Annual Report and
Financial Statements

Resilience 2020

Sanlam

Live with confidence

Resilience

It's been a tough year, with the COVID-19 Pandemic impacting lifestyles and businesses globally. We remained resilient in the new dispensation by adjusting our ways of working and coming to grips with the new normal.

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 do it very, very well

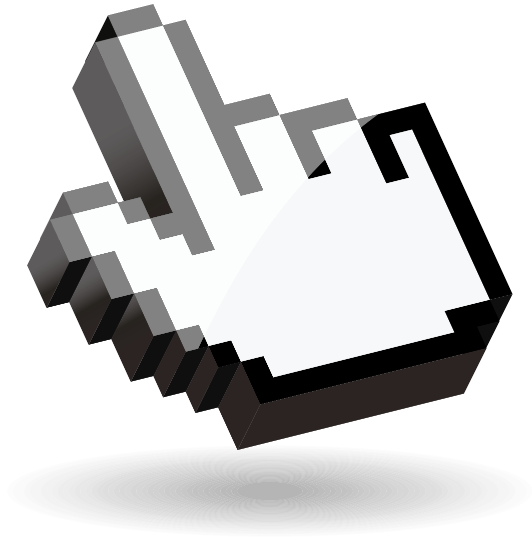
We take pride in our solid nature - we choose functional over fancy and we don't do window dressing. When it comes to our customers, the sensible thing is the right thing.

We are solid and sensible

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.



Digital **savvy**

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, a company that is quoted at the Nairobi Securities Exchange, provides insurance and financial services to the Kenyan and the regional market.

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 anchored on good corporate citizenship, Sanlam Kenya currently features a branch network of 22 client experience centres across Kenya's major towns. These centers allow us to maintain contact with our clientele where they can access our services and advice. Due to the COVID-19 pandemic, we increased our online and call centre interactions in line with the best practice health protocols. In this way, and despite the drawbacks of the pandemic, we continued serving our almost 130,000 policyholders under individual and group life. We will continue innovating on digital platforms and tailoring products to suit the changing needs of our clients.

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 the East African region.

We operate 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 Personal Finance, Sanlam Emerging Markets, Sanlam Investment Group, Santam and Sanlam Corporate. The solutions to individual and institutional clients across all market segments. Sanlam's areas of expertise include 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.

> ***Due to the COVID-19 pandemic, we increased our online and call centre interactions in line with the best practice health protocols.***

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

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Founded on a rich heritage and anchored on good corporate citizenship, Sanlam Kenya currently features a branch network of 22 client experience centres across Kenya's major towns.

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

Absa Bank Kenya
Barclays Plaza
P.O. Box 46661 - 00100
Nairobi

Standard Chartered Bank 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

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Product Innovation

At Sanlam, we have always pushed the boundary in a bid to innovate and meet - and usually exceed - our clients’ expectations. We lay particular emphasis on creating new products that address gaps in our service provision.

Sanlam at a glance

Understanding how our business creates shared value

The cornerstone of our purpose, to enable people live with confidence for the future, 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.

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

"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™"

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.

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-toface 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.

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

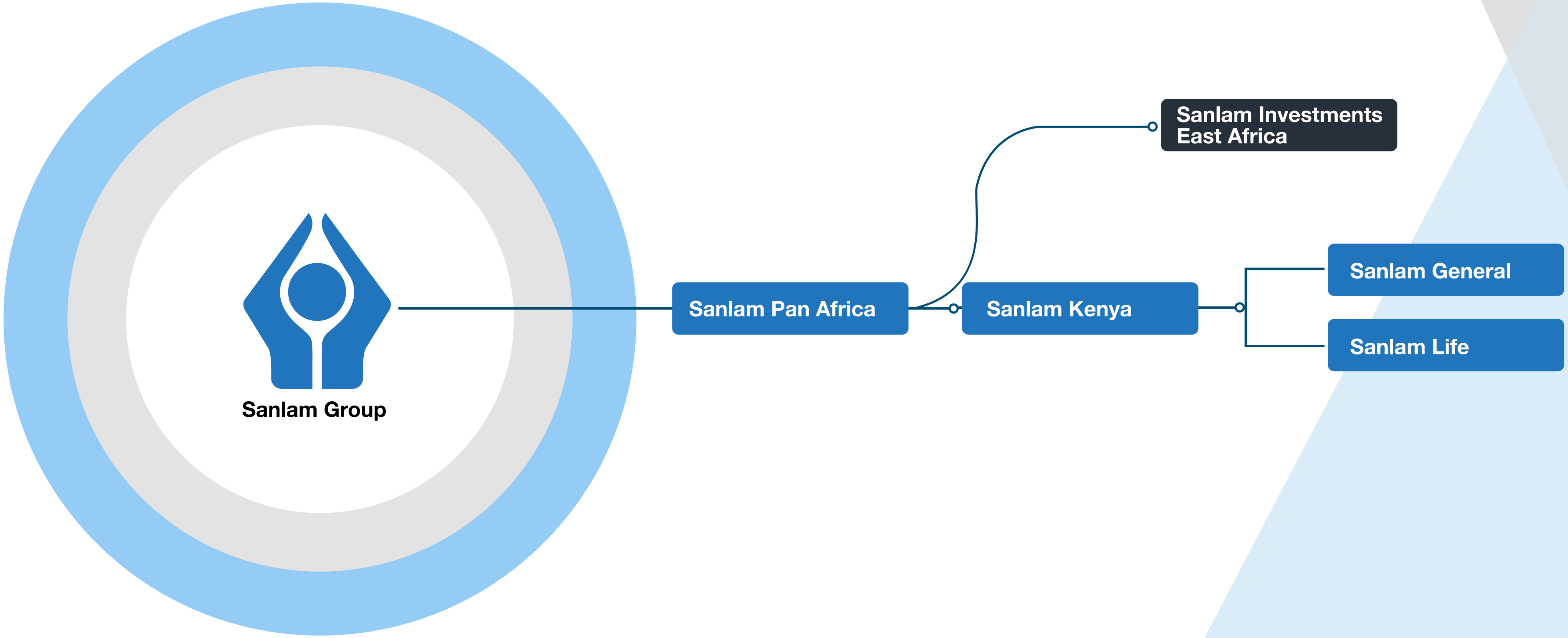
The Sanlam Board and executive management are responsible for managing Sanlam in a sustainable and stakeholder inclusive manner. This includes overseeing the strategic risks that relate to the interface between Sanlam and its stakeholders, and balancing the needs, interests and expectations of all material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

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

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



Caroline Laichena, Sanlam General Insurance Ltd Chief Executive Officer handed over the cheque from Sanlam Kenya to the Covid Emergency Fund kitty.

Sanlam supports the Covid Emergency Fund Kitty

Sanlam Kenya boosted the Kenya Covid-19 Emergency Response Fund to the tune of Sh8 million. The support to the fund was in light of the unprecedented crisis, necessitating the country to embark on a large-scale health and social behavior-change intervention.

The funds from Sanlam and its Kenyan entities (Sanlam Life, Sanlam General, Sanlam Investments East Africa and Saham Kenya) supported the government's efforts in the supply of medical facilities and equipment and support for vulnerable communities with their immediate needs, including food.

Introducing RetireMed

Sanlam Life in partnership with Minet Kenya launched an innovative post-retirement insurance product dubbed RetireMed in 2020, designed to assist Kenyans save for their medical expenses in retirement.

The product will provide medical insurance coverage for consumers aged 55 years and above, allowing them to maximize their pension benefits.

RetireMed is set up within the Minet Umbrella Pension Scheme and is underwritten by Sanlam Life insurance. As such, it is fully regulated by the Retirement Benefits Authority, which guarantees that the contributions are eligible for applicable tax reliefs.

The product is flexible in nature to accommodate any individual including informal workers, in line with the RBA Strategic Plan 2019-2024 which is focused on bringing more individuals into the informal sector under a retirement benefits scheme.

From a business perspective, the investment in Retiremed was informed by the fact that Kenya's life expectancy rate has been consistently rising since 2015; as such, the number of retirees in the country is also on the rise.

Retiremed will be anchored heavily on the Sanlam distribution avenues and delivery channels which will also be anchored on its innovative information technology solutions including biometric identification for the members.

The contributions are inclusive and can target a specific level of medical cover at retirement. The members can choose various outpatient and inpatient covers that best meets their needs, and Sanlam will advise on the required regular contributions.

Contributions into the RetireMed Fund will be invested separately from the assets of the Minet umbrella scheme. This investment strategy will be relatively lower risk, to ensure that the contributions are not exposed to a lot of volatility in the investment markets.

From Left: Jacqueline Karasha, Head of corporate business sales at Sanlam life, Sammy Muthui, Managing Director, Minet Kenya, Kevin Mworia Ag. CEO Sanlam Life and Daniel Mainga, General Manager, Pension Division, Minet Kenya during the RetireMed product launch

Kevin Mworia, Ag. CEO Sanlam Life receives a sponsor's trophy during Kiambu Captain's Prize 2020 event sponsored by Sanlam Kenya

Dr. Patrick Tumbo, Group CEO Sanlam Kenya Plc (left) resting with part of a group of runners after finishing the 10km virtual peace run at Karura during the first-ever Sanlam Cape Town Virtual Marathon. In line with the safety measures to ease the spread the of Covid-19, the annual Sanlam Cape Town marathon was held virtually in 2020, with the theme "Run for Something". This provided runners from across the group an opportunity to run for a cause their care for, and move with meaning amidst the global pandemic.

Five-Year Group Review

	2016 KShs.m	2017 KShs.m	2018 KShs.m	2019 KShs.m	2020 KShs.m
Statement of profit or loss:					
Profit/ (loss) before tax and share of profit of associate	317	251	(2,130)	550	43
Profit/(loss) attributed to shareholders	90	31	(2,017)	114	(78)
Insurance business:					
Gross premium income	5,225	6,370	6,346	6,991	8,698
Net premium income	4,832	5,416	5,372	5,647	6,852
Net benefits and claims paid	4,478	4,534	5,124	4,836	5,732
Statement of financial position:					
Total equity	3,932	4,052	1,587	1,735	1,657
Long term policy liabilities	20,432	20,124	20,042	19,605	20,894
General policy liabilities	1,415	1,438	1,222	947	1,373
Share capital	720	720	720	720	720
Total assets	28,443	29,811	29,102	29,032	31,521
Key indicators:	**KShs.**	**KShs.**	**KShs.**	**KShs.**	**KShs.**
Basic earnings per share	0.63	0.21	(14.01)	0.79	(0.81)
Dividends per share	-	-	-	-	-
Dividends (KShs. m)	-	-	-	-	-
Market capitalisation at year end (KShs. m)	8,640	3,996	3,168	2,478	1,865
Group share prices at the NSE:					
Annual High	65	31	28	26	16
Annual Low	28	18	20	16	9.50
Share price at year end	28	28	22	17.2	12.95

* Price before bonus issue

Total Assets
Shs31.5 bn from Shs29bn

Gross Premiums
Shs8.7 bn from Shs6.99 bn

Benefits and Claims paid
Shs6.5 bn from Shs5.5 bn.

Operational **Efficiency**

As part of our **modus operandi**, we are always looking at ways of improving the way we work, with the ultimate goal of providing superior customer experience. We are always looking at ways of making our offering that much better.

Governance & Leadership

Board of Directors - **Sanlam Kenya PLC**

Dr. John P N Simba OGW, MBS (76) (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)

Ms. Rose Agutu (58)
Appointed to the Board on 9 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 (WLDP). She's currently pursuing further studies at the University of London

Julius Nyakia Magabe (47)
Appointed to the Board on 18 August 2016
Occupation: Regional Executive, East Africa- Sanlam Emerging Markets, Chief Executive Officer Sanlam Life (T) Limited
Academic Qualifications: MBA (ESIM),
Professional Qualifications: Advanced Diploma Insurance and Risk Management (Institute of Finance Management-Tanzania)

Rohan Patel (45)
Appointed to the Board on 16 May 2015
Occupation: Director of Corporate Development
Academic Qualifications: MBA (IMD), M.Sc. Management (LSE), BA Geography (LSE)
Professional Qualifications: Advanced Management Program (Harvard) Certificate in Real Estate, Development and Hotel Investment, Cornell University

Susan Mudhune (71)
Appointed to the Board on 18 August 2009
Occupation: Banker
Academic Qualifications: MBA (University of Nairobi), BA in Education (University of Nairobi)
Professional Qualifications: Fellow of the Institute of Bankers (Kenya), Fellow of the Kenya Institute of Management

Nelius Bezuidenhout (38)
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 (63)
Appointed to the board on 8 November 2018
Occupation: Chief Operating Officer of SEM
Qualification: Honours degree in Accounting and Masters degree in Business Management – University of South Africa

Freda Britz (54)
Appointed to the Board on 8 November 2018
Occupation: Qualified chartered accountant
Academic Qualification: B.Com (Rand Afrikaans University), Post Graduate Diploma in Accountancy (Honours) & CTA
Professional Qualifications: CA (SA), CMA (CIMA), Cert. Dir SAICA

Board of Directors - **Sanlam Kenya PLC (Continued)**

Dr. Grace Mirigo Mwai (41)
Appointed to the Board on 9 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.

Dr. Patrick Tumbo (57)
Appointed to the board on 2 August 2018
Occupation: Group Chief Executive Officer
Academic Qualifications: Masters of Business Administration (MBA) - Strategic Management (Major) and Strategic Marketing (Minor) – University of Nairobi (Kenya), Bachelor of Commerce (Insurance) – University of Nairobi (Kenya)
Professional Qualification: Chartered Insurer; Associate of Chartered Insurance Institute and member of the Society of Fellows of The Chartered Insurance Institute (London, United Kingdom), Associate of Insurance Institute of Kenya - (Kenya)

Senior Management

Dr. Patrick Tumbo
Sanlam Kenya Group CEO

Kevin Mworia
Ag. CEO Sanlam Life/CFO

Caroline Laichena
CEO Sanlam General

Emma Wachira
Group Company Secretary/Chief Legal Officer

Simon Ngura
Head of IT and Innovation

Donato Laboke
Head of Marketing and Channel Development- East Africa

The unexpectedness, uncertainty and impact of the pandemic has brought to the fore the need for businesses to put in place business continuity plans.

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

Chairman's Statement

Fellow shareholders,

On behalf of the Board of Directors, it gives me pleasure to present to you various reports and the financial statements for the year ended 31 December, 2020.

Overview

For the better part of 2020, the insurance industry in Kenya, like the rest of the economy, suffered the adverse impact of the Covid-19 pandemic.

This had the domino effect of slowing down economic activity across the world, due to the movement restrictions that came into effect to contain the spread of the virus. Consequently, flights were disrupted, supply chains thrown in disarray, aviation and hospitality industries ground to a halt while the education sector remained in limbo for most of the year. Many businesses in these industries were affected, as well as household incomes through layoffs and pay cuts leading to a drop in consumption. In addition to this, investments generated lower returns due to the economic slowdown.

In Kenya, this slump led to a GDP contraction to almost zero growth, particularly in second quarter and third quarter of the year.

