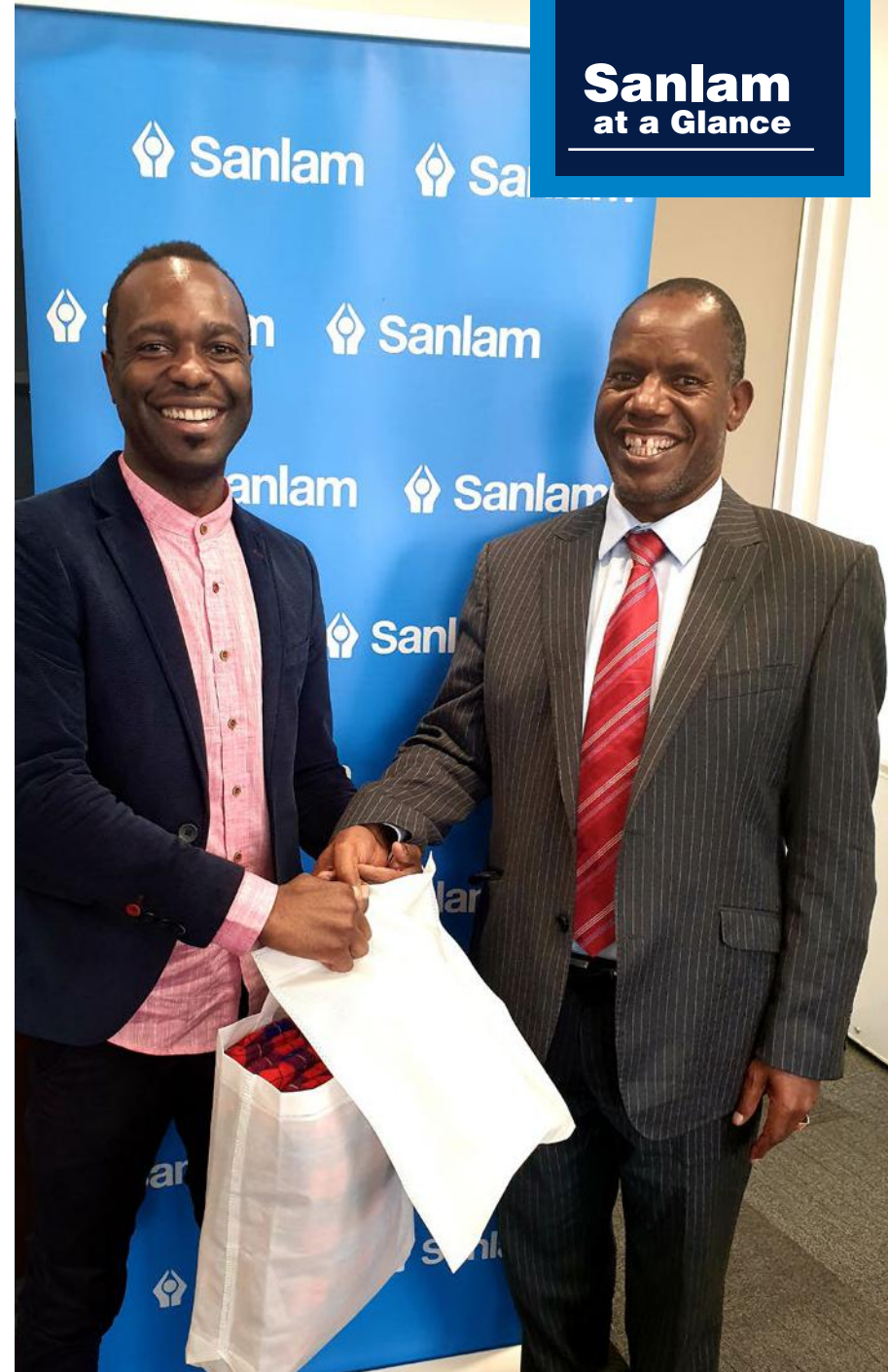


Sanlam Golf at Thika Golf Club
Golfers pictured with Sanlam General CEO
Caroline Laichema



Sanlam Golf at Nyali Golf Club

Sanlam General CEO Caroline Laichena (right) with a club member.



13th Sanlam Summer School of Financial Journalism

Group Chief Executive Officer, Sanlam Kenya Dr Patrick Tumbo, Neville Otuki Second runners-up (African Growth Story) for Sanlam Financial Journalism Awards 2019
Position: Independent business Journalist

Sanlam
at a Glance



Sanlam Kenya affirms focus on insurance services in new operating strategy

Group CEO Dr. Patrick Tumbo flanked by Kevin Mworira (left), Chief Finance Officer and Caroline Laichena, CEO General Insurance at the strategy launch.



Embakasi Garisson

Sanlam Life CEO Stella Njunge during the handing over of refurbished Games Room to General Matari Eastern Command, Embakasi Barracks



Sanlam Stakeholder Engagement

Business Development Manager Gerald Cheruiyot paying a courtesy call on Commandant KAPCC Col. Paul Kindochimu



Think Business Awards

Our team bagged the following awards during the Think Business awards: Life Insurance Best Customer Service, 1st Position. Fraud, Prevention and Detection - 1st Position. Other awards include: Customer champion of the year-Runners-up, Best claim settlement - Winner, Training Excellence and Impact - Winner, Best customer centric Life Insurance Company - 1st Position, Best insurer Product distribution and Marketing 2nd Position and Best Training Company - 1st Position at the Agents Choice Awards.

Sanlam
at a Glance



SANLAM OESAI cocktail.
OSEAI Chairperson Patty Martin (L) and Secretary General Linet Macharia chatting with Sanlam GCEO Dr. Patrick Tumbo during the OSEAI Sanlam cocktail at Radisson Blu.



Sompo partnership

H.E. Ryoichi Horie, Japan's Ambassador to Kenya (R) with Sanlam Life Kenya CEO, Stella Njunge and Sompo Insurance Head of Johannesburg office, Dan Taoka toast to the launch of a business partnership between Sanlam and Sompo in Nairobi.

Five-year group review

	2015	2016	2017	2018	2019
	KShs.m	KShs.m	KShs.m	KShs.m	KShs.m
Statement of profit or loss:					
Profit/ (loss) before tax and share of profit of associate	51	317	251	(2,130)	550
Profit/(loss) attributed to shareholders	(62)	90	31	(2,017)	113
Insurance business:					
Gross premium income	5,182	5,225	6,370	6,346	6,991
Net premium income	4,797	4,832	5,416	5,372	5,647
Net benefits and claims paid	4,257	4,478	4,534	5,124	4,836
Statement of financial position:					
Total equity	3,802	3,932	4,052	1,587	1,735
Long term policy liabilities	19,589	20,432	20,124	20,042	19,605
General policy liabilities	1,513	1,415	1,438	1,222	947
Share capital	720	720	720	720	720
Total assets	27,109	28,443	29,811	29,102	29,027
Key indicators:					
	KShs.	KShs.	KShs.	KShs.	KShs.
Basic earnings per share	(0.43)	0.63	0.21	(14.01)	0.79
Dividends per share	-	-	-	-	-
Dividends (KShs. m)	-	-	-	-	-
Market capitalisation at year end (KShs. m)	8,640	3,996	3,996	3,168	2,478
Group share prices at the NSE:					
Annual High	141*	65	31	28	26
Annual Low	55	28	18	20	16
Share price at year end	60	28	28	22	17.2

* Price before bonus issue



Kshs 6,991 million

Gross Premium Income



Kshs 5,647 million

Net Premium Income



Kshs 4,836 million

Policyholder benefits incurred

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Operational Efficiency

It is because of our clients that we are Sanlam. And that is why our promise is to always improve our services to them by adopting revised business models that benefit both parties.

Together we shall achieve our goals.

A Black woman with curly hair, wearing a dark blazer and large hoop earrings, is seated at a wooden desk, smiling broadly. A Black man in a blue button-down shirt is leaning over her, also smiling, with his hands near a silver laptop. The background is a bright, modern office with a window. The text "Our Leadership" is overlaid in white, bold font across the lower center of the image.

Our Leadership

Board of Directors - Sanlam Kenya PLC

Dr. John P N Simba OGW,
MBS, EGH (75)
(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)



Susan Mudhune (70)

Appointed to the board on 18th August 2009

Occupation: Banker

Academic Qualifications: MBA (University of Nairobi), BA in Education (University of Nairobi)

Professional Qualification: Fellow of the Institute of Bankers (Kenya), Fellow of the Kenya Institute of Management.



Rohan Patel (44)

Appointed to the board on 16th May 2015.

Occupation: Director of Corporate Development

Academic Qualifications: MBA (IMD), MSC Management (LSE), BA Geography (LSE)

Professional Qualification: Advanced Management Program (Harvard), Certificate in Real Estate, Hotel Development and Investment.



Julius Nyakia Magabe (46)

Appointed to the board on 18th August 2016

Occupation: CEO Sanlam Life (T) Ltd, Regional Executive, East Africa – Sanlam Pan Africa (SPA)

Academic Qualifications: MBA (ESIM)

Professional Qualification: Advanced Diploma Insurance and Risk management (Institute of Finance Management – Tanzania)



Dr. Patrick Tumbo (56)

Appointed to the board on 2nd August 2018

Occupation: Group Chief Executive Officer, Sanlam Kenya Plc; Regional Executive, East Africa – Sanlam Pan Africa

Academic Qualifications: BCom (Insurance) University of Nairobi, MBA Strategic Management University of Nairobi

Professional Qualification: Chartered Insurer (ACII)



Freda Britz (54)

Appointed to the board on 8th November 2018

Occupation: Qualified Chartered Accountant

Academic Qualifications: Bachelor of Commerce, Rand Afrikaans University; Post Graduate Diploma in Accountancy (Honours) & CTA: Rand Afrikaans University

Professional Qualification: Chartered Accountant (SA), registered Auditor IRBA, Chartered Management Accountant (ACMA)



Nelius Bezuidenhout (37)

Appointed to the Board on 8 November 2018

Occupation: Executive: Finance, Sanlam Pan Africa Life

Professional Qualifications: Fellow of Actuarial Society of South Africa



Cornie Foord (62)

Appointed to the board on 8th November 2018

Occupation: Chief Operating Officer - Sanlam Pan Africa

Academic Qualifications: B Compt University of South Africa; B Compt (HONS) CTA –University of South Africa; M Comm (Business Management) ; University of Johannesburg



Board of Directors - Sanlam Kenya PLC (Continued)

Dr. Grace Mirigo Mwai (40)

Appointed to the Board on
10th May 2019

Occupation: Compliance and
program management

Academic Qualification:

Doctorate in Business
Administration from the
United States International
University Africa, Masters
in Business Administration
(MBA) from the University
of Nairobi and a Bachelors
of Commerce from the same
university.



Ms. Rose Agutu (57)

Appointed to the Board on
10th May 2019

Occupation: Banker

Academic Qualification:

Bachelor of Commerce
degree from the University
of Nairobi and is an alumni
of the CLA Women's
Leadership Development
Program (WLDLP). She's
currently pursuing further
studies at the University of
London



Senior Management



Dr Patrick Tumbo

Group Chief Executive Officer, Sanlam Kenya



Kevin Mworia

Chief Finance Officer



Stella Njunge
Chief Executive Officer, Sanlam Life



Caroline Laichena
General Insurance CEO



Emma Wachira
Group Company Secretary/Chief Legal Officer



Simon Ngura
Group Head of IT and Innovation



Lilian Onyach
Group Head of Marketing and Corporate Communications

Our
Leadership

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Our immediate plans are to lay a foundation for a strong and robust business that will be there for another century, and will cement our reputation as a business that keeps its promises.

Dr. John Simba, OGW, MBS, EGH (Group Chairman)

Chairman's statement

Dear Shareholder

On behalf of the Board of Directors, it gives me pleasure to present to you the reports and accompanying financial statements for the year ended December, 2019.

Overview

The year 2019 was a difficult one for businesses across the region. Although the region's economies remained relatively stable – with growth averaging 6 percent for the East African countries – there were some unexpected shocks that dampened business operations.

On the global arena, growth was muted averaging 3.5 percent on the back of a slow-down in manufacturing activities and uncertainties surrounding trade and geopolitics especially between America and China. The Brexit debacle also added to the uncertainties that led to a slow-down in the global economy.

Operations

In Kenya, the insurance industry faced tight liquidity driven by constrained access to credit by individuals, small and medium-sized enterprises as a result of the effects of the interest rate cap. Business operations across the board were affected leading to staff layoffs and reduced production capacity.

Experts in the financial sector had repeatedly warned that controlling lending rates would not automatically lead to increased access to credit.

The ripple effects of the rate caps impacted the insurance industry, leading to a slowdown in uptake of insurance by individuals and businesses compounded by a tepid operating environment.

Overall, as was the case globally and in sub-Saharan Africa, economic growth in Kenya remained sluggish during the year. Growth was largely impacted by depressed output in the crucial agricultural sector, due to delayed long rains followed by severe flooding. This negatively impacted food prices, increasing household inflation. It was a mixed bag of fortunes for cash crops the combined effect of which resulted in reduced export earnings. Although a rebound in the agricultural sector and the projection of better prospects in 2020 was expected, this will be countered by the locust invasion and global economic slowdown caused by the Corona pandemic.

As a business, we were not spared the challenges faced by the industry. We endured a tough year characterized by a major business restructuring that is expected to lay the foundation for future growth. The restructuring was necessitated by the need to re-align the business to current realities and prepare it for take-off.

However, all was not doom and gloom. There was a silver lining in the financial sector during the year under review

Other opportunities to grow insurance penetration lie in untapped segments such as micro-insurance which delivers affordable solutions to lower-income segments. Comprising significant proportions of the population, this population offers an attractive opportunity for the industry.

following the scraping of interest rate cap during the year which we expect will begin to manifest itself in a renewed business vigor, especially in the SME sector, following enhanced access to credit. But as alluded to above, the emergence of a new faceless and vicious enemy which has unleashed devastation whose scale in human lives and bearing on economies across the globe is yet to be quantified will gravely impact our plans. Even in the worst of times, opportunities emerge. We shall remain awake to these opportunities.

Our near term plans will be to continue strengthening our foundations for a strong and robust business that will be there for another century, and will cement our reputation as a business that keeps its promises.

Insurance penetration

Like the rest of sub-Saharan Africa, insurance uptake has remained a serious challenge. In Kenya, Insurance uptake still remains under 3 per cent. Obviously, this is way below the critical mass that is essential for the industry to remain viable. This scenario also throws up opportunities for us to develop products and distribution infrastructure which resonates with potential customers. The bulk of the current coverage is for general insurance. It is however expected that economic growth will result in increased insurance penetration. As economies improve and the middle class grows, uptake of insurance products will grow in tandem.

The opportunity for the insurance industry to deepen penetration lies in growing long-term insurance, in tandem with general insurance that currently accounts for more than half the total premiums. This calls for innovative solutions in the long term insurance business classes such as Pensions, Life Assurance, Group Life, Group Credit, Annuities and Investments.



The opportunity for the insurance industry to deepen penetration lies in growing long-term insurance, in tandem with general insurance that currently accounts for more than half the total premiums.

Chairman's statement

Other opportunities to grow insurance penetration lie in untapped segments such as micro-insurance which delivers affordable solutions to lower-income segments. Comprising significant proportions of the population, this population offers an attractive opportunity for the industry.

In addition to this, sustained awareness by the industry and relevant government agencies on the general role of insurance as well as the available solutions is expected to lead to increased uptake of our products.

The biggest opportunity in growing the business however lies in tapping technology to reach new market segments. Technological developments, such as Blockchain and Internet of Things, are opening up fresh opportunities for the industry by enhancing efficiency, lowering operating costs and making it possible to roll out low-cost solutions. This digital transformation is opening up alternative distribution channels while revolutionizing the customer experience.

By embracing technology, the insurance industry will be able to combat fraud that has continued to plague the industry, leading to loss by insurers and the insured public. Minimizing human intervention, through industry-wide initiatives such as the Integrated Motor Insurance Database System that facilitates information sharing, limits opportunities to manipulate the system.

Regulatory changes

Regulatory changes continued to impact on the insurance industry during the year, introducing new guidelines while amending existing ones – all focusing on creating a level playing field for those in the arena.

Of critical importance is the Data Protection Act that was recently assented to by President Uhuru Kenyatta. The law aims to regulate handling and processing of data and is expected to impact on the insurance industry because it handles significant customer data some of which is kept offsite. As a business, we have purposed to comply with its provisions.

During the year, the Insurance Amendment Act of 2019 came into effect. Its provisions, inter alia, aims to protect policy holders when an insurance company is in distress, requires direct submission of premiums to insurers to combat fraud and insurers to submit premium levy and claims payment returns to the regulator. These changes are expected to enhance discipline in the sector and as a result, increase trust in the industry.

At the regional level, the East Africa Insurance Bill remains under development, and is expected to harmonize the insurance industry across the East African Community.

Going forward, the outlook for 2020 is cautiously optimistic as the world comes to terms with the Covid-19 pandemic. The real impact on global GDP is yet to be fully determined but it will definitely be enormous. Economic growth on a global scale is expected to be severely weakened as air travel is limited and economies are put on lockdown, meaning that global trade output will be at an all-time low. This is expected to have the single most significant impact on the global insurance industry and the global economy as a whole. Kenya will be no exception.

We however remain optimistic and believe that the concerted global effort to tackle this menace will bear fruits

in the short to medium term, and the global economy will be back on its feet before long.

As a business we believe we shall ride the raging storm ready to rebound as we emerge into less tempestuous waters.

Conclusion

Finally, I would like to record my appreciation to the Board of Directors for the time and effort that they have put into the business during the difficult phase that we have been through. It is through their dedication that we have finally turned the corner and we can see a change in fortunes. The turnaround would not have been possible without the dedication of the management and staff under the leadership of Group CEO, Dr. Patrick Tumbo who has shown exemplary leadership. Special thanks to our shareholders, business partners who have given us the support we needed to restructure the business positioning it to take advantage of emerging opportunities. Our gratitude also go to the IRA for its unwavering efforts to create a level playing field in the industry.

Let us now all pull together and deliver on the promise to our clients.

THANK YOU.

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



CHAIRMAN.



Resilience

Many times our stakeholders have gone through challenges that required us to come through for them and most of the time we have been able to keep this promise. We have protected them against negative un expected events.

**Viongozi
wetu**

**EVERY
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Mipango yetu ya kwanza kabisa ilikuwa kuweka msingi wa biashara thabiti itakayodumu kwa karne nyingine, na hilo litakoleza sifa zetu kama biashara inayotimiza ahadi zake.

Dkt. John Simba, OGW, MBS, EGH (Mwenyekiti)

Taarifa Ya Mwenyekiti

Mwenyehisa mpendwa,

Kwa niaba ya Bodi ya Wakurugenzi, nina furaha kukuwasilishia ripoti na taarifa za kifedha za mwaka uliomalizika Desemba 2019.

Kwa ufupi

Mwaka 2019 ulikuwa na changamoto nyingi kwa biashara kanda hii. Ingawa mataifa katika kanda hii yalisalia kuwa imara kiuchumi – ukuaji wa uchumi ukiwa kwa kadiri asilimia 6 katika mataifa ya Afrika Mashariki – kulitokea changamoto zisizotarajiwa zilizoathiri shughuli za kibiashara.

Kimataifa, ukuaji wa uchumi haukuwa wa kuridhisha sana ambapo kwa kadiri ulikuwa kwa asilimia 3.5. Hii ilichangiwa na kupungua kwa shughuli za utengenezaji wa bidhaa na kutotabirika kwa biashara na siasa za dunia hasa kutokana na mzozo kati ya Marekani na Uchina. Kujiiondoa kwa Uingereza kutoka Umoja wa Ulaya pia kulichangia kutotabirika huku ambako kulipunguza kasi ya ukuaji wa uchumi wa dunia.

Uendeshaji shughuli

Nchini Kenya, sekta ya utoaji bima ilikabiliwa na uhaba wa pesa kutokana na watu binafsi, biashara ndogo na za wastani kutoweza kupata mikopo kufuatia sheria iliyoweza kikomo kwenye viwango vya riba. Shughuli za kibiashara ziliathirika kote na kulisababisha watu kufutwa kazi na uzalishaji kushuka.

Wataalamu katika sekta ya kifedha mara kwa mara walionya kwamba kudhibitiwa kwa riba hakungesababisha kutolewa zaidi kwa mikopo.

Madhara yaliyotokana na kuwekwa kikomo kwenye viwango vya riba yaliathiri sekta ya bima, kwa kuwafanya

watu na biashara kutochukua bima kwa wingi ukizingatia mazingira magumu ya uendeshaji biashara.

Kwa jumla, kama ilivyokuwa duniani na Afrika kusini mwa jangwa la Sahara, kasi ya ukuaji wa uchumi wa Kenya ilipungua mwaka huo. Ukuaji sana uliathiriwa na kushuka kwa uzalishaji katika sekta ya kilimo kutokana na kuchelewa kwa mvua ya masika na baadaye mafuriko. Hili liliathiri bei ya vyakula, na kuongeza gharama ya matumizi kwa watu wengi nyumbani. Mazao ya biashara yaliathiriwa pia na kusababisha kushuka kwa mapato kutoka kwa uuzaji wa bidhaa nje ya nchi. Ingawa sekta ya kilimo ilitarajiwa kujikwamua na hali kuimarika mwaka 2020, hii itaathiriwa na uvamizi wa nzige na janga la virusi vya Corona.

Kama biashara, hatukusazwa na changamoto zilizoathiri sekta hii. Tulikumbana na mwaka mgumu ulioambatana na mabadiliko makubwa katika muundo wa biashara yetu ambayo tunatarajia yataweka msingi wa ukuaji siku

Fursa ya sekta ya bima kuenea zaidi imo katika ukuaji wa bima ya muda mrefu, sambamba na bima ya kawaida ambayo kwa sasa inahusisha zaidi ya nusu ya malipo yote ya bima. Hii inahitaji uvumbuzi na ubunifu katika vitengo vya bima za kipindi kirefu kama vile Malipo ya Uzeeni, Bima ya Maisha, Bima ya Maisha ya kuwekwa na kundi, Bima ya Mikopo ya kundi, Bima ya Malipomwaka na Bima ya Uwekezaji.

za usoni. Mabadiliko hayo yalisababishwa na haja ya kuiweka vyema biashara yetu kuendana na uhalisia na pia kujiandaa kwa ukuaji.

Hata hivyo, yalitokea mazuri pia. Kulitokea matumaini katika sekta ya kifedha mwaka huo baada ya kuondolewa kwa kikomo kwenye viwango vya riba. Tunatarajia kwamba matunda ya hatua hiyo yataanza kujidhihirisha kupitia kufufuliwa kwa mchangamko katika biashara, hasa sekta ya biashara ndogo na za wastani, kutokana na kupatikana kwa mikopo.

Kama nilivyoieleza hapa juu, kutokea kwa adui huyu hatari ambaye amesababisha vifo vingi na madhara makubwa ya kiuchumi duniani kwa kiwango ambacho bado hakijabainika kutaathiri pakubwa mipango yetu. Hata katika nyakati ngumu zaidi, fursa hujitokeza. Tutakuwa macho kuzitambua.

Mipango yetu ya hivi karibuni zaidi itakuwa kuendelea kuongeza nguvu msingi wa biashara thabiti itakayodumu kwa karne nyingine, na hilo litakoleza sifa zetu kama biashara inayotimiza ahadi zake.

Kukumbatiwa kwa uwekaji bima

Sawa na ilivyo katika maeneo mengine Afrika kusini mwa jangwa la Sahara, kiwango cha chini cha watu kujiwekea bima imekuwa changamoto kubwa. Nchini Kenya, bado ni asilimia 3 pekee ya watu waliojiwekea bima. Kiwango hiki bila shaka kipo chini sana ya kiwango kinachohitajika kufanikisha sekta ya bima inayonawiri. Hali hii hata hivyo inatoa fursa kwetu kuanzisha huduma mbalimbali na miundo ya usambazaji inayowaridhisha wateja watarajiwa. Sehemu kubwa ya bima ambayo watu wamejiwekea ni bima ya kawaida. Hata hivyo, inatarajiwa kwamba ukuaji wa uchumi utachochea utachangia watu zaidi kujiwekea



Mipango yetu ya hivi karibuni zaidi itakuwa kuendelea kuongeza nguvu msingi wa biashara thabiti itakayodumu kwa karne nyingine, na hilo litakoleza sifa zetu kama biashara inayotimiza ahadi zake.

Taarifa Ya Mwenyekiti



Kwa kukumbatia teknolojia, sekta ya bima itaweza kukabiliana na ulaghai ambao umeendelea kuwa tatizo kwa sekta hii, ambapo umewasababishia watoaji bima na wateja hasara kubwa.

bima. Mataifa yanavyoimarika kiuchumi na watu wa mapato ya wastani kuongezeka, kutatokea ongezeko pia la watu kujiwekea bima.

Fursa ya sekta ya bima kuenea zaidi imo katika ukuaji wa bima ya muda mrefu, sambamba na bima ya kawaida ambayo kwa sasa inahusisha zaidi ya nusu ya malipo yote ya bima. Hii inahitaji uvumbuzi na ubunifu katika vitengo vya bima za kipindi kirefu kama vile Malipo ya Uzeeni, Bima ya Maisha, Bima ya Maisha ya kuwekwa na kundi, Bima ya Mikopo ya kundi, Bima ya Malipomwaka na Bima ya Uwekezaji.

Fursa nyingine za kueneza zaidi utoaji bima ni kuangazia maeneo ambayo hayajaangaziwa sana kwa mfano bima ya kuangazia watu wa mapato ya chini. Watu wa kipato cha chini ni wengi katika jamii na ni fursa nzuri kwa sekta hii ya bima.