Pandemic's impact on Kenya's insurance industry

The pandemic disrupted the sustained growth that the insurance industry in Kenya has been enjoying since 2015, averaging about 8%.

Overall, there was a decline in premiums for both life and non-life insurance during the year. There was also a spike in claims, particularly for medical insurance due to the public health crisis that necessitated hospitalization in some cases. The knock-down economic impact of the pandemic, leading to reduction and, in some cases, loss of incomes, and hence ability to pay premiums.

For an industry that has traditionally relied on physical interaction with customers, the movement restrictions impacted operations. Agents and brokers, who form the main distribution channel, could not meet customers to sell; neither could they effectively process claims.

As a business, we were not spared from the effects of the pandemic on our returns on investments, exacerbated by foreign exchange fluctuations. This dampened our projections for the year, on the strength of the corporate restructuring conducted in 2019. To protect the business and customers from effects of the pandemic, going forward, Sanlam will continue to ensure that we hold sufficient reserves to enable settlement of claims in a timely manner.

However, despite all this, Sanlam continued playing its role as a responsible corporate citizen, supporting government efforts to cushion vulnerable members of society. We did this through donation to Kenya COVID-19 Emergency Response Fund; as well as constantly providing safety information to protect our customers, staff and other stakeholders.

Staying ahead

The pandemic has underlined the need for the insurance industry to better prepare to handle such shocks. It has caused the fast tracking of digital advancements to increase operational efficiency and customer service; adoption of online and mobile platforms is critical for business continuity in times of restricted physical movement, and to tap into a customer segment with affinity for digital technology. This calls for innovation to circumvent teething challenges such as conducting due diligence for remote onboarding while taking cognizance of the attendant cybersecurity risks.

To protect the business and customers from effects of the pandemic, going forward, Sanlam will continue to ensure that we hold sufficient reserves to enable settlement of claims in a timely manner.

The unexpectedness, uncertainty and impact of the pandemic has brought to the fore the need for businesses to put in place business continuity plans. This includes taking up relevant insurance covers to cushion the enterprises from such unforeseen uncertainties. The onus is on the insurance industry to tap into this by developing innovative solutions that address this business need.

Chairman's Statement

Sanlam is leading in recording profitable growth on its insurance business in 2020 as compared to 2019.

Even for individuals, there is heightened appreciation of the need for insurance cover against illness, death and loss of income. This makes it a timely conversation for the insurance industry with the public to help them prepare for an uncertain future. To this end, Sanlam is leading in recording profitable growth on its insurance business in 2020 as compared to 2019.

State of the industry

The sluggish growth, due to effects of the pandemic, came against a backdrop of very low insurance penetration across Africa, averaging at 0.3%. Kenya, at 2.37% ranks above other countries in the region, in this regard. Penetration has stayed under 3% over the last five years, with non-life insurance accounting for more than half of the insurance coverage.

However, the growth in long term insurance continues to lag behind short term insurance, driven by the mandatory motor 3rd party insurance. With the rising awareness of insurance and investment, coupled with the expanding middle-class, penetration is expected to go up in the coming years.

Effective deployment of technology in design, marketing, pricing and distribution of products, as well as claim settlement is expected to contribute towards opening new market segments for the industry. This will enhance the distribution channels, while opening opportunities to glean insights from Big data and analytics. This will not only diversify the customer offerings, but also, ultimately, grow insurance penetration.

Sanlam has now fully developed and launched a digital platform for sales and deployed to the sales agents to ease the distribution of our insurance products online.

Future Outlook

Whereas, the future remains uncertain due to the prevailing effects of the pandemic, the ongoing vaccination initiatives and the reopening of different sectors and industries provide reason to be optimistic about the economic prospects of 2021. It is expected that the momentum of activity will pick up during the year, putting the economy, and the insurance industry on the path of recovery.

In conclusion, I wish to appreciate the contribution of the Board of Directors for shepherding the business during this difficult phase that we have been through. I also appreciate the dedication of the management and staff led by the Group CEO, Dr. Patrick Tumbo who has shown exemplary leadership. Even during the difficult year, I am happy to note that the life and general businesses reported a profit. My appreciation also go to the Government of Kenya for the various measures it took in the course of the year to cushion individuals, families and businesses from the devastating effects of the pandemic.

"Effective deployment of technology in design, marketing, pricing and distribution of products, as well as claim settlement is expected to contribute towards opening new market segments for the industry. This will enhance the distribution channels, while opening opportunities to glean insights from Big data and analytics."

My special thanks go to our shareholders for their continued support and understanding especially during challenging times as experienced in the year under review.

Thank you,

Dr.J.P.N.SIMBA, EGH, MBS, OGW.

CHAIRMAN.

Resilience

It’s been a tough year, with the COVID-19 Pandemic impacting lifestyles and businesses globally. We remained resilient in the new dispensation by adjusting the our ways of working and coming to grips with the new normal.

Kutotarajiwa, kutotabirika na athari za janga hili vyote vimeonyesha hitaji la kuwa na mipango ya kuhakikisha biashara inaendelea wakati wa dharura.

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

Taarifa ya Mwenyekiti

Wenyehisa wenzangu,
Kwa niaba ya Bodi ya Wakurugenzi, nina furaha kuu kuwasilisha kwenu ripoti na taarifa mbalimbali za kifedha za mwaka uliomalizika 31 Desemba, 2020.

Kwa ufupi

Kwa sehemu kubwa ya mwaka 2020 sekta ya bima nchini Kenya, sawa na uchumi kwa jumla, iliathiriwa na janga la Covid-19.

Hii ilichangia pakubwa katika kupungua kwa shughuli za kiuchumi kote duniani, kutokana na vikwazo vya usafiri vilivyoanza kutekelezwa ili kudhibiti kusambaa kwa virusi vya corona. Safari za ndege zilikatizwa, mifumo ya usambazaji wa bidhaa ikavurugika, nazo sekta za uchukuzi wa ndege na utalii na mahoteli zikalemazwa. Sekta ya elimu pia iliathirika kwa kipindi kirefu mwaka huo. Biashara nyingi katika sekta hizi ziliathirika, pamoja na familia kupoteza mapato baada ya watu kufutwa kazi. Hili lilichangia kushuka kwa ununuzi na matumizi ya bidhaa na huduma. Kadhalika, mapato kutokana na uwekezaji yalikuwa ya chini kutokana na kudumaa kwa uchumi.

Nchini Kenya, hili lilichangia kasi ya ukuaji wa Jumla ya Pato Ghafi yaani GDP kushuka hadi karibu sifuri, hasa katika robo ya pili na ya tatu ya mwaka huo.

Athari za janga kwenye sekta ya bima Kenya

Janga hili lilivuruga ukuaji endelevu ambao ulikuwa umeshuhudiwa kwenye sekta ya bima Kenya tangu 2015, ambapo kiwango cha wastani cha ukuaji kilikuwa 8%.

Kwa jumla, malipo ya bima yalishuka kwenye bima ya maisha na bima ya kawaida katika mwaka huo. Kulikuwa pia na ongezeko kubwa la madai ya malipo, hasa kwenye bima ya afya kutokana na mgogoro wa kiafya ambao wakati mwingine uliwafanya watu kulazwa hospitalini. Madhara mengine yaliyotokana na kudumaa kwa uchumi ni kwamba kutokana na kupungua na wakati mwingine kupotea kwa chanzo cha mapato kwenye familia, wengi walipoteza uwezo wa kulipa malipo ya bima.

Kwa sekta ambayo kwa kawaida imetegemea kukutana moja kwa moja na wateja, vikwazo vya usafiri viliathiri sana shughuli. Mawakala na madalali, ambao kwao ndiyo njia kuu ya usambazaji wa huduma, hawangeweza kukutana na wateja kuwauzia bima; na pia hawangeweza kushughulikia vyema madai ya malipo.

Kama biashara, hatukunusurika pia athari za janga hili kwani mapato kutokana na uwekezaji yaliathiriwa, na athari kuzidishwa zaidi na kudorora kwa viwango vya ubadilishanaji wa fedha za kigeni. Hii ilituzuia kutimiza makadirio ya mwaka huu, ambayo yalikuwa yamefanywa kwa kutegemea nguvu kutokana na mpango wa kubadilisha muundo wa biashara tulioufanya mwaka 2019. Ili kuikinga biashara na wateja dhidi ya athari za janga hili, Sanlam itahakikisha kwamba tunaweka akiba rasilimali za kutosha kutuwezesha kulipa madai yoyote kwa wakati.

Hata hivyo, licha ya haya yote, Sanlam iliendelea kutekeleza majukumu yake kama asasi raia mwema, kwa kusaidia juhudi za serikali za kuwakinga watu wasio na uwezo kwenye jamii. Tulitekeleza hili kupitia kuchangia pesa kwenye Mfuko wa Dharura wa Kenya kuhusu Covid-19; pamoja na kutoa taarifa za mara kwa mara za usalama ili kuwakinga wateja wetu, wafanyakazi na wadau wengine.

> ***Ili kuikinga biashara na wateja dhidi ya athari za janga hili, Sanlam itahakikisha kwamba tunaweka akiba rasilimali za kutosha kutuwezesha kulipa madai yoyote kwa wakati.***

Kusalia mbele

Janga hili limedhihirisha hitaji la sekta ya bima kujiandaa vyema kuhimili misukosuko kama hiyo. Limesababisha kuharakishwa kwa matumizi ya teknolojia za kidijitali kurahisisha uendeshaji shughuli na utoaji wa huduma kwa wateja. Kukumbatiwa kwa majukwaa ya mtandaoni na matumizi ya simu za rununu ni muhimu katika kuhakikisha shughuli zinaendelea hata watu wanapozuiwa kusafiri. Aidha, inavutia sehemu ya wateja wanaovutiwa na teknolojia ya dijitali. Hili linahitaji ubunifu na uvumbuzi wa kumaliza changamoto za mwanzo mwanzo kama vile kuhakikisha umakinifu watu wanapoingia kwenye mifumo kutoka mbali kwa kutambua hatari zilizopo za wahalifu wa kimtandao.

Kutotarajiwa, kutotabirika na athari za janga hili vyote vimeonyesha hitaji la kuwa na mipango ya kuhakikisha biashara inaendelea wakati wa dharura. Hii ni pamoja na kujiwekea bima ifaayo kukinga biashara dhidi ya mambo kama

Taarifa ya Mwenyekiti

Sanlam inaongoza katika kuandikisha ukuaji wa faida kwenye biashara yake ya bima mwaka 2020 ukilinganisha na 2019.

hayo yasiyotabirika. Ni jukumu ya sekta ya bima kutengeneza huduma na bidhaa za bima zinazoangazia hitaji hili.

Hata kwa watu binafsi, wengi wamefahamu umuhimu wa kujiwekea bima dhidi ya magonjwa, kifo au kupoteza ajira. Hii inaufanya kuwa mjadala mzuri kwa wakati huu kwa sekta ya bima na umma ili kuwasaidia watu kujiandaa kwa siku zijazo zisizoweza kutabirika. Kuhusu hili, Sanlam inaongoza katika kuandikisha ukuaji wa faida kwenye biashara yake ya bima mwaka 2020 ukilinganisha na 2019.

Hali ya sekta

Ukuaji wa kiwango cha chini, kutokana na athari za janga, ulitokea kukiwa bado na kiwango cha chini sana cha watu kukumbatia bima Afrika, ambapo kwa kiwango cha wastani ni 0.3%. Kenya, ambapo kiwango ni 2.37% ipo juu ya mataifa mengine katika kanda hii, katika hili. Kiwango cha watu kukumbatia bima kimesalia chini ya 3% kwa miaka mitano iliyopita, bima ya kawaida ikichangia zaidi ya nusu ya bima.

Hata hivyo, ukuaji wa bima ya kipindi kirefu unaendelea kuwa nyuma ya bima ya kipindi kifupi, hili likichangiwa zaidi na bima ya magari ambayo huwa ni lazima kisheria. Kutokana na kuongezwa kwa uhamasisho kuhusu bima na uwekezaji, pamoja na kuongezeka kwa watu wa kipato cha wastani, kiwango cha kukumbatiwa kwa bima kinatarajiwa kupanda miaka ijayo.

Kutumiwa vyema kwa teknolojia katika uandaaji, utangazaji, ukadiriaji wa bei na usambazaji wa huduma na bidhaa za bima, pamoja na ulipaji wa madai ya malipo vinatarajiwa kuchangia katika kufungua vitengo vipya vya soko kwenye sekta hii. Hili litaimarisha njia za usambazaji, na kutoa fursa ya kujifunza kutokana na data na takwimu. Hili sio tu kwamba litaongeza huduma mbalimbali zinazotolewa kwa wateja, lakini pia, mwishowe, litasaidia watu wengi kukumbatia bima.

Sanlam kwa sasa imetengeneza na kuzindua mfumo wa mtandaoni wa mauzo ya bima na kuwapa mawakala wa mauzo mfumo huo ili kurahisisha uuzaji na usambazaji wa huduma zetu za bima mtandaoni.

Mustakabali

Ingawa hali ya siku zijazo haiwezi kutabirika kutokana na athari za janga la Covid-19, juhudi za utoaji chanjo zinazoendelea na kufunguliwa pia kwa baadhi ya sekta na viwanda vinatupatia sababu za kuwa na matumaini kuhusu matazamio ya kiuchumi ya mwaka 2021. Inatarajiwa kwamba kasi ya urejeleaji wa shughuli itaongezeka mwaka unavyosonga, na kuuweka uchumi, na sekya ya bima kwenye njia ya kuimarika tena.

Nikihitimisha, ningependa kutambua mchango wa Bodi ya Wakurugenzi kwa kuiongoza biashara katika kipindi hiki kigumu tulichokipitia. Natambua kujitolea kwa wasimamizi na wafanyakazi wakiongozwa na CEO wa Kundi, Dkt. Patrick Tumbo aliyeonyesha uongozi wa kuigwa. Hata katika mwaka huo mgumu, nina furaha kueleza kwamba biashara zetu za bima ya maisha na bima ya kawaida ziliandikisha ukuaji wa faida. Shukrani zangu pia ziiendee Serikali ya Kenya kwa hatua

> ***Kutumiwa vyema kwa teknolojia katika uandaaji, utangazaji, ukadiriaji wa bei na usambazaji wa huduma na bidhaa za bima, pamoja na ulipaji wa madai ya malipo vinatarajiwa kuchangia katika kufungua vitengo vipya vya soko kwenye sekta hii. Hili litaimarisha njia za usambazaji, na kutoa fursa ya kujifunza kutokana na data na takwimu.***

mbalimbali ilizozichukua katika mwaka huo kuwakinga watu binafsi, familia na biashara dhidi ya madhara ya janga hilo.

Shukrani zangu za kipekee ziwaendee wenyehisa kwa kuendelea kutuunga mkono na kwa uelewa wao, hasa katika kipindi kigumu kama tulichokipitia kwenye mwaka huu tunaouangazia.

Asanteni,

Dkt.J.P.N.SIMBA, EGH, MBS, OGW.

Mwenyekiti

Sanlam has now fully developed and launched a digital platform for sales and deployed to the sales agents to ease the distribution of our insurance products online.