Kadhalika, kutolewa kwa uhamasisho zaidi na wadau katika sekta hii pamoja na serikali kuhusu umuhimu wa bima na aina mbalimbali za bima zilizopo kunatarajiwa kuchangia watu zaidi kujiwekea bima.

Fursa kubwa zaidi katika kukuza biashara hata hivyo imo katika kutumia teknolojia kufikia maeneo mapya katika soko la bima. Uvumbuzi wa kiteknolojia kama vile mfumo wenye msingi wa sarafu za kidijitali maarufu kama Blockchain na Mtandao kwa Kila Kifaa maarufu

kama Internet of Things, unafungua fursa mpya kwenye sekta hii. Hii ni kupitia kurahisisha utendakazi, kupunguza gharama na kuwezesha kutolewa kwa huduma za gharama ya chini. Mabadiliko haya ya kidijitali yanatoa njia mbadala ya kutoa huduma na pia kuimarisha ubora wa huduma anayopokea mteja.

Kwa kukumbatia teknolojia, sekta ya bima itaweza kukabiliana na ulaghai ambao umeendelea kuwa tatizo kwa sekta hii, ambapo umewasababishia watoaji bima na wateja hasara kubwa. Kupitia kupunguza kuhusika kwa binadamu, kupitia mikakati inayokumbatiwa na wahudumu wote kwa mfano Mfumo wa Hazinadata ya Bima ya Magari inawezekana kubadilishana taarifa, na kupunguza uwezekano wa watu kufanya ulaghai.

Mabadiliko ya kisheria

Mabadiliko ya kisheria yaliendelea kuathiri sekta ya bima mwaka huo, ambapo kulitolewa sheria na mwongozo mpya, na kanuni zilizokuwepo kubadilishwa – yote yakiangazia kuweka usawa na haki kwenye mazingira ya kibiashara.

Muhimu zaidi ilikuwa Sheria ya Kuhifadhi Data ambayo ilipitishwa na kuidhinishwa na Rais Uhuru Kenyatta. Sheria hii inalenga kudhibiti ukusanyaji na ushughulikiaji wa data na inatarajiwa kuathiri sekta ya bima kwani ni sekta inayohusika na kushughulikia taarifa nyingi na maelezo mengi kuhusu wateja, baadhi zikiwekwa nje

ya kampuni yetu. Kama biashara, tumejiandaa kufuata maagizo ya sheria hiyo.

Katika mwaka huo, Sheria ya Bima (Marekebisho) ya 2019 ilianza kutekelezwa. Miongoni mwa mengine, inalenga kuwalinda waliojiwekea bima iwapo kampuni ya bima itakumbwa na matatizo ya kifedha. Inahitaji malipo ya bima kutumwa moja kwa moja kwa kampuni ya bima kuzuia ulaghai na kampuni za bima kuwasilisha taarifa za malipo ya ada na malipo ya madai kwa serikali. Mabadiliko haya yanatarajiwa kuongeza nidhamu katika sekta hii jambo litakaloongeza uaminifu pia katika sekta hii.

Katika ngazi ya kanda, Sheria ya Bima ya Afrika Mashariki bado inaandaliwa, na inatarajiwa kuonisha sekta za bima katika Jumuiya ya Afrika Mashariki.

Tukisonga mbele, mustakabali wa 2020 ni wa matumaini yenye tahadhari kwani ulimwengu unakabiliwa na janga la Covid-19. Athari kamili kwenye uchumi wa dunia bado haijabainika lakini bila shaka itakuwa kubwa. Ukuaji wa uchumi duniani unatarajiwa kuathiriwa pakubwa na kupungua kwa safari za ndege na mataifa mengi kufunga shughuli nyingi. Hii ina maana kwamba kiwango cha biashara duniani kitakuwa chini sana. Hii ndiyo inayotarajiwa kuwa na athari kubwa zaidi kwa sekta ya bima duniani na uchumi wa dunia kwa jumla. Hali Kenya haitakuwa tofauti.

Hata hivyo tunasalia kuwa na matumaini na tunaamini kwamba juhudi za kimataifa za kukabiliana na janga hili zitazaa matunda katika kipindi kifupi au cha wastani, na kwamba uchumi wa dunia utajikwamua muda si mrefu.

Kama biashara, tunaamini kwamba tutahimili mawimbi na kujikwamua dhoruba itakapopita.

Hitimisho

Hatimaye, ningependa kutoa shukrani zangu kwa Bodi ya Wakurugenzi kwa muda wao na juhudi zao kwa biashara hii katika kipindi kigumu tulichopitia. Ni kupitia kujitolea

kwao ambapo hatimaye tumevuka hatua muhimu na sasa tunaanza kuona mabadiliko mazuri. Mabadiliko haya hayangewezekana bila kujitolea kwa wasimamizi na wafanyakazi chini ya uongozi wa Afisa Mkuu Mtendaji wa Kundi, Dkt. Patrick Tumbo ambaye amekuwa kiongozi mzuri katika yote. Shukrani za kipekee pia kwa wenyehisa na washirika wetu wa kibiashara waliotuunga mkono tulipohitaji kubadilisha muundo wa kampuni kuiweka sawa kutumia vyema fursa zinazoibuka. Shukrani zetu pia ziifikie Mamlaka ya Usimamizi wa Bima (IRA) kwa kujitolea kwao kuhakikisha usawa na haki katika sekta hii.

Sasa, tushikane pamoja sote na tutimize ahadi yetu kwa wateja wetu.

ASANTENI

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



Mwenyekiti

Our Leadership

EVERY
PROMISE
NEEDS A

Keeper



The general business also performed well, with notable performance across the board, but we still have room for improvement for better shareholder value.



Dr. Patrick Tumbo, Group CEO, Sanlam

GCEO's statement

Operating environment

The year 2019 was a mixed bag for Sanlam Kenya PLC. It was marked by a challenging operating environment on the back of muted sectoral growth, increased cases of fraud across the industry, heightened competition and regulatory changes.

Nevertheless, the year marked the start of Sanlam's recovery, getting back to profitability following the losses we incurred in 2018 as a result of a series of extraordinary events. We are now starting to see the fruits of the turnaround strategy that the business put in place at the beginning of the year.

At the macro level, the Kenyan economy recorded lower levels of economic growth, averaging 5.4% for the first three quarters of 2019, compared to an average of 6.0% in a similar period in 2018. This was mainly driven by a slowdown in agricultural activities and decreased output in the transport sector.

At the same time, the yield curve declined in the first ten months of the year impacting our investments. The trend however changed towards the end of the year with the repeal of the interest rates cap in November 2019. The increase in yields is expected to be gradual across the yield curve but more pronounced on the short end of the curve.

Whereas the operating environment was generally challenging, we managed to return the group to full-year profitability during the year. This was underpinned by execution of our corporate turnaround strategy that mainly focused on leveraging operational efficiencies while maintaining laser-focus on our clients. Performance during the year was driven by robust growth across our insurance subsidiaries, with a significant rise in revenues recorded.

We continued marshalling resources in re-orienting the business in line with changing customer experience needs, listening to them more, and acting expeditiously in claims settlement.

2019 Performance

Gross written premiums for our General Insurance business grew by 30 per cent compared to the previous year. This revenue growth was supported by improved investment performance. As at the end of the year, our general insurance business was solvent, and going forward, we expect the business to become more robust.

Our Life business recorded a complete turnaround with earnings after-tax going back to profitability. New business pipeline reflected the continued efforts towards increasing our clients' footprint. Claims on the other hand increased as the business assumed a more prudent posture in claims provisioning, while taking into consideration the increasing importance of 'Treating Customers Fairly'.



Some of the strategic initiatives and partnerships that we invested in for our General and Life business lines during 2019, which we intend to solidify this year, are expected to begin bearing fruit into the future. For instance, our general insurance business has leveraged on Sanlam Group's proven competencies in running profitable medical insurance books across Africa.

A change in regulator-prescribed interest rate risk margin from 20% to 10% contributed additional operating margins to the bottom line. The Life Business' solvency stood at 168 per cent, an improvement from the previous year.

The performance especially the growth in Gross Written Premiums was also positively impacted with the continued support of our business partners and in particular the brokers, agents and the banks and our direct sales teams.

Outlook for 2020

The year 2020 will not be easy for any business, and we are no exception. Our recovery trajectory will take a hit from the impact of the COVID-19 pandemic that has disrupted businesses across the world. It has led to a marked decline in global growth projections which in turn is expected to impact businesses. In Kenya for instance, growth is projected to be severely dampened to 1 percent, compared to earlier projections of 5.6 percent for 2020. This will of course cascade down to all the sectors of the economy.

Despite these unexpected circumstances, implementation of our business growth strategy remains on course, with a focus on sustainably growing the contribution of our insurance business to Group revenues, while enhancing our asset management business. This is expected to sustainably grow shareholder value.

Some of the strategic initiatives and partnerships that we invested in for our General and Life business lines during 2019, which we intend to solidify this year, are expected to begin bearing fruit into the future. For instance, our general insurance business has leveraged on Sanlam Group's proven competencies in running profitable medical insurance books across Africa. This was in addition to restructuring reinsurance agreements with a view to enhancing capacity while improving underwriting results of the medical book.

Our Leadership



The performance especially the growth in Gross Written Premiums was also positively impacted with the continued support of our business partners and in particular the brokers, agents and the banks and our direct sales teams.



The year 2020 will not be easy for any business, and we are no exception. Our recovery trajectory will take a hit from the impact of the COVID-19 pandemic that has disrupted businesses across the world.

Our Leadership

GCEO's statement

Our priority is on continually enhancing the customer value proposition by consistently innovating products and processes to ensure that we continue providing a comprehensive suite of financial solutions that are tailored to the distinct needs of the Kenyan market. Treating the Customer Fairly remains a key ingredient of our innovative efforts to improve our client experience.

The focus is to continue strengthening engagements with business partners and diversifying our insurance solutions to customers. Process and product innovation leveraged on information technologies will remain a focal point for the business in 2020, dedicating efforts towards aggressively promoting existing mobile-based products to sustainably grow our client footprint through current partners while exploring emerging business leads.

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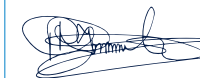
tailored to the distinct needs of the Kenyan market. Treating the Customer Fairly remains a key ingredient of our innovative efforts to improve our client experience.

At the same time, good governance practices will remain a focal point for the business in all its dealings as it seeks to continuously improve its standing as a responsible corporate citizen. The business will continue complying with all laws and codes of business best practice.

As a business, we will continue innovating on the best way to increase our footprint, with the use of technology at the top of our agenda in our efforts to reach the under-

served markets. We will also enhance partnerships with like-minded institutions that will allow us tap into each other's competencies in our endeavor to reach more customers.

Dr. Patrick Tumbo



Group Chief Executive Officer

A photograph of two Black women shaking hands on a modern staircase with glass railings. The woman on the left is wearing a blue suit and the woman on the right is wearing a white patterned top and black pants. They are both smiling. The background is a dark, modern interior.

Our
Leadership

We Treat our Customers **Fairly.**

Our Life business recorded a complete turnaround with earnings after-tax going back to profitability. New business pipeline reflected the continued efforts towards increasing our clients' footprint. Claims on the other hand increased as the business assumed a more prudent posture in claims provisioning, while taking into consideration the increasing importance of 'Treating Customers Fairly'.

**EVERY
PROMISE
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Keeper

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Keeper

Ingawa mazingira ya kibiashara kwa jumla yalikuwa magumu, tulifanikiwa kuhakikisha kampuni mwishowe inaandikisha faida kwa mwaka huo. Hii ilichangiwa na utekelezaji wa mkakati wetu wa mabadiliko ulioangazia kulainisha uendeshaji wa shughuli zetu huku tukiendelea kuwaangazia vyema wateja wetu.



Dkt. Patrick Tumbo, Mkurugenzi mkuu wa kundi, Sanlam

Taarifa ya Mkurugenzi Mkuu wa Kundi

Mazingira ya kibiashara

Mwaka 2019 ulikuwa na mabaya na mema kwa Sanlam Kenya PLC. Ulikuwa ni mwaka wenye mazingira ya kibiashara yenye changamoto nyingi kutokana na kupungua kwa kasi ya ukuaji katika sekta hii, ongezeko la visa vya ulaghai katika sekta hii, ongezeko la ushindani na mabadiliko ya kisheria.

Hata hivyo, ni mwaka ulioashiria mwanzo wa kujikwamua kwa Sanlam na kurejelea katika utengenezaji faida baada ya hasara tuliopata mwaka 2018 kutokana na matukio mbalimbali. Sasa, tumeanza kuona matunda ya mkakati wetu wa kubadilisha mambo ambao tulianza kuutekeleza mwanzoni mwa mwaka.

Kwa jumla, uchumi wa Kenya uliandikisha kiwango cha chini cha ukuaji, kwa kukua kwa kadiri ya 5.4% kwa robo tatu za kwanza za mwaka 2019, ukilinganisha na 6.0% katika kipindi sawa mwaka 2018. Hii sana ilitokana na kupungua kwa shughuli za kilimo na kupungua kwa uzalishaji katika sekta ya uchukuzi.

Katika kipindi hicho pia, mapato ya riba kutoka kwa hati za dhamana na hati nyingine za kifedha pia yalishuka kwa miezi kumi ya kwanza mwaka huo jambo lililoathiri uwekezaji wetu. Mtindo huu hata hivyo ulibadilika mwishoni mwa mwaka baada ya kuondolewa kwa sheria iliyoweka kikomo viwango vya riba Novemba 2019. Ongezeko la mapato ya riba linatarajiwa kuendelea taratibu, lakini litakuwa kubwa mwishoni mwa mwaka.

Ingawa mazingira ya kibiashara kwa jumla yalikuwa magumu, tulifanikiwa kuhakikisha kampuni mwishowe inaandikisha faida kwa mwaka huo. Hii ilichangiwa na utekelezaji wa mkakati wetu wa mabadiliko ulioangazia kulainisha uendeshaji wa shughuli zetu huku tukiendelea

kuwaangazia vyema wateja wetu. Matokeo katika mwaka huo yaliongozwa na ukuaji mkubwa katika kampuni zetu tanzu za bima, ambapo ongezeko kubwa la mapato lilishuhudiwa.

Tuliendelea kuweka pamoja rasilimali zetu katika kuipa biashara yetu mwelekeo mpya kuambatana na mahitaji ya kuboresha huduma kwa wateja, kuwasikiliza zaidi, na kuharakisha malipo ya madai ya malipo ya bima.

Matokeo ya 2019

Jumla ya malipo ya bima tuliypokea kwa biashara yetu ya Bima ya Kawaida iliongezeka kwa asilimia 30 ukilinganisha na mwaka uliotangulia. Mapato hayo yalisaidiwa na matokeo mazuri kutoka kwa uwekezaji. Kufikia mwisho wa mwaka huo, biashara yetu ya bima ya kawaida ilikuwa katika hali ambapo inaweza kulipa madeni yote, na tukisonga mbele, tunatarajia biashara hiyo kuwa imara zaidi.

Biashara yetu ya Bima ya Maisha ilibadilisha mkondo kabisa na ikaanza kuandikisha faida baada ya kutozwa



Kama biashara, tutaendelea kuvumbua njia bora zaidi za kupanua biashara yetu, kwa kutumia teknolojia kama ajenda yetu kuu katika kufikia watu ambao hawajafikiwa na huduma za bima. Tutaimarisha pia ushirikiano na mashirika yenye mtazamo sawa na wetu kutuwezesha kufaidi kutokana na nguvu za kila shirika katika kuwafikia wateja zaidi.

ushuru. Mfumo mpya wa kufuatilia biashara ulidhihirisha kuendelea kwetu kuongeza juhudi katika kuongeza wateja wetu. Madai ya malipo pia yaliongezeka huku kampuni yetu ikikumbatia msimamo wa busara katika kutenga pesa za malipo ya madai ya bima. Tulifanya hivi kwa kutilia maanani umuhimu wa 'Kuwashughulikia Wateja kwa Haki'.

Mabadiliko katika kipimo cha kiwango cha hatari ya riba kinachohitajika kutoka kwa 20% hadi 10% yalichangia kuongezeka kwa kipimo cha uthabiti wa biashara yetu. Kipimo cha uwezo wa kulipa madeni kwa Biashara ya Bima ya Maisha kilikuwa asilimia 168, ambapo tuliimarika kutoka mwaka uliotangulia.

Matokeo, na hasa ukuaji wa Jumla ya Malipo ya Bima, yalisaidiwa pia na usaidizi kutoka kwa washirika wetu katika biashara na hasa mawakala au madalali, maajenti na mabenki na wauzaji wetu wa moja kwa moja.

Mustakabali wa 2020

Mwaka 2020 hautakuwa mzuri kwa biashara, na hatutasazwa. Mkondo wetu wa kujikwamua utaathiriwa na janga la COVID-19 ambalo limeathiri biashara kote duniani. Janga hilo limeathiri makadirio ya ukuaji wa uchumi duniani, jambo litakaloathiri pia biashara. Kenya kwa mfano, ukuaji unatarajiwa kushuka hadi asilimia 1, ukilinganisha na makadirio ya awali ya ukuaji wa asilimia 5.6 kwa mwaka 2020. Hii bila shaka itaathiri sekta zote za uchumi.

Licha ya matukio haya yasiyotarajiwa, utekelezaji wa mkakati wetu wa ukuaji wa biashara unaendelea, tukiangazia zaidi kukuza mchango wa biashara ya bima kwa mapato ya Kundi. Tutafanya hivyo tukiendelea kuangazia biashara ya usimamizi wa mali. Hii inatarajiwa kuongeza thamani kwa wenyehisa kwa njia endelevu.



Jumla ya malipo ya bima tuliypokea kwa biashara yetu ya Bima ya Kawaida iliongezeka kwa asilimia 30 ukilinganisha na mwaka uliotangulia. Mapato hayo yalisaidiwa na matokeo mazuri kutoka kwa uwekezaji.



Mwaka 2020 hautakuwa mzuri kwa biashara, na hatutasazwa. Mkondo wetu wa kujikwamua utaathiriwa na janga la COVID-19 ambalo limeathiri biashara kote duniani.

Taarifa ya Mkurugenzi Mkuu wa Kundi

Baadhi ya mikakati tuliyoanza kutekeleza na ushirikiano tulioweka kwa biashara zetu za Bima ya Kawaida na Bima ya Maisha katika mwaka 2019 inatarajiwa kuzaa matunda siku sijazo. Kwa mfano, biashara ya bima ya kawaida imetumia sifa za ustadi wa Kundi la Sanlam katika kuendesha biashara yenye ya bima ya matibabu Afrika. Hii ni pamoja na kubadilisha makubaliano ya mzigo wa bima kutoka kwa kampuni nyingine kwa lengo ya kuimarisha faida kutoka kwa bima ya matibabu.

Lengo kuu ni kuendelea kuboresha ushirikiano wetu na washirika wetu wa kibiashara na kuongeza aina ya huduma za bima tunazotoa kwa wateja. Uvumbuzi na ubunifu wa kuangazia shughuli na huduma zenyewe za bima utasalia kuwa kipaumbele kwa biashara yetu mwaka 2020,

tukielekeza juhudi zetu katika kutangaza bima na huduma zetu za kutolewa kwa njia ya simu ili kuongeza idadi ya wateja. Hii ni kupitia washirika wa sasa huku tukifuatilia mabadiliko sokoni.

Kipaumbele chetu ni kuendelea kuboresha huduma wka wateja kwa kutumia uvumbuzi na ubunifu katika bidhaa zetu za bima na shughuli zetu kuhakikisha tunaendelea kutoa huduma zinazokidhi mahitaji ya kipekee ya soko la Kenya. Kuwashughulikia Wateja kwa Haki kutasalia kiungo muhimu katika juhudi zetu hizi za kuboresha huduma kwa wateja.

Kadhalika, desturi za utawala bora zitaongoza biashara yetu katika shughuli zake zote huku tukiendelea kujizatiti

kuwa kampuni ya kuwajibika. Biashara yetu itaendelea kutii sheria na maadili mema ya kibiashara.

Kama biashara, tutaendelea kuvumbua njia bora zaidi za kupanua biashara yetu, kwa kutumia teknolojia kama ajenda yetu kuu katika kufikia watu ambao hawajafikiwa na huduma za bima. Tutaimarisha pia ushirikiano na mashirika yenye mtazamo sawa na wetu kutuwezesha kufaidi kutokana na nguvu za kila shirika katika kuwafikia wateja zaidi.

Dkt. Patrick Tumbo



Mkurugenzi Mkuu wa kundi

A woman with curly brown hair, wearing a white button-down shirt and yellow pearl earrings, is smiling and holding a pair of glasses with red temples. The background is a solid grey.

We Treat our Customers **Fairly.**

Our Life business recorded a complete turnaround with earnings after-tax going back to profitability. New business pipeline reflected the continued efforts towards increasing our clients' footprint. Claims on the other hand increased as the business assumed a more prudent posture in claims provisioning, while taking into consideration the increasing importance of 'Treating Customers Fairly'.

**EVERY
PROMISE
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Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 74th Annual General Meeting of the Company will be held via electronic communication on Thursday 9th July 2020 at 11.00a.m. to conduct the business detailed below. Due to ongoing Government of Kenya restrictions on public gatherings, shareholders will not be able to attend the Annual General Meeting in person but will be able to register for, access information pertaining to the proposed business, follow the meeting in the manner detailed below and to vote electronically or by proxy. Shareholders may ask questions in advance of the meeting, as detailed in the Notes below:

AGENDA

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 10th May 2019.
4. To consider, and if approved, adopt the Balance Sheet and Accounts for the year ended 31 December 2019 together with the reports of the Chairman, the 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 2019.
6. To elect Directors:
 - 6.1 Dr Grace Mwai who was appointed a director on 10th May 2019 retires this being the first Annual General Meeting to be held since her appointment and being eligible, offers herself for re-election.
 - 6.2 Ms Rose Agutu who was appointed a director on 10th May 2019 retires this being the first Annual General Meeting to be held since her appointment and being eligible, offers herself for re-election.
 - 6.3 Mr Julius Magabe 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 769 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) Freda Britz (Chair Person)
 - b) Nelius Bezuidenhout
 - c) Julius Magabe
 - d) Cornie Foord
 - e) Rose Agutu
8. To approve the Directors' remuneration.
9. To note that the auditors, PricewaterhouseCoopers LLP 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: 15 June 2020

Note:

1. In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Sanlam Kenya Plc to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.
2. On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange to convene and conduct a general meeting via electronic means subject to receipt of a No Objection from the Capital Markets Authority (CMA).
3. Sanlam Kenya Plc has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the CMA.
4. Shareholders wishing to participate in the meeting should register for the AGM by dialling *483* 810# on their Safaricom mobile telephone or on their Airtel & Telkom mobile telephone and following the various prompts regarding the registration process. Shareholders will incur KES 1 on Safaricom and Telkom and KES 3 on Airtel for such registration. A Shareholder domiciled outside of Kenya can send an email to Image Registrars via HYPERLINK info@image.co.ke providing their details i.e Name, Passport/ID no. and Mobile telephone number requesting to be registered. Image registrars shall register the shareholder and send them an email notification once registered.
5. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: 0709 170 000 from 9:00 a.m. to 3:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
6. Registration for the AGM opens on 16th June 2020 at 9:00 am and will close on 6th July 2020 at 4.00p.m. Shareholders will not be able to register after 6th July 2020 at 4.00 p.m.
7. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website <https://www.sanlam.com/kenya> (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2019; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (iv) a copy of the No Objection issued by the CMA.
8. A shareholder entitled to attend and vote at the meeting and who is unable to attend electronically is still entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a shareholder 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 shareholder or the duly authorised attorney of the shareholder and must be either emailed to sanlamagm@image.co.ke or lodged at the offices of the Company's Share Registrar's Image Registrars, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Kenya so as to arrive not later than 11.00 a.m. on 7th July 2020. A proxy form is attached to this Notice and is available on the Company's website via this link: <https://www.sanlam.com/kenya>. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.
9. Any person appointed as a proxy should submit his/her mobile telephone number to the Image Registrars no later than 7th July 2020 at 11.00a.m.. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 8th July 2020 to allow time to address any issues.
10. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
 - a. sending their written questions by email to agm@sanlam.co.ke;
 - b. to the extent possible, physically delivering their written questions with a return email address to the registered office of the Company at Sanlam Tower, 12th Floor, Waiyaki Way, Westlands, Nairobi, or to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
 - c. sending their written questions with a return email address by registered post to the Company's address at P. O. Box 10493-00100 Nairobi.
11. Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.
12. All questions and clarification must reach the Company on or before 6th July 2020 at 4.00 p.m. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting and responses to the common questions will also be addressed at the AGM.
13. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM.
14. Duly registered shareholders and proxies will receive a short message service (SMS) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the livestream.
15. Duly registered shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts or on the live-stream platform.
16. Results of the AGM shall be published within 24 hours following conclusion of the AGM.