As a business, we have taken cognisance of the rapid pace of technological changes and I am happy that we have kept with the pace through various digital initiatives underway in the business.

Dr. Patrick Tumbo, Group CEO, Sanlam

GCEO's Statement

Overview

The year under review was extremely challenging as a result of the devastation caused by the COVID-19 pandemic globally. This was an unprecedented crisis in the recent past that plunged the world into a tailspin, with health facilities strained to the limit and unemployment levels breaching new record levels.

As a result, economic growth was hard hit as countries put in place containment measures for the unexpected pandemic that rapidly spread across the world. Global GDP growth, which was already at -1.9 percent, dropped further to -4.9 percent while sub-Saharan Africa experienced a shrinkage in growth to -3.3 percent according to the World Bank. Overall, the number of deaths in Africa peaked at 120,000 - compared with a global total of over three million - with most countries reporting a buckling of their health care systems under the weight of the pandemic.

Here in Kenya, GDP growth is projected to have shrunk to 1.4 percent from the expected growth of 5.4 percent, while the number of COVID-19 related deaths remained under 3,000, an indication that the containment measures the government put in place were effective.

Operational Review

The dampening of the economy on the back of the pandemic, locust infestations in large parts of Kenya's food producing counties and other natural disasters affected businesses across the board. The insurance industry was no exception as manufacturing, hospitality, transport and the financial service industries almost crumpled. The expected growth of the industry did not materialise and most players in the industry were content with maintaining the status quo.

Due to the emergency nature of the pandemic, we had to step in and play our part as a good corporate citizen by supporting the government's initiative on managing the

Global GDP growth

-4.9↓

pandemic through a donation of Ksh.8 million that went into the government kitty for COVID-19.

Internally, we also initiated several measures to mitigate against the spread of the disease, among them working from home, availing sanitisers and face masks for our staff members and enforcing social distancing. These measures ensured that our most critical resource – our staff members – were largely protected from the virus even as they continued serving our clients.

Keeping pace with technology changes

As a business, we have taken cognisance of the rapid pace of technological changes and I am happy that we have kept with the pace through various digital initiatives underway in the business. We have continually invested in robust ICT platforms that has allowed us to tap into hitherto untapped markets, our staff members can now engage most of our clients online following intensified investments in digitalisation. The teams in the field and in the office – from sales, underwriting, finance among others – can now complete sales, issue policies, receive premiums and pay claims online. I believe this is the future of insurance and the service industry in general.

Culture change

Following the unexpected and drastic changes at the workplaces, it was critical that the Sanlam team adopted and internalised the new ways of working as part of our core principle of creating and sustaining high performance teams.

Fortunately, our teams have proven to be highly versatile and adaptable and have continued to provide exceptional customer experience even with the challenging business environment. We achieved positive results due to this adaptability and greater focus on our clients.

At Sanlam, we believe in keeping regular health checks for our customers. It is with this in mind that our staff members and senior management maintained regular contact with our

"Due to the emergency nature of the pandemic, we had to step in and play our part as a good corporate citizen by supporting the government's initiative on managing the pandemic through a donation of Ksh.8 million that went into the government kitty for COVID-19."

GCEO's Statement

2.4 billion

The company's total assets improved by Shs 2.4 billion

clients through calls to them especially during this period as they are also facing challenges caused by the pandemic. We will continue these engagements going forward.

As part of our push for operational excellence, we rolled out new products and services during the year in our bid to bridge existing gaps in insurance. Among the products and services we successfully launched include RetireMed, a post retirement proposition; Sanlam Premium Rewards, customer loyalty pilot program; Sanlam Road Assistance service and Telemedicine, a partnership with SaSa Doctor and MyDawa. These products and services have been well received in the market and it is a clear indication of the need for constant review of our product portfolio and service offering.

Performance

On a flashback, 2020 was a difficult year and overall, it negatively impacted the company's performance, with the profit before tax dropping to Shs43.2 million from the previous year's Shs550.1 million.

The company's total assets however improved by Shs 2.4 billion from the previous year's Shs29 billion while gross premium income rose from Shs6.99billion to Sh8.70 billion in 2020. The benefits and claims paid also went up, from Shs5.5 billion in 2019 to Shs6.5 billion during the year under review.

Given the depressed operating environment and in particular the insurance industry, this is a satisfactory performance.

The road ahead

We must continue the Sanlam journey of listening to our customers and providing appropriate solutions. This is the only way that Sanlam Kenya will continue laying a claim on being an industry leader and the most sought-after insurance and investment services provider in Kenya, as well as the greater East African Region.

The stormy environment over the last year tested our resilience and the lag effects of the pandemic will still be experienced in the coming year, but we have learnt valuable lessons.

We will continue harnessing emerging opportunities and tapping into our underlying strength as a company to build a solid brand that provides insurance solutions to our clients. Through our learnings, Sanlam will focus on continuous innovation and the use of technology in our service delivery, deploying our resources optimally, creating and sustaining strategic business partnerships, strengthening our product distribution channels, and developing suitable product offerings that satisfactorily address the market needs and guarantee increased return on equity.

Conclusion

I would like to conclude by saluting our staff members for abidingly continuing to serve our clients even under the most strenuous of conditions. They have proven their mettle in the face of adversity and as a company, we are indebted to them.

The Board of Directors have also been a pillar of stability for the business, providing policy direction and guidance in a very difficult operating environment. I appreciate this support and will continue seeking guidance from the Board as we endeavour to grow this business in line with our strategic plan.

"We must continue the Sanlam journey of listening to our customers and providing appropriate solutions. This is the only way that Sanlam Kenya will continue laying a claim on being an industry leader and the most sought-after insurance and investment services provider in Kenya, as well as the greater East African Region."

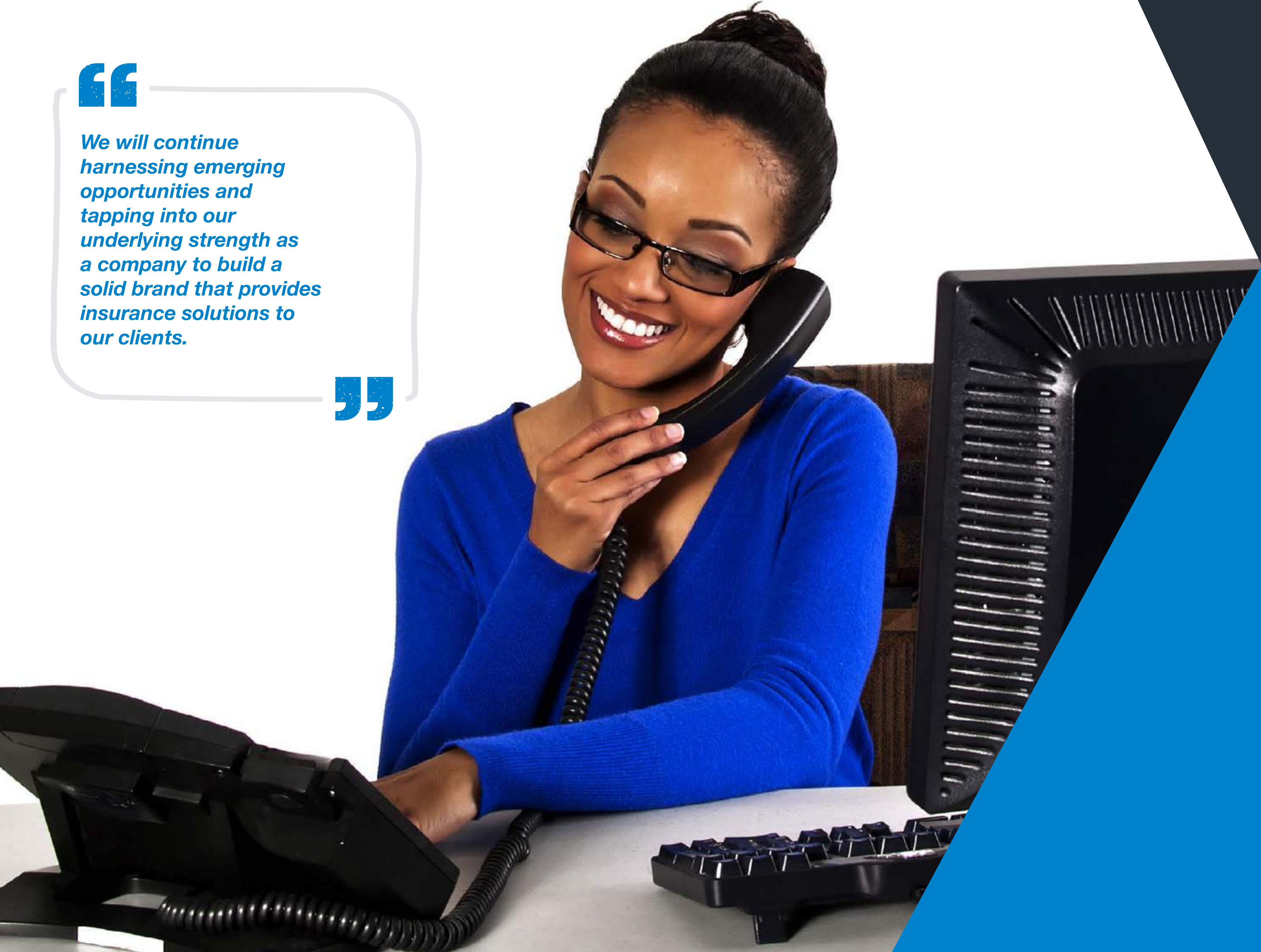
Finally, I would like to thank our shareholders for the confidence they continue showing in us, and for supporting us especially during this time when the economic environment has been sluggish. My assurance to you is that we will continue putting in place measures that will guarantee our customer experience remains above the industry standards, which in turn will guarantee maximum shareholder returns.

I thank you.

Dr. Patrick Tumbo

Group Chief Executive Officer

We will continue harnessing emerging opportunities and tapping into our underlying strength as a company to build a solid brand that provides insurance solutions to our clients.



Kama biashara, tumetambua kasi kubwa ya mabadiliko ya teknolojia na nina furaha kwamba tumeweza kutembea na kasi hiyo kupitia mikakati kadha ya kidijitali ambayo imo njiani.

Dr. Patrick Tumbo, Mkurugenzi Mkuu wa Kundi la Sanlam Kenya

Taarifa ya Mkurugenzi Mkuu wa Kundi

Kwa Ufupi

Mwaka tunaouangazia ulikuwa na changamoto nyingi sana zilizotokana na athari za janga la ugonjwa wa virusi vya corona yaani COVID-19. Huu ni mgogoro wa kiwango kikubwa usiotarajiwa ulioitumbukiza dunia kwenye misukosuko. Vituo vya afya vililemewa na wagonjwa na viwango vya watu kupoteza kazi vikapanda na kuvunja rekodi.

Matokeo yake ni kwamba ukuaji wa uchumi uliathirika sana kwani mataifa yalitekeleza masharti ya kudhibiti kusambaa kwa virusi hivyo. Kiwango cha ukuaji wa pato ghafi cha dunia, ambacho tayari kilikuwa katika asilimia -1.9, kilishuka zaidi hadi asilimia -4.9. Kwa mujibu wa Benki ya Dunia, ukuaji wa uchumi ulishuka hadi -3.3 Afrika kusini mwa jangwa la Sahara. Kwa jumla, idadi ya vifo Afrika ilifikia 120,000 – ukilinganisha na kote duniani ambapo zaidi ya watu milioni tatu walifariki dunia – huku mifumo ya afya katika mataifa mengi ikizidiwa na janga hilo.

Hapa Kenya, ukuaji wa GDP unatarajiwa kuwa ulishuka hadi asilimia 1.4 ilhali kiwango kilichotarajiwa kilikuwa asilimia 5.4. Idadi ya vifo vilivyotokana na COVID-19 imesalia chini ya 3,000 ishara kwamba hatua za kudhibiti kusambaa kwa virusi hivyo zilizochukuliwa na serikali zilifanikiwa.

Utathmini wa Shughuli

Kudorora kwa uchumi kutokana na janga, uvamizi wa nzige katika kaunti nyingi zinazozalisha chakula Kenya na majanga mengine viliathiri biashara. Sekta ya bima haikusazwa. Sekta za viwanda, mahoteli na utalii, uchukuzi na huduma za kifedha karibu zisambaratike. Ukuaji uliotarajiwa katika sekta hii haukuwezekana na wadau wengi katika sekta hii waliridhika na kuhifadhi hali ilivyokuwa.

Kutokana na janga hili kuwa dharura, ilikuwa ni lazima kujitokeza na kutekeleza wajibu wetu kama asasi raia mwema kwa kusaidia mikakati ya serikali ya kudhibiti janga hili. Tulifanya hivyo kwa kutoa mchango wa Ksh.8 milioni ambao ulikwenda kwenye mfuko wa serikali wa kukabiliana na COVID-19.

-4.9↓

Kiwango cha ukuaji wa pato ghafi cha dunia

Ndani, tulitekeleza hatua mbalimbali kuzuia kusambaa kwa ugonjwa huo, miongoni mwazo ikiwa ni wafanyakazi kuruhusiwa kufanyia kazi nyumbani, kutoa vitakasa mikono na barakoa kwa wafanyakazi wetu na kuhakikisha watu hawakaribiani. Hatua hizi zilihakikisha kwamba rasilimali yetu muhimu zaidi – wafanyakazi wetu – walikingwa kwa kiwango kikubwa dhidi ya virusi hivyo hata walipoendelea kuwahudumia wateja wetu.

Kutembea na mabadiliko kwenye teknolojia

Kama biashara, tumetambua kasi kubwa ya mabadiliko ya teknolojia na nina furaha kwamba tumeweza kutembea na kasi hiyo kupitia mikakati kadha ya kidijitali ambayo imo njiani. Tumeendelea kuwekeza pakubwa katika mifumo ya Teknolojia ya Habari na Mawasiliano ambayo imetuwezesha kufikia masoko ambayo yalikuwa hayafikiwi awali. Pia, wafanyakazi wetu sasa wanaweza kuwasiliana na wateja wetu mtandaoni. Wafanyakazi walio nyanjani na walio afisini – kuanzia kwa wale wa mauzo, wanaoidhinisha bima, na wale wa fedha miongoni mwa wengine – sasa wanaweza kukamilisha mauzo, kutoa makubaliano ya kuweka bima, kupokea malipo ya bima na pia kutoa malipo ya madai ya bima mtandaoni. Ninaamini hii itakuwa ndiyo kawaida kwa sekta ya bima na sekta za utoaji huduma kwa jumla siku zijazo.

Mabadiliko ya utamaduni

Kufuatia mabadiliko ya ghafla ambayo hayakutarajiwa kazini, ilikuwa muhimu kwa Sanlam kukumbatia na kutumia mitindo na njia mpya za kufanya kazi kama sehemu ya azma yetu kuu ya kuunda na kutengeneza makundi ya wafanyakazi wanaofanya kazi kwa kiwango cha juu sana.