Ilani Ya Mkutano Mkuu Wa Kila Mwaka

ILANI INATOLEWA HAPA kwamba Mkutano Mkuu wa Kila Mwaka wa 74 wa Kampuni utafanyika kwa njia ya mawasiliano ya kielektroniki mnamo Alhamisi tarehe 9 Julai 2020 saa tano asubuhi (11.00 a.m.) kutekeleza mambo yaliyoorodheshwa hapa chini. Kutokana na hatua ya Serikali ya Kenya kupiga marufuku mikusanyiko ya watu, wenyehisa hawataweza kuhudhuria Mkutano Mkuu wa Kila Mwaka kwa kufika wenyewe mkutanoni, lakini wataweza kujisajili, kupata maelezo na habari kuhusu yanayopangwa kujadiliwa, kufuatilia mkutano huo kwa njia iliyoelezwa hapa chini na pia kupiga kura kwa njia ya kielektroniki au kupitia mwakilishi. Wenyehisa wanaweza kuuliza maswali yao mapema kabla ya mkutano, kama ilivyoelezwa katika sehemu ya 'Fahamu Kuwa' hapa chini:

1. Kuwasilisha majina ya wawakilishi na kuthibitisha uwepo wa idadi ya kutosha ya watu wanaohitajika kuandaa mkutano.
2. Kusoma Ilani ya kuitishwa kwa mkutano.
3. Kuthibitisha kumbukumbu za Mkutano Mkuu wa Kila Mwaka uliopita ulioandaliwa tarehe 10 Mei 2019.
4. Kutathmini, na iwapo itakubalika, kuidhinisha Taarifa za Kifedha za mwaka uliokamilika mnamo 31 Desemba 2019 pamoja na ripoti za Mwenyekiti, Mkuu Mtendaji wa Kundi, Wakurugenzi, Mkaguzi wa Hesabu, na Mtakwimu wa Bima.
5. Kutambua kwamba Wakurugenzi hawapendekezi kulipwa kwa Mgawo wa Faida kwa mwaka wa kifedha uliomalizika 31 Desemba 2019.
6. Kuwachagua Wakurugenzi:
 - 6.1 Dkt Grace Mwai aliyeteuliwa kuwa mkurugenzi mnamo 23 Aprili 2019 anastaafu na huu ukiwa ndio Mkutano Mkuu wa kwanza wa Kila Mwaka kuandaliwa tangu ateuliwe, na kwa sababu anahitimu, amejikwasisilisha kutaka kuchaguliwa tena.
 - 6.2 Bi Rose Agutu aliyeteuliwa kuwa mkurugenzi mnamo 23 Aprili 2019 anastaafu na huu ukiwa ndio Mkutano Mkuu wa kwanza wa Kila Mwaka kuandaliwa tangu ateuliwe, na kwa sababu anahitimu, amejikwasisilisha kutaka kuchaguliwa tena.
 - 6.3 Bw Julius Magabe anastaafu kwa mzunguko kuambatana na Sheria za Kuundwa kwa Kampuni na anajikwasisilisha kutaka kuchaguliwa tena.
7. Kwa mujibu wa maelezo katika Kifungu 769 cha Sheria za Kampuni, 2015, Wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu, Utakwimu wa Bima, Hatari na Utimizwaji wa Sheria wachaguliwe kuendelea kuhudumu kama wanachama wa Kamati hiyo:
 - a) Freda Britz (Mwenyekiti)
 - b) Nelius Bezuidenhout
 - c) Julius Magabe
 - d) Cornie Foord
 - e) Rose Agutu
8. Kuidhinisha malipo ya Wakurugenzi.
9. Kutambua kuwa wakaguzi wa hesabu, PricewaterhouseCoopers LLP wataendelea kuhudumu kwa mujibu wa Kifungu 721(2) cha Sheria za Kampuni Na. 17 ya 2015 hadi kumalizika kwa Mkutano Mkuu wa Kila Mwaka ujao na kuwapa idhini Wakurugenzi kuamua malipo yao.
10. Kutekeleza shughuli yoyote ile nyingine ya kibiashara kwa idhini ya Mwenyekiti, ambapo ilani ni lazima iwe imetolewa saa 48 awali kwa Katibu wa Kampuni katika afisi iliyosajiliwa ya Kampuni.

Kwa Agizo la Bodi



Emma Wachira
Katibu wa Kampuni wa Kundi
Tarehe: 15 Juni 2020

Fahamu kuwa:

1. Kutokana na mlipuko unaoendelea wa Virusi vya Corona (COVID-19) na kanuni na maagizo ya Afya ya Umma ambayo yamepitishwa na Serikali ya Kenya ambapo miongoni mwa mengine mikusanyiko ya watu imepigwa marufuku, haiwezekani, kama ilivyokusudiwa kwenye kifungu cha 280 cha Sheria za Kampuni za mwaka 2015, kwa Sanlam Kenya Plc kuandaa Mkutano Mkuu wa Kila Mwaka (AGM) ambapo wenyehisha watahudhuria wenyewe kwa namna ilivyoelezwa kwenye Sheria za Kuundwa kwa Kampuni.
2. Mnamo 29 Aprili 2020, Mahakama Kuu ya Kenya katika ombi la mahakamani Nambari E680 la mwaka 2020, lililowasilishwa chini ya Kifungu 280 cha Sheria za Kampuni, 2015 (Sheria za Kampuni) ilitoa agizo lililotoa idhini maalum kwa kampuni yoyote iliyoorodheshwa katika Soko la Hisa la Nairobi kuitisha na kuandaa mkutano mkuu wa kila mwaka kwa njia za kielektroniki mradi tu kusiwe na pingamizi kutoka kwa Mamlaka ya Masoko ya Mtaji (CMA).
3. Sanlam Kenya Plc imeitisha na itaandaa mkutano huu mkuu wa kila mwaka kwa njia ya simu na video mtandaoni baada ya kutopokea pingamizi lolote kutoka kwa CMA.
4. Wenyehisa ambao wangependa kushiriki katika mkutano huu wa AGM wanafaa kujisajili kwa kupiga simu *483* 810# katika mtandao wa simu wa Safaricom, Airtel au Telkom na kufuata maelekezo watakayopewa kuhusu kujisajili. Wenyehisa watatozwa KES 1 kwenye mitandao ya Safaricom na Telkom na KES 3 katika Airtel kwa shughuli hiyo ya kujisajili. Mwenyehisa anayeishi nje ya Kenya anaweza kutuma barua pepe kwa Image Registrars kupitia KIUNGANISHI info@image.co.ke na kutoa maelezo kumhusu, hususan Jina, Nambari ya Pasipoti/Kitambulisho na Nambari ya simu wakiomba kusajiliwa. Image Registrars watamsajili mwenyehisa huyo na kumtumia barua pepe ya uthibitisho pindi baada ya kusajiliwa.
5. Ili kukamilisha shughuli hiyo ya kujisajili, wenyehisa watahitajika kuwa na nambari ya kitambulisho/pasipoti waliyotumia kununua hisa zao na nambari ya akaunti ya CDSC. Kwa usaidizi, wenyehisa wanafaa kupiga nambari hii ya simu ya msaada: 0709 170 000 kati ya saa tatu asubuhi (9:00 a.m.) na saa tisa mchana (3:00 p.m.) kuanzia Jumatatu hadi Ijumaa. Mwenyehisa yeyote aliye nje ya Kenya anafaa kupiga simu hiyo ya msaada ili kusaidiwa kujiandikisha.
6. Shughuli ya kujisajili kwa ajili ya AGM itaanza mnamo 16 Juni 2020 saa tatu asubuhi (9:00 a.m.) na kufungwa tarehe 6 Julai 2020 saa kumi alasiri (4:00 p.m.).
7. Kuambatana na Kifungu 283 (2) (c) cha Sheria za Kampuni, stakabadhi zifuatazo zinaweza kutazamwa kwenye tovuti ya Kampuni katika <https://www.sanlam.com/kenya> (i) nakala ya Ilani hii na fomu ya uwakilishi; (ii) taarifa za kifedha za Kampuni zilizokaguliwa za mwaka 2019; (iii) nakala ya Agizo la Mahakama Kuu katika Ombi la Mahakamani Nambari E680 la 2020; na (iv) nakala ya Kutokuwa na Pingamizi iliyotolewa na CMA.
8. Mwanachama aliye na haki ya kuhudhuria mkutano huu na kupiga kura, ambaye atashindwa kuhudhuria mkutano huu kwa njia ya kielektroniki, bado ana haki ya kumteua mwakilishi wa kuhudhuria mkutano na kupiga kura kwa niaba yake. Mwakilishi huyo si lazima awe mwenyehisa wa Kampuni. Ili kukubalika, fomu ya uwakilishi, ambayo inapatikana katika afisi kuu za Kampuni au afisi za Msajili wa Hisa, inafaa kujazwa na kutiwa saini na mwenyehisa au wakili aliyeidhinishwa na mwenyehisa. Fomu hiyo inafaa kutumwa kwa njia ya barua pepe kwa sanlamagm@image.co.ke au itumwe kwa afisi za Msajili wa Hisa wa Kampuni ambaye ni Image Registrars, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street, Kenya na ifike kabla ya saa tano asubuhi (11.00 a.m.) mnamo 7 Julai 2020. Fomu ya uwakilishi imeambatishwa kwenye Ilani hii na inapatikana pia katika tovuti ya Kampuni kupitia kiunganishi (link) hiki <https://www.sanlam.com/kenya> Nakala za karatasi za fomu za uwakilishi pia zinapatikana katika anwani ifuatayo: Image Registrars, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street.
9. Mtu yeyote atakayeteuliwa kuwa mwakilishi anafaa kutuma nambari yake ya simu kwa Image Registrars kabla ya saa tano asubuhi (11.00 p.m.) 7 Julai 2020. Iwapo usajili wa mwakilishi utakataliwa, majibu yatatumwa kwa mwenyehisa mhusika kabla ya 8 Julai 2020 kumpa muda wa kutatua masuala yatakayokuwepo.
10. Wenyehisa wenye nia ya kuuliza maswali au ufafanuzi kuhusu AGM hii wanaweza kufanya hivyo kwa:
 - a. Kutuma maswali yao kwa maandishi kama barua pepe kwa agm@sanlam.co.ke;
 - b. Iwapo itawezekana, kuwasilisha maswali hayo yakiwa kwa njia ya maandishi na yakiwa na anwani ya barua pepe ya kupokelewa majibu kwa afisi zilizosajiliwa za Kampuni katika Sanlam Tower, Ghorofa ya 12, Waiyaki Way, Westlands, Nairobi, au kwa afisi za Image Registrars, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street; au
 - c. Kwa kutuma maswali yao kwa njia ya maandishi yakiwa na anwani ya barua pepe ya kupokelewa majibu kwa anwani ya posta ya Kampuni iliyosajiliwa ambayo ni S.L.P. 10493-00100 Nairobi.
11. Wenyehisa ni sharti waandike maelezo kamili kuwahuu (majina kamili, Nambari ya Kitambulisho/Nambari ya Pasipoti/Nambari ya Akaunti ya CDSC) wanapowasilisha maswali yao au maombi ya ufafanuzi.
12. Maswali yote na maombi ya ufafanuzi yanafaa kuifikia Kampuni mnamo au kabla ya 6 Julai 2020 saa kumi alasiri (4.00 p.m.). Orodha kamili ya maswali yaliyopokelewa na majibu yaliyotolewa itachapishwa katika tovuti ya Kampuni zaidi ya saa 12 kabla ya mkutano mkuu kuanza na majibu ya maswali yatakayoulizwa sana yataangaziwa pia katika AGM.
13. Matukio ya AGM yatapeperushwa moja kwa moja kupitia kiunganishi ambacho kitatumwa kwa wenyehisa wote watakaokuwa wamejiandikisha kushiriki katika AGM.
14. Wenyehisa na wawakilishi waliojiandikisha watapokea ujumbe mfupi (SMS) kwenye namba zao za simu zilizosajiliwa, saa 24 kabla ya AGM kufanyika kuwakumbusha kuhusu AGM. SMS ya pili itatumwa saa moja kabla ya AGM kufanyika, kuwakumbusha wenyehisa waliojisajili na wawakilishi kwamba AGM itaanza katika muda wa saa moja na ujumbe huo pia utakuwa na kiunganishi cha kufuatilia matukio moja kwa moja..
15. Wenyehisa na wawakilishi waliosajiliwa wanaweza kufuatilia matukio ya AGM wakitumia kiunganishi cha matangazo ya moja kwa moja na wanaweza kupata pia ajenda. Wenyehisa na wawakilishi waliosajiliwa wanaweza kupiga kura (wakiombwa kufanya hivyo na mwenyekiti) kwa kutumia huduma ya USSD au huduma ya matangazo ya moja kwa moja.
16. Maelezo ya yaliyotokea katika AGM yatachapishwa katika kipindi cha saa 24 baada ya kukamilika kwa AGM.



Corporate Governance

We have put up mechanisms, processes and relations to resolve any possible conflicts of interest between our stakeholders and management.

Corporate Governance



Statement on corporate governance for the year ended 31 December 2019

Board leadership & responsibilities

Statement of Commitment and Compliance on Corporate Governance Practices

Corporate Governance refers to the practices and procedures that govern the leadership of Sanlam Kenya PLC (Sanlam or the Company) and through which the Company is held accountable by shareholders. In 2018, the Board of Directors of Sanlam Kenya PLC and its subsidiaries (the Group) continued to implement its strategic vision of being a leading Insurer in Kenya who remained focused on sound corporate governance practices that maximises shareholder value, increases profitability and guarantees a sustainable business in the long run. The corporate governance principles continue to be entrenched in the Company's strategic and operational objectives with a focus of revitalizing and accelerating growth in value for the benefit of all our stakeholders.

The Group ascribes to its governance framework that provides a solid structure for effective and responsible decision making within the organization in compliance with the Companies Act, 2015, the Capital Markets Act, Cap 485A, and the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) and the stringent standards of corporate governance prescribed in the Group's Board Charter as well as the Company's Articles of Association.

Board Leadership

The Board of Directors is responsible for providing strategic leadership to the Company. According to the Company's Corporate Governance Guidelines, the Board is responsible for formulating the Company's policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. In doing so, the board takes cognisance of the impact of its decisions in the long term, the interests of its employees, the need to forge and foster good relationships with diverse stakeholder's including customers and suppliers and the impact of the Company's operations to the society.

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 Board also calls upon independent expert advisor's where necessary to carry out such work as deemed necessary.

Board Composition and Independence

In the year ended 2019 the Board composition was comprised of ten directors who are: the Chairman, the Group Chief Executive Officer (as the only Executive Director), five non- executive directors representing the interests of the two main shareholders and three independent non- executive directors. During the year, the Board welcomed two additional female directors thus balancing the board composition. The table below shows the current members of the Board of Directors:

Name	Industry & Professional Experience	Role
Dr. John P. N. Simba	Legal, Strategy, Leadership, Corporate Governance and ethics	Board Chairman & Non- Executive Director
Dr. Patrick Tumbo	Insurance, Strategy, Management	Group Chief Executive Officer & Executive Director
Julius Nyakia Magabe	Insurance and Risk Management	Non- Executive Director
Rohan Patel	Management, Real Estate, Hotel Development & Investment	Non- Executive Director
Susan Mudhune	Banking and Financial Services	Non- Executive Director
Freda Britz	Accounting and Management	Independent & Non- Executive Director
Nelius Bezuidenhout	Actuarial, Financial Consulting and Management	Non- Executive Director
Cornie Foord	Operations, Accounting and Management	Non- Executive Director
Rose Agutu	Banking	Independent & Non- Executive Director
Dr Grace Mwai	Compliance and Program Management	Independent & Non- Executive Director

Changes to the Board

The following changes to the Board of Directors have taken place from the date of the last Annual Report:

a) Rose Agutu and Dr Grace Mwai were appointed as Non- Executive Directors of Sanlam Kenya PLC on 9 May 2019.

Re-election to the Board

In accordance with the provisions of the Company's Articles of Association, a third of the Board of Directors retires by rotation every three years and the directors 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.

The following members of the Board, this being the first Annual General Meeting since their appointment are eligible for re-election at the 2020 AGM:

a) Dr Grace Mwai

b) Rose Agutu

Board Programme

The Company's annual Board programme is designed to enable the Board to drive the strategy forward across all elements of the company's business model. The Board thus meets quarterly or more often, in accordance with the requirements of the business. The Board's work plan and calendar of meetings are prepared annually in advance. Adequate notice is given for meetings. The agenda and board papers are circulated at least seven days before the meeting.

Board Responsibilities

Sanlam Kenya Plc's Articles of Association and the Board Charter enumerate responsibilities of the Directors which include strategy, capital and liquidity management, review and approval of financial results, board administration and governance.

Firstly, the boards responsibility in strategy involves monitoring the Company's performance against clearly defined measures agreed between the board and management as well as the approval of major acquisitions and disposals and approvals of major capital projects. The Board also approves Group's annual budget as recommended by the Audit Committee.

Secondly, the board is also responsible for monitoring the capital and liquidity requirements vis a vis the statutory requirements. The board is also charged with the review and approval of half yearly and yearly financial results prior to subsequent dissemination to the shareholders.

In addition, the board is also charged with the responsibility of administration and governance in the following respects: approving company policies; setting the terms of reference for board committees and determining the composition of board committees; conducting board evaluations; maintaining board succession; reviewing risk management and internal controls amongst others.

In dispensing its duties, 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 Board Charter while observing principles of good corporate governance. Each Director commits to uphold and promote effective and responsible use of resources and undertake KSHs 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.

2019 Board Attendance Register

Name	Meetings Attended
Dr. John P. N. Simba	4/4
Dr. Patrick Tumbo	4/4
Julius Nyakia Magabe	4/4
Rohan Patel	4/4
Susan Mudhune	4/4
Freda Britz	4/4
Nelius Bezuidenhout	4/4
Cornie Foord	4/4
Dr Grace Mwai	3/3
Rose Agutu	3/3

*Appointed to the Board on 23rd April 2019

Board Effectiveness

Division of Responsibilities

The roles of the Board Chairman and the Group Chief Executive Officer are separate with each having distinct and clearly spelt out responsibilities and duties.

The Chairman is responsible for the overall leadership of the Board and ensuring its effectiveness. The Chairman is also responsible for ensuring that the interests of the Company's shareholders are safeguarded. The Chairman is also accountable to the Board for leading the direction of the Company's corporate and financial strategies and for the overall supervision of the policies governing the conduct of the business.

The Group Chief Executive Officer, an executive director, has together with the management team of the Company, the overall responsibility for the performance of the Group and provides leadership to facilitate successful planning and execution of the objectives and strategies agreed upon by the Board.



In dispensing its duties, 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 Board Charter while observing principles of good corporate governance.

Statement on corporate governance for the year ended 31 December 2019

Balance and Diversity

The Non- executive directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business.

The Board appreciates the benefits of diversity and takes cognisance of gender inclusion and geographic representation to ensure board deliberations are balanced and rich as a result of multi-cultural and international influences. The Board has also promoted and supported gender diversity in the senior management roles.

The Directors' abridged biographies appear on page 30,31 and 32 of this Annual Report.

Director's Conflict of Interest

The Directors are obligated to disclose to the Board any potential conflict of interest, which comes to their attention, whether direct or indirect, real or perceived. 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.

A report on related party transaction is tabled for the Board's review at the Quarterly meetings.

Board Information

The board receives high- quality up to date information for review in good time ahead of each meeting. The Company secretary ensures timely information dissemination within the Board and its committees and between the Non-Executive Directors and senior management as appropriate.

Induction, Training and Professional Development

Every new Director receives a full induction on appointment. This induction includes a full programme of briefings on all areas of the Company's business. The induction is aimed at enabling the new directors to fully take up their roles and execute their responsibilities.

The Board and its committees also receive quarterly updates on legal and regulatory developments with particular emphasis on regulations that directly impact Sanlam and its subsidiaries.

In pursuit of continuous professional development during 2019, the Directors received training in the following areas:

- Professionally linked continuous professional development programmes;
- Corporate Governance Training by the Centre for Corporate Governance


Group Company Secretary

The Group Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK), plays the critical role of coordinating the activities of the Board and Board Committees and is the primary liaison in the flow of information between Management and the Board. Each Director has direct access to the Group Company Secretary. The Group Company Secretary in liaison with the Board Chairman are responsible for the development and implementation of the Corporate Governance Code and regularly update the Board members of their obligations under the referenced code.

Sustainability

The Board places considerable emphasis on the need for the business to be sustainable for the long term, to meet the expectation of stakeholders and inform the Group's commitment to the society. In 2018 the Board engaged in the following activities in an effort to promote sustainability:

- Monitoring compliance to the Company's standards of business conduct and internal controls;
- Reviewing the Company's regulatory strategy in the context of the current regulatory landscape.


 The Directors are obligated to disclose to the Board any potential conflict of interest, which comes to their attention, whether direct or indirect, real or perceived. 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.

Board Evaluation

Board evaluation of both the board and its committees was conducted in the year 2019 for the period January 1, 2019 to December 31, 2019 as prescribed in the Code. The Executive and non-executive directors participated in the evaluation process. The findings of the evaluation exercise are made to the Board.

In summary the findings of the evaluation showed that the board functions effectively and its committees execute their mandates efficiently.

Shareholder Engagement

The Board delights in opportunities to engage its shareholders. The annual general meeting (AGM) presents such opportunity to the Board. At the AGM, the Chairman and Group Chief executive explain the Company's performance and answer any questions from shareholders. All Directors attend the AGM. The Board also informs its shareholders of the performance of the Group through the issuance of 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.

The advance issuance of the AGM Notice as provided for in the Kenyan Companies Act also gives shareholders an opportunity to place items on the Agenda by submitting questions and appoint proxies to represent them where they are unable to attend.

The Group also holds investor briefings regularly to promote engagement with key stakeholders such as the Capital Markets Authority, the Nairobi Securities Exchange amongst others. The purpose of such briefings is to inform the investor of relevant events-market influenced events and internal company events.

GOVERNANCE POLICIES

Board Charter

The Board activities are regulated by the provisions of the Board Charter which is reviewed annually with the latest review being conducted on 18th February 2020. The Charter sets out the responsibilities of the Board, which include, amongst others:

- i. Sets out the frequency of board meetings to at least one meeting every three months. The Board is however mandated to hold meetings of the board as frequently as the board considers appropriate;
- 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;
- v. Distinguishes the responsibilities of the board from management;

vi. Distinguishes the roles of the Chairman and Chief Executive Officer as separate roles;

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 Policies in Place

In the year 2019 the Group continued to adhere to the following policies as set up by the board:

i. Conflict of Interest Policy: This policy outlines the conduct of directors and management and bars their engagement directly or indirectly to any business activity that competes or conflicts with the Company's interest or those of its clients unless fully disclosed. All Directors are required to disclose to the company secretary any real or perceived conflicts on appointment, annually and on an ongoing basis of any circumstance which may give rise to any actual or potential conflict of interest with their roles as Directors.

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

iii. 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.

iv. Financial Crime Combating Policy: This outlines the guidelines of combating financial crime and unlawful conduct. This policy is in line with the provisions of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and the Capital Markets Authority Guidelines on the Prevention of Money Laundering and Terrorism Financing in the Capital Markets. In addition, the Company upholds a Zero Tolerance Approach which stipulates zero tolerance to financial crimes and unlawful conduct. It further outlines consequences of committing a financial crime and/or unlawful act.

v. Procurement Policy: Sanlam maintains a procurement policy that governs the procurement of goods and services. This policy and related procedures are necessary to ensure that procurement is able to generate value in the acquisition of goods and services while satisfying the needs of the business. The policy ensures that the most appropriate and effective controls are applied in the purchase of goods and services for the company's needs.

vi. Whistle blowing policy: Sanlam maintains a whistle blowing policy (enshrined in the staff handbook) that provides a platform for employees to raise concerns regarding any wrong doing, and the policy details how such concerns are addressed.

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



The Board delights in opportunities to engage its shareholders. The annual general meeting (AGM) presents such opportunity to the Board. At the AGM, the Chairman and Group Chief executive explain the Company's performance and answer any questions from shareholders. All Directors attend the AGM

Statement on corporate governance for the year ended 31 December 2019

The Group also continues to inculcate and cascade 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; and
- iv. We do it for good.

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.

Insider Trading

As a listed entity, Directors and Employees of Sanlam are required under the Capital Markets Act, Cap 485A not to abuse or place themselves under suspicion of abusing insider information that they have or ought to have, particularly in periods leading up to release of material non-public information. In compliance with the above mentioned Act and the Nairobi Securities Exchange's regulations on prevention of insider trading, the Group's policy is that directors, management, staff members, or any of their relatives and associates, or any of the companies / businesses / organisations that exercise significant influence over the Group are not allowed to deal in the Group's shares during the closed season. The closed season is the period preceding the release of any material, non-public information to the market, and includes, but is not limited to, the the end of the Group's reporting period and the publication of financial results.

To ensure compliance with prevention of insider dealing requirements, the Company communicates “Open” and “Closed” periods for trading in its shares to its employees and

directors on case-by-case basis. To the best of the Company's knowledge, there was no insider dealing at Sanlam Kenya for the financial year 2019. The Group Company Secretary always advises the directors, management and staff of the closed season to avert any incidences of insider trading.

Board Committees

To assist the Board better discharge its responsibilities, the Board has constituted several Board Committees comprising a balanced mix of independent and 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 is governed by a Charter which contains provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's mandate, authorities and duties as well as working processes. 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.

The Board has three committees as follows:

Audit, Actuarial, Risk and Compliance Committee

Attendance at Meetings in 2019

The members of the Committee, and their attendance to the four meetings held in the year 2019 were as follows:

Table 1: Audit, Actuarial, Risk and Compliance Committee Membership and Attendance 2019

	Member	Directorship Status	Number of Meetings scheduled in 2019
1	Freda Britz (ChairPerson)	Independent & Non-Executive	4/4
2.	Julius Magabe	Non-Executive	4/4
3.	Cornie Foord	Non-Executive Director	4/4
4	Nelius Bezuidenhout	Non-Executive Director	4/4



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.

Mandate and Role of the Audit, Actuarial, Risk and Compliance Committee

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 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 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.

Attendance at Meetings in 2019

Table 2: Investment Committee Membership and Attendance 2019

	Member	Directorship Status	Number of Meetings scheduled in 2019
1	Rohan Patel (Chairman)	Non-Executive Director	4/4
2.	Nelius Bezuidenhout	Non-Executive Director	4/4
3.	Julius Magabe	Non-Executive Director	4/4
4	Dr John PN Simba	Chairman of the Board	4/4

Mandate and Role of the Investment Committee

The primary mandates of the Investment Committee are:

- To establish appropriate investment guidelines for the Life & General Businesses;
- To set investment benchmarks;

- 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 review the performance of the property investments

The Investment Committee has established an Investment Sub-Committee whose mandate is to review the performance of the property portfolio on a monthly basis and to report to the Investment Committee.

Nomination and Remuneration Committee

Table 3: Nomination and Remuneration Committee Membership and Attendance 2019

	Member	Directorship Status	Number of Meetings scheduled in 2019
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



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

Statement on corporate governance for the year ended 31 December 2019

Mandate and Role of the 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.

Human Resource Function

The Committee continually reviews the organizational 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 & 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 & 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.

Board Remuneration

The Boards Remuneration policy outlines the principles that govern the remuneration procedures and policies. In general the remuneration policy ensures that directors remuneration are competitive, incentivises performance and reflects regulatory requirement while considering 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 are, continuously expected to add -value to the business.

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.

In compliance with the disclosure requirements under the CMA Code and the Companies (General) (Amendment) (No. 2) Regulations, 2017 which were gazetted in September 2017, the Directors' Remuneration report is provided in Page pg 83 - 85 of this Annual Report.

Shareholding

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

Details of the directors' shareholding in the Group as at December 31, 2019 are summarised in Table below:

	Name	No. of Shares
1.	BALOOBHAI CHHOTABHAI PATEL (Alternate to Rohan Patel)	29,913,267
2.	DR JOHN PN SIMBA	106,950

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 and the year-end results in at least two (2) daily newspapers of national circulation. The financial position of the Group together with relevant information such as the share price 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 Share Registrar, Image Registrar, is responsible for the share register and responds to correspondence directly from shareholders. The official registers of shareholders are maintained by Image Registrars.



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.

Statement on corporate governance for the year ended 31 December 2019

The Registers of Directors are kept at the head office of the Group and are available for the perusal by shareholders on any working day 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 Kenya Shillings Two Billion (KShs. 2B) divided into 400 Million shares of Kenya Shillings Five (KShs 5/-) each. 144 Million shares are currently issued.

Top Shareholders in the Group

The top 10 shareholders, based on the Group's Register of Members, as at 31 December 2019 are shown in Tables here follows:

Top Ten Local Individual Shareholders as at 31st December 2019

	Names	Shares	Percentages
1	Amarjeet Baloobhai Patel & Baloobhai Chhotabhai Patel	29,913,267	56.01%
2	PETER KINGORI MWANGI	1,673,570	3.13%
3	ANJAY VITHALBHAI PATEL	847,800	1.59%
4	ANILKUMAR VIRPAR MALDE	452,550	0.85%
5	SHERALI GULAMHUSSEIN HABIB PARPIA	399,000	0.75%
6	ADAN ABDULLA MOHAMED	389,250	0.73%
7	PATEL DAHILAXMI MANGALBHAI	360,003	0.67%
8	JOHN RICHARD GITHERE	300,000	0.56%
9	MUCHERU,ELIJAH MUCHERU	289,700	0.54%
10	BID,KEVAL BID	275,000	0.51%
11	OTHERS - 3409	18,511,465	34.66%

Top 10 Local Institution' Shareholders as at December 31, 2018

	Names	Shares	Percentages
1	HUBRIS HOLDINGS LIMITED	82,278,000	93.03%
2	MAYFAIR INSURANCE COMPANY LTD	1,132,050	1.28%
3	Standard Chartered Nominees A/C 9595	852,600	0.96%
4	KENYA REINSURANCE CORPORATION LIMITED	511,200	0.58%
5	THAMMO HOLDINGS LIMITED	457,949	0.52%
6	APA INSURANCE LIMITED	440,057	0.50%
7	CARBACID INVESTMENTS LIMITED	390,000	0.44%
8	FIRST TEN LIMITED	320,400	0.36%
9	PUBLIC TRUSTEE ESTATE OF E.N.KAMAU RE:PT/646/79/613/SMA	298,440	0.34%
10	C.K.PATEL LIMITED	176,400	0.20%
11	OTHERS – 151	1,580,679	1.79%
		88,437,775	100.00%

Distribution of Shareholders

The Capital Markets Act 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 the Tables here follows:

	Range	Records	Range Total	Percentage
1	1 to 500	932	153,558	.11 %
2	501 to 1000	271	207,187	.14%
3	1001 to 5000	1,986	5,222,122	3.62 %
4	5001 to 10000	227	1,658,074	1.15%
5	10001 to 50000	277	6,027,806	4.19%
6	50001 to 100000	43	2,995,020	2.08%
7	100001 to 500000	49	10,527,746	7.31%
8	500001 to 1000000	3	2,211,600	1.54%
9	1000001 to 2000000000	4	114,996,887	79.86%
		3,792	144,000,000	100.00%



The Registers of Directors are kept at the head office of the Group and are available for the perusal by shareholders on any working day 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.

Statement on corporate governance for the year ended 31 December 2019

b) Shareholders based on Nationality

Investor Pool	Records	Shares	Percentage
Local Institutions	161	88,437,775	61.42%
Local Individuals	3,419	53,411,605	37.09%
Foreign Investors	212	2,150,620	1.49%
	3,792	144,000,000	100.00%

Noting Items

Executive Committee (ExCo)

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

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

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 Group, the external auditors examine and give their opinion on the reasonableness of the financial statements.

The auditor's 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 2019.

Internal Auditors

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

Tax Advisors

PwC 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 Zamara 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.

Llyod Masika

A significant component of the Investments within the Group comprises 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. Monthly reports from Llyod Masika are tabled before the Investment sub-committee for discussion.

Going concern

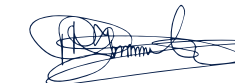
The Board submits this annual report and audited financial statements for the year ending 31 December 2019. The annual report and audited financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Group's position and 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.

Dr. John PN Simba



Chairman

Dr. Patrick Tumbo



Group Chief Executive Officer

EVERY PROMISE NEEDS A *Keeper*

Our People

With 100 years experience in this field. Hard work and good service is a promise we don't take for granted. Our staff are empowered to enable those that they serve. As the company evolves so does our people.



Sanlam General Business Review

Earnings

The business improved its revenues significantly in 2019, with Gross Written Premium improving by 30% compared to the previous year. The business invested significantly in its strategic partnerships and as such, the growth came at a cost in 2019 that is expected to give longer term returns to the business.

In the year under review, the Company outsourced the management of its medical operations to MCI care, a Pan-African medical services company with proven competencies in running profitable medical insurance books across Africa. In addition to this, the company restructured its reinsurance agreements with a view to increasing the Company's capacity while improving the underwriting results of the medical book.

Claims incurred grew from Kshs. 733m in 2018 to Kshs. 1,027m in 2019 in line with the growth in production. Management expenses closed at Kshs. 632m a growth of 9% from prior year.

The profits before tax therefore were KShs 23 million while the emerging after-tax profits were KShs 4.4

million. The company was solvent at the end of the year and is expected to reflect an improved solvency stance in 2020.

Operating environment

The Kenyan economy recorded lower levels of economic growth, averaging 5.4% for the first three quarters of 2019, compared to an average of 6.0% in a similar period in 2018. This was driven by a slowdown in agricultural activities and decreased output in transport and electricity activities. Kenya's economic growth in Q3 2019 of 5.1% was comparatively lower than the 6.4% realized in Q3 2018. In 2019, the overall inflation was slightly higher at 5.8% compared to 5.7% in 2018.

The yield curve declined in the first ten months of the year. The trend changed towards end of year with the repeal of the interest rate cap in November 2019. The increase in yields is expected to be gradual across the yield curve but more pronounced on the short end of the curve.

The NSE All Share index gained 14.4% in Q4 2019, bringing the full year performance up to 18.5%.

Outlook 2020

The Company's focus is to continue strengthening engagements with business partners and diversifying its insurance solutions to customers. Process and product innovation leveraged on information technologies will continue being a focal point for the business in 2020. Existing mobile technology-based products will be promoted more aggressively in order to increase the Company's client footprint with both existing partners and emerging business leads. Treating Customer Fairly will go hand in hand with our efforts to improve customer experience, while upholding the law and best business practice in all governance dealings remains central to our business conduct. The shareholders contribution cannot go unnoticed and as such management will maintain its focus on shareholder return by offering the market a competitive client value proposition.



30%

The business improved its revenues significantly in 2019, with Gross Written Premium improving by 30% compared to the previous year.



5.8%

The inflation rate in 2019

KShs23 million

The profits before tax

KShs4 million

The profits after tax

18.5%.

The NSE All Share index gained 14.4% in Q4 2019, bringing the full year performance up to 18.5%.



KShs632 million

Management expenses closed at Kshs. 632m a growth of 9% from prior year. Claims incurred grew from KShs733m in 2018 to Ksh 1,027m in 2018 in line with the growth in production.



Sanlam Life insurance

Earnings

Operating profits before tax from core operations improved to Kes 964 million compared to a prior year's operating loss of Kes 853 million. The in-force book continued to be profitable while a change in regulated interest rate risk margin from 20% to 10% contributed some additional operating margins.

New business strain impacts reflected the continued efforts towards increasing Sanlam's client footprint. Claims on the other hand increased as the business assumed a more prudent posturing in claims provisioning, while taking into consideration the increasing importance of Treating Customers Fairly. The business implemented operating model changes that had upfront implementation costs and though there are long term benefits, the upfront cost implications were felt in 2019.

The earnings after tax therefore, for the period was KShs 636 million, a significant improvement over a prior year loss of -KShs 627 million, signaling a complete turn-around. Solvency at 168% was an improvement over prior year.

Operating environment

The Kenyan economy recorded lower levels of economic growth, averaging 5.4% for the first three quarters of 2019, compared to an average of 6.0% in a similar period in 2018. This was driven by a slowdown in agricultural activities and decreased output in transport and electricity activities. Kenya's economic growth in Q3 2019 of 5.1% was comparatively lower than the 6.4% realized in Q3 2018. In 2019, the overall inflation was slightly higher at 5.8% compared to 5.7% in 2018.

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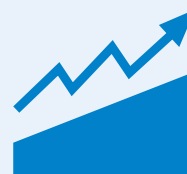
KShs964 million

Profits before tax improved to Kes 964 million compared to a prior year's loss of Kes 853 million



20%

The in-force book continued to be profitable while a change in regulated interest rate risk margin from 20% to 10% contributed some additional operating margins.



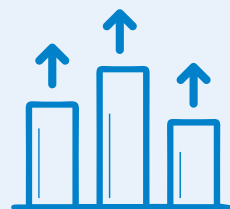
KShs636 million

The earnings after tax therefore, for the period was KShs 636 million, a significant improvement over a prior year loss of -KShs 627 million, signaling a complete turn-around.



168%

Solvency at 168% was an improvement over prior year.



Outlook 2020

Management expects to continue remaining profitable in 2020 and will focus on solidifying existing strategic partnerships while seeking new partnering opportunities.

Treating Customer Fairly will remain an important ingredient of our innovation efforts aimed at improving our client experience. Good governance will remain a focal point for the business as it seeks to continuously improve its standing as a good corporate citizen. Compliance with all regulation is equally important and the business will continue to comply with all laws and codes of best business practice.

The shareholders contribution cannot go unnoticed and as such management will maintain its focus on shareholder return by offering the market a competitive client value proposition.



The business implemented operating model changes that had upfront implementation costs and though there are long term benefits, the upfront cost implications were felt in 2019.





Risk Management

Risk Management

Risk management

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.

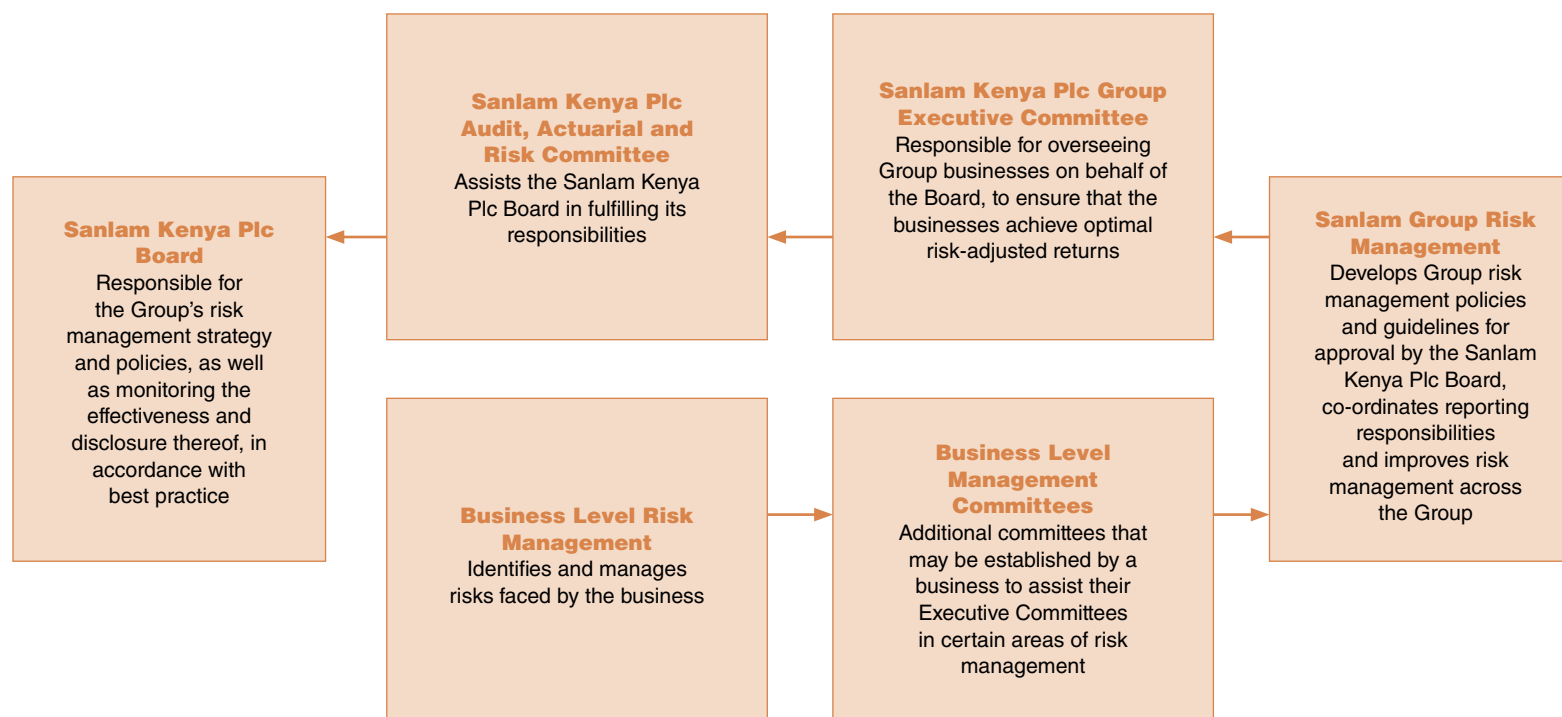
a) Governance structure

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 Sanlam Kenya Plc's 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.



Risk Management (continued)

(a) Governance structure (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		
Capital Management Reviews and oversees the management of the Group's capital base	Asset and Liability Matching Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	
Compliance Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof	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	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
Chief Financial Officer Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	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	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	

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 (SRM)

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).
- ii. 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
- iii. 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, 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.

Risk Management (continued)

c) Risk types

The Group is exposed to the following main risks:

General risks	Risk type	Description	Potential significant impact
	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

Risk Management (continued)

Risk types (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

Risk management (continued)

d) Risk management

Operational risk

The Group mitigates this risk through the strategic planning process, 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 functions assist in mitigating operational risk:

1. 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.

2. External audit

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.

3. 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's 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.

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.

Risk management (continued)

j) Strategic risk (continued)

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.



**our
Financial
Results**

Report of the directors

The directors are pleased to present the annual report and audited financial statements for the year ended 31 December 2019 that discloses the state of affairs of Sanlam Kenya Plc (the “Company”) and its subsidiaries (together the “Subsidiaries” and each one a “Subsidiary”) (together the “Group”).

The annual report and financial statements have been prepared in accordance with 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 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 former 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. 550,086,000 (2018: loss before tax of KShs. 2,129,186,000).

The key performance indicators of the Group over a five-year period have been highlighted on page 26.

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, may 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 on year from the level established using statistical techniques.

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. 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.

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) Interest rate risk

The Group is exposed to 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. The Group manages interest rate risk by investing in financial assets at fixed interest rates as opposed to floating rates.

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 part of its investment management to a professional fund manager to manage the investments of funds based on mandates approved by the Board and their best professional assessment of investment opportunities within these mandates.

Report of the directors (continued)

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.

Appropriate management of credit risk is critical to the Group and therefore management carefully manages the exposure to credit risk. Credit exposures arise from;

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

The Group manages its credit risk by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers/counterparty. The exposure to any one borrower is further restricted by sub-limits. Such risks are monitored on a continuing basis and subject to frequent reviews, but at a minimum once every financial year while actual exposures against limits are monitored regularly.

Principal risks and mitigation strategies (continued)

3. Credit risk (continued)

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 company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can only secure those resources 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 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

Report of the directors (continued)

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 and contractual obligations. Significant changes to these laws and regulations or their more stringent enforcement or restrictive interpretation could cause 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.

Directors

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

Name	Directorship	Role
Dr. John PN Simba	Non-executive and Chairman	Kenyan
Dr. Patrick Tumbo	Executive	Kenyan
Julius Nyakia Magabe	Non-executive	Tanzanian
Rohan Baloobhai Patel	Non-executive	Kenyan
Susan Mudhune	Non-executive	Kenyan
Nelius Bezuidenhout	Non-executive	South African
Cornie Foord	Non-executive	South African
Freda Britz	Non-executive	Kenyan
Dr. Grace Mirigo Mwai	Non-executive - Appointed on 9th May 2019	Kenyan
Rose Agutu	Non-executive - Appointed on 9th May 2019	Kenyan

Authorisation

The consolidated financial statements of Sanlam Kenya Plc for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 19 February 2020

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 Group and Company to be misleading.

Disclosures to auditors

The directors confirm that with respect to each director at the time of approval of this report: there was, as far as each director is aware, no relevant audit information of which the Group's auditor is unaware; and 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 LLP 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

Emma Wachira
Company Secretary

19 February 2020

A man and a woman in business attire are shaking hands in a modern office setting. The woman, on the left, has long dark hair and is wearing a dark blue blazer over a white shirt. The man, on the right, is wearing a dark blue suit with a light blue shirt and a dark tie. They are both smiling and looking at each other. In the background, another person is visible, slightly out of focus, walking through a glass-walled office space.

**EVERY
PROMISE
NEEDS A**
Keeper

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 their profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and 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.

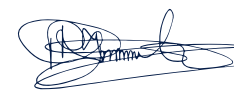
Having made an assessment of the Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

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 19 February 2020 and signed on its behalf by:



Dr. John P N Simba
Chairman



Dr. Patrick Tumbo
Group Chief Executive Officer

Directors' remuneration report

Information not subject to audit

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 players 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 KShs. 96,850 and KShs 111,455 respectively, for every meeting attended.

It is proposed that each Director and the Chairman receives a fee of KShs 2,754,264 and KShs 3,841,887 respectively per annum for the financial year ended 31 December 2019 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 rotation basis.

The Group Chief Executive Officer has a permanent and pensionable contract with Sanlam Kenya Plc which commenced 2 August 2018.

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 10 May 2019, the shareholders unanimously approved the payments of Directors fees for the year ended 31 December 2018 by a show of hands.

At the Annual General Meeting to be held at a date to be confirmed, approval will be sought from shareholders to pay Director Fees for the financial year ended 31 December 2019.

Directors' remuneration report (continued)

Information subject to audit

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 2019 together with the comparative figures for 2018. The aggregate Directors' emoluments are shown on Note 34 (d). The fees paid to Sanlam Emerging Markets directors do not accrue to them personally.

For the year ended 31 December 2019	Salary and terminal benefits	Fees	Bonuses	Expense allowances	Total
		KShs '000	KShs' 000	KShs '000	KShs '000
Patrick Tumbo – Executive	54,052	-	-	-	54,052
John P N Simba – Chairman	-	3,842	-	-	3,842
Julius Nyakia Magabe	-	2,738	-	-	2,738
Rose Agutu	-	886	-	-	886
Grace Mwai	-	886	-	-	886
Rohan Baloobhai Patel	-	3,435	-	-	3,435
Susan Mudhune	-	2,738	-	-	2,738
Nelius Bezuidenhout	-	2,754	-	-	2,754
Cornie Foord	-	2,311	-	-	2,311
Freda Britz	-	2,613	-	-	2,612
	54,052	22,204			76,256
For the year ended 31 December 2018					
Patrick Tumbo – Executive	20,830				20,830
Mugo Kibati – Executive	18,883	-	-	-	18,883
John P N Simba – Chairman	-	4,000	-	-	4,000
Julius Nyakia Magabe	-	3,166	-	-	3,166
Matthys Lodewikus Olivier	-	552	-	-	552
John Burbidge	-	1,341	-	-	1,341
Rohan Baloobhai Patel	-	3,360	-	-	3,360
Susan Mudhune	-	3,316	-	-	3,316
Theuns Botha	-	1,747	-	-	1,747
Nelius Bezuidenhout	-	597	-	-	597
Cornie Foord	-	523	-	-	523
Freda Britz	-	707	-	-	707
	39,713	19,309	-	-	59,022

Directors' remuneration report (continued)

Pension related benefits - audited

	2019	2018
	KShs '000	KShs '000
Mugo Kibati – Executive	-	2,360
Patrick Tumbo – Executive	6,021	-
	6,021	2,360

On behalf of the Board

Susan Mudhune



Chairman, Remuneration Committee

19 February 2020

Report of the Statutory Actuary - Sanlam Life Insurance Limited

I have conducted a statutory actuarial valuation of the long-term business of Sanlam Life Insurance Limited as at 31 December 2019.

This valuation has been conducted in accordance with generally accepted actuarial principles and in compliance with the requirements of the Insurance Act CAP 487 of the Laws of Kenya. Those principles require that prudent principles 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 long term insurance business did not exceed the amount of funds of the long-term insurance business at 31 December 2019.

Giles T Waugh



Statutory Actuary

Fellow of the Actuarial Society of South Africa

19 February 2020

Report of the Statutory Actuary – Sanlam General Insurance Limited


I have conducted an actuarial valuation of Sanlam General Insurance Limited as at 31 December 2019.

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. Those principles require prudent principles 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 2019.

James Olubayi



Zamara Actuaries, Administrators & Consultants Limited

19 February 2020

Embedded value report

This report sets out the embedded value and the value of new business of Sanlam Kenya Plc.

1. Embedded value

a) Definition of Embedded Value

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

		2019	2018
		KShs:'000	KShs:'000
a)	Group embedded value		
	Shareholders' adjusted net assets	580,089	313,239
	Net value of in force business	822,16	1,832,062
	Gross value of in-force business	2,112,758	3,316,110
	Tax provision	(633,827)	(994,832)
	Cost of Capital Adequacy Requirement (CAR)	(656,761)	(489,216)
	Embedded value	1,402,258	2,145,301
b)	Embedded Value Earnings		
	The embedded value earnings are derived as follows:		
	Embedded value at end of year	1,402,258	2,145,301
	Embedded value at beginning of year	(2,145,301)	(4,442,742)
	Change in embedded value	(743,043)	(2,297,441)
	Dividends paid in the year	-	-
	Embedded value earnings	(743,043)	(2,297,441)

	2019	2018
	KShs:'000	KShs:'000
These earnings can be analysed as follows:		
Adjustment to fair value of subsidiary	151,064	(84,178)
Roll forward	430,314	(513,460)
Investment return on free assets	9,001	(861,587)
Expected return on life business in-force	421,313	348,127
Change over the period	(1,324,421)	(1,699,803)
Value of new business	(69,140)	(90,202)
Changes in assumptions and methodology	(413,895)	39,126
Experience variations	(321,607)	(100,905)
Decrease in NAV for other subsidiaries	(519,779)	(1,547,822)
Total earnings	(743,043)	(2,297,441)

3. Value of New Business

Gross value of new business at point of sale (gross of tax)	(41,463)	(78,285)
Tax on value at point of sale	12,439	23,486
Cost of CAR at point of sale	(40,116)	(35,403)
Value of new business	(69,140)	(90,202)

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	14.70%	15.70% (base)	16.7%
	KShs. '000	KShs. '000	KShs. '000
Shareholders' net assets	580,089	580,089	580,089
Value of in-force business	945,723	822,169	713,517
Embedded value	1,525,812	1,402,258	1,293,606
Value of one year's new business	(56,957)	(69,140)	(78,897)

Embedded value report (continued)

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:

	2019	2018
	%p.a	%p.a
Risk discount rate	15.70	16.30
Overall investment returns (pre-tax)	10.51	11.19
Expense inflation rate	7.70	8.30

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

	2019	2018
	KShs. '000	KShs. '000
Risk discount rate	39,374	69,135
Overall investment returns (pre-tax)	(74,157)	(124,045)
Total	(34,783)	(54,910)

b) Mortality Rates

The assumptions for future mortality rates are based on the results of recent experience 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 2019.