Kwa bahati, makundi yetu ya wafanyakazi yameonyesha ukakamavu mkubwa na kubadilika na majira na wameendelea kutoa huduma ya kupekee kwa wateja licha ya mazingira ya kibiashara yaliyokuwa na changamoto sana. Tulipata matokeo mazuri kutokana nao kuweza kubadilika na kuangazia zaidi wateja wetu.

> ***Kutokana na janga hili kuwa dharura, ilikuwa ni lazima kujitokeza na kutekeleza wajibu wetu kama asasi raia mwema kwa kusaidia mikakati ya serikali ya kudhibiti janga hili. Tulifanya hivyo kwa kutoa mchango wa Ksh.8 milioni ambao ulikwenda kwenye mfuko wa serikali wa kukabiliana na COVID-19.***

Taarifa ya Mkurugenzi Mkuu wa Kundi

2.4 bilioni

Jumla ya mali ya kampuni hata hivyo iliongezeka kwa Shs 2.4 bilioni

Katika Sanlam, tumethamini sana kujua hali ya wateja wetu kiafya mara kwa mara. Kutokana na hili, wafanyakazi wetu na wasimamizi walidumisha mawasiliano ya mara kwa mara na wateja wetu kupitia kuwapigia simu hasa kipindi hiki walipokuwa pia wanakabiliana na changamoto za janga hili. Tutaendeleza hili.

Kama sehemu ya juhudi zetu za kuboresha shughuli na huduma zetu, tulizindua huduma na bidhaa mpya za bima kipindi hicho katika majaribio ya kuziba mianya iliyokuwepo katika utoaji bima. Miongoni mwa bidhaa na huduma tulizozizindua ni RetireMed, huduma ya baada ya kustaafu; Sanlam Premium Rewards, mpango wa majaribio wa kuwatunuku wateja; huduma ya Sanlam Road Assistance na Telemedicine, ambao ni ushirikiano kati yetu na SaSa Doctor na MyDawa. Bidhaa hizi na huduma zimepokelewa vyema sokoni na ni ishara tosha ya hitaji la kudadisi mara kwa mara bidhaa na huduma tunazozitoa.

Matokeo

Mwaka 2020 ulikuwa mgumu na kwa jumla uliathiri matokeo ya kifedha ya kampuni. Faida kabla ya kutozwa ushuru ilishuka hadi Shs43.2 milioni kutoka faida ya mwaka uliotangulia ya Shs550.1 milioni.

Jumla ya mali ya kampuni hata hivyo iliongezeka kwa Shs2.4 bilioni kutoka Shs29 bilioni nayo mapato ghafi kutoka kwa malipo ya bima yakapanda kutoka Shs6.99bilioni hadi Shs8.70 bilioni mwaka 2020. Mafao na madai ya malipo ya bima ambayo yalilipwa pia yaliongezeka, kutoka Shs5.5 bilioni mwaka 2019 hadi Shs6.5 bilioni mwaka huo. Ukizingatia mazingira yalikuwa na changamoto sana na hasa kwa sekta ya bima, haya ni matokeo ya kuridhisha.

Tunakoelekea

Ni lazima tuendeleze safari ya Sanlam ya kuwasikiliza wateja na kutoa huduma zifaazo. Hii ndiyo njia pekee itakayoiwezesha Sanlam Kenya kuendelea kujivunia sifa za kuwa kiongozi katika sekta hii na kuwa kampuni ya bima na uwekezaji inayotafutwa sana Kenya, na kote katika kanda ya Afrika Mashariki.

Changamoto zilizotokea mwaka uliopita zilikuwa mtihani kwa ukakamavu wetu na matokeo yake yataendelea kuwepo mwaka huu uliofuata, lakini tumejifunza mengi muhimu.

Tutaendelea kutuma fursa zinazoibuka na kutumia vyema nguvu tulizonazo kama kampuni kujenga nembo imara inayotoa huduma bora za bima kwa wateja wetu. Kupitia tuliyojifunza, Sanlam itaangazia ubunifu wa kila mara na matumizi ya teknolojia katika utoaji huduma. Kadhalika, matumizi mema ya rasilimali, kujenga na kudumisha ushirikiano wa kibiashara wenye manufaa, na kuboresha mifumo ya usambazaji wa bidhaa na huduma zetu. Aidha, kuandaa huduma za bima zifaazo na zinazokidhi vyema mahitaji kwenye soko na pia kuhakikisha mapato zaidi kutoka kwa uwekezaji.

Hitimisho

Ningependa kuhitimisha kwa kuwashukuru wafanyakazi wetu kwa kuendelea kuwahudumia wateja wetu kwa uaminifu licha ya mazingira kuwa magumu sana. Wamedhihirisha uwezo wao na kama kampuni, tunawashukuru sana.

Bodi ya Wakurugenzi imekuwa pia nguzo kwa biashara hii, kwa kutoa mwongozo wa sera na ushauri katika mazingira magumu ya uendeshaji biashara. Nawashukuru kwa usaidizi wao na nitaendelea kuomba ushauri wa Bodi tunapojizatiti kuikuza biashara hii kuambatana na mpango wetu wa mikakati.

Ni lazima tuendeleze safari ya Sanlam ya kuwasikiliza wateja na kutoa huduma zifaazo. Hii ndiyo njia pekee itakayoiwezesha Sanlam Kenya kuendelea kujivunia sifa za kuwa kiongozi katika sekta hii na kuwa kampuni ya bima na uwekezaji inayotafutwa sana Kenya, na kote katika kanda ya Afrika Mashariki.

Mwisho, ningependa kuwashukuru wenyehisa wetu kwa imani ambayo wameendelea kutuonyesha, na kwa kutusaidia hasa kipindi hiki kigumu kiuchumi. Hakikisho langu kwenu ni kwamba tutaendelea kuchukua hatua na mikakati itakayohakikisha tunatoa huduma ya kiwango cha juu zaidi kwa wateja katika sekta hii, na hilo litahakikisha mapato ya juu kwa wenyehisa.

Nawashukuru.

Dr. Patrick Tumbo

Mkurugenzi Mkuu wa Kundi la Sanlam Kenya

"Tutaendelea kutuma fursa zinazoibuka na kutumia vyema nguvu tulizonazo kama kampuni kujenga nembo imara inayotoa huduma bora za bima kwa wateja wetu."

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 75th Annual General Meeting of the Company will be held via electronic communication on Thursday 3rd June 2021 at 12.00p.m. to conduct the business detailed 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 9th July 2020.
4. To consider, and if approved, adopt the Balance Sheet and Accounts for the year ended 31 December 2020 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 2020.
6. To elect Directors:

   6.1 Ms Freda Britz, retires by rotation in accordance with the Company's Articles of Association and offers herself up for re-lection.

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

   6.3 Mr Rohan Patel 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 appoint KPMG Kenya as the Company's Auditors 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 Group Company Secretary at the registered office of the Company.

By Order of the Board

Emma Wachira

Group Company Secretary

Date: 5th May 2021

Note:

1. Shareholders wishing to participate in the AGM should register by dialing USSD Code *483*821# on their mobile telephone and follow the various prompts on the registration process.

   A Shareholder domiciled outside of Kenya can send an email to Image Registrars via sanlamagm@image.co.ke providing their details i.e Name, Passport/ID no., CDS no. and Mobile telephone number requesting to be registered. Image registrars shall register the shareholder and send them an email notification once registered.

   Links to register via the web portal will also be sent to all shareholders with email addresses in the Register.
2. 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: +254 709 170 000 from 9:00 a.m. to 4:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
3. Registration for the AGM opens on 7th May 2021 at 9:00 am and will close on 1st June 2021 at 4.00p.m. Shareholders will not be able to register after 1st June 2021 at 4.00 p.m.
4. 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 ended 2020.
5. 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 at to arrive not later than 12.00 noon on 1st June 2021. 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.

6. Any person appointed as a proxy should submit his/her mobile telephone number to the Image Registrars no later than 2nd June 2021 at 10.00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 2nd June 2021at 10am to allow time to address any issues.
7. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a. sending their written questions by email to agm@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, 15th 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.
   d. Dialling the code * 483*821# and following the prompts to ask a question.

   Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.
8. All questions and clarification must reach the Company on or before 1st June 2021 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.
9. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM.

10 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.

11.Duly registered shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the agenda, ask a question, propose and second resolutions and vote via the VOTE tab on the livestream link. Duly registered shareholders and proxies may vote via the USSD prompts.

12.Results of the AGM shall be published on the Company's website https://www.sanlam.com/kenya within 24 hours following conclusion of the AGM

13.Shareholders are encouraged to continuously monitor the Company's website https://www.sanlam.com/kenya for any updates relating to the AGM.

Ilani Ya Mkutano Mkuu wa Kila Mwaka

ILANI INATOLEWA HAPA kwamba Mkutano Mkuu wa Kila Mwaka wa 75 wa Kampuni utafanyika kwa njia ya mawasiliano ya kielektroniki mnamo Alhamisi tarehe 3 Juni 2021 saa sita mchana (12.00 p.m.) kutekeleza mambo yaliyoorodheshwa hapa chini.

AJENDA

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 9 Julai 2020.
4. Kutathmini, na iwapo itakubalika, kuidhinisha Taarifa za Kifedha za mwaka uliokamilika mnamo 31 Desemba 2020 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 2020.
6. Kuwachagua Wakurugenzi:

   6.1 Bi Freda Britz, anastaafu kwa mzunguko kuambatana na Sheria za Kuundwa kwa Kampuni na anajiwasilisha kutaka kuchaguliwa tena.

   6.2 Bw Cornelius Foord anastaafu kwa mzunguko kuambatana na Sheria za Kuundwa kwa Kampuni na anajiwasilisha kutaka kuchaguliwa tena.

   6.3 Bw Rohan Patel anastaafu kwa mzunguko kuambatana na Sheria za Kuundwa kwa Kampuni na anajiwasilisha kutaka kuchaguliwa tena.
7. Kuambatana na 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. Kuwateua KPMG Kenya kuwa Wakaguzi wa hesabu wa Kampuni kuambatana na 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 nyingine yoyote ile 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: 5 Mei 2021

Fahamu kuwa:

1. Wenyehisa ambao wangependa kushiriki katika mkutano huu wa AGM wanafaa kujisajili kwa kupiga simu *483* 821# kwenye simu zao na kufuata maelekezo watakayopewa kuhusu utaratibu wa kujisajili.

   Mwenyehisa anayeishi nje ya Kenya anaweza kutuma barua pepe kwa Image Registrars kupitia sanlamagm@image.co.ke na kutoa maelezo kumhusu, hususan Jina, Nambari ya Pasipoti/Kitambulisho, nambari ya CDS na Nambari ya simu wakiomba kusajiliwa. Image Registrars watamsajili mwenyehisa huyo na kumtumia barua pepe ya uthibitisho pindi baada ya kusajiliwa.

   Viunganishi vya kujisajili kupitia mtandao pia vitatumwa kwa wenyehisa wote ambao anwani zao za barua pepe zinapatikana kwenye Sajili.
2. Ili kukamilisha shughuli hiyo ya kujisajili, wenyehisa watahitajika kuwa na nambari ya kitambulisho/pasipoti waliyoitumia kununua hisa zao na nambari ya akaunti ya CDSC. Kwa usaidizi, wenyehisa wanafaa kupiga nambari ya simu ya msaada ifuatayo: +254 709 170 000 kati ya saa tatu asubuhi (9:00 a.m.) na saa kumi alasiri (4:00 p.m.) kuanzia Jumatatu hadi Ijumaa. Mwenyehisa yeyote aliye nje ya Kenya anafaa kupiga nambari hiyo ya simu ya msaada ili kusaidiwa kujiandikisha.
3. Shughuli ya kujisajili kwa ajili ya AGM itaanza mnamo 7 Mei 2021 saa tatu asubuhi (9:00 a.m.) na kufungwa tarehe 1 Juni 2021 saa kumi alasiri (4:00 p.m).

4. 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 2020.
5. Mwenyehisa 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 sita mchana (12.00 p.m.) mnamo 1 Juni 2021. 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.
6. Mtu yeyote atakayeteuliwa kuwa mwakilishi anafaa kutuma nambari yake ya simu kwa Image Registrars kabla ya saa nne asubuhi (10.00 p.m.) 2 Juni 2021. Iwapo usajili wa mwakilishi utakataliwa, majibu yatatumwa kwa mwenyehisa mhusika kabla ya 2 Juni 2021 saa nne asubuhi (10a.m.) kumpa muda wa kutatua masuala yatakayokuwepo.
7. 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 15, 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.
   d. Kupiga simu *483*821# na kufuata maelekezo ili kuuliza swali.

   Wenyehisa ni sharti waandike maelezo kamili kuwahusu (majina kamili, Nambari ya Kitambulisho/Nambari ya Pasipoti/Nambari ya Akaunti ya CDSC) wanapowasilisha maswali yao au maombi ya ufafanuzi.
8. Maswali yote na maombi ya ufafanuzi yanafaa kuifikia Kampuni mnamo au kabla ya 1 Juni 2021 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.
9. Matukio ya AGM yatapeperushwa moja kwa moja kupitia kiunganishi ambacho kitatumwa kwa wenyehisa wote watakaokuwa wamejiandikisha kushiriki katika AGM.
10. 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.
11. Wenyehisa na wawakilishi waliosajiliwa wanaweza kufuatilia matukio ya AGM wakitumia kiunganishi cha matangazo ya moja kwa moja na wanaweza kupata pia ajenda, kuuliza swali, kupendekeza na kuunga mkono maazimio na pia kupiga kura kupitia kiungo cha VOTE (piga kura) kwenye kiunganishi cha matangazo ya moja kwa moja. Wenyehisa na wawakilishi waliosajiliwa wanaweza pia kupiga kura kwa kutumia huduma ya USSD.
12. Maelezo ya yaliyotokea katika AGM yatachapishwa katika tovuti ya Kampuni https://www.sanlam.com/kenya ndani ya saa 24 baada ya kukamilika kwa AGM.
13. Wenyehisa wanahimizwa kuendelea kufuatilia tovuti ya Kampuni https://www.sanlam.com/kenya kwa habari zozote kuhusu AGM.

Corporate Governance

The Group ascribes to its governance framework that provides a solid structure for effective and responsible decision making within the organization in conformity with all the regulatory authorities and applicable laws

Corporate Governance

Report of the Independent Governance Auditor to the Shareholders of Sanlam Kenya Plc

pwc

Introduction
We have performed Governance Audit for Sanlam Kenya Plc covering the year ended 31 December 2020 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

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

Governance Auditor's Responsibility
Our responsibility is to express an opinion on the existence and effectiveness of Governance instruments, policies, structures, systems and practices in the organization within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK Governance Audit Standards and Guidelines which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organizations policies, systems, practices and processes. We believe that our governance audits provide a reasonable basis for our opinion.

Opinion
In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organization which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.

CS. Gachini Macharia,
ICPSK GA. No 0306
For PricewaterhouseCoopers Limited
14 April 2021

Statement on Corporate Governance for the Year Ended 31st December 2020

Statement of Directors' Responsibilities

The Companies Act, 2015 require Directors to act in good faith, to promote the success of the Company for the benefit of all its stakeholders and to avoid conflict between their personal interest and those of the Company, always acting in the nest interest of the company.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ('the Code") requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has implemented the Corporate Governance principles. The Code requires that after undergoing the Governance Audit, the Directors should provide an explicit statement on the level of compliance.

The Directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practice, the requirements of the Companies Act, 2015 the Code and the Governance Audit Tool developed by the Institute of Certified Secretaries (ICS). The responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and startgeic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment.

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

The Directors accept that the Independent Governance Audit does not relieve them of their responsibilities. The Directors are not aware of any material governance issues that may adversely impact the operations of the Company.

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

The Directors have adopted this Governance Audit report for the year ended 31st December 2020 which discloses the state of Governance within the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on 25th March 2021

John P N Simba
Chairman

Patrick Tumbo
Group Chief Executive Officer

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 2020, 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 Company's Board Charter as well as the Company's Articles of Association.

Leadership and Responsibilities

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 the year ended 31 December 2020 the Company endeavoured to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the 'Code'); and the implementation of the Code is as detailed in this report.

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 2020 the Board composition comprised of ten directors namely: 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. Gender parity is ensured in 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

In the year ended 31st December 2020 there were no changes to the Board.

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, retire by rotation in accordance with the Articles of association and offer themselves are eligible for re-election at the 2021 AGM:
a) Ms Freda Britz
b) Mr Cornelius Foord
c) Mr Rohan Patel

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. The Board receives reports from the various Chairpersons of the respective Board Committees.

The Role of the Board

The Company'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. The Board is collectively responsible for the Company's vision, values, strategic direction and governance. The Board provides the leadership and oversight for the performance of the business and sustainability into the future.

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, Risk, Actuarial and Compliance Committee. The Board ensures that the requisite financial and human capital resources are available.

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. The Board recommends the interim and final dividends to the shareholders for approval.

Thirdly, the Board is responsible for ensuring that an appropriate Enterprise Risk Management Framework and appropriate internal control systems are in place.

In addition, the Board is also charged with the responsibility of establishing the Governance Framework 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 ethical 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 undertakes to act in good faith, with care and prudence in the best interest of the Group while exercising his/her power and executing his/her duties.

2020 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	3/4
Cornelius Foord	4/4
Dr Grace Mwai	4/4
Rose Agutu	4/4

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 Chairman is responsible for ensuring that the interests of the Company's shareholders are safeguarded and effective communication is provided to them.

The Group Chief Executive Officer, an executive director, has 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. Together with the Chairman, he is the representative of the Company externally.

Balance and Diversity

The directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The Board of Directors brings with it an assorted mix of skills with background in Legal, Actuarial, Finance, Corporate Development, Engineering, Banking.

At Sanlam, the Board take cognisance of the gender inclusion and its commitment to a diverse and inclusive culture continues to evolve as is evidenced by our Directorship which has diversified gender representation in the increase to four female directors up from one female director in previous years.

The Board appreciates that promoting a diverse and inclusive culture is critical to the success of a business and strives for inclusion in professions, skills, race, gender, age 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 supports gender diversity in the senior management roles.

Director's Conflict of Interest

The Board has put in place a Conflict of Interest Policy in compliance with the provisions of the Companies Act, 2015 and the CMA Code of Governance Practices for Issuers of Securities to the Public 2015. 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 Board Meeting, the Declaration of Conflicts of Interests is the first agenda item exists which requires Directors to make a declaration of any interest they may have in the business under discussion. Such declarations are recorded by the Company Secretary. Directors who have an interest in any discussion item are excluded from discussion and voting on the item.

In 2020, no material conflict of interests were reported by the Directors.
A report on related party transaction is tabled for the Board's review half-yearly.
Board Information

The Board receives high- quality up to date information for review in good time ahead of each meeting. The Group Company Secretary ensures timely information dissemination to the Board and its committees and between the Non-Executive Directors and senior management as appropriate. Dissemination of Board and Committee Packs, together with the conduct of Board meetings is done so electronically.

Board Induction, Training and Professional Development

The Board has put in place a Board Induction Policy and framework. Each new Director receives a full induction on appointment. This induction includes a full programme of briefings on all areas of the Company's business from the Company Secretary, CEOs and Senior Management. 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 the Group; and the Group's operations preparedness to comply with the new legislation.

In pursuit of continuous professional development during 2020, the Directors received training in professionally linked continuous professional development programmes. All the Directors have attended and received Certifications from the Centre for Corporate Governance.

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 2020 the Board continuously 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 Board has developed and adopted a Business Continuity Plan and a Disaster Recovery Plan. During the FY2020 pandemic, a Crisis Management Team was constituted and rolled out various streams of the Business Continuity Plan to ensure that business operations continued uninterrupted.

Executive Committee (ExCo)

The Group Chief Executive Officer and Senior Management makeup the Executive Committee (EXCO). This Committee serves as a link between the Board and Management and is responsible for the day to day management of the Company and its operating subsidiaries. In so doing, it oversees the implementation of the strategy and policies set by the Board.

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.

Shareholder and Stakeholder Engagement

The Board delights in opportunities to engage its shareholders and provides avenues for shareholder participation. The Annual General Meeting (AGM) presents such opportunity to the Board. At the AGM, the Chairman and Group Chief Executive Officer present the Company's performance and answer any questions from shareholders.

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.

Sanlam Kenya Plc held its first virtual AGM on 9th July 2020, and it saw the highest shareholder attendance from all over the world electronically. Shareholders were given an opportunity to submit their queries barehand either electronically or via text which were addressed at the meeting. Shareholders were also given an opportunity to dial into the meeting and raise queries which were also addressed. Shareholders participated in voting for the resolutions via their mobile phones. The Polling Results and the Resolutions approved were published on the company's website.

The Board also informs its shareholders of the performance of the Group through the issuance of Annual Reports and half yearly publications of its financial performance in the Daily Newspapers which are also available on the Group's website www.sanlam.com/kenya.

In addition, the Board communicates to shareholders through various media including company's website, public announcements, media releases, financial statements, and direct correspondence.

The Group held an investor briefing on 21st February 2021 upon the release of the financial results for the year ended 31st December 2020. The investor briefing presented an opportunity to further enhance engagement with key stakeholders including shareholders, the Capital Markets Authority, the Nairobi Securities Exchange, the media, business partners amongst others.

The Board has put in place a Shareholders Framework which enshrines the equitable treatment of all shareholders whilst protecting their rights.

The Group has put in place a stakeholder management policy that identifies all its stakeholders, maps out areas of interaction and sets out mechanisms to support constructive engagement with different stakeholder groups. The stakeholder management policy provides that decision making must follow a stakeholder-inclusive approach and Sanlam must be able to account for all outcomes and impacts which is evident in its reporting.

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.

Board Evaluations

Board Evaluations of the Board, Committees, Peer, Group Chief Executive Officer and Group Company Secretary were conducted for the period January 1, 2020 to December 31, 2020 as prescribed in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The findings of the evaluation exercise are presented to the Board through the Chairman. The evaluations are conducted electronically.

Statement on Insider Trading

As a listed Company Sanlam Kenya Plc must comply with the Regulations relating to Insider Trading and ensure that Directors, employees or their relations do not abuse insider information or place themselves in situations of suspicion of abusing insider information for personal gain; especially in periods preceding the release of material price sensitive information to the public.

The Board has developed an Insider Trading Policy which sets out the procedures and guidelines with respect to transactions in the SKP's securities, the protection of Insider Information and the standard of conduct expected of the directors, officers, employees and their relations.

The Company has two closed periods during the year; immediately preceding the release of the half yearly and annual financial results.
No incidents of insider trading were reported in the year ended 31st December 2020.

Compliance with Applicable Laws and Regulations

The Group complies with the Constitution of Kenya, various applicable laws and regulations and various Policies.

The Board has approved Compliance Universe which comprises of a list of the applicable laws and regulations together with the respective compliance risk management plans (CRMPs) for all core legislations in the business.

The Board has approved a compliance policy and manual which clearly sets out the principles and standards for managing compliance risk, culture, responsibilities, reporting framework and breaches as relates to Sanlam.

The Board regularly and timeously monitors the Group's compliance through the Compliance Report that is tabled at quarterly Board Audit Committee meetings.

An internal legal and compliance audit conducted in compliance with the Code in order to establish the Group's adherence to applicable laws, regulations and standards; confirmed that the Group was in compliance with applicable laws, regulations and Guidelines.

Enterprise Risk Management

The Board has approved an Enterprise Risk Management (ERM) Framework.

The ERM Framework is a high level over-arching framework aimed at ensuring that:
- All risks which could jeopardise/enhance achievement of Sanlam Kenya's strategic goals will be identified;
- Appropriate structures, policies, procedures and practices are in place to manage these risks. ERM also requires Sanlam Kenya to take a portfolio view of risk;
- Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices; and that
- Sanlam's risks are indeed being managed in accordance with the foregoing.

The ERM deals with risks and opportunities affecting value creation of a company and involves a pro-active holistic enterprise wide view of all risks and their associated risk appetite and tolerance to ensure they are fully aligned with the Sanlam Kenya Group's objectives and strategies and reflects the quality, competencies and capacity of people, technology and capital and provides tools to rationalize risk management activities.

The Board reviews and approves the Risk Appetite Statements half yearly at the Board Audit Committee meetings.

The Board, through the recommendation of the Board Audit Committee, completed its annual review of the effectiveness of the enterprise risk management framework for the one year period form 1st January 2020 and confirmed that no significant failings or weaknesses were identified.

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 19th February 2021. 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 2020 the Group continued to adhere to the following policies as approved by the board:

i. **Corporate Governance Policy:** The Policy outlines the 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.
ii. **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.
iii. **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.
iv. **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.
v. **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.
vi. **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.
vii. **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.
viii. **Insider Trading Policy:** The policy aims at promoting compliance with applicable securities laws by Nairobi Securities Exchange Limited and all directors, officers and employees thereof, in order to preserve the reputation and integrity of Sanlam Kenya Plc as well as that of all persons affiliated with it. The Policy sets out the procedures and guidelines with respect to transactions in the SKP's securities, the protection of Insider Information and the standard of conduct expected of SKP's directors, officers and employees in this highly sensitive area. It calls for personal obligation and responsibility of each director, officer or employee to act in a manner consistent with this Policy.
ix. **Board Dispute Resolution Policy:** The policy to set out the processes for dispute resolution or grievances in the Board in order to reach a prompt and fair resolution of any disputes, conflicts, or disagreements that may arise from time to time, and that may threaten the functioning of the board; in compliance with the Code.

x. **Board Induction Policy:** The policy sets out the induction framework for new directors upon their appointment to the Board.
xi. **Board Remuneration Policy:** The policy establishes the formal and transparent remuneration policies and procedures in compliance with the Code.
xii. **ICT Policy:** The Group has put in place a comprehensive policy on its information technology in compliance with the Code. The Policy's objectives is to protect the Company's investment in information technology infrastructure (including IT equipment, mobile facilities, data/ telecommunications networks and software) and to maintain the highest standards of cyber security, while protecting the Company's confidential and sensitive information. The policy aims to facilitate ease of use of IT systems by staff, business partners and other stakeholders while mandating the responsible use of IT systems.
i. **Schedule of Offences:** This defines the different instances of unlawful conduct and the respective sanctions

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 2020. 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, to which it has delegated responsibilities, 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 Committee is governed by its respective Committee Charter which defines its Terms of Reference; including 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. The Charters are reviewed annually by the respective Committees and the Board.

Annual Evaluation 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 decisions made.

The Board has three committees as follows:

Audit, Actuarial, Risk and Compliance Committee

Attendance at Meetings in 2020

The members of the Committee, and their attendance to the four meetings held in the year 2020 were as follows:

Table 1: Audit, Actuarial, Risk and Compliance Committee Membership and Attendance 2020

	Member	Directorship Status	Number of Meetings scheduled in 2020
1	**Freda Britz (ChairPerson)**	Independent & Non-Executive	4/4
2	**Julius Magabe**	Non-Executive	4/4
3	**Rose Agutu**	Independent & Non-Executive	4/4
4	**Cornie Foord**	Non-Executive Director	4/4
5	**Nelius Bezuidenhout**	Non-Executive Director	3/4

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.

Investment Committee

Attendance at Meetings in 2020

Table 2: Investment Committee Membership and Attendance 2020

	Member	Directorship Status	Number of Meetings scheduled in 2020
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 2020

	Member	Directorship Status	Number of Meetings scheduled in 2020
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**	Chairman of the Board	4/4

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 80-81 of this Annual Report.

External Advisers and Consultants

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 2020.

Internal Auditors

The Group's internal audit function report directly to the Board Audit, Risk, Actuarial and Compliance Committee. The Internal Audit function is governed by an Internal Audit Charter and the Board annually approves the Internal Audit Plan.

The internal audit function is headed by a qualified Group Internal Auditor who is a Certified Internal Auditor (CIA), Certified Information System Auditor (CISA) and a Certified Public Accountant of Kenya-CPA {K}.

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.

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, 2020 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 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 2020 are shown in Tables below:

	Names	Shares	Percentages
1	AMARJEET BALOOBHAI PATEL & BALOOBHAI CHHOTABHAI PATEL	29,913,267	56.11%
2	PETER KINGORI MWANGI	1,976,973	3.71%
3	ANJAY VITHALBHAI PATEL	1,110,900	2.08%
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	MUCHERU,ELIJAH MUCHERU	361,600	0.68%
8	PATEL DAHILAXMI MANGALBHAI	360,003	0.68%
9	BID,KEVAL BID	315,000	0.59%
10	JOHN RICHARD GITHERE	300,000	0.56%
11	OTHERS - 3434	17,737,322	33.27%
		53,315,865	100.00%

Top 10 Local Institutions Shareholders as at December 31, 2020

	Names	Shares	Percentages
1	HUBRIS HOLDINGS LIMITED	82,278,000	93.02%
2	MAYFAIR INSURANCE COMPANY LTD	1,282,050	1.45%
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	CARBACID INVESTMENTS LIMITED	390,000	0.44%
7	APA INSURANCE LIMITED	348,557	0.39%
8	FIRST TEN LIMITED	308,400	0.35%
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 – 141	1,546,919	1.75%
		88,450,515	**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:

a) Shareholders based on Number of Shares held:

	Range	Records	Range Total	Percentage
1	1 to 500	960	159,596	.11 %
2	501 to 1000	271	208,242	.14%
3	1001 to 5000	1,988	5,219,607	3.62 %
4	5001 to 10000	228	1,683,141	1.17%
5	10001 to 50000	269	5,882,629	4.09%
6	50001 to 100000	42	2,900,673	2.01%
7	100001 to 500000	46	10,021,122	6.96%
8	500001 to 1000000	2	1,363,800	.95%
9	1000001 to 2000000000	5	116,561,190	80.95%
		3,811	**144,000,000**	**100.00%**

b) Shareholders based on Nationality

Investor Pool	Records	Shares	Percentage
Local Institutions	151	88,450,515	61.424%
Local Individuals	3,444	53,315,865	37.025%
Foreign Investors	216	2,233,620	1.551%
	3,811	**144,000,000**	**100.00%**

Going Concern

The Board submits this annual report and audited financial statements for the year ending 31 December 2020. 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
Date: 25th March 2021

Dr Patrick Tumbo
Group Chief Executive
Date: 25th March 2021

Risk
Management

Risk management

The Group's activities expose it to a variety of Operational and 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 does not hedge against any risks.