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 2019	822,169	
Investment Returns		
Investment return (and inflation) decreased by 10% and with bonus rates and discount rates changing commensurately	804,928	-2.1%
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	823,565	0.2%
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	857,702	4.3%
'Shock scenario *	921,385	12.1%
Expenses and persistency		
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	864,138	5.1%
Discontinuance rates decrease by 10%	848,708	3.2%
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	865,740	5.3%
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	825,630	0.4%

The sensitivity of the value of new business is as follows;

	Value of in force	%change over base
	KShs. '000	KShs. '000
Value of one year's new business as at 31 December 2019	(69,140)	
Investment returns		
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	(80,755)	16.8%
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	(66,607)	-3.7%
Shock scenario *	(29,345)	-57.6%
'New business volumes decrease by 10%	(61,940)	-10.4%
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	(42,827)	-38.1%
Non-commission acquisition expenses decrease by 10%	(50,098)	-27.5%
Discontinuance rates decrease by 10%	(59,976)	-13.3%
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	(53,258)	-23.0%
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	(69,574)	0.6%

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



Statutory Actuary

Fellow of the Actuarial Society of South Africa.

19 February 2020

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 its subsidiaries (together the “Group”) set out on pages 96 to 196, which comprise the consolidated statement of financial position at 31 December 2019 and the consolidated statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the Company statement of profit or loss, Company statement of other comprehensive income, Company statement of financial position at 31 December 2019, the statement of changes in equity and statement of cash flows for the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Sanlam Kenya Plc give a true and fair view of the financial position of the Group and the Company at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report to the shareholders of Sanlam Kenya PLC (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
<p>Valuation of insurance contract liabilities</p> <p>Insurance contract liabilities as disclosed under Note 24 comprise outstanding claims, policyholder liabilities and incurred but not reported claims (IBNR).</p> <p>The valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used.</p> <p>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 benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on past experience.</p> <p>Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can result in a material impact to the valuation.</p>	<p>Compared the data used in the valuations to the existing policyholder data;</p> <ul style="list-style-type: none"> Agreed a sample of the claims paid and outstanding as at year end to supporting documentation; Tested the appropriateness of the methodology and assumptions used by the external actuary and management in the estimation of reserves as at 31 December 2019; Tested the reasonableness of the economic assumptions used against market observable data and non-economic assumptions to the Group's past experience; Checked the consistency of the reserving methods and assumptions bases year on year; Confirmed the adequacy of the reserves by comparing the claim reserves held in the prior periods against subsequent claim payments and amounts still outstanding relating to that period; and Checked adequacy of disclosures in the financial statements.

Other information

The other information comprises Company Information, Five Year Group Review, Report of the Directors, Risk management, Profile of the Directors, Statement of Directors' Responsibilities, Director's Remuneration Report, Report of the Statutory Actuary – Sanlam Life Insurance Limited, Report of the Statutory Actuary – Sanlam General Insurance Limited and Embedded Value Report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



Independent auditor's report to the shareholders of Sanlam Kenya PLC (continued)

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

- 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 (continued)



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

Report of the directors

In our opinion the information given in the report of the directors' on pages 78 to 80 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 83 and 85 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants

Nairobi

A handwritten signature in blue ink, appearing to read 'Kang'e Saiti', with a stylized flourish at the end.

20 February 2020

CPA Kang'e Saiti - Practising certificate No. 1652

Signing partner responsible for the independent audit

Consolidated and company statement of profit or loss

		Group		Company	
		2019	2018	2019	2018
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Gross premium income	4(a)	6,991,588	6,345,825	-	-
Premium ceded to reinsurers	4(b)	(1,345,042)	(974,017)	-	-
Net premium income		5,646,546	5,371,808	-	-
Fees and commission income	5	325,064	268,010	-	-
Investment income	6(a)	2,350,289	2,183,767	10,587	332,500
Fair value losses	6(b)	422,177	(1,983,581)	-	(533,547)
Impairment of financial assets	6(c)	2,624	(12,795)	-	-
Other operating revenue	6(d)	152,379	86,214	67,358	18,937
Total other revenue		3,252,533	541,615	77,945	(182,110)
Total revenue		8,899,079	5,913,423	77,945	(182,110)
Gross benefits and claims paid	7(a)	(5,532,435)	(5,544,822)	-	-
Claims ceded to reinsurers	7(a)	433,730	660,314	-	-
Gross change in insurance contract liabilities	7(a)	(9,578)	(1,471,504)	-	-
Gross change in investment contract liabilities	7(a)	286,168	1,227,696	-	-
Change in contract liabilities ceded to reinsurers	7(a)	(14,308)	4,134	-	-
Net benefits and claims		(4,836,423)	(5,124,182)	-	-
Fees and commission expense	7(b)	(993,691)	(715,134)	-	-
Cost of sales - plots	7(c)	(20,653)	(11,697)	(20,653)	(11,697)
Other operating and administrative expenses	8	(2,040,589)	(2,000,047)	(229,506)	(297,967)
Impairment of investment in subsidiaries		-	-	-	(59,514)
Finance costs	23	(457,637)	(191,863)	(307,080)	(118,263)
Total benefits, claims and other expenses		(8,348,993)	(8,042,923)	(557,239)	(487,441)
Profit/(loss) before share of profit of associate		550,086	(2,129,500)	(479,294)	(669,551)
Share of profit of associate	14(b)	-	314	-	-
Profit/(loss) before tax		550,086	(2,129,186)	(479,294)	(669,551)
Income tax credit/(expense)	10	(435,687)	149,760	(82,384)	33,517
Profit/(loss) for the year		114,399	(1,979,426)	(561,678)	(636,034)
Profit/(loss) attributable to:					
Owners of the parent		113,334	(2,017,061)	(561,678)	(636,034)
Non-controlling interests		1,065	37,635	-	-
Earnings per share:					
Basic	30	0.79	(14.01)	(3.90)	(4.42)
Diluted	30	0.79	(14.01)	(3.90)	(4.42)

Consolidated and company statement of other comprehensive income

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Profit/(loss) for the year:	114,399	(1,979,426)	(561,678)	(636,034)
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Changes in fair value of financial assets previously classified as available for-sale-financial under IAS 39	-	-	-	-
Other comprehensive income for the year net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	114,399	(1,979,426)	(561,678)	(636,034)
Attributable to:				
Owners of the parent	113,334	(2,017,061)	(561,678)	(636,034)
Non-controlling interests	1,065	37,635	-	-

Consolidated and company statement of financial position

		Group		Company	
		2019	2018	2019	2018
	Note	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Assets					
Property and equipment	12	735,457	232,514	34,122	22,008
Right-of-use asset	12(c)	94,907	-	38,578	-
Investment properties	13(a)	2,518,680	3,440,700	-	-
Intangible assets	11(a)	76,972	98,721	-	-
Investments in subsidiaries	14(a)	-	-	2,253,435	2,287,020
Investment in associate	14(b)	17,779	17,779	4,863	4,861
Deferred income tax	27	153,655	236,551	-	82,384
<i>Financial assets</i>					
Equity securities	16	1,933,402	2,579,271	-	-
Government securities					
- At fair value through P&L-	16	18,681,638	15,167,215	-	-
Corporate bonds					
- At fair value through P&L	16	53,695	1,254,774	-	-
- At amortized cost	16	-	14,746	-	-
Loans	15	379,766	504,851	-	-
Deferred acquisition costs	20(c)	123,773	151,292	-	-
Reinsurance share of insurance contract liabilities	18	751,534	819,376	-	-
Inventory	19	89,564	109,189	89,564	109,189
Current income tax		68,624	52,341	10,085	15,423
Insurance receivables	20(a)	938,571	843,841	-	-
Receivables and other financial assets	20(b)	319,297	449,362	82,624	182,231
Deposits with financial institutions	21	544,763	2,275,478	-	354,000
Cash and bank balances	21	650,529	403,629	113,415	2,969
Non-current assets held for sale	13(b)	900,000	450,000	-	-
Total assets		29,032,606	29,101,630	2,626,686	3,060,085

Consolidated and company statement of financial position (continued)

		2019	2018	2019	2018
		KShs:'000	KShs:'000	KShs:'000	KShs:'000
Equity and liabilities					
Capital and reserves					
Issued share capital	22	720,000	720,000	720,000	720,000
Statutory fund	22	1,312,284	676,720	-	-
Retained earnings		(591,199)	(68,620)	(1,399,394)	(837,716)
Shareholder's funds		1,441,085	1,328,100	(679,394)	(117,716)
Non-controlling interests		293,937	258,938	-	-
Total capital and reserves		1,735,022	1,587,038	(679,394)	(117,716)
Liabilities					
Borrowings	23	2,763,210	3,497,432	2,763,210	2,777,380
Insurance contract liabilities	24	14,532,693	14,816,647	-	-
Investment contract liabilities	24	5,073,450	5,340,462	-	-
Payables under deposit administration contracts	24	1,131,718	1,107,372	-	-
Unearned premium	25	1,265,707	899,653	-	-
Deferred income tax	27	649,620	360,397	-	-
Lease liabilities	26	85,643	-	40,900	-
Provisions	26	34,619	51,925	-	-
Current income tax	10	11,185	47,322	-	-
Insurance payables	28	972,237	688,646	-	-
Payables and other charges	29	777,502	704,736	501,970	400,421
Total liabilities		27,297,584	27,514,592	3,306,080	3,177,801
Total equity and liabilities		29,032,606	29,101,630	2,626,686	3,060,085

The financial statements were approved by the Board of Directors on 19 February 2020 and signed on its behalf by:

John P N Simba



Chairman
19 February 2020

Patrick Tumbo



Group Chief Executive Officer
19 February 2020

Consolidated statement of changes in equity

		Share capital	Revaluation surplus	Statutory fund	Retained earnings	Total	Non- controlling interests	Total
	Note	KShsh.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Year end 31 December 2019:								
At 1 January 2019 as previously reported		720,000	-	676,720	(68,620)	1,328,100	258,938	1,587,038
Profit or loss:								
Total comprehensive income		-	-	-	113,334	113,334	1,065	114,399
Transfer to the statutory fund	22	-	-	635,564	(635,564)	-	-	-
Transactions with minorities		-	-	-	(349)	(349)	33,934	33,585
At 31 December 2019		720,000	-	1,312,284	(591,199)	1,441,085	293,937	1,735,022
Year end 31 December 2018:								
At 1 January		720,000	15,904	1,609,658	1,459,314	3,804,876	247,074	4,051,950
Changes on initial application of IFRS 9		-	-	(306,278)	(154,338)	(460,616)	(24,870)	(485,486)
Profit or loss:								
Total comprehensive (loss)/ income		-	-	-	(2,017,061)	(2,017,061)	37,635	(1,979,426)
Transfer to statutory fund	22	-	-	(626,660)	626,660	-	-	-
Transfer to retained earnings			(15,904)		15,904	-	-	-
Transactions with minorities		-	-	-	901	901	(901)	-
At 31 December 2018		720,000	-	676,720	(68,620)	1,328,100	258,938	1,587,038

Company statement of changes in equity

	Share capital	Retained earnings	Total
	KShs.'000	KShs.'000	KShs.'000
Year ended 31 December 2019:			
At 1 January	720,000	(837,716)	(117,716)
Total comprehensive income	-	(561,678)	(561,678)
At 31 December	720,000	(1,399,394)	(679,394)
Year ended 31 December 2018:			
At 1 January	720,000	(201,682)	518,318
Total comprehensive income	-	(636,034)	(636,034)
At 31 December	720,000	(837,716)	(117,716)

Consolidated statement of cash flows

	Note	2019	2018
		KShs. '000	KShs. '000
Cash flows from operating activities			
Net cash used in operations	33(a)	(1,680,729)	(3,041,101)
Income tax paid		(123,923)	(313,214)
Net cash used in operations		(1,804,652)	(3,041,101)
Cash flows from investing activities			
Purchase of intangible assets	11(a)	(1,663)	(13,160)
Payment of lease liabilities		(42,355)	
Purchase of property and equipment	12	(153,775)	(124,578)
Purchase of investment property	13(a)	(42,241)	(303,371)
Net purchase of financial assets through profit and loss	16	(855,033)	(1,894,429)
Proceeds from disposal of investment property	13 (b)	-	695,000
Loans advanced	15	(106,825)	(312,659)
Loans repaid	15	254,789	503,327
Rental income	6	96,141	13,618
Dividend income received	6	80,680	92,769
Interest received		2,173,468	2,247,652
Net cash generated from investing activities		1,403,186	904,169
Cash flows from financing activities			
Proceeds from borrowings	23	-	2,466,691
Repayment of borrowings	23	(740,166)	-
Interest paid on borrowings	23	(375,768)	(191,863)
Proceeds from issue of share capital to non-controlling interests		33,585	-
Net cash (used in)/ generated from financing activities		(1,082,349)	2,274,828
Net (decrease)/increase in cash and cash equivalents		(1,483,815)	137,896
Cash and cash equivalents at start of year		2,679,107	2,541,211
Cash and cash equivalents at end of year	21	1,195,292	2,679,107

Company statement of cash flows

	Note	2019	2018
		KShs.'000	KShs.'000
Cash flow from operating activities			
Net cash generated from/(used in) operations	33(b)	35,827	(768,793)
Cash flows from investing activities			
Investment income		10,587	-
Dividends received		-	368,500
Purchase of property and equipment	12	(18,618)	(16,338)
Payment of lease liabilities	14	(2,735)	
Investment in subsidiaries		-	(881,138)
Net cash used in investing activities		(10,766)	(528,976)
Cash flow from financing activities			
Interest paid	23	(302,200)	(118,263)
Proceeds from borrowings	23	-	1,746,639
Net cash (used in)/generated from financing activities		(268,615)	1,628,376
Net (decrease)/increase in cash and cash equivalents		(243,554)	330,607
Cash and cash equivalents at start of year		356,969	26,362
Cash and cash equivalents at end of year	21	113,415	356,969

Notes to the financial statements for the year ended 31 December 2019

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 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), interpretations issued by the IFRS Interpretations Committee (IFRSIC) applicable to Companies reporting under IFRS and the Kenyan Companies, Act, 2015. The measurement basis used is the historical cost basis, except for the following items which are carried at fair value or valued using another measurement basis:

- Investment properties;
- Financial assets measured at fair value through profit or loss and at fair value through other comprehensive income; 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, 2015, 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 other 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 twelve 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 2 (cc).

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2019:

Number	Effective date	Executive summary
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	Annual periods beginning on or after 1 January 2019	The narrow-scope amendment covers two issues: <ul style="list-style-type: none"> • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.
Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.	Annual periods on or after 1 January 2019 (issued February 2018)	These amendments require an entity to: <ul style="list-style-type: none"> • Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

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

Number	Effective date	Executive summary
Annual improvements cycle 2015-2017	Annual periods beginning on or after 1 January 2019	<p>These amendments include minor changes to:</p> <ul style="list-style-type: none"> IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business. IFRS 11, 'Joint arrangements' - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
IFRIC 23, 'Uncertainty over income tax treatments'	Annual periods beginning on or after 1 January 2019 Published 7 June 2017)	<p>IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.</p>
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2021 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p>

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

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

Number	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	Annual periods beginning on or after 1 January 2020	<p>These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:</p> <ul style="list-style-type: none"> ● use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; ● clarify the explanation of the definition of material; and ● incorporate some of the guidance in IAS 1 about immaterial information. <p>The amended definition is:</p> <p><i>"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."</i></p>
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	Annual periods beginning on or after 1 January 2020 (early adoption is permitted) (Published September 2019)	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, only IFRS 17 is expected to have 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

c) Consolidation

The consolidation of financial statements comprises the financial statements of the Group and its subsidiaries as at 31 December 2019.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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 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

Notes (continued)

2. Summary of significant accounting policies (continued)

c) Consolidation (continued)

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.

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 on acquisition date at 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.

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.

Notes (continued)

2. Summary of significant accounting policies (continued)

d) Business combinations and goodwill (continued)

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 IFRS 9 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 is 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.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

f) Revenue recognition (continued)

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 earned from financial assets at fair value through profit or loss is recognised on a time proportion basis that takes into account the effective yield on the asset.

iv) Investment income

- Rental income is recognised on an accrual basis.

- 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 settling all claims arising from incidents occurring 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

h) Reinsurance (continued)

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.

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.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

k) Investment properties (continued)

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.

Notes (continued)

2. Summary of significant accounting policies (continued)

l) Intangible assets (continued)

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.

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

2. Summary of significant accounting policies (continued)

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 assets

i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value
- those to be measured at amortised cost.

ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:

- (i) the Group's business model for managing the financial assets; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

• **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

• **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

• **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other

Notes (continued)

2. Summary of significant accounting policies (continued)

Debt instruments (continued)

gains/ (losses) in the period in which it arises.

● Business model: the business model reflected how the Group manages the assets in order to generate cash flows

i.e. whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

● SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flow represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings. Dividends earned are recognised in the profit or loss statement and are included in the 'investment income' line item.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in

fair value.

iii) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchanges (NSE). The quoted market price used for financial assets held by the Group is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Notes (continued)

2. Summary of significant accounting policies (continued)

iii) Determination of fair value (continued)

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:

- Government securities measured at amortised cost
- Receivables arising from direct insurance arrangements
- Rent and other receivables;
- Mortgage and policy loans;
- Corporate bonds at amortised cost;
- Deposits with financial institutions at amortised cost; and
- Cash and bank balances.

No impairment loss is recognised on equity investments and financial assets measured at FVPL.

The Group recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for premium and rent receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;

Notes (continued)

2. Summary of significant accounting policies (continued)

Measurement of expected credit losses (continued)

- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

In applying the IFRS 9 impairment requirements, the Group follows one of the approaches below:

- The general approach
- The simplified approach

The Group will apply the approaches below to each of its assets subject to impairment under IFRS 9:

Financial Asset	Impairment approach
Loans (mortgage and policy loans)	General approach
Receivables arising out of direct insurance arrangements	Simplified approach
Rent and inter-company receivables	General approach
Corporate bonds at amortised cost	General approach
Deposits with financial institutions at amortised cost	General approach
Cash and bank balances	General approach

Notes (continued)

2. Summary of significant accounting policies (continued)

v) Impairment (continued)

The General Approach

Under the general approach, at each reporting date, the Group determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

● **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Group will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

● **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Group will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

● **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Group will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Group will consider a financial asset to be in default when:

- the counterparty or borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group; or

In assessing whether the counterparty or borrower is in default, the Group considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Group; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a

Notes (continued)

2. Summary of significant accounting policies (continued)

Significant increase in credit risk (SIICR) (continued)

significant increase in credit risk and default appears reasonable;

- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a best estimate and is aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables (i) Probability of Default; (ii) Loss given default (LGD); and (iii) Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Group uses internally developed PD tables based on the default history of obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings (see (i)). The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk grading; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Notes (continued)

2. Summary of significant accounting policies (continued)

vi) Modification of contracts (continued)

Insurance receivables

The ECL of operating insurance receivables are determined at using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past few years.

vi) Modification of contracts

The Group rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty;
- Whether any substantial new terms are introduced that affect the risk profile of the instrument;
- Significant extension of the contract term when the borrower is not in financial difficulty;
- Significant change in interest rate;
- Change in the currency the security is denominated in; or
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR

for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

vii) Write off policy

The Group writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Group is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 201 was KShs Nil (2018: Nil). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery

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 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 financial assets (previously classified as available-for-sale under IAS 39), which are recognised in other comprehensive income.

Inventory, 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.

p) 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, with the impairment loss determined using the expected credit loss model, recorded in the statement of profit or loss. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in (n) (ii) have been met.

Notes (continued)

2. Summary of significant accounting policies (continued)

q) Insurance liabilities

Insurance contract liabilities (including investment contracts with discretionary participation features) are reported gross of 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.

r) Insurance liabilities (continued)

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 uses 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, Bornhuetter Ferguson and Standard development methods. 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.

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 accounting policy x), by using an existing liability adequacy test as laid out under the Kenyan Insurance Act.

s) 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

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.

t) 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, 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.

u) 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 tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the

manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

Notes (continued)

2. Summary of significant accounting policies (continued)

Value added taxes and premium taxes (continued)

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.

v) 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.

w) 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 it is 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.

x) 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.

y) 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.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

y) Impairment of non-financial assets (continued)

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

y) Impairment of non-financial assets

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.

z) 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.

aa) 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.

ab) 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

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

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.

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 control over 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

a) 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.

b) 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

c) Impairment losses (continued)

Estimates made in determining the impairment losses on amortised cost financial assets. Such estimates include the determination the recoverable amount of the asset.

d) 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.

ac) 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.

ad) 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.

ae) 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 2019: 30% (2018:30%) is incurred.

af) Contingent consideration on

In 2018 the Group completed the transfer of AUM from Sanlam Investments Limited to Sanlam Investments East Africa Limited for which a consideration of KShs 54,000,000 was received (out of which KShs 12,000,000 is a deferred contingent consideration was paid on the 16th April 2019. The receipt of the income will only be certain after the lapse of the 12 month warranty period and the Group has therefore not recognised this income in the current reporting period.

3. Segment information

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. Executive Committee is appointed by the Board of Directors. It consists of the Group Chief operating decision maker (Chief Executive Officer (CEO)) and all the positions that directly report to the CEO.

An operating segment is a component of an entity:

- 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),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assets its performance, and;
- for which discrete financial information is available.

An operating segment may engage in business activities for which it is yet to earn revenues.

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. 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:

Notes (continued)

2. Summary of significant accounting policies
(continued)

3. Segment information (continued)

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

(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 2019

	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	2,718,267	1,669,026	2,604,295	-	-	6,991,588
Premiums ceded to reinsurers	(30,890)	(404,946)	(909,205)	-	-	(1,345,041)
Net premium Income	2,687,377	1,264,080	1,695,090	-	-	5,646,547
Fee and commission income	11,543	121,258	192,263	-	-	325,064
Investment income	933,569	1,271,202	145,972	18,596	(19,052)	2,350,287
Fair value (losses)/gains	436,508	13,967	(31,187)	2,890	-	422,178
Impairment of financial assets	2,624	-	-	-	-	2,624
Other operating revenue	61,537	-	-	90,842	-	152,379
Total other revenue	1,445,781	1,406,427	307,048	112,328	(19,052)	3,252,532
Total revenue	4,133,158	2,670,508	2,002,138	112,328	(19,052)	8,899,079
Gross benefits and claims paid	(2,364,465)	(1,818,793)	(1,349,177)	-	-	(5,532,435)
Claims ceded to reinsurers	4,367	106,699	322,664	-	-	433,730
Gross change in insurance contract liabilities	(583,079)	592,658	-	-	-	9,579
Gross change in investment contract liabilities	267,011	-	-	-	-	267,011
Change in contract liabilities ceded to reinsurers	-	(14,308)	-	-	-	(14,308)
Net benefits and claims	(2,676,165)	(1,133,744)	(1,026,513)	-	-	(4,836,423)
Depreciation and amortization	(72,122)	-	(24,141)	(6,504)	-	(102,767)
Interest expense	(153,400)	-	-	(307,080)	14,260	(446,220)
Other operating and administrative expenses	(1,339,794)	(464,362)	(928,442)	(237,326)	6,341	(2,963,583)
Total benefits, claims and other expenses	(4,241,481)	(1,598,107)	(1,979,096)	(550,910)	20,601	(8,348,993)
(Loss)/profit before share of profit of associate	(108,323)	1,072,401	23,042	(438,582)	1,549	550,086
Share of profit of associate	-	-	-	-	-	-
(Loss)/profit before tax	(108,323)	1,072,401	23,042	(438,582)	1,549	550,086
Income tax credit/(expense)	36,911	(365,425)	(19,258)	(87,916)	-	(435,687)
(Loss)/profit for the year	(71,412)	706,976	3,784	(526,498)	1,549	114,399
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (loss)/ income	(71,412)	706,976	3,784	(526,498)	1,549	114,399

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. 1,549,000 relates to the elimination of IFRS 16 adjustments and reclassification of Investment property to Property plant and Equipment at Sanlam Kenya Plc.

Notes (continued)

3. Segment information (continued)

Segment statement of comprehensive income for the year ended 31 December 2018

	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	2,521,027	1,789,901	2,034,897	-	-	6,345,825
Premiums ceded to reinsurers	(30,582)	(343,845)	(599,590)	-	-	(974,017)
Net premium Income	2,490,445	1,446,056	1,435,307	-	-	5,371,808
Fee and commission income	9,065	113,481	145,464	-	-	268,010
Investment income	887,398	1,195,662	116,620	8,926	(24,838)	2,183,768
Fair value gains/(losses)	(1,515,000)	398,098	45,535	(912,214)	-	(1,983,581)
Impairment of financial assets	-	(3,333)	(9,462)	-	-	(12,795)
Other operating revenue	1,192	-	-	96,184	(11,162)	86,214
Total other revenue	(617,345)	1,703,908	298,157	(807,104)	(36,000)	541,616
Total revenue	1,873,100	3,149,964	1,733,464	(807,104)	(36,000)	5,913,424
Gross benefits and claims paid	(2,476,047)	(1,834,721)	(1,234,054)	-	-	(5,544,822)
Claims ceded to reinsurers	14,860	144,539	500,915	-	-	660,314
Gross change in insurance contract liabilities	(552,034)	(919,470)	-	-	-	(1,471,504)
Gross change in investment contract liabilities	1,227,696	-	-	-	-	1,227,696
Change in contract liabilities ceded to reinsurers	-	4,134	-	-	-	4,134
Net benefits and claims	(1,785,525)	(2,605,518)	(733,139)	-	-	(5,124,182)
Depreciation and amortization	(51,244)	-	(13,338)	(1,905)	-	(66,487)
Interest expense	(73,600)	-	-	(118,263)	-	(191,863)
Other operating and administrative expenses	(993,306)	(366,500)	(793,365)	(514,876)	7,655	(2,660,392)
Total benefits, claims and other expenses	(2,903,675)	(2,972,018)	(1,539,842)	(635,044)	7,655	(8,042,924)
(Loss)/profit before share of profit of associate	(1,030,575)	177,946	193,622	(1,442,148)	(28,345)	(2,129,500)
Share of loss of associate	-	-	-	-	314	314
(Loss)/profit before tax	(1,030,575)	177,946	193,403	(1,442,148)	(28,031)	(2,129,186)
Income tax expense	273,129	(47,160)	(77,320)	1,111	-	149,760
Profit for the year	(757,446)	130,786	116,302	(1,441,037)	(28,031)	(1,979,426)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(757,446)	130,786	116,302	(1,441,037)	(28,031)	(1,979,426)

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 368,500,000 relates to the elimination of dividend income from Sanlam Securities Limited to Sanlam Kenya Plc.