(a) Governance structure

The Board meetings of the 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 ensures 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.

[Sanlam Kenya Plc & Subsidiaries Boards]
Reviews and approves ERM Framework and establish governance structures and Systems;
Sets the overall risk strategy, risk appetite and policies;
Obtains assurance on risk management effectiveness

[Sanlam Kenya Plc & Subsidiaries Audit, Actuarial and Risk Committees]:
Assists the Sanlam Kenya Plc Board in fulfilling its responsibilities

[Business Level Risk Management]:
Ownership of risks & controls;
Manage risk on day to day business activity

[Sanlam Kenya Plc Group Executive Committee]:
Responsible for overseeing Group businesses on behalf of the Board, to ensure that the businesses achieve optimal risk-adjusted returns

[Business Level Management Committees]:
Additional committees that may be established by a business to assist their Executive Committees in certain areas of risk management

[Sanlam Group Risk Management]:
Develops Group risk management policies and guidelines for approval by the Sanlam Kenya Plc Board, co-ordinates identification and assessment of risks and the effectiveness of controls across the Group

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 (Finance)] 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).

i. Implementing maximum loss limits, by using measures such as "value at risk", long term solvency requirements, capital adequacy requirements and sensitivities on return on embedded value/value of new business; and

ii. Clearly defining and documenting the business's risk appetite, being the degree of uncertainty that a business is willing to accept in pursuit of its goals, and describing it both qualitatively and quantitatively.

Risk is inherent in doing business, and includes all of the uncertain consequences of business activities that could prevent Sanlam Kenya Plc from achieving its strategic goals. The Group's strategic risk management process is aimed at managing three elements of risk:

i. Opportunity: managing risk on the upside as an "offensive" function; focusing on actions taken by management to increase the probability of success and decrease the probability of failure.
ii. Hazard: managing risk on the downside as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses; and
iii. Uncertainty: managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range.

Process

Each business has a documented process that links into the business's normal management process and includes:

Strategic organisational and risk management context:

- Strategic context (defining the strengths, weaknesses, opportunities and threats relative to the business environment),
- Organisational context (understanding the business's goals, strategies, capabilities and values),
- Risk management context (setting of scope and boundaries),

Developing risk evaluation criteria, defining a logical framework for risk identification, establishing a risk identification process, analysing the risks identified, evaluating the risks against established risk criteria, deciding on the appropriate action and communication, with the aim of continuous management and improvement.

c) Risk types

The Group is exposed to the following main risks:

	Risk type	Description	Potential significant impact
GENERAL RISKS	Operational	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/ inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices , investment management mandates, as well as the failure to uphold the Group's core values and code of ethical conduct	
		Fraud/Financial Crime 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
	Regulatory Change	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

FINANCIAL AND BUSINESS (SPECIFIC RISKS)

Risk type	Description	Potential significant impact
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: • 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.	Life insurance General insurance
	• 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 will incur a financial loss from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk includes:	Group
	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.	Life insurance General insurance
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: • 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.	Life insurance General insurance
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 Mitigation Measures

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.

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.

Compliance risk

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.

Fraud risk

The Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group' code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Kenya Plc Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group.

The head of each business unit is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Board of Sanlam Kenya Plc. Quarterly reports are submitted by Group Forensic Services to the Group's Audit Committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

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.

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.

Strategic risk

The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breaches.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual strategic session of the Group's Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Executive Committee of the Group, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Group's Executive Committee, which includes the Group Chief and the Chief Executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

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 2020 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 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 43,284,000 (2019: KShs. 550,086,000). The key performance indicators of the Group over a five-year period have been highlighted on page 2.

Directors

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

Director	Directorship	Nationality
Dr John PN Simba	Non-executive and Chairman	Kenyan
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	Kenyan
Rose Agutu	Non–executive	Kenyan

Authorisation

The consolidated financial statements of Sanlam Kenya Plc for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 25th March 2021.

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 the auditor

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 the auditor

The term of the audit engagement for PricewaterhouseCoopers LLP is coming to an end after this year's audit work and hence they will cease to be the Company's auditor at the conclusion of the forthcoming Annual General Meeting of the Company. The Board will make a recommendation to the shareholders at the Annual General Meeting, to approve the appointment of the new auditor in accordance with the provisions of Section 721 of the 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
25 March 2021.

Statement of Directors' Responsibilities

The 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 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 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.

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 25 March 2021 and signed on its behalf by:

John P N Simba
Chairman

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 2020 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 9 July 2020, the shareholders unanimously approved the payments of Directors fees for the year ended 31 December 2019 by a show of hands.

At the Annual General Meeting to be held on 3 June 2021, approval will be sought from shareholders to pay Director Fees for the financial year ended 31 December 2020.

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 2020 together with the comparative figures for 2019. The aggregate Directors' emoluments are shown on Note 33 (d). The fees paid to Sanlam Emerging Markets directors do not accrue to them personally.

For the year ended 31 December 2020	Salary and terminal benefits KShs '000	Fees KShs '000	Bonuses KShs' 000	Expense allowances KShs '000	Total KShs '000
Patrick Tumbo – Executive	62,003	-	-	-	62,003
John P N Simba – Chairman	-	3,551	-	-	3,551
Julius Nyakia Magabe	-	2,726	-	-	2,726
Rose Agutu	-	2,310	-	-	2,310
Grace Mwai	-	2,310	-	-	2,310
Rohan Baloobhai Patel	-	2,875	-	-	2,875
Susan Mudhune	-	2,576	-	-	2,576
Nelius Bezuidenhout	-	1,994	-	-	1,994
Cornie Foord	-	2,310	-	-	2,310
Freda Britz	-	2,709	-	-	2,709
	62,003	23,361	-	-	85,364
For the year ended 31 December 2019					
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	22,203	-	-	76,255

Pension related benefits

	2020 KShs '000	2019 KShs '000
Patrick Tumbo – Executive	6,937	6,021
	6,937	6,021

On behalf of the Board

Susan Mudhune

Chairperson, Remuneration Committee
25 March 2021

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 2020.

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 2020.

Giles T Waugh

GTWaugh

Statutory Actuary
Fellow of the Actuarial Society of South Africa

25 March 2021

Report of the Statutory Actuary

Sanlam General Insurance Limited

I have conducted an actuarial valuation of Sanlam General Insurance Limited as at 31 December 2020.

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 2020.

James Olubayi

Zamara Actuaries, Administrators & Consultants Limited

25 March 2021

Embedded Value Report

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

1. Embedded Value Report

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	2020	2019
	KShs.'000	KShs.'000
a) Group embedded value		
Shareholders' adjusted net assets	427,309	580,089
Net value of in force business	828,025	822,169
Gross value of in-force business	2,225,130	2,112,758
Tax provision	(667,539)	(633,827)
Cost of Capital Adequacy Requirement (CAR)	(729,566)	(656,761)
Embedded value	1,255,334	1,402,258
b) Embedded Value Earnings		
The embedded value earnings are derived as follows:		
Embedded value at end of year	1,255,334	1,402,258
Embedded value at beginning of year	(1,402,258)	(2,145,301)
Change in embedded value	(146,924)	(743,043)
Dividends paid in the year	-	-
Embedded value earnings	(146,924)	(743,043)

Embedded Value Report (continued)

2. Embedded Value Results (continued)

b) European Embedded Value Principles (EEV) (continued)

These earnings can be analysed as follows:		KShs.'000	KShs.'000
Adjustment to fair value of subsidiary		(36,403)	151,064
Roll forward		268,999	430,314
Investment return on free assets		41,209	9,001
Expected return on life business in-force		227,791	421,313
Change over the period		(379,520)	(1,324,421)
Value of new business		(61,701)	(69,140)
Changes in assumptions and methodology		19,125	(413,895)
Experience variations		285,781	(321,607)
Decrease in NAV for other subsidiaries		(622,725)	(519,779)
Total earnings		(146,924)	(743,043)

3. Value of New Business			
Gross value of new business at point of sale (gross of tax)		57,894	(41,463)
Tax on value at point of sale		(17,368)	12,439
Cost of CAR at point of sale		(102,227)	(40,116)
Value of new business		(61,701)	(69,140)

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	15.00% KShs. '000	16.00% (base) KShs. '000	17.00% KShs. '000
Shareholders' net assets	427,309	427,309	427,309
Value of in-force business	947,008	828,025	720,439
Embedded value	1,374,317	1,255,334	1,147,748
Value of one year's new business	(41,784)	(61,701)	(79,805)

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:

	2020 %p.a	2019 %p.a
Risk discount rate	16.00	15.70
Overall investment returns (pre-tax)	10.99	10.51
Expense inflation rate	8.00	7.70

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

	2020 KShs. '000	2019 KShs. '000
Risk discount rate	(16,810)	39,374
Overall investment returns (pre-tax)	(54,605)	(74,157)
Total	(71,415)	(34,783)

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 2020.

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.

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 KShs. '000	%change over base KShs. '000
Values as at 31 December 2020	**828,025**	
Investment Returns		
Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately	807,788	-2.44%
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	828,025	0.00%
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	828,025	0.00%
'Shock scenario *	887,400	7.17%

Embedded Value Report (continued)

6. Sensitivities (continued)

	Value of in force KShs. '000	%change over base KShs. '000
Expenses and persistency		
Non-commission maintenance unit expenses (excluding investment expenses) decrease by 10%	874,492	5.61%
Discontinuance rates decrease by 10%	866,591	4.66%
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	860,785	3.96%
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	831,870	0.46%
Values as at 31 December 2019	**822,169**	
Investment Returns		
Investment return (and inflation) decreased by 1% 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%

	Value of in force KShs. '000	%change over base KShs. '000
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%

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

Assumed Management Action

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

Giles T Waugh

GTWaugh

Statutory Actuary
Fellow of the Actuarial Society of South Africa.

25 March 2021

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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 92 to 184, which comprise the consolidated statement of financial position at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2020, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Sanlam Kenya Plc give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

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

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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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
Valuation of insurance contract liabilities Insurance contract liabilities as disclosed under Note 24 comprise outstanding claims, policyholder liabilities and incurred but not reported claims (IBNR). The valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. 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. 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.	Compared the data used in the valuations to the existing policyholder data; 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 2020; 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.

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Independent Auditor's Report to the Shareholders of Sanlam Kenya Plc (continued)

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 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.

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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.

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.

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 76 to 77 is consistent with the financial statements.

Directors’ remuneration report

In our opinion the auditable part of the directors’ remuneration report on pages 79 to 81 has been properly prepared in accordance with the Companies Act, 2015.

PricewaterhouseCoopers LLP

Certified Public Accountants
Nairobi

26 March 2021

CPA Bernice Kimacia-Practising certificate No. 1457
Signing partner responsible for the independent audit

Consolidated and Company Statement of Profit or Loss

			Group		Company
		2020	2019	2020	2019
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Gross premium income	4(a)	8,697,626	6,991,588	-	-
Premium ceded to reinsurers	4(b)	(1,846,020)	(1,345,042)	-	-
Net premium income		**6,851,606**	**5,646,546**	**-**	**-**
				-	
Fees and commission income	5	458,076	325,064	-	-
Investment income	6(a	2,533,065	2,394,202	181,368	10,587
Fair value (losses)/gain	6(b)	(360,862)	422,177	-	-
Impairment of financial assets	6(c)	-	2,624	-	-
Other operating revenue	6(d)	5,846	152,379	2,379	67,358
Total other revenue		2,635,125	3,296,446	183,747	77,945
Total revenue		**9,487,731**	**8,942,992**	**183,747**	**77,945**
Gross benefits and claims paid	7(a)	(6,505,249)	(5,532,435)	-	-
Claims ceded to reinsurers	7(a)	1,480,676	433,730	-	-
Gross change in insurance contract liabilities	7(a)	(1,872,702)	(9,578)	-	-
Gross change in investment contract liabilities	7(a)	1,183,341	286,168	-	-
Change in contract liabilities ceded to reinsurers	7(a)	(17,591)	(14,308)	-	-
Net benefits and claims		**(5,731,525)**	**(4,836,423)**	-	-
Fees and commission expense	7(b)	(1,142,833)	(993,691)	-	-
Cost of sales - Inventory	7(c)	-	(20,653)	-	(20,653)
Other operating and administrative expenses	8	(2,031,314)	(2,084,502)	(243,059)	(229,506)
Impairment of investment in associate		(17,779)	-	(4,863)	-
Finance costs	23	(520,996)	(457,637)	(491,985)	(307,080)

Consolidated and Company Statement of Profit or Loss

			Group		Company
		2020	2019	2020	2019
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Total benefits, claims and other expenses		(9,444,447)	(8,392,906)	(739,907)	(557,239)
Profit/(loss) before tax		43,284	550,086	(556,160)	(479,294)
Share of profit of associate	14(b)	-	-	-	-
Profit/(loss) before tax		**43,284**	**550,086**	**(556,160)**	**(479,294)**
Income tax expense	10	(121,501)	(435,687)	(3,518)	(82,384)
(Loss)/profit for the year after tax		**(78,217)**	**114,399**	**(559,678)**	**(561,678)**
(Loss)/profit attributable to:					
Owners of the parent		(117,008)	113,334	(559,678)	(561,678)
Non-controlling interests		38,791	1,065	-	-
Earnings per share:					
Basic	30	(0.81)	0.79	(3.89)	(3.90)
Diluted	30	(0.81)	0.79	(3.89)	(3.90)

Consolidated and Company Statement of other Comprehensive Income

		Group		Company
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
(Loss)/profit for the year:	(78,217)	114,399	(559,678)	(561,678)
Other comprehensive income				
Other comprehensive income for the year net of tax	-	-	-	-
Total comprehensive (loss)/income for the year	**(78,217)**	**114,399**	**(559,678)**	**(561,678)**
Attributable to:				
• Owners of the parent	(117,008)	113,334	(559,678)	(561,678)
• Non-controlling interests	38,791	1,065	-	-

Consolidated And Company Statement Of Financial Position

			Group		Company
		2020	2019	2020	2019
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
ASSETS					
Property and equipment	12	691,539	735,457	27,459	34,122
Right-of-use asset	12(c)	122,627	94,907	34,092	38,578
Investment properties	13(a)	2,383,680	2,518,680	-	-
Intangible assets	11(a)	56,530	76,972	-	-
Investments in subsidiaries	14(a)	-	-	2,253,209	2,253,435
Investment in associate	14(b)	-	17,779	-	4,863
Deferred income tax	27	151,596	153,655	-	-
Financial assets					