Notes (continued)

3. Segment information (continued)

Segment statement of financial position

At 31 December 2019:	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	67,170	-	9,802	-	-	76,972
Property and equipment	179,260	-	89,412	34,122	432,663	735,457
Right-of-use assets	87,056	-	69,900	38,578	(100,627)	94,907
Investment properties	2,965,000	-	-	-	(446,320)	2,518,680
Equity accounted investments	-	-	-	4,863	12,916	17,779
Investments in subsidiaries	-	-	-	2,253,435	(2,253,435)	-
Financial instruments	9,856,971	10,273,211	997,102	454,246	-	21,581,530
Long term reinsurance assets	-	143,397	608,137	-	-	751,534
Land and development	-	-	-	89,564	-	89,564
Insurance receivables	164,878	59,505	773,693	-	-	998,076
Other assets	195,474	729,112	965,580	663,118	(385,177)	2,168,107
Total assets	13,515,809	11,205,225	3,513,626	3,537,926	(2,739,980)	29,032,606
Liabilities						
borrowings	-	-	-	2,763,210	-	2,763,210
Insurance contracts liabilities	3,281,265	10,303,752	947,676	-	-	14,532,693
Investment contract liabilities	5,073,450	-	-	-	-	5,073,450
Deposit administration contracts	1,131,718	-	-	-	-	1,131,718
Other non-current liabilities	649,620	-	-	-	(109,447)	540,173
Other liabilities	1,455,068	80,226	1,521,418	626,521	(426,893)	3,250,322
Total liabilities	11,591,121	10,383,978	2,469,094	3,389,731	(536,340)	27,297,584
Net assets	1,924,688	821,247	1,044,532	148,195	(2,203,640)	1,735,022

Other segment reporting disclosures

For the year ended 31 December 2019	Ordinary life	Super annuation	General Business	Investments	Group
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Additions to non-current assets	84,372	-	46,338	66,969	197,679
Interest and dividend income	1,040,228	1,176,775	104,173	18,596	2,339,772
Interest expense	73,568	-	-	322,314	395,882
Depreciation and amortisation	72,122	-	24,141	43,573	139,836

Notes (continued)

3. Segment information (continued)

Segment statement of financial position

At 31 December 2018:	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	83,670	-	15,051	-	-	98,721
Property and equipment	150,510	-	59,996	22,008	-	232,514
Investment properties	2,924,000	-	516,700	-	-	3,440,700
Equity accounted investments	-	-	-	4,863	12,916	17,779
Investments in subsidiaries	-	-	-	2,287,020	(2,287,020)	-
Financial instruments	9,521,464	9,858,204	1,136,483	775,333	-	21,291,484
Long term reinsurance assets	-	157,706	661,670	-	-	819,376
Land and development	-	-	-	109,189	-	109,189
Insurance receivables	123,463	111,825	608,553	-	-	843,841
Other assets	614,385	778,948	530,253	815,865	(491,425)	2,248,026
Total assets	13,417,492	10,906,683	3,528,706	4,014,278	(2,765,529)	29,101,630
Liabilities						
Borrowings	720,052	-	-	2,777,380	-	3,497,432
Insurance contracts liabilities	2,698,186	10,896,410	1,222,051	-	-	14,816,647
Investment contract liabilities	5,340,462	-	-	-	-	5,340,462
Deposit administration contracts	1,107,372	-	-	-	-	1,107,372
Other non-current liabilities	360,397	-	-	-	-	360,397
Other liabilities	1,085,286	5,639	1,265,907	523,627	(488,177)	2,392,282
Total liabilities	11,311,755	10,902,049	2,487,958	3,301,007	(488,177)	27,514,592
Net assets	2,105,737	4,634	1,040,748	713,271	(2,277,352)	1,587,038

Other segment reporting disclosures

For the year ended 31 December 2018	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	376,093	-	48,678	16,338	-	441,109
Interest and dividend income	887,428	1,195,662	116,620	8,926	(24,838)	2,183,767
Interest expense	70,014	-	-	118,263	-	188,277
Depreciation and amortisation	51,244	-	13,338	1,903	-	66,485

Notes (continued)

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	2019	2018
	KShs. '000	KShs. '000
New business: Recurring		
Individual life	531,534	376,458
Group business	248,361	173,180
New business: Single premiums		
Group business	901,163	1,101,048
Total new business	1,681,058	1,650,686
Renewal recurring		
Individual life	2,186,733	2,144,569
Group business	519,502	515,673
Total renewal premium income	2,706,235	2,660,242
Total long-term business gross premium income	4,387,293	4,310,928
ii) General insurance business		
Class of business		
Engineering	68,692	33,446
Fire domestic	59,720	40,471
Fire industrial	245,239	135,486
Liability	95,457	77,754
Marine	43,053	23,109
Motor private	457,503	430,096
Motor commercial	382,764	353,016
Motor PSV	187,263	95,125
Personal accident	26,148	15,796
Medical	833,709	622,509
Theft	88,891	78,582
Workmen compensation	86,886	76,030
Miscellaneous	28,970	53,477
Total general business gross premium income	2,604,295	2,034,897
Total group gross premium income	6,991,588	6,345,825

Notes (continued)

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;

	2019	2018
	KShs:'000	KShs:'000
Long term insurance business		
Ordinary life	30,890	30,582
Super-annuation	404,946	343,845
General insurance business	909,206	599,590
Total premiums ceded to reinsurers	1,345,042	974,017

5. Fee and commission income

Commission income	325,064	268,010
	325,064	268,010

6. a) Investment income

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Rental income:				
Gross rental income	140,054	91,113	-	-
Net rental expenses	(43,913)	(77,495)	-	-
	96,141	13,618	-	-
Interest income on:				
- Financial assets designated at fair value through profit or loss	2,103,680	1,888,975	-	-
- Financial assets assets at amortised cost	-	93,830	-	-
- Loans to related parties	-	-	-	-
- Loans and receivables	19,680	70,770	-	-
- Cash and cash equivalents	50,108	23,805	10,587	-
Dividend income	80,680	92,769	-	332,500
Total investment income	2,350,289	2,183,767	10,587	332,500

Notes (continued)

6. b) Fair value (losses)/gains

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Fair value (losses)/gains on investment properties (Note 13)	(41,241)	(43,371)	-	-
Fair value losses on financial assets at fair value through profit or loss	463,418	(1,940,210)	-	(533,547)
Total fair value losses	422,177	(1,983,581)	-	(533,547)

6. c) Impairment of financial assets

Impairment is reported as a deduction from the carrying value of the investments measured at amortised cost and recognized in the statement of profit or loss as 'Impairment of financial assets'.

	Group	
	2019	2018
	KShs.'000	KShs.'000
Net impairment losses on:		
- Mortgage loans measured at amortised cost	-	3,333
- Corporate bonds measured at amortised cost	2,624	9,462
	2,624	12,795

6. d) Other operating revenue and expenses

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Plot sales	68,500	33,000	68,500	33,000
Other income	83,879	53,214	(1,142)	(14,063)
Total other income	152,379	86,214	67,358	18,937

Notes (continued)

7. Details of expenses

a) Benefits and claims	Group	
	2019	2018
	KShs.'000	KShs.'000
Gross benefits and claims paid		
Long term insurance contracts with fixed and guaranteed terms		
- Death and disability claims	1,665,066	961,593
- Maturity and survival benefits	838,226	1,797,905
- Policy surrenders	635,632	600,721
- Annuities	1,044,334	950,549
General insurance business claims	1,349,177	1,234,054
Gross benefits and claims paid	5,532,435	5,544,822
Claims ceded to reinsurers	(433,730)	(660,314)
Gross change in actuarial value of insurance contract liabilities	9,578	1,471,504
Gross change in actuarial value of investment contract liabilities	(286,168)	(1,227,696)
Change in contract liabilities ceded to reinsurers	14,308	(4,134)
Net benefits and claims	4,836,423	5,124,182

b) Fee and commission expense	Group	
	2019	2018
	KShs.'000	KShs.'000
Payable to agents	468,567	320,541
Payable to brokers and other intermediaries	525,124	394,593
Fee and commission expense	993,691	715,134

c) Cost of sales - inventory	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Construction	19,625	9,194	19,625	9,194
Land	1,028	351	1,028	351
Legal costs	-	2,152	-	2,152
	20,653	11,697	20,653	11,697

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

Notes (continued)

8. Operating expenses

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Other operating charges include:				
Staff costs (Note 9)	887,179	942,808	136,477	217,979
Amortisation (Note 11(a))	23,412	20,897	-	-
Depreciation (Note 12)	93,012	45,588	6,504	1,905
Fees for managerial and administrative services:			-	
Auditors remuneration	12,667	13,865	2,369	4,042
Tax audit fees	10,155	8,977	2,310	800
Legal fees	45,201	40,461	9,796	14,034
Actuarial fees	6,074	6,301	-	-
Premium tax and stamp duty	59,272	52,268	-	-
Premium collection charges	30,206	39,179	-	-
Advertising	75,711	98,295	12,734	10,077
Office rent	19,724	92,857	-	5,022
Repairs and maintenance	5,412	8,666	525	1,586
Other expenses	772,564	629,885	58,791	42,522
Total operating expenses	2,040,589	2,000,047	229,506	297,967

9. Staff costs

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Staff costs include the following:				
Defined contribution pension costs	69,709	63,159	12,140	11,086
Social security benefit costs	440	435	31	31
Salaries and other short-term benefits	817,030	879,214	124,306	206,862
	887,179	942,808	136,477	217,979

Notes (continued)

9. Staff costs

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost of restructuring and early retirement				
Salaries and other short-term benefits include the following:				
Cost of restructuring and early retirement	62,993	-	-	-
	62,993	-	-	-

The total number of permanent employees as at 31 December 2019 was xx compared to xx as at 31 December 2018.

10. Income tax expense

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Statement of profit or loss				
Current year tax charge	66,072	97,605	-	-
Over-provision of current tax from prior years	(4,417)	-	-	-
Deferred income tax charge/(credit) (Note 27)	375,367	(276,509)	82,384	(33,517)
Capital gains tax	(1,335)	29,144	-	-
Current year tax charge/(credit)	435,687	(149,760)	82,384	(33,517)
Reconciliation of income tax expense to tax based on accounting profit: -				
Profit before income tax	550,086	(2,129,186)	(479,294)	(669,551)
Tax calculated at a statutory rate of 30%	391,198	(638,756)	(143,788)	(200,865)
Tax effect of:				
Income not subject to tax	31,529	297,106	-	99,750
Expenses not deductible for tax	12,960	191,890	226,172	67,598
Income tax expense /(credit)	435,687	(149,760)	82,384	(33,517)

Notes (continued)

11. (a) Group intangible assets - software

Year ended 31 December 2019	Software
	KShs.'000
Cost:	
At 1 January	214,110
Additions	1,663
Disposal	-
At 31 December	215,773
Amortisation	
At start of year	(117,953)
Disposal	2,564
Charge for the year	(23,412)
At 31 December	(138,801)
Carrying amount	
At 31 December	76,972
Year ended 31 December 2018	Software
	KShs.'000
Cost:	
At 1 January	206,091
Additions	13,160
Disposal	(5,141)
At 31 December	214,110
Amortisation	
At start of year	(97,056)
Disposal	2,564
Charge for the year	(20,897)
At 31 December	(115,389)
Carrying amount	
At 31 December	98,721

Notes (continued)

11. (b) Goodwill on business combinations

	2019	2018
	KShs:'000	KShs:'000
Goodwill on acquisition of Sanlam General Insurance	-	564,080
Provision for impairment	-	(564,080)
	-	-

On 1 March 2015, the Group completed a part acquisition of Sanlam General Insurance Limited ("formerly Gateway Insurance Limited" or "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 in 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.

Notes (continued)

12. (a) Group property and equipment

Year ended 31 December 2019	Motor vehicles	Computer equipment	Furniture and equipment	Property	Work in progress	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost						
At 1 January	13,093	246,830	357,741	-	57,690	675,354
Additions	-	11,444	125,958	-	16,373	153,775
Transfers	-	-	74,063	446,320	(74,063)	446,320
Disposals	-	(4,874)	(51,226)	-	-	(56,100)
At 31 December	13,093	253,400	506,536	446,320	-	1,219,349
Depreciation						
At 1 January	(5,647)	(214,756)	(222,437)	-	-	(442,840)
Disposals	-	4,116	47,844	-	-	51,960
Charge for the year	(2,613)	(18,339)	(58,403)	(13,657)	-	(93,012)
At 31 December	(8,260)	(228,979)	(232,996)	(13,657)	-	(483,892)
Carrying amount						
At 1 January	7,446	32,074	135,304	-	57,690	232,514
At 31 December	4,833	24,421	273,540	432,663	-	735,547

Year ended 31 December 2018	Motor vehicles	Computer equipment	Furniture and equipment	Work in progress	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost					
At 1 January	24,284	204,306	350,627	-	579,217
Additions	1,194	49,369	16,325	57,690	124,578
	(12,385)	(6,845)	(9,211)	-	(28,441)
At 31 December	13,093	246,830	357,741	57,690	675,354
Depreciation					
At 1 January	(15,159)	(189,225)	(217,472)	-	(421,856)
Disposals	12,120	(10,883)	23,367	-	24,604
Charge for the year	(2,608)	(14,648)	(28,332)	-	(45,588)
At 31 December	(5,647)	(214,756)	(222,437)	-	(442,840)
Carrying amount					
At 1 January	9,125	15,081	133,155	-	157,361
At 31 December	7,446	32,074	133,304	-	232,514

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.

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

Notes (continued)

12. (b) Company property and equipment

Year ended 31 December 2019	Computer equipment	Furniture and equipment	Work in progress	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost				
At 1 January	3,301	18,846	16,055	38,202
Additions	815	17,803	-	18,618
Transfers		16,055	(16,055)	-
At 31 December	4,116	52,704	-	56,820
Depreciation				
At 1 January	(2,097)	(14,097)	-	(16,194)
Charge for the year	(296)	(6,208)	-	(6,504)
At 31 December	(2,393)	(20,305)	-	(22,698)
Carrying amount				
At 31 December	1,723	32,399	-	34,122

Year ended 31 December 2018	Computer equipment	Furniture and equipment	Work in progress	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost				
At 1 January	3,018	18,846	-	21,864
Additions	283	-	16,055	16,338
At 31 December	3,301	18,846	16,055	38,202
Depreciation				
At 1 January	(1,775)	(12,514)	-	(14,289)
Charge for the year	(322)	(1,583)	-	(1,905)
At 31 December	(2,097)	(14,097)	-	(16,194)
Carrying amount				
At 31 December	1,204	4,749	16,055	22,008

Notes (continued)

Leases

This note provides information for leases where the Group is a lessee.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

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

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Notes (continued)**12 (c) Leases (continued)****Measurement of lease liabilities****(i.) Amounts recognised in the balance sheet**

	December 2019	1 January 2019
	KShs.'000	KShs.'000
Right of use assets		
Buildings	94,907	122,252
Lease liabilities		
Current	12,273	17,465
Non-current	73,639	104,787
There were no additions to the right of use assets in the year.		
(ii.) Amounts recognised in the statement of profit or loss		
The statement of profit or loss shows the following amounts relating to leases:		
Depreciation charge of right-of-use assets		
Buildings		
Interest expense (included in Operating and other administrative expenses)		23,412
Expense relating to short-term leases (included in administrative expenses)		18,943
The total cash outflow for leases in 2019 was Shs.		42,355

(iii.) The Group's leasing activities and how these are accounted for

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

Notes (continued)

12 (c) Leases (continued)

(iii) The Group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit

risk for leases held by the Group, which does not have recent third-party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less

Notes (continued)

12 (c) Leases (continued)

(iii) The Group's leasing activities and how these are accounted for (continued)

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Leases under which the Group is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognized as income in the profit and loss account on a straight-line basis over the lease term. The Group has not entered into any finance leases.

13. a) Investment properties

	2019	2018
	KShs. '000	KShs. '000
At 1 January	3,414,000	3,180,700
Additions	42,241	303,371
Disposals	-	(43,371)
Transfer from investment properties to PPE	(446,320)	-
Transfer to non-current assets held for sale (Note 13 (b))	(490,000)	-
Fair value loss	(1,241)	-
At 31 December	2,518,680	3,440,700

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 2019 and 31 December 2018. 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. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of profit or loss.

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).

Notes (continued)

13. a) Investment properties (continued)

Amounts recognised in statement of profit or loss:

	2019
	KShs. '000
Rental income from operating leases	140,054
Direct operating expenses from property that generated rental income	(43,913)

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties

Minimum lease payments receivable on leases of investment properties are as follows

	KShs. '000
Within 1 year	59,981
Within 2 – 5 years	252,237
Later than 5 years	177,696

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	KShs	KShs	KShs. '000
As at 31 December 2019				
Investment properties	-	-	2,518,680	2,518,680
As at 31 December 2018				
Investment properties	-	-	3,440,700	3,440,700

Valuation technique used to derive level 3 fair values

Level 3 fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size and location.

Notes (continued)

13. b) Assets held for sale

	2019	2018
	KShs. '000	KShs. '000
At 1 January	450,000	1,145,000
Disposals	-	(695,000)
Transfer from investment properties (Note 13(a))	490,000	-
Fair value loss	(40,000)	-
Transfer from other receivables		
Total	900,000	450,000

Assets held for sale comprise land and buildings which the Group intends to sell before the end of 2020.

14. (a) Investments in subsidiaries

Company	Shareholding in 2019	At 1 January 2019	Movement	At 31 December 2019
		KShs:'000	KShs:'000	KShs:'000
Sanlam Life Insurance Limited	100%	873,399	-	873,399
Sanlam Securities Limited	100%	679,009	-	679,009
Sanlam Investments Limited	100%	-	-	-
Sanlam General Insurance Limited	71.86%	734,612	(33,585)	701,027
		2,287,020	(33,585)	2,253,435

Company	Shareholding in 2018	At 1 January 2018	Movement	At 31 December 2018
		KShs:'000	KShs:'000	KShs:'000
Sanlam Life Insurance Limited	100%	230,261	643,138	873,399
Sanlam Securities Limited	100%	679,009	-	679,009
Sanlam Investments Limited	100%	59,514	(59,514)	-
Sanlam General Insurance Limited	75.12%	496,612	238,000	734,612
		1,465,396	821,624	2,287,020

Notes (continued)

14. (a) Investments in subsidiaries (continued)

In 2019 Sanlam Kenya made additional investments of KShs nil (2018: KShs 643,138,000) in Sanlam Life Insurance Limited and KShs nil (2018: KShs. 238,000,000) in Sanlam General Insurance Limited (The minorities redeemed Kshs. 33,585,000 from the Company). The additional investment in Sanlam General Insurance Limited by minorities led to a decrease in Sanlam Kenya Plc's shareholding from 75.12% to 71.86%

As a result of the negative net asset value of Sanlam Investments Limited as at 31 December 2018 and given that the subsidiary is no longer operational, the recoverable amount of the subsidiary was assessed to be lower than the cost of investment. Based on this assessment, an impairment charge of KShs 59,514,000 was recognised in the Sanlam Kenya Plc Company Statement of profit or loss for the year ended 31 December 2018 and the investment is subsequently carried at nil value.

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.

	2019	2018
Summarised statement of financial position	KShs'000	KShs'000
Total assets	3,513,626	3,528,706
Total liabilities	(2,469,094)	(2,487,958)
Net assets	1,044,532	1,040,748
Summarised statement of comprehensive income		
Gross earned premiums	2,604,295	2,034,897
Underwriting (loss)/ profit	71,560	40,982
Profit before income tax	23,042	193,622
Income tax expense	(19,258)	(77,320)
Other comprehensive income	-	-
Total comprehensive income for the year	3,784	116,302
Total comprehensive income allocated to non-controlling interests	1,065	37,635
Summarised cash flows		
Net cash used in operating activities	(149,381)	(32,572)
Net cash (used in)/ generated from investing activities	(15,811)	73,571
Net cash generated from financing activities	-	238,000
Net (decrease)/increase in cash and cash equivalents	(165,192)	278,999
Cash and cash equivalents at start of year	418,557	139,558
Cash and cash equivalents at end of year	253,365	418,557

Notes (continued)

14. (b) Investment in associate

		2019	2018
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 principal place of business of the associate is Delta Riverside, Riverside Drive. 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.

	2019	2018
Summarised statement of financial position	KShs'000	KShs'000
Total assets	119,051	125,615
Total liabilities	(31,247)	(54,213)
Net assets	87,804	71,402
Summarised statement of comprehensive income		
Gross revenues	60,697	60,697
Administration and other expenses	(59,438)	(59,438)
Profit (loss) for the year	1,259	1,259

Shown below is the reconciliation to the carrying amounts in the financial statements as at 31 December 2018

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs. '000	KShs. '000
At 1 January	17,779	17,465	-	4,861
Share of results before tax	-	314	-	-
Share of tax	-	-	-	-
At 31 December	17,779	17,779	-	4,861
Share of associates' statement of financial position:				
Total assets	25,560	31,278	-	-
Total liabilities	(7,781)	(13,499)	-	-
Net assets	17,779	17,779	-	-
Share of associates' revenue and loss:				
Share of associates' revenue and loss:				
Revenue	-	15,174	-	-
Profit in associate	-	314	-	-

Notes (continued)

15. Loans

	Group	
	2019	2018
	KShs:'000	KShs:'000
Mortgage loans (Note 15 a)	106,079	119,306
Policy loans (Note 15 b)	250,548	309,745
IPF Loans (Note 15 c)	23,139	75,800
Total Loans	379,766	504,851

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.

a) Mortgage loans	Group	
	2019	2018
	KShs. '000	KShs. '000
Gross mortgage loans		
At 1 January	(28,681)	(6,074)
ECL on 1 January 2018	-	(28,793)
Movement in the year	319	6,186
At 31 December	(28,362)	(28,681)
Net mortgages at 31 December	106,079	119,629

Maturity profile of mortgage loans

Loans maturing:

Within 1 year	2,888	7,259
In 1 - 5 years	23,657	27,881
After 5 years	79,534	84,166
	106,079	119,306

Notes (continued)

15. Loans (continued)

b) Policy loans	Group	
	2019	2018
	KShs'000	KShs'000
At 1 January 2019	360,769	510,986
Additions	106,825	119,343
Repayments	(177,366)	(257,754)
Interest accrued	19,563	39,822
At 31 December	309,791	412,397
Provision for impairment:		
At 1 January 2019	(102,652)	(297)
Movement in the year	43,409	(102,355)
At 31 December	(59,243)	(102,652)
Net policy loans	250,548	309,745

Maturity profile of Policy loans

	Group	
	2019	2018
	KShs'000	KShs'000
Loans maturing:		
Within 1 year	63,959	106,712
In 1 - 5 years	119,155	86,160
After 5 years	67,434	116,873
	250,548	309,745

Notes (continued)

15. Loans (continued)

c) Insurance premium finance loans (IPF)

	Group	
	2019	2018
	KShs:'000	KShs:'000
At start of year	75,800	31,864
Additions	-	193,316
Repayments	(59,904)	(158,140)
Interest accrued	7,243	8,760
At end of year	23,139	75,800
At start of the year	-	-
Provision for impairment:	-	-
Increase during the year	-	-
At end of the year	-	-
Net insurance premium finance loans	23,139	75,800

Maturity profile

All insurance premium finance loans are provided to policyholders of Sanlam General over a period not exceeding 10 months and are therefore due within one year..

Notes (continued)

16. Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

At 31 December 2019:	Amortised cost	Fair value through profit or loss	Total
	Kshs. '000	Kshs. '000	Kshs. '000
Equity securities	-	1,933,402	1,933,402
Government securities	-	18,681,638	18,681,638
Corporate bonds	-	53,695	53,695
Deposits with financial institutions	-	544,763	544,763
Total	-	21,213,499	21,213,499

At 31 December 2018:	Amortised cost	Fair value through profit or loss	Total
	Kshs. '000	Kshs. '000	Kshs. '000
Equity securities	-	2,579,271	2,579,271
Government securities	-	15,167,215	15,167,215
Corporate bonds	14,746	1,254,774	1,269,520
Deposits with financial institutions	273,892	2,001,586	2,275,478
Total	288,638	21,002,846	21,291,484

All the government securities and deposits with financial institutions are valued at fair value through profit or loss.

Notes (continued)

16. Financial assets (continued)

Financial assets movement

The movement in financial assets is as shown below:

Year ended 31 December 2019:	Opening balance	Purchases	Disposals	Fair value adjustment	Accrued interest	Closing balance
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Equity securities	2,579,271	41,005	(1,140,320)	453,446	-	1,933,402
Government securities	15,167,215	5,179,226	(1,819,234)	100,204	54,227	18,681,638
Corporate bonds	1,269,520	-	(1,208,044)	(7,781)	-	53,695
Deposits with financial institutions	2,272,354	11,536,523	(11,734,123)	-	(1,529,991)	544,763
Total	21,288,360	16,756,754	(15,901,721)	545,869	(1,475,764)	21,213,498

Year ended 31 December 2018:	Opening balance	IFRS 9 adjustment	Purchases	Disposals	Fair value adjustment	Accrued interest	Closing balance
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Equity securities	4,305,766	-	362,630	(1,275,925)	(813,200)	-	2,579,271
Government securities	12,579,782	(368,963)	3,197,610	(862,517)	573,144	48,159	15,167,215
Corporate bonds	2,616,999	-	422,501	(158,924)	(1,611,056)	-	1,269,520
Deposits with financial institutions	2,239,644	(57,868)	8,691,432	(8,482,378)	(156,806)	41,454	2,275,478
Total	21,742,191	(426,831)	12,674,173	(10,779,744)	(2,007,918)	89,613	21,291,484

Maturity analysis:

	< 1 year	1 - 5 years	> 5 years	Open ended	Total
As at 31 December 2019:	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Equity securities	-	-	-	1,933,402	1,933,402
Government securities	619,837	2,261,137	15,800,664	-	18,681,638
Corporate bonds	53,695	-	-	-	53,695
Deposits with financial institutions	544,763	-	-	-	544,763
Total	1,218,295	2,261,137	15,800,664	1,933,402	21,213,498

Notes (continued)

16. Financial assets (continued)

	< 1 year	1 - 5 years	> 5 years	Open ended	Total
As at 31 December 2018:	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Equity securities	-	-	-	2,579,271	2,579,271
Government securities	308,028	1,374,140	13,485,047	-	15,167,215
Corporate bonds	529,438	740,082	-	-	1,269,520
Deposits with financial institutions	2,275,478	-	-	-	2,275,478
Total	3,112,944	2,114,222	13,485,047	2,579,271	21,291,484

Included within the government securities are bonds held under lien as required by the Insurance Regulatory Authority. The Group has the positive intention and ability to hold these bonds until maturity.

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.

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.

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 assets (continued)

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.

The portion asset that unquoted shares are valued at net asset value.

	Level 1	Level 2	Level 3	Total fair value
As at 31 December 2019:	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Equity securities	1,509,179	424,223	-	1,933,402
Government securities	18,681,638	-	-	18,681,638
Corporate bonds	-	53,695	-	53,695
Deposits with financial institutions	-	-	544,763	544,763
Total	20,190,817	477,918	544,763	21,213,498

	Level 1	Level 2	Level 3	Total fair value
As at 31 December 2018:	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Equity securities	2,157,938	421,333	-	2,579,271
Government securities	15,167,215	-	-	15,167,215
Corporate bonds	823,684	445,836	-	1,269,520
Deposits with financial institutions	-	-	2,275,478	2,275,478
Total	18,148,837	867,169	2,275,478	21,291,484

Notes (continued)**17. 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.

	2019	2018
Treasury bills	10%	9%
Treasury bonds	12%	12%
Mortgage loans and corporate bonds	9%	9%
Deposits with financial institutions	6%	6%
Policy loans	10%	13%

18. Reinsurance share of insurance contract liabilities

The reinsurance asset can be broken down as follows;

	Group	
	2019	2018
	KShs. '000	KShs. '000
Long term business reinsurance asset (Note 18 (i))	143,397	157,706
General business reinsurance asset (Note 18 (ii))	608,137	661,670
	751,534	819,376

The following is a summary of the movements in the reinsurance share of insurance contract liabilities:

i) Long term reinsurance asset movement

	Group	
	2019	2018
	KShs. '000	KShs. '000
Opening balance	157,506	153,572
Current year movement (Note 24 (b))	(14,309)	4,134
	143,397	157,506

Notes (continued)

18. Reinsurance share of insurance contract liabilities (continued)

ii) General reinsurance asset movement

	Group	
	2019	2018
	KShs. '000	KShs. '000
As at 1 January 2019		
Reinsurer's share of contract liabilities (Note 24(a))	422,850	317,312
Reinsurer's share of unearned premium (Note 25)	238,821	162,342
Current year movements		
Increase in reinsurer's share of contract liabilities	(164,838)	105,538
Increase in reinsurer's share of unearned premiums (Note 25)	111,304	76,478
At 31 December 2019		
Reinsurer's share of contract liabilities (Note 24(a))	258,012	422,850
Reinsurer's share of unearned premium (Note 25)	350,125	238,820
Total reinsurer's share of liabilities	608,137	661,670

19. Inventory

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
At start of year	109,189	118,734	109,189	118,734
Disposals	(19,625)	(9,545)	(19,625)	(9,545)
As at December	89,564	109,189	89,564	109,189

Inventory is measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion (direct labor and infrastructure) and other costs incurred in bringing the inventories to its present condition.

Notes (continued)**20. Receivables and deferred acquisition costs****a) Insurance receivables**

	Group	
	2019	2018
	KShs:'000	KShs:'000
Due from policyholders	1,782,867	1,804,011
Provision for doubtful debts	(1,290,174)	(1,376,303)
Net amount due from policyholders	492,693	427,708
Amounts due from reinsurers	373,127	432,657
Provision for doubtful debts	(20,686)	(20,686)
Amounts due from agents, brokers and intermediaries	93,437	4,162
	938,571	843,841

The amounts receivable do not carry interest and are due within 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.

(b) Receivables and other financial assets

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

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Amounts due from related parties (Note 34 (a))	-	41,574	6,082	144,359
Rent outstanding	11,734	2,187	-	-
Prepayments	39,917	30,824	7,044	5,888
VAT claimable	146,444	152,066	-	-
Other receivables	121,212	222,711	69,498	31,984
Total	319,297	449,362	82,624	182,231

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

Notes (continued)

20. Receivables and deferred acquisition costs (continued)

(c) Deferred acquisition costs

The movement in deferred acquisition costs is shown below;

	Group	
	2019	2018
	KShs:'000	KShs:'000
At start of year	151,292	153,049
Net movements in the year	(27,519)	(1,757)
At end of year	123,773	151,292

21. Cash and cash equivalents

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

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Cash and bank balances	650,529	403,629	113,415	2,969
Deposits with financial institutions (Note 16)	544,763	2,275,478	-	354,000
Accrued interest	1,195,292	2,679,107	113,415	354,969

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

22. Share capital and reserves

Share capital	Ordinary shares	2019	2018
	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.

Notes (continued)

22. Share capital and reserves (continued)

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	
	2019	2018
	KShs:'000	KShs:'000
Balance at the beginning of the year	676,720	1,609,658
Changes on initial application of IFRS 9	-	(306,278)
Surplus/(loss) for the year	635,564	(626,660)
Closing fund	1,312,284	676,720

23. Borrowings

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

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Lease liabilities finance costs	61,755	-	4,880	-
Accrued interest	395,882	191,863	302,200	-
Total finance cost	457,637	191,863	307,080	-

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

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
At start of year	3,497,432	1,030,741	2,777,380	1,030,741
Loans advanced	-	2,466,691	-	1,746,639
Accrued interest	395,882	191,863	302,200	118,263
Forex Adjustment	(14,170)	-	(14,170)	-
Interest repayments	(375,768)	(191,863)	(302,200)	(118,263)
Loan Repayment	(740,166)	-	-	-
At end of year	2,763,210	3,497,432	2,763,210	2,777,380

Notes (continued)

23. Borrowings (continued)

Maturity profile of the borrowings:

The maturity profile of borrowing is as shown below:

	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
-Current	2,763,210	2,777,380	2,763,210	2,777,380
-Non-current	-	720,052	-	-
	2,763,210	3,497,432	2,763,210	2,777,380

The Group had acquired a loan facility from Sanlam Capital Markets totalling USD 34 million for a period of two years whose interest is referenced to the 3month LIBOR plus 7% margin. The facility was obtained to settle intercompany balances with related parties, recapitalize the Group's insurance businesses and finance completion of the Sanlam Tower. Sanlam life paid USD 7 million in the year under review while Sanlam Plc have extended repayment to end of 2020.

24. 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;

General reinsurance asset movement

	2019	2018
	KShs. '000	KShs. '000
Insurance contract liabilities		
Long term policy liabilities (insurance and investment contracts) (Note 24(b))	947,675	1,222,051
Payables under deposit administration (Note 24(b))	13,585,017	13,594,596
Total insurance contract liabilities	14,532,693	14,816,647
Investment contract liabilities - long-term	5,073,450	5,340,462
Payables under deposit administration contracts	1,131,718	1,107,372
Total investment contract liabilities	6,205,168	6,447,834
Total liabilities	20,737,861	21,264,481

For purposes of the financial statement disclosures, the liabilities have been categorized as follows;

Notes (continued)

24. Insurance contract liabilities (continued)

(a) Group General policy liabilities

The movement in the Group general insurance contract liabilities and reinsurance assets are shown below;

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	1,222,051	422,850	799,201	1,438,091	317,312	1,120,779
Cash paid for claims settled in year	(1,623,552)	(487,501)	(1,136,051)	(1,681,269)	(396,921)	(1,284,348)
Movement in liabilities						
- arising from IBNR	505	10,597	(10,092)	(7,233)	1,272	(8,505)
- arising from AURR	(39,407)	987	(40,394)	(8,942)	3,111	(12,053)
- arising from current year claims	1,388,078	311,080	1,076,998	451,088	116,859	334,229
- arising from prior year claims	-	-	-	1,030,316	381,217	649,099
Total at end of year	947,675	258,013	689,662	1,222,051	422,850	799,201
Notified claims	763,698	204,449	559,249	999,170	380,870	618,300
Additional unexpired risk reserve (AURR)	5,127	2,258	2,869	44,537	1,271	43,266
Incurred but not reported (IBNR)	178,850	51,306	127,544	178,344	40,709	137,635
Total at end of year	947,675	258,013	689,662	1,222,051	422,850	799,201

Notes (continued)

24. Insurance contract liabilities (continued)

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 within the Group 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.

Summary of movements is as shown below;

	2019			2018		
	Total	Insurance and Investment contracts	Deposit admin contracts	Total	Insurance and 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)	4,143,881	3,951,456	192,425	4,146,915	3,936,501	210,414
Income on Investment	3,075,963	2,902,289	173,674	1,176,858	1,139,764	37,094
Asset management fees	(55,771)	(50,080)	(5,691)	(61,958)	(53,202)	(8,756)
Net investment income	3,020,192	2,852,209	167,983	1,114,900	1,086,562	28,338
Income /Inflow	7,164,073	6,803,665	360,408	5,261,815	5,023,063	238,752
Policy benefits (net)	(4,381,375)	(4,072,192)	(309,183)	(4,694,429)	(4,151,369)	(543,060)
Sales remuneration and administrative expenses	(2,056,557)	(2,029,678)	(26,879)	(1,505,995)	(1,484,648)	(21,347)
Transfer to statutory fund	(964,078)	(964,078)	-	852,628	852,628	-
Outflow	(7,402,010)	(7,065,948)	(336,062)	(5,347,796)	(4,783,389)	(564,407)
Net movement for the year	(237,937)	(262,283)	24,346	(85,981)	239,674	(325,655)
Balance at beginning of the year (net of reinsurance)	20,042,430	18,935,058	1,107,372	20,124,277	18,691,250	1,433,027
Contract liabilities ceded to reinsurers	(14,307)	(14,307)	-	4,134	4,134	-
Balance at end of year	19,790,186	18,658,468	1,131,718	20,042,430	18,935,058	1,107,372

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.

Notes (continued)

24. Insurance contract liabilities (continued)

b) Group Long-term policy liabilities (continued)

(ii) Maturity analysis of long term policy liabilities:

	< 1 year	1-5 years	>5 years	open ended	Total
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
As at December 2019:					
Linked and market-related investment contract liabilities	1,022,212	2,987,534	1,063,704	-	5,073,450
<u>Insurance contract liabilities:</u>					
Reversionary bonus policies	47,810	1,064,022	1,640,070	-	2,751,902
Other non-participating liabilities	1,293,864	3,475,508	5,873,365	190,379	10,833,116
Total insurance contracts liabilities	1,341,674	4,539,530	7,513,435	190,379	13,585,018
Deposit administration contracts	-	-	-	1,131,718	1,131,718
Total long-term policy liabilities	2,363,886	7,527,064	8,577,139	1,322,097	19,790,186

	< 1 year	1-5 years	>5 years	open ended	Total
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
As at December 2018:					
Linked and market-related investment contract liabilities	745,656	3,236,989	1,357,817	-	5,340,462
<u>Insurance contract liabilities:</u>					
Reversionary bonus policies	62,283	726,425	1,494,764	-	2,283,472
Other non-participating liabilities	1,375,273	3,519,346	6,236,896	179,609	11,311,124
Total insurance contracts liabilities	1,437,556	4,245,771	7,731,660	179,609	13,594,596
Deposit administration contracts	-	-	-	1,107,372	1,107,372
Total long-term policy liabilities	2,183,212	7,482,760	9,089,477	1,286,981	20,042,430

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.

Notes (continued)

24. 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 2019:

	Gross provisions	Reinsurance assets	Net
	KShs.'000	KShs.'000	KShs.'000
Long-term business:			
Insurance contracts liabilities	13,585,018	(157,706)	13,427,312
Investment contract liabilities	5,073,450	-	5,073,450
Deposit administration contracts	1,131,718	-	1,131,718
	19,790,186	(157,706)	19,632,480

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2018:

	Gross provisions	Reinsurance assets	Net
	KShs.'000	KShs.'000	KShs.'000
Long-term business:			
Insurance contracts liabilities	13,594,596	(157,706)	13,436,890
Investment contracts liabilities	5,340,462	-	5,340,462
Deposit administration contracts	1,107,372	-	1,107,372
	20,042,430	(157,706)	19,884,724

The summary of the movements in the reinsurance asset is outlined in Note 18.

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Accident year	2012	2013	2014	2015	2016	2017	2018	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Accident year	91,579	108,892	79,723	71,994	152,288	366,025	520,430	307,784
One year later	126,150	105,950	140,954	152,185	77,523	171,043	94,098	-
Two years later	119,804	124,274	140,957	80,936	52,954	76,709	-	-
Three years later	99,005	113,859	66,335	49,377	24,144	-	-	-
Four years later	72,795	38,861	44,677	31,802	-	-	-	-
Five years later	32,920	18,840	31,348	-	-	-	-	-

Notes (continued)

24. Insurance contract liabilities (continued)

b) Group long-term policy liabilities (continued)

Accident year	2012	2013	2014	2015	2016	2017	2018	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Six years later	19,465	17,435	-	-	-	-	-	-
Seven years later	17,333	-	-	-	-	-	-	-
Current estimate of cumulative claims	17,333	320,797	261,022	222,529	324,414	823,863	810,527	650,410
Cumulative payments to date	-	(303,361)	(229,673)	(190,727)	(318,269)	(747,153)	(716,429)	(342,627)
Incurred but not reported	-	-	-	-	-	-	-	178,850
Total gross claims liability included in the statement of financial position		-	-					947,676

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 year end i.e.31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 11% (2018: 7.5%)

Insurance contract

	Reinsurance assets	Net
	KShs.'000	KShs.'000
Long-term business:		
Reversionary bonus	1.5%	1.5%
Terminal bonus	1.5%	1.5%
Total bonus declared	-%	3.0%

Reversionary bonus vest immediately while terminal bonus vest after 8 years or on maturity if earlier.

Notes (continued)

24. Insurance contract liabilities (continued)

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Accident year	t2012	2013	2014	2015	2016	2017	2018	2019
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Accident year	91,579	108,892	79,723	71,994	152,288	366,025	520,430	307,784
One year later	126,150	105,950	140,954	152,185	77,523	171,043	94,098	-
Two years later	119,804	124,274	140,957	80,936	52,954	76,709	-	-
Three years later	99,005	113,859	66,335	49,377	24,144	-	-	-
Four years later	72,795	38,861	44,677	31,802	-	-	-	-
Five years later	32,920	18,840	31,348	-	-	-	-	-
Six years later	19,465	17,435	-	-	-	-	-	-
Seven years later	17,333	-	-	-	-	-	-	-
Current estimate of cumulative claims	17,333	320,797	261,022	222,529	324,414	823,863	810,527	650,410
Cumulative payments to date	-	(303,361)	(229,673)	(190,727)	(318,269)	(747,153)	(716,429)	(342,627)
Incurred but not reported	-	-	-	-	-	-	-	178,850
Total gross claims liability included in the statement of financial position		-	-					947,676

Notes (continued)

25. 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;

	2019			2018		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	899,653	(238,821)	660,832	655,110	(162,342)	492,768
Net increase in the period	366,054	(111,304)	254,750	244,543	(76,478)	168,065
At end of year	1,265,707	(350,125)	915,582	899,653	(238,820)	660,833

26. Provisions

	Group	
	2019	2018
	KShs.'000	KShs.'000
General provision on insurance claims	34,620	34,620
Specific provision for financial guarantee	-	17,305
	34,620	51,925
The movement in the provisions is as follows:		
At 1 January	51,925	51,925
Unused amounts reversed	(17,306)	-
At end of year	34,619	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.

Notes (continued)

27. 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% (2018: 30%). The movement on the deferred income tax account is as follows:

For the year ended 31 December 2019:	At start of year	IFRS 9 adjustment impacts on 1 January 2018	(Charge)/credit to Income statement	Transfer to current tax	At end of year
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Property and equipment	6,463		-	-	6,463
Quoted shares – fair value gain	(9,435)		-	-	(9,435)
Unrealised fair value losses	-		8,302	-	8,302
Provisions	174,145		(5,594)	-	168,551
Tax losses carried forward	68,626		(88,852)	-	(20,226)
Deferred tax on life fund surplus	(360,397)	-	(289,223)	-	(649,620)
	(120,598)	-	(375,367)	-	(495,965)
Deferred tax not recognised	3,248	-	(3,248)	-	-
Deferred tax asset	236,551	-	(82,896)	-	153,655
Deferred tax liability	(360,397)	-	(289,223)	-	(649,620)

For the year ended 31 December 2018:	At start of year		(Charge)/credit to Income statement	Transfer to current tax	At end of year
	KShs:'000		KShs:'000	KShs:'000	KShs:'000
Property and equipment	6,261	-	202	-	6,463
Quoted shares – fair value gain	(9,435)	-	-	-	(9,435)
Unrealised fair value losses	26,667	-	(26,667)	-	-
Provisions	146,740	23,002	4,403	-	174,145
Tax losses carried forward	25,844	-	42,782	-	68,626
Deferred tax on life fund surplus	(747,449)	131,263	255,789	-	(360,397)
	(551,372)	154,265	276,509	-	(120,598)
Deferred tax not recognised	3,234	-	14	-	3,248
Deferred tax asset	192,842	-	43,708	-	236,551
Deferred tax liability	(747,449)	131,263	255,789	-	(360,397)

Sanlam Kenya Plc and 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)

27. Deferred income tax (continued)

b) Company

For the year ended 31 December 2019:	At start of year	(Charge)/ credit to profit or loss	At end of year
	KShs:'000	KShs:'000	KShs:'000
Property and equipment	1,716	(1,716)	-
Provisions	15,291	(15,291)	-
Tax losses carried forward	65,377	(65,377)	-
Deferred tax	82,384	(82,384)	-

For the year ended 31 December 2018:	At start of year	Credit to profit or loss	At end of year
	KShs:'000	KShs:'000	KShs:'000
Property and equipment	1,575	141	1,716
Provisions	26,498	(11,207)	15,291
Tax losses carried forward	20,795	44,582	65,377
Deferred tax	48,868	33,517	82,384

28. Insurance payables

	Group	
	2019	2018
	KShs:'000	KShs:'000
Outstanding claims	843,652	383,474
Payables arising out of direct insurance arrangements	-	274,165
Payables arising out of reinsurance operations arrangements	128,585	31,007
Total insurance payables	972,237	688,646

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

Notes (continued)

29. Payables and other charges

	Group		Company	
	2019	2018	2019	2018
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amounts due to related parties (Note 34 (b))	91,747	-	479,049	358,132
Deposits received from sale of plots	145,600	-	-	-
Accruals	302,147	183,745	16,420	27,134
Trade creditors	1,179	27,356	-	-
Payroll creditors	31,658	99,169	-	-
Other payables	205,171	394,466	86,084	15,155
	777,502	704,736	501,970	400,421

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.

30. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computation:

a) Group	2019	2018
	KShs.'000	KShs.'000
Net profit/(loss) attributable to ordinary shareholders for basic and diluted earnings	103,156	(2,017,061)
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	0.79	(14.01)
Diluted earnings per ordinary share KShs.	0.79	(14.01)
b) Company		
Net loss attributable to ordinary shareholders for basic and diluted earnings	(561,678)	(636,034)
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	(3.90)	(4.42)
Diluted earnings per ordinary share KShs.	(3.90)	(4.42)

There have been no other transactions involving ordinary shares between the reporting date and date of completion of these financial statements.

Notes (continued)

31. 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 Group CFO (See Note 26). 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 Kenya Revenue Authority (KRA) conducted a tax compliance inspection (inspection) of the Sanlam Life Insurance Company for the period 2014 to 2017. Based on the inspection, the Company has received a findings report impacting several taxes and management is currently responding to queries and or providing clarifications to KRA. Any tax obligation arising from the inspection cannot be measured with sufficient reliability and thus a quantum has not been disclosed.

The Group is also subject to insurance solvency regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

32. Capital commitments – Group

Capital commitments:

Capital commitments relating to completion of the head office building are as follows:

	2019	2018
	KShs:'000	KShs:'000
Not later than 1 year	-	-

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	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Not later than 1 year	-	93,589	-	104,309
Later than 1 year but not later than 5 years	-	235,635	-	277,052
More than 5 years	-	125,852	-	119,669
	-	455,076	-	501,030

Notes (continued)

33. Cash generated from operations

a) Group

Reconciliation of profit before income tax to cash generated from operations:

	Note	2019	2018
		KShs. '000	KShs. '000
Profit/(loss) before income tax:		550,086	(2,129,186)
Adjusted for:			
Amortisation of intangible assets		23,412	-
Depreciation of property and equipment		93,012	66,485
Depreciation of lease	12 (c)	23,412	-
Finance charge on lease	23	61,755	-
Cost of sales – Inventory (Note 7(c))		20,653	
Interest income on financial assets designated at fair value through profit or loss	6(a)	(2,103,680)	(1,888,975)
Revaluation loss on investment property	6(b)	41,241	43,371
Fair value losses (gains) on financial assets at fair value through profit or loss	6(b)	(463,418)	1,940,210
Rental income	6(a)	(96,141)	(13,618)
Other investment income	6(a)	(150,468)	(281,174)
Impairment of financial assets	6(c)	(2,624)	12,795
Other operating revenues		-	(86,214)
Foreign exchange gain	23	(14,170)	-
Finance costs	23	375,768	191,863
Share of associate's (profit) /loss	14(b)	-	(314)
		(1,641,162)	(2,144,757)
Changes in working capital:			
Actuarial value of policyholder liabilities		(550,966)	27,768
Payables under deposit administration contracts		24,346	(325,655)
Reinsurance share of insurance contract liabilities		67,842	(186,150)
Insurance receivables		(94,730)	(13,797)
Deferred acquisition costs		27,519	-
Insurance payables		283,591	(70,360)
Receivables and other financial assets		130,065	2,579
Payables and other charges		72,766	(17,515)
Cash utilised in operations		(1,680,729)	(2,727,887)

Notes (continued)**33. Cash generated from operations (continued)****b) Company**

Reconciliation of profit before income tax to cash generated from operations

Cash flow from operations	2019 KShs.'000	2018 KShs.'000
Loss before income tax	(479,294)	(669,551)
Investment income	(10,587)	-
Depreciation (Note 12(b))	6,504	1,905
Dividend income	-	(368,500)
Depreciation of lease	4,485	-
Finance charge on lease	4,880	-
Cost of sales – Inventory (Note 7(c))	20,653	-
Interest expense	302,200	118,263
Forex gain	(14,170)	-
Impairment of investment in subsidiary	-	59,514
Changes in working capital	89,576	(800,932)
Receivables and other financial assets	99,607	602
Payables and other charges	101,549	88,974
Tax paid	-	-
Net cash generated from/(used in) operations	35,827	(768,793)

34. Related party transactions

The Group is controlled by the following entities;

Name	Type	Place of incorporation	Ownership interest	
			2019	2018
Hubris Holdings Limited	Immediate parent entity	Kenya	57.14%	57.14%
Sanlam Emerging Markets Proprietary Limited	Intermediate parent entity	South Africa	57.14%	57.14%
Sanlam Limited	Ultimate parent entity and controlling party	South Africa	57.14%	57.14%

There are other companies that are related to the company through common shareholdings or common directorships.

Interests in subsidiaries are set out in note 14(a).