Consolidated and Company Statement of Financial Position

			Group		Company
		2020	2019	2020	2019
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Equity securities at FVTPL	16	516,342	1,933,402	-	-
Government securities					
At fair value through P&L	16	22,012,625	18,681,638	-	-
Corporate bonds					
At fair value through P&L	16	-	53,695	-	-
Loans	15	300,319	379,766	-	-
Deferred acquisition costs	20(c)	198,477	172,008	-	-
Reinsurance share of insurance contract liabilities	18	1,360,652	751,534	-	-
Inventory	19	89,564	89,564	89,564	89,564
Current income tax		80,978	68,624	6,567	10,085
Insurance receivables	20(a)	1,148,029	938,571	-	-
Receivables and other financial assets	20(b)	191,197	319,297	26,434	82,624
Deposits with financial institutions	21	1,247,857	544,763	-	-
Cash and bank balances	21	898,595	650,529	5,220	113,415
Non-current assets held for sale	13(b)	70,000	900,000	-	-
TOTAL ASSETS		**31,520,607**	**29,080,841**	**2,442,545**	**2,626,686**

Consolidated and Company Statement of Financial Position

		Group		Company	
EQUITY AND LIABILITIES		**2020**	**2019**	**2020**	**2019**
CAPITAL AND RESERVES		**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
Issued share capital	22	720,000	720,000	720,000	720,000
Statutory fund	22	1,323,581	1,312,284	-	-
Retained earnings		(719,504)	(591,199)	(1,959,072)	(1,399,394)
Shareholder's funds		1,324,077	1,441,085	(1,239,072)	(679,394)
Non-controlling interests		332,957	293,937	-	-
TOTAL CAPITAL AND RESERVES		**1,657,034**	**1,735,022**	**(1,239,072)**	**(679,394)**
LIABILITIES					
Borrowings	23	2,976,861	2,763,210	2,976,861	2,763,210
Insurance contract liabilities	24	16,831,063	14,532,693	-	-
Investment contract liabilities	24	3,890,109	5,073,450	-	-
Payables under deposit administration contracts	24	1,546,627	1,131,718	-	-
Unearned premium	25	1,847,958	1,265,707	-	-
Deferred income tax	27	567,250	649,620	-	-
Lease liabilities		132,469	85,643	42,682	40,900
Provisions	26	34,620	34,619	-	-
Current income tax		138,253	11,185	-	-
Insurance payables	28	1,094,521	972,237	-	-
Deferred Reinsurance Commissions		119,189	48,235	-	-
Payables and other charges	29	684,653	777,502	662,074	501,970
TOTAL LIABILITIES		**29,863,573**	**27,345,819**	**3,681,617**	**3,306,080**
TOTAL EQUITY AND LIABILITIES		**31,520,607**	**29,080,841**	**2,442,545**	**2,626,686**

The financial statements were approved by the Board of Directors on 25 March 2021 and signed on its behalf by:

John P N Simba | Chairman

Patrick Tumbo | Group Chief Executive Officer

Consolidated Statement of Changes in Equity

	Note	Share capital KShsh.'000	Statutory fund KShs.'000	Retained earnings KShs.'000	Total KShs.'000	Non-controlling interests KShs.'000	Total KShs.'000
Year end 31 December 2020:							
At 1 January		720,000	1,312,284	(591,199)	1,441,085	293,937	1,735,022
Profit or loss:							
Total comprehensive (loss)/ income		-	-	(117,008)	(117,008)	38,791	(78,217)
Transfer to the statutory fund	22	-	498,513	(498,513)	-	-	-
Transfer to retained earnings		-	(487,216)	487,216	-		-
Transactions with minorities		-	-		-	229	229
At 31 December 2020		720,000	1,323,581	(719,504)	1,324,077	332,957	1,657,034
Year end 31 December 2019:							
At 1 January		720,000	676,720	(68,620)	1,328,100	258,938	1,587,038
Profit or loss:							
Total comprehensive income/(loss)		-	-	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
		720,000	1,312,284	(591,199)	1,441,085	293,937	1,735,022
At 31 December 2019		720,000	1,312,284	(591,199)	1,441,085	293,937	1,735,022

Company Statement of Changes in Equity

	Share capital KShs.'000	Retained earnings KShs.'000	Total KShs.'000
Year ended 31 December 2020:			
At 1 January	720,000	(1,399,394)	(679,394)
Total comprehensive income	-	(559,678)	(559,678)
At 31 December	720,000	(1,959,072)	(1,239,072)
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)

Consolidated Statement of Cash Flows

	Note	2020 KShs. '000	2019 KShs. '000
Cash flows from operating activities			
Net cash flows from operations	32(a)	(471,964)	(1,680,729)
Income tax paid		(80,158)	(123,923)
Loans advanced	15	(88,684)	(106,825)
Loans repaid	15	180,921	254,789
Net cash flows from operations		(459,885)	(1,656,688)
Cash flows from investing activities			
Purchase of intangible assets	11(a)	-	(1,663)
Purchase of property and equipment	12	(35,240)	(153,775)
Purchase of investment property	13(a)	(105,737)	(42,241)
Net purchase of financial assets through profit and loss		(1,434,182)	(802,957)
Proceeds from disposal of investment property	13 (b)	155,000	-
Proceeds from disposal of asset held for sale		833,500	-
Rental income	6	57,457	96,141
Dividend income received	6	57,856	80,680
Interest received		2,222,567	2,173,468
Repayment of finance charge on lease liabilities	12 (c)	(41,418)	(61,755)
Net cash flows from investing activities		1,709,803	1,287,898

Consolidated Statement of Cash Flows

	Note	2020 KShs. '000	2019 KShs. '000
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	12 (c)	(33,058)	(32,676)
Repayment of borrowings	23	-	(740,166)
Interest paid on borrowings	23	(265,927)	(375,768)
Proceeds from issue of share capital to non-controlling interests		226	33,585
Net cash flows from financing activities		(298,759)	(1,115,025)
Increase in cash and cash equivalents		951,160	(1,483,815)
Cash and cash equivalents at start of year		1,195,292	2,679,107
Cash and cash equivalents at end of year	21	2,146,452	1,195,292

Company Statement of Cash Flows

	Note	2020 KShs.'000	2019 KShs.'000
Cash flow from operating activities			
Net cash flows from operations	32(b)	(20,850)	35,827
Cash flows from investing activities			
Investment income	6 (a)	1,368	10,587
Dividends received	6 (a)	180,000	-
Purchase of property and equipment	12	(22)	(18,618)
Net cash flows from investing activities		160,496	27,796
Cash flow from financing activities			
Interest paid	23	(265,927)	(302,200)
Payment of principal portion of lease liabilities	12 (c)	(2,990)	(7,043)
Proceeds from issue of share capital to non-controlling interests		226	33,585
Net cash flows from financing activities		(268,691)	(275,658)
Increase in cash and cash equivalents		(108,195)	(247,862)
Cash and cash equivalents at start of year		113,415	361,277
Cash and cash equivalents at end of year	21	5,220	113,415

Notes

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 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)

(a) Basis of preparation

(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 2020:

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 (Published October 2018)	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. There were no rent concessions during the year under review.

(i) New and amended standards not yet adopted by the Group

The following standards have been issued but do not have a material impact on the Group:

	Effective date	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Group (continued)

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	• IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 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)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

(ii) New and amended standards not yet adopted by the Group (continued)

IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 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)	For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17, 'Insurance contracts' Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

The 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.

c) Consolidation

The consolidation of financial statements comprises the financial statements of the Group and its subsidiaries as at 31 December 2020.

i) 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

c) Consolidation (continued)

i) Subsidiaries (continued)

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
- Notes (continued)

Any losses within a subsidiary which are attributed to the non-controlling interest are recognised as such even if this results in a deficit balance.
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

d) Business combinations and goodwill (continued)

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of 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: 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 decision about resources to be allocated to the segment and assess 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, 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

f) Revenue recognition (continued)

i) Gross premiums (continued

ii) Reinsurance premiums

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

iii) Fees and commission income

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

iv) Investment income

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

- interest 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.
- 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 setting 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

Notes (continued)

2. Summary of significant accounting policies (continued)

h) Reinsurance (continued)

there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

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

i) Deposit administration contracts

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

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

j) Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.
Motor vehicles, furniture, equipment and computers are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred.

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
Property	2.5%
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 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

k) Investment properties (continued)

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

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

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

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

l) Intangible assets

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

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

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

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

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

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

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

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

m) Borrowing costs

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

Notes (continued)

2. Summary of significant accounting policies (continued)

n) Financial assets

i) Classification

The Group classifies its financial assets in the following measurement categories:
those to be measured subsequently at fair value (either through OCI or through profit or loss), and
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 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

Notes (continued)

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

iii) Measurement (continued)

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.

iv) 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.

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.

v) 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

Notes (continued)

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

v) Impairment (continued)

- 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;
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).
ECL = PD x LGD x 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

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

Notes (continued)

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

v) Impairment (continued)

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 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

v) Impairment (continued)

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.

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 2020 was KShs Nil (2019: 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

o) Translation of foreign currencies

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

p) Inventory

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.

q) 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

Notes (continued)

2. Summary of significant accounting policies (continued)

q) Insurance receivables (continued)

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.

r) 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.

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.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

t) Other financial liabilities and insurance payables (continued)

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.

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

Notes (continued)

2. Summary of significant accounting policies (continued)

w) Deferred acquisition cost (continued)

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

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 amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. The following criteria are also applied in assessing impairment of specific assets:

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

Goodwill

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

Intangible assets

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

Notes (continued)

2. Summary of significant accounting policies (continued)

y) Impairment of non-financial assets

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.

aa) 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.

bb) 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.

cc) Significant judgements and key sources of estimation uncertainty

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

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

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

Notes (continued)

2. Summary of significant accounting policies (continued)

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

ii) Key sources of estimation uncertainty (continued)

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. Sensitivity has been included as part of the embedded value report.

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.

c) Impairment of financial assets

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

- Significant increase of credit risk: As explained in Note 2 n (v), ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 2 n (v) for more details.
- Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty

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

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from collateral and integral credit enhancements.

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.

e) Right of use asset and lease liabilities

In determining the applicable discount rate on present value of the lease liabilities, the directors' assumptions are based on the risk free rate together with inflation rate, country risk and market premium.

dd) 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.

Notes (continued)

2. Summary of significant accounting policies (continued)

ee) 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.

ff) 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 advices on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2020: 25% (2019:30%) is incurred.

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.

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

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

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

a) That is vested in the trustees of a fund established or maintained by a person, being a fund the terms and conditions applicable to which provide for:
i. the payment of contributions to the fund by that person; and
ii. payments being made from the fund, on account of injury, sickness, retirement or death of the employees of that person or of a Company in which that person has a controlling interest; or
b) That was:
i. effected for the purposes of a superannuation or retirement scheme; or
ii. accepted by the person maintaining such a scheme for the purpose of the scheme.

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

i. The ordinary life insurance segment offers individual life insurance products.
ii. The superannuation segment deals with group insurance schemes.
iii. The general insurance segment offers general insurance products.
iv. The investments segment provides investment management services.

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

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

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

Notes (continued)

3. Segment information (continued)

Segment statement of comprehensive income for the year ended 31 December 2020

	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	2,902,834	2,310,948	3,483,844	-	-	8,697,626
Premiums ceded to reinsurers	(38,616)	(370,319)	(1,437,085)	-	-	(1,846,020)
Net premium Income	2,864,218	1,940,629	2,046,759	-	-	6,851,606
Fee and commission income	15,283	77,393	365,400	-	-	458,076
Investment income	917,143	1,419,013	147,356	194,113	(203,748)	2,473,877
Fair value (losses)/gains	(244,066)	(165,758)	37,534	11,428	-	(360,862)
Other operating revenue	3,484	-	-	2,362	-	5,846
Total other revenue	691,844	1,330,648	550,290	207,903	(203,748)	2,576,937
Total revenue	3,556,062	3,271,276	2,597,049	207,903	(203,748)	9,428,543
Gross benefits and claims paid	(2,161,476)	(2,118,535)	(2,225,238)	-	-	(6,505,249)
Claims ceded to reinsurers	1,324	421,762	1,057,590	-	-	1,480,676
Gross change in insurance contract liabilities	(1,011,220)	(861,482)	-			(1,872,702)
Gross change in investment contract liabilities	1,183,341	-	-	-	-	1,183,341
Change in contract liabilities ceded to reinsurers	-	(17,591)		-	-	(17,591)
Net benefits and claims	(1,988,031)	(2,575,846)	(1,167,648)	-	-	(5,731,525)
Depreciation and amortization	(110,233)	-	(20,766)	(6,685)	-	(137,684)
Interest expense	(22,427)	-	(8,148)	(491,985)	-	(522,560)
Other operating and administrative expenses	(1,137,641)	(393,854)	(1,213,786)	(259,807)	11,598	(2,993,490)
Total benefits, claims and other expenses	(3,258,332)	(2,969,700)	(2,410,348)	(758,477)	11,598	(9,385,259)
(Loss)/profit before share of profit of associate	297,730	301,577	186,701	(550,574)	(192,150)	43,284
Share of profit of associate	-	-	-	-	-	-

Notes (continued)

3. Segment information (continued)

	Ordinary life KShs.'000	Super-annuation KShs.'000	General business KShs.'000	Investments KShs.'000	Consolidation adjustments KShs.'000	Total KShs.'000
(Loss)/profit before tax	297,730	301,577	186,701	(550,574)	(192,150)	43,284
Income tax credit/(expense)	(54,319)	(46,475)	(48,962)	28,255	-	(121,501)
(Loss)/profit for the year	243,411	255,102	137,739	(522,319)	(192,150)	(78,217)
Other comprehensive income						
Total comprehensive (loss)/ income	243,411	255,102	137,739	(522,319)	(192,150)	(78,217)

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

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

Notes (continued)

3. Segment information (continued)

	Ordinary life KShs.'000	Super-annuation KShs.'000	General business KShs.'000	Investments KShs.'000	Consolidation adjustments KShs.'000	Total KShs.'000
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	(2,676,166)	(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	(4,241,482)	(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 financial position

At 31 December 2020:	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	51,691	-	4,839	-	-	56,530
Property and equipment	162,328	-	77,748	27,459	424,004	691,539
Right-of-use assets	115,290		53,874	34,092	(80,629)	122,627
Investment properties	2,830,000	-	-	-	(446,320)	2,383,680
Investments in subsidiaries	-	-	-	2,253,209	(2,253,209)	-
Financial instruments	10,502,909	11,405,652	1,781,853	21,078	-	23,711,492
Long term reinsurance assets	-	125,807	1,234,846	-	-	1,360,653
Land and development	-	-	-	89,564	-	89,564
Insurance receivables	73,587	304,418	770,024	-	-	1,148,029
Other assets	549,868	180,055	845,676	983,496	(602,604)	1,956,491
Total assets	14,285,673	12,015,932	4,768,860	3,408,898	(2,958,758)	31,520,605
LIABILITIES						
Borrowings	-	-	-	2,976,861	-	2,976,861
Insurance contracts liabilities	4,292,485	11,165,234	1,373,344	-	-	16,831,063
Investment contract liabilities	3,890,109	-	-	-	-	3,890,109
Deposit administration contracts	1,546,627	-	-	-	-	1,546,627
Other non-current liabilities	649,620	-	-	-		649,620
Other liabilities	1,200,605	492,478	2,213,245	773,622	(710,658)	3,969,292
Total liabilities	11,579,446	11,657,712	3,586,589	3,750,483	(710,658)	29,863,572
Net assets	2,706,227	358,220	1,182,271	(341,585)	(2,248,100)	1,657,033