Notes (continued)

34. Related party transactions (continued)

a) Amounts due from related parties:	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Hubris Holdings Limited (immediate parent)	-	16,543	-	16,543
Sanlam Emerging Markets Proprietary Limited (intermediate parent)	-	25,121	-	-
Sanlam Investments Limited (subsidiary)	-	-	6,082	9,308
Sanlam General Insurance Limited (Subsidiary)	-	-	-	118,598
Total	-	41,574	6,082	144,359

There were no provisions made or amounts written off on related party balances during the year (2018: nil). The amounts due from related parties are non-interest bearing and will be paid using cash and cash equivalents.

b) Loans and amounts due to related parties	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Sanlam Capital Markets (Note 23)	2,763,210	3,497,432	2,763,210	2,777,380
Sanlam Securities Limited (Subsidiary)	-	-	387,302	358,132
Hubris Holdings Limited (immediate parent)	91,747	-	91,747	-
Total	2,854,957	3,497,432	3,242,259	3,135,512

c) Key management compensation:	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Salaries and other short-term employment benefits	165,983	186,656	68,452	88,304
Post-employment benefits	-	20,728	-	8,434
	165,983	207,384	68,452	96,738

Notes (continued)

34. Related party transactions (continued)

d) Directors' remuneration:	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Fees	22,204	19,309	11,102	8,220
Other emoluments (included in (c) above)	54,052	39,713	54,052	39,713
Total	76,256	59,022	65,154	47,933

d) Directors' remuneration:	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Pension benefits	6,021	2,360	6,021	2,360
Mortgage loans to key management where collateral is accepted as security	-	-	-	-

f) Other related party transactions through the statement of profit or loss	Group		Company	
	2019	2018	2019	2018
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Fund management fees payable to Sanlam Investments East Africa Limited	40,658	50,057	-	-
Management fees payable to Sanlam Emerging Markets Proprietary Limited	23,722	18,297	-	-
Finance costs payable to Sanlam Capital Markets	389,477	191,863	302,200	118,263
Interest expense on intercompany advances payable to Sanlam Life Insurance Limited	(1,393)	-	(1,393)	(24,838)
	452,464	260,217	300,807	93,425

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	71.86
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.

Notes (continued)

35. Capital management (continued)

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 and General insurance subsidiaries of the Group are subject to the following external capital requirements as guided by the Risk Based Capital guidelines in the insurance act;

The risk-based capital of an insurer shall be the square root of the sum of the squares of capital required for;

i.insurance risk;

ii.market risk;

iii.credit risk; and

iv.capital required for operational risk,

The Capital Adequacy Ratio (CAR) is the measure used for capital and the minimum requirement as stipulated by the guidelines is 100%.

As at 31 December 2019, both the Life and General insurance subsidiaries had complied with the external capital requirements and had CARs of 110% and 168% respectively.

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 88 to 90. 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 88);

(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.

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:

Notes (continued)

35. Capital management (continued)

(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

i) 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 company's 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.

ii) 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.

36. Risk management– life insurance

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.

a) 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.

Notes (continued)

36. Risk management– life insurance (continued)

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.

i) 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.

	Gross Portfolio		
	KShs.'000	% change in base	KShs.'000
31 December 2019			
Equities and similar securities	1,933,402	+(-) 18%	116,004
31 December 2018			
Equities and similar securities	428,135	+(-) 18%	+(-) 77,064

Changes in prices of equities will have the following impact in the statement of profit or loss. The impact is net of tax 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-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.

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 2019, all stable and reversionary bonus business portfolios had a funding level in excess of 100%. (2018: 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

Notes (continued)

36. Risk management– life insurance (continued)

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.

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.

ii) 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 rates. 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 government bonds, corporate bonds and deposits with financial institutions which are designated at fair value through 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 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.

Notes (continued)

36. Risk management (continued)

a) Market risk (continued)

ii) Interest rate risk (continued)

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	2019	Gross portfolio	% change in base	2018
Financial assets			KShs.'000			KShs.'000
Government bonds	18,681,638	+(-)10%	+(-) 224,180	15,140,634	+(-) 10%	+(-) 181,688
Corporate bonds	53,695	10%	483	1,269,520	+(-) 10%	+(-) 11,426
Deposits with financial institutions	544,763	10%	3,269	2,272,518	+(-) 10%	+(-) 13,635
Financial liabilities						
Borrowings	2,763,210	+(-)10%	+(-) 25,220	3,497,432	+(-) 10%	+(-) 31,921

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 2019	Carrying amount	< 1 year	1 - 5 years	> 5 years
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Assets				
Government securities	18,681,638	619,837	2,261,137	15,800,664
Corporate bonds	53,695	53,695	-	-
Deposits with financial institutions	544,763	544,762	-	-
Cash and bank balances	650,529	650,529	-	-
Total	19,930,625	1,868,823	2,261,137	15,800,664
Liabilities				
Borrowings	2,763,210	2,763,210	-	-
Total	2,763,210	2,763,210	-	-

		Contractual cashflows (undiscounted)		
At 31 December 2018	Carrying amount	< 1 year	1 - 5 years	> 5 years
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Assets				
Government securities	15,140,634	315,097	700,403	14,125,134
Corporate bonds	1,269,520	529,438	740,082	-
Deposits with financial institutions	2,272,518	2,272,518	-	-
Cash and bank balances	357,063	357,063	-	-
Total	19,039,735	3,474,116	1,440,485	14,125,134
Liabilities				
Borrowings	3,497,432	2,777,380	720,052	-
Total	3,497,432	2,777,380	720,052	-

Notes (continued)

36. Risk management (continued)

a) Market risk (continued)

ii) 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 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.

b) Currency risk

The Group is exposed to currency risk due to revenue collected in foreign currency. The revenue amounts in foreign currency are not significant and consequent claims are paid in foreign currency. The major currency exposure is on the borrowings, Kshs. 2,763,210 (2018: Kshs. 3,497,432,000). The loan proceeds were in USD. The loan interest payments is also done in USD. If the currency movement was up/down by 1%, the loan balance would have been Kshs. 2,788,430 while the finance cost would have increased by 18.2%.

c) 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.

Comprehensive measures and limits are in place to control the exposure of the 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.

d) Market risk – capital

Comprehensive measures and limits are in place to control the exposure of the 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.

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 26. 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 (2018: decrease of KShs. 32.5 million).

Notes (continued)

36. Risk management (continued)

Market risk – sensitivities (continued)

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.

Sensitivities	% change in base	Insurance Participating	Insurance non-participating	Shareholders' funds
31 December 2019				
Interest rate	+(-)3%	+(-) 4,312	+(-) 325,743	+(-) 5,253
Equity/Property	+(-)4%	+(-) 1,810	-	+(-)135,000
31 December 2018				
Interest rate	+(-)3%	+(-)20,291	+(-)456,327	+(-)35,537
Equity/Property	+(-)4%	+(-)11,668	+(-)74,626	+(-)134,560

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

e) Credit risk

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.

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.

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.

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.

Notes (continued)

36. Risk management (continued)

e) Credit risk (continued)

Maximum exposure to credit risk

The amount that best represents the Group's and Company maximum exposure to credit risk at end of year 2019 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	18,681,638	-	53,695	-	-	-	18,750,079
Reinsurers' share of insurance contract liabilities				-	-	-	751,534
Receivables arising out of direct insurance arrangements	-	-	751,534	-	-	-	938,571
Loans	-	-	938,571	-	-	379,766	379,766
Receivables and other financial assets	-	-	-	-	-	296,429	296,429
Cash and cash equivalents	-	-	-	-	-	-	1,180,546
	18,681,638	-	2,939,092	-	-	676,195	22,296,925
Company							
Receivables and other financial assets	-	-	-	-	-	82,624	82,624
Cash and cash equivalents	-	-	113,415	-	-	-	113,415
	-	-	113,415	-	-	-	196,039

Notes (continued)

36. Risk management (continued)

e) Credit risk (continued)

Maximum exposure to credit risk (continued)

The amount that best represents the Group's and Company maximum exposure to credit risk at end of year 2018 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	15,140,634	1,269,520	-	-	-	-	16,410,154
Reinsurers' share of insurance contract liabilities	-	-	819,376	-	-	-	819,376
Receivables arising out of direct insurance arrangements	-	-	843,841	-	-	-	843,841
Loans	-	-	-	-	-	504,851	504,851
Receivables and other financial assets	-	-	-	-	-	477,436	477,436
Cash and cash equivalents	-	-	2,629,581	-	-	-	2,629,581
	15,140,634	1,269,520	4,292,798	-	-	982,287	21,685,239
Company							
Receivables and other financial assets	-	-	-	-	-	182,229	182,229
Cash and cash equivalents	-	-	356,969	-	-	-	356,969
	-	-	356,969	-	-	182,229	539,198

Notes (continued)**36. Risk management (continued)****e) Credit risk (continued)**Credit exposure by staging

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:				
31 December 2019	ECL Stage 1	ECL Stage 2	ECL Stage3	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial Instruments:	18,735,333	-	-	18,735,333
Reinsurers' share of technical provisions and reserves	751,534	-	-	751,534
Receivables arising out of direct insurance arrangements	938,571	-	1,310,860	2,249,431
Loans	379,766	-	87,605	467,371
Receivables and other financial assets	296,429	-	-	296,429
Cash and cash equivalents	1,195,292	-	-	1,195,292
	22,296,925	-	1,398,465	23,695,391
Company:				
31 December 2019				
Financial Instruments:	-	-	-	-
Receivables and other financial assets	82,624	-	-	82,624
Cash and cash equivalents	113,415	-	-	113,415
	196,039	-	-	196,039

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of financial position, as there are no financial guarantees provided to parties outside the Company, nor are there any loan commitments provided that are irrevocable over the life of the facility (nor revocable only in adverse circumstances). 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.

Notes (continued)

36. Risk management (continued)

e) Credit risk (continued)

Credit exposure by staging (continued)

Group:				
31 December 2018	ECL Stage 1	ECL Stage 2	ECL Stage3	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial Instruments:	16,410,154	-	-	16,410,154
Reinsurers' share of technical provisions and reserves	819,376	-	-	819,376
Receivables arising out of direct insurance arrangements	843,841	-	1,396,989	2,240,830
Loans	504,851	-	131,333	636,184
Receivables and other financial assets	477,436	-	-	477,436
Cash and cash equivalents	2,629,581	-	-	2,629,581
	21,685,239	-	1,528,322	23,213,561
Company:				
31 December 2018				
Financial Instruments:	-	-	-	-
Receivables and other financial assets	182,229	-	-	182,229
Cash and cash equivalents	356,969	-	-	356,969
	539,198	-	-	539,198

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.

Notes (continued)

36. Risk management (continued)

e) Credit risk (continued)

An impairment provision of KShs nil (2018: KShs 1,530 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:

	Corporate bond	Loans	Insurance receivables	Receivables and other financial assets	Deposits with financial institutions	Cash and bank balances	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
The movement in the provisions is as follows:							
At 1 January 2019	-	131,333	1,396,989	-	-	2,657	1,530,979
Additional provision	-	-	(86,129)	-	-	-	(86,129)
Unused amounts reversed	-	-	-	-	-	-	-
At end of year	-	131,333	1,310,860	-	-	2,657	1,442,193
At 1 January 2018	-	6,371	1,282,533	-	-	3,875	1,292,779
Additional provision	-	124,962	114,456	-	-	(1,218)	238,200
Unused amounts reversed	-	-	-	-	-	-	-
At end of year	-	131,333	1,396,989	-	-	2,657	1,530,979

Notes (continued)

36. Risk management (continued)

e) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Group using the expected credit loss stages for assets at amortised cost.

	ECL Stage 1	ECL Stage 2	ECL Stage3	Total
At 31 December 2019:	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Loans	356,655	-	23,111	379,766
Insurance receivables	19,761	-	918,810	938,571
Receivables and other financial assets	296,429	-	-	296,429
Deposits with financial institutions	530,017	-	-	530,017
Cash and bank balances	658,439	7,910	-	666,349
Gross financial assets	1,861,301	7,910	941,921	2,811,132

	ECL Stage 1	ECL Stage 2	ECL Stage3	Total
At 31 December 2018:	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Corporate bonds	14,746	-	-	14,746
Loans	504,851	-	131,333	636,184
Insurance receivables	843,841	-	1,396,989	2,240,830
Receivables and other financial assets	477,436	-	-	477,436
Deposits with financial institutions	2,275,478	-	-	2,275,478
Cash and bank balances	357,063	-	2,657	359,720
Gross financial assets	4,473,415	-	1,530,979	6,004,394

f) Reinsurance risk

Sanlam Kenya Plc maKShs 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

Notes (continued)

36. Risk management (continued)

f) Reinsurance risk (continued)

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.

g) 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.

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.

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 2019:					
Group	1 Year	1-5 Years	>5 Years	Open ended	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial liabilities					
Borrowings	2,763,210	-	-	-	2,763,210
Market linked investment contracts	2,987,534	1,022,212	1,063,704	-	5,073,450
Non-market related insurance contracts	1,341,673	4,539,530	7,513,435	190,379	13,585,017
Deposit administration contracts	-	-	-	1,131,719	1,131,718
Insurance payables	-	-	-	972,237	972,237
Payables and other charges	771,483	-	-	-	771,483
	2,763,210	-	-	-	2,763,210
Total liabilities	7,863,900	5,561,742	8,577,139	2,294,335	24,297,115

Notes (continued)

36. Risk management (continued)

g) Liquidity risk (continued)

Year ended 31 December 2019:	1 Year	1-5 Years	>5 Years	Open ended	Total
Company	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Borrowings	2,763,210	-	-	-	2,763,210
Payables and other charges	501,970	-	-	-	501,970
Total liabilities	3,265,180	-	-	-	3,265,180

Liquidity gap:

		1 Year	1-5 Years	>5 Years	Open ended	Total
		KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Group	At 31 December 2019	(4,865,323)	(3,021,143)	7,470,968	(360,933)	(776,432)
	At 31 December 2018	(3,067,985)	(3,987,308)	5,287,732	603,644	(1,163,917)
Company	At 31 December 2019	(3,182,556)	-	-	-	(3,182,556)
	At 31 December 2018	(2,995,572)	-	-	-	(2,995,572)

Year ended 31 December 2019:	1 Year	1-5 Years	>5 Years	Open ended	Total
Group	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial Assets:					
Public sector stocks and loans	673,532	2,261,137	15,800,664	1,933,402	20,668,735
Loans	132,739	109,817	196,407	-	438,963
Reinsurance assets	412,543	169,645	51,036	-	633,224
Insurance receivables	938,571	-	-	-	938,571
Receivables and other financial assets	296,429	-	-	-	296,429
Deposits with financial institutions	544,762	-	-	-	544,762
Total assets	2,998,577	2,540,599	16,048,107	1,933,402	23,520,684
Company					
Receivables and other financial assets	82,624	-	-	-	82,624
Total assets	82,624	-	-	-	82,624

Notes (continued)

36. Risk management (continued)

g) Liquidity risk (continued)

Year ended 31 December 2018:	1 Year	1-5 Years	>5 Years	Open ended	Total
Group	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial liabilities					
Borrowings	2,777,380	720,052	-	-	3,497,432
Market linked investment contracts	3,236,989	745,656	1,357,817	-	5,340,462
Non-market related insurance contracts	1,437,556	4,245,771	7,731,660	179,609	13,594,596
Deposit administration contracts	-	-	-	1,107,372	1,107,372
Insurance payables	-	-	-	688,646	688,646
Payables and other charges	656,704	-	-	-	656,704
Total liabilities	8,108,629	5,711,479	9,089,477	1,975,627	24,885,212
Company					
Borrowings	2,777,380	-	-	-	2,777,380
Payables and other charges	400,421	-	-	-	400,421
Total liabilities	3,177,801	-	-	-	3,177,801

Year ended 31 December 2018:	1 Year	1-5 Years	>5 Years	Open ended	Total
Group	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Financial Assets:					
Public sector stocks and loans	844,535	1,440,485	14,125,134	2,579,271	18,989,425
Mortgages and policy loans	189,771	114,041	201,039	-	504,851
Reinsurance assets	412,543	169,645	51,036	-	633,224
Insurance receivables	843,841	-	-	-	843,841
Receivables and other financial assets	477,436	-	-	-	477,436
Deposits with financial institutions	2,272,518	-	-	-	2,272,518
Total assets	5,040,644	1,724,171	14,377,209	2,579,271	23,721,295
Company					
Receivables and other financial assets	182,229	-	-	-	182,229
Total assets	182,229	-	-	-	182,229

Notes (continued)

36. Risk management (continued)

h) Insurance risk (continued)

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:

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.

i) 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.

Notes (continued)**36. Risk management (continued)****Underwriting risk (continued)****h) Insurance risk (continued)****ii) Expense risk**

Expenses are managed through the Group's budgeting process and continuous monitoring of actual expenses versus budgeted is conducted and reported on.

iii) 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.

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	
	2019	2018	2019	2018	2019	2018
KShs.'000			KShs.'000	KShs.'000	KShs.'000	KShs.'000
0 – 3,510	174,083	133,322	57,154,925	5,099	57,153,925	2,626
3,510 – 7,020	11,762	24,091	59,062,140	17,224	48,314,336	8,794
7,020 – 35,102	7,673	38,416	94,867,785	47,004	32,590,112	15,499
35,102 – 56,164	316	191	13,627,326	168,660	1,366,112	56,574
>56,164	148	218	12,058,313	253,152	614,112	86,320
Total	193,982	196,238	236,770,488	491,140	140,038,595	169,813

Non-participating annuity payable per annum per life insured

Notes (continued)

36. Risk management (continued)

h) Insurance risk (continued)

iii) Claims risk (continued)

	Number of lives		Before Reinsurance		After reinsurance	
	2019	2018	2019	2018	2019	2018
Kshs'000			Kshs'000	Kshs'000	Kshs'000	Kshs'000
0 – 143	2,003	2,049	123,021	136,580	123,021	136,580
143 – 286	912	806	185,165	179,904	185,165	179,904
286 – 428	403	357	140,977	138,436	140,977	138,436
428 – 571	239	218	118,323	119,464	118,323	119,464
571 – 714	139	113	88,849	80,326	88,849	80,326
>714	314	235	380,164	313,972	380,164	313,972
Total	4,010	3,778	1,036,499	968,682	1,036,499	968,682

y) Capital adequacy risk

Refer to the capital management section (Note 35) 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.

PROXY FORM

**To: The Share Registrars
Image Registrars Limited
Barclays Plaza, 5th Floor, Loita Street
P.O. Box 9287- 00100
NAIROBI**

I/We..... ofbeing member/members of SANLAM KENYA PLC hereby appoint of..... or failing him/her the Chairman of the meeting of as/ our proxy, to vote for me/ us and on my/ our behalf at the 74th Annual General Meeting of the company to be held on Thursday 9th July 2020 and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST	WITHHELD
1. THAT the Balance Sheet and Accounts for the year ended 31 December 2019 together with the reports of the Chairman, the Group Chief Executive, the Directors, the Auditor and the Statutory Actuary are hereby approved and adopted.			
2. THAT Dr Grace Mwai is hereby elected as a director of the Company.			
3. THAT Ms Rose Agutu is hereby elected as a director of the Company.			
4. THAT Mr Julius Magabe is hereby re-elected as a director of the Company.			
5. THAT in accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Audit, Actuarial, Risk and Compliance Committee are hereby elected to continue serving as members of the Committee: a. Freda Britz (Chair Person) b. Nelius Bezuidenhout c. Julius Magabe d. Cornie Foord e. Rose Agutu			
6. THAT the Directors' remuneration is hereby approved.			

CDSC No of member (if known):

(This can be found on your CDSC Statement)

Mobile Number (of the proxy holder):

Signed this day of 2020

.....

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to the Company Secretary P.O. Box 30088 GPO 00100 Nairobi or physically to the registered office of the Company, or to Image Registrars on P. O. Box 9287 – 00100, Nairobi, Kenya or through their email address sanlamagm@image.co.ke to arrive not later than 11:00 a.m. on 7th July, 2020 i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words “the Chairman of the Meeting or” and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. 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 shareholder or the duly authorised attorney of the shareholder and must be either emailed to sanlamagm@image.co.ke or lodged at the offices of the Company’s Share Registrar’s Image Registrars, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Kenya so as to arrive not later than 11.00 a.m. on 7th July 2020. A proxy form is attached to this Notice and is available on the Company’s website via this link: <https://www.sanlam.com/kenya> Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

FOMU YA UWAKILISHI

Kwa: Wasajili wa Hisa
Image Registrars Limited
Barclays Plaza, Ghorofa ya 5, Loita Street
S.L.P. 9287- 00100
NAIROBI

Mimi/Sisi wa anwani nikiwa/
tukiwa mwanachama/wanachama wa **SANLAM KENYA PLC** namteua/tunamteua wa anwani
..... na asipopatikana Mwenyekiti wa mkutano, kuwa mwakilishi wangu/wetu na kupiga kura kwa niaba yangu/
yetu katika Mkutano Mkuu wa Kila Mwaka wa 74 wa kampuni utakaoandaliwa Alhamisi tarehe 9 Julai 2020 na iwapo utaahirishwa.

MAAZIMIO	KUUNGA MKONO	KUPINGA	KUSUSIA
1. KWAMBA taarifa za Kifedha za mwaka uliokamilika mnamo 31 Desemba 2019 pamoja na ripoti za Mwenyekiti, Mkuu Mtendaji wa Kundi, Wakurugenzi, Mkaguzi wa Hesabu, na Mtakwimu wa Bima zimeidhinishwa na kuanza kutumika.			
2. KWAMBA Dkt Grace Mwai amechaguliwa kuwa mkurugenzi wa Kampuni.			
3. KWAMBA Bi Rose Agutu amechaguliwa kuwa mkurugenzi wa Kampuni.			
4. KWAMBA Bw Julius Magabe amechaguliwa kuwa mkurugenzi wa Kampuni.			
5. KWAMBA kwa mujibu wa maelezo katika Kifungu 769 cha Sheria za Kampuni, 2015, Wakurugenzi wafuatao, ambao ni wanachama wa Kamati ya Ukaguzi wa Hesabu, Utakwimu wa Bima, Hatari na Utimizwaji wa Sheria wachaguliwe kuendelea kuhudumu kama wanachama wa Kamati hiyo: a. Freda Britz (Mwenyekiti) b. Nelius Bezuidenhout c. Julius Magabe d. Cornie Foord e. Rose Agutu			
6. KWAMBA malipo ya Wakurugenzi yameidhinishwa.			

MIMI/SISI namuidhinisha/tunamuidhinisha mwakilishi wangu/wetu kupiga kura kuhusu maazimio yafuatayo kama Nilivyoashiria/Tulivyoashiria kwenye kijisanduku husika kwa alama 'X'. Iwapo hakuna kiashiria kilichotolewa, mwakilishi wangu/wetu atapiga kura au kususia kupiga kura kwa uamuzi wake mwenyewe na Ninamuidhinisha/Tunamuidhinisha mwakilishi wangu/wetu kupiga kura (au kususia) atakavyoona inafaa kuhusiana na suala jingine lolote ambalo litakuwa linajadiliwa kwenye Mkutano huo.

Tafadhali weka alama kwenye kijisanduku hapa chini kumuelekeza mwakilishi wako/wenu jinsi ya kupiga kura

Nambari ya CDSC ya Mwanachama (iwapo inafahamika):

(Hii inaweza kupatikana katika Taarifa ya CDSC)

Nambari ya Simu (ya mwakilishi):

Imetiwa saina tarehe ya mwezi wa 2020

Fahamu kuwa:

1. Iwapo mwanachama atashindwa kuhudhuria mkutano huu yeye binafsi, Fomu hii ya Uwakilishi inafaa kujazwa na kurejeshwa kwa Katibu wa Kampuni S.L.P. 30088 GPO Nairobi au kuwasilishwa na mtu binafsi katika afisi za kampuni zilizosajiliwa, au kwa Image Registrars, kupitia S.L.P. 9287-00100, Nairobi, Kenya au kupitia anwani yao ya barua pepe ambayo ni sanlamagm@image.co.ke na ifike kabla ya saa tano asubuhi (11.00 a.m.) mnamo 7 Julai, 2020, ambayo ni saa 48 kabla ya mkutano kuanza au tarehe nyingine ile iwapo utaahirishwa.
2. Iwapo mwanachama ni shirika au kampuni, Fomu ya Uwakilishi inafaa kupigwa muhuri wa kampuni au kuidhinishwa na wakili wa kampuni au shirika hilo aliyeidhinishwa.
3. Kama mwenyehisa, una haki ya kumteua mwakilishi mmoja au zaidi kutekeleza baadhi ya haki au haki zote zako kama mwenyehisa kuhudhuria na kuzungumza na kupiga kura kwa niaba yako kwenye mkutano. Uteuzi wa Mwenyekiti wa mkutano kuwa mwakilishi umeorodheshwa ili kuku-rahisishia mambo. Ili kumteua mtu mwingine yeyote kuwa mwakilishi, piga kalamu maneno "Mwenyekiti wa Mkutano" na uandike jina kamili la mwakilishi wako katika nafasi iliyopo. Mwakilishi sio lazima awe mwenyehisa kwenye Kampuni.
4. Kujaza na kutuma au kuwasilisha fomu ya uwakilishi hakutakuzuia kuhudhuria mkutano huo na kupiga kura mwenyewe binafsi. Hali kama hiyo ikitokea, kura iliyopigwa na mwakilishi haitahesabiwa.
5. Ili kukubalika, fomu ya uwakilishi, ambayo inapatikana katika makao makuu ya Kampuni au afisi za Msajili wa Hisa, inafaa kujazwa na kutiwa saini na mwenyehisa au wakili aliyeidhinishwa na mwenyehisa na ni lazima itumwe kwa barua pepe kwa sanlamagm@image.co.ke au iwasilishwe kwa Msajili wa Hisa wa Kampuni ambaye ni Image Registrars, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street, Kenya na ipokelewe kabla ya saa tano asubuhi (11.00 a.m.) mnamo tarehe 7 Julai 2020. Fomu ya uwakilishi imeambatishwa kwenye Ilani hii na inapatikana pia katika tovuti ya Kampuni kupitia kiunganishi (link) hiki <https://www.sanlam.com/kenya> Nakala za karatasi za fomu za uwakilishi pia zinapatikana katika anwani ifuatayo: afisi za Image Registrars Limited, Ghorofa ya 5, jumba la Absa Towers (zamani ikiitwa Barclays Plaza), Loita Street.



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