Notes (continued)

3. Segment information (continued)

Segment statement of financial position (continued)

Other segment reporting disclosures

For the year ended 31 December 2020	Ordinary life KShs.'000	Super annuation KShs.'000	General Business KShs.'000	Investments KShs.'000	Group KShs.'000
Additions to non-current assets	29,162	-	6,056	-	35,218
Interest and dividend income	866,043	1,419,013	147,356	194,113	2,446,525
Interest expense	22,427	-	8,148	491,985	522,560
Depreciation and amortisation	110,233	-	20,766	6,685	137,684

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

Notes (continued)

3. Segment information (continued)

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)

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	2020 KShs. '000	2019 KShs. '000
New business: Recurring		
Individual life	567,035	531,534
Group business	189,743	248,361
New business: Single premiums		
Individual life	-	-
Group business	1,626,997	901,163
Total new business	**2,383,775**	**1,681,058**
Renewal recurring		
Individual life	2,335,800	2,186,733
Group business	494,207	519,502
Total renewal premium income	**2,830,007**	**2,706,235**
Total long-term business gross premium income	**5,213,782**	**4,387,293**

ii) General insurance business	2020 KShs. '000	2019 KShs. '000
Class of business		
Engineering	61,810	68,692
Fire domestic	69,846	59,720
Fire industrial	312,688	245,239
Liability	130,565	95,457
Marine	35,697	43,053
Motor private	712,908	457,503
Motor commercial	705,912	382,764
Motor PSV	171,646	187,263
Personal accident	23,000	26,148
Medical	1,037,762	833,709
Theft	113,563	88,891
Workmen compensation	89,502	86,886
Miscellaneous	18,945	28,970
Total general business gross premium income	**3,483,844**	**2,604,295**
Total group gross premium income	**8,697,626**	**6,991,588**

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;

	2020	2019
	KShs.'000	KShs.'000
Long term insurance business		
Ordinary life	38,616	30,890
Super-annuation	370,319	404,946
General insurance business	**1,437,085**	**909,206**
Total premiums ceded to reinsurers	**1,846,020**	**1,345,042**

5. Fee and commission income

	2020	2019
Commission income	458,076	325,064
	458,076	**325,064**

6. a) Investment income

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Rental income	116,645	140,054		
Interest income on:				
Financial assets designated at fair value through profit or loss	2,222,567	2,103,680	-	-
- Loans to related parties	6,101	-	-	-
- Loans and receivables	28,360	19,680	-	-
Cash and cash equivalents	101,536	50,108	1,368	10,587
Dividend income	57,856	80,680	180,000	-
Total investment income	**2,533,065**	**2,394,202**	**181,368**	**10,587**

Notes (continued)

6. b) Fair value (losses)/gains

	Group		Company	
	2020	2019	2020	2019
	KShs. '000	KShs.'000	KShs.'000	KShs.'000
Fair value losses on investment properties (Note 13)	(85,737)	(41,241)	-	-
Fair value losses on financial assets at fair value through profit or loss	(275,125)	463,418	-	-
Total fair value losses	(360,862)	422,177	-	-

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	
	2020	2019
	KShs.'000	KShs.'000
Net impairment losses on:		
Recovery of previously impaired financial assets	-	2,624
	-	2,624

6. d) Other operating revenue and expenses

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Plot sales	-	68,500	-	68,500
Other income	5,846	83,879	2,379	(1,142)
Total other income	5,846	152,379	2,379	67,358

7. Details of expenses

a) Benefits and claims	Group	
	2020	2019
Gross benefits and claims paid	KShs.'000	KShs.'000
Long term insurance contracts with fixed and guaranteed terms		
- Death and disability claims	983,392	1,665,066
- Maturity and survival benefits	1,594,420	838,226
- Policy surrenders	614,841	635,632
- Annuities	1,087,358	1,044,334
General insurance business claims	2,225,238	1,349,177
Gross benefits and claims paid	6,505,249	5,532,435
Claims ceded to reinsurers	(1,480,676)	(433,730)
Gross change in actuarial value of insurance contract liabilities	1,872,702	9,578
Gross change in actuarial value of investment contract liabilities	(1,183,341)	(286,168)
Change in contract liabilities ceded to reinsurers	17,591	14,308
Net benefits and claims	5,731,525	4,836,423

Notes (continued)

b) Fee and commission expense		Group
	2020	2019
	KShs.'000	KShs.'000
Payable to agents	447,655	468,567
Payable to brokers and other intermediaries	695,178	525,124
Fee and commission expense	1,142,833	993,691

c) Cost of sales - Inventory		Group		Company
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Construction	-	19,625	-	19,625
Land	-	1,028	-	1,028
	-	20,653	-	20,653

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

8. Operating expenses

		Group		Company
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Other operating expense include:				
Staff costs (Note 9)	924,057	887,179	155,933	136,477
Amortisation (Note 11(a))	17,859	23,412	-	-
Depreciation (Note 12)	121,436	93,012	6,685	6,504
Right of use depreciation	52,164	23,412	4,486	4,485
Fees for managerial and administrative services:			-	
Auditors remuneration	19,127	12,667	4,244	2,369
Tax audit fees	6,641	10,155	2,449	2,310
Legal fees	41,534	45,201	(1,057)	9,796
Actuarial fees	1,391	6,074	-	-
Premium tax and stamp duty	75,884	59,272	-	-
Premium collection charges	41,615	30,206	-	-
Advertising	103,649	75,711	9,635	12,734
Repairs and maintenance	6,196	5,412	126	525
Rental expenses	59,188	43,913	-	-
Other expenses	560,573	768,876	60,558	54,306
Total operating expenses	2,031,314	2,084,502	243,059	229,506

Other expenses comprise marketing expenses, printing and stationery expenses and other office expenses.

Notes (continued)

9. Staff costs

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Staff costs include the following:				
Defined contribution pension costs	73,429	69,709	11,180	12,140
Social security benefit costs	476	440	31	31
Salaries and other short-term benefits	850,152	817,030	144,722	124,306
	-			
	924,057	887,179	155,933	136,477

	Group		Company	
Cost of restructuring and early retirement	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
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 for the Group as at 31 December 2020 was 178 compared to 176 as at 31 December 2019. Total employees for the Company as at 31 December 2020 was 6 (2019: 6)

10. Income tax expense

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Statement of profit or loss				
Current year tax charge	69,520	66,072	342	-
(Over)/under-provision of current tax from prior years	(30,112)	(2,504)	3,176	-
Deferred income tax charge/(credit) (Note 27)	82,093	375,367	-	82,384
Capital gains tax	-	(1,335)	-	-
Current year tax charge	**121,501**	**435,687**	**3,518**	**82,384**
Reconciliation of income tax expense to tax based on accounting profit: -				
Profit before income tax	**43,284**	**550,086**	**(556,160)**	**(479,294)**
Tax calculated at a statutory rate of 25% (2019: 30%)	10,821	165,025	(139,040)	(143,788)
Tax effect of:				
Income not subject to tax	(204,031)	31,529	(54,909)	-
Expenses not deductible for tax	314,711	12,960	197,467	226,172
Income tax expense	**121,501**	**435,687**	**3,518**	**82,384**

Notes (continued)

11. Group intangible assets - software

Year ended 31 December 2020	Software KShs.'000
Cost:	
At 1 January and 31 December	215,773
Amortisation	
At start of year	(138,801)
Charge for the year	(20,442)
At 31 December	(159,243)
Carrying amount	
At 31 December	56,530

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**

Notes (continued)

12. (a) Group property and equipment

Year ended 31 December 2020	Motor vehicles KShs.'000	Computer equipment KShs.'000	Furniture and equipment KShs.'000	Property KShs.'000	Total KShs.'000
Cost					
At 1 January	13,093	253,400	506,536	446,320	1,219,349
Additions	-	7,052	28,188	-	35,240
Adjustment	(1,232)	4,874	4,819	-	8,461
At 31 December	11,861	265,326	539,543	446,320	1,263,050
Depreciation					
At 1 January	(8,260)	(228,979)	(232,996)	(13,657)	(483,892)
Adjustment	38	15,757	(24,563)	-	(8,768)
Charge for the year	(2,636)	(20,150)	(47,405)	(8,659)	(78,850)
At 31 December	(10,858)	(233,372)	(304,964)	(22,316)	(571,510)
Carrying amount					
At 1 January	4,833	24,421	273,540	432,663	735,457
At 31 December	1,003	31,954	234,578	424,004	691,539

There are no restrictions on the titles and no item of property or equipment is pledged as collateral.

Notes (continued)

12. (a) Group property and equipment (continued)

Year ended 31 December 2019	Motor vehicles KShs.'000	Computer equipment KShs.'000	Furniture and equipment KShs.'000	Property KShs.'000	Work in progress KShs.'000	Total 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

Fully depreciated assets still in use had a cost of KSh 343,973,000 (2019: KSh 301,561,000).

Notes (continued)

12. (b) Company property and equipment

Year ended 31 December 2020	Computer equipment KShs.'000	Furniture and equipment KShs.'000	Total KShs.'000
Cost			
At 1 January	4,116	52,704	56,820
Additions		22	22
At 31 December	4,116	52,726	56,842
Depreciation			
At 1 January	(2,393)	(20,305)	(22,698)
Charge for the year	(549)	(6,136)	(6,685)
At 31 December	(2,942)	(26,441)	(29,383)
Carrying amount			
At 31 December	1,174	26,285	27,459

12. (b) Company property and equipment

Year ended 31 December 2019	Computer equipment KShs.'000	Furniture and equipment KShs.'000	Work in progress KShs.'000	Total 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

Fully depreciated assets still in use had a cost of KSh 14,912,000 (2019: KSh 13,307,000). There are no restrictions on the titles and no item of property or equipment is pledged as collateral.

12(c) Leases

This note provides information for leases where the Group is a lessee.
On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date.. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

Notes (continued)

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised in the statement of profit or loss.

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

Measurement of right of use assets and lease liabilities

		Group		Company
Right of use asset	**2020**	**2019**	**2020**	**2019**
	KShs. '000	**KShs. '000**	**KShs. '000**	**KShs. '000**
At start of year	94,907	-	38,578	-
On adoption of IFRS 16	-	118,319	-	43,063
Additions	79,884	-	-	-
Amortisation of right of use asset	(52,164)	(23,412)	(4,486)	(4,485)
At end of year	122,627	94,907	34,092	38,578

		Group		Company
Lease liabilities	**2020**	**2019**	**2020**	**2019**
	KShs. '000	**KShs. '000**	**KShs. '000**	**KShs. '000**
At start of year	85,643	-	40,900	-
On adoption of IFRS 16	-	118,319	-	43,063
Additions	79,884	-	-	-
Finance charge	41,418	61,755	4,742	4,880
Lease payments	(74,476)	(94,431)	(2,990)	(7,043)
At end of year	132,469	85,643	42,682	40,900

Notes (continued)

13. a) Investment properties

	2020 KShs. '000	2019 KShs. '000
At 1 January	2,518,680	3,414,000
Additions	105,737	42,241
Disposals	(155,000)	-
Transfer from investment properties to PPE	-	(446,320)
Transfer to non-current assets held for sale (Note 13 (b))	-	(490,000)
Fair value loss	(85,737)	(1,241)
At 31 December	2,383,680	2,518,680

Investment properties are stated at fair value, which has been determined based on valuations performed by Knight Frank Limited and Regent Valuers as at 31 December 2020 and 31 December 2019. Knight Frank Limited and Regent Valuers 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).

Amounts recognised in statement of profit or loss:

	2020 Kshs. '000	2019 Kshs. '000
Rental income from operating leases	116,645	140,054
Direct operating expenses from property that generated rental income	(59,188)	(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

	2020 Kshs. '000	2019 Kshs. '000
Within 1 year	86,904	59,981
Within 2 – 5 years	350,377	252,237
Later than 5 years	212,793	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 KShs. '000	Level 2 KShs. '000	Level 3 KShs. '000	Total KShs. '000
As at 31 December 2020				
Investment properties	-	-	2,383,680	2,383,680
As at 31 December 2019				
Investment properties -	-		2,518,680	2,518,680

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.

The level 3 reconciliation is included within this note.

Notes (continued)

13. a) Investment properties (continued)

(b) Assets held for sale	2020 KShs. '000	2019 KShs. '000
At 1 January	900,000	450,000
Disposals	(833,500)	-
Transfer from investment properties (Note 13(a))		490,000
Fair value loss	3,500	(40,000)
Total	70,000	900,000

Assets held for sale comprise land and buildings which the Group intends to sell before the end of 2021.

14. (a) Investments in subsidiaries

Company	Shareholding in 2020	At 1 January 2020 KShs.'000	Movement KShs.'000	At 31 December 2020 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%	700,801	226	701,027
		2,253,209	**226**	**2,253,435**

Company	Shareholding in 2019	At 1 January 2019 KShs.'000	Movement KShs.'000	At 31 December 2019 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**

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.

Notes (continued)

Summarised statement of financial position	2020 KShs'000	2019 KShs'000
Total assets	4,768,860	3,513,626
Total liabilities	(3,586,590)	(2,469,094)
Net assets	1,182,270	1,044,532
Summarised statement of comprehensive income		
Gross earned premiums	3,741,095	2,604,295
Underwriting profit	1,881	71,560
Profit before income tax	186,701	23,042
Income tax expense	(48,962)	(19,258)
Other comprehensive income	-	-
Total comprehensive income for the year	137,739	3,784
Total comprehensive income allocated to non-controlling interests	38,791	1,065
Summarised cash flows		
Net cash generated from / (used in) operating activities	547,693	(149,381)
Net cash used in investing activities	(181,393)	(15,811)
Net cash generated from financing activities	13,301	-
Net increase/(decrease) in cash and cash equivalents	379,601	(165,192)
Cash and cash equivalents at start of year	253,365	418,557
Cash and cash equivalents at end of year	632,898	253,365

14. (b) Investment in associate

Investments comprise:	Principal activity	2020 Shareholding	2019 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. The investment in associate was fully impaired in the year.

15. Loans

		Group
	2020	2019
	KShs.'000	KShs.'000
Mortgage loans (Note 15 a)	99,436	106,079
Policy loans (Note 15 b)	197,281	250,548
IPF Loans (Note 15 c)	3,602	23,139
Total Loans	300,319	379,766

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.

Notes (continued)

a) a) Mortgage loans

	Group	
	2020	2019
	KShs. '000	KShs. '000
Gross mortgage loans		
At 1 January	134,441	145,617
Accrued interest	4,854	6,343
Loan repayments	(11,656)	(17,519)
At 31 December	127,639	134,441
Impairment:		
At 1 January	(28,362)	(28,681)
ECL on 1 January	159	-
Movement in the year	-	319
At 31 December	(28,203)	(28,362)
Net mortgages at 31 December	**99,436**	**106,079**

Maturity profile of mortgage loans

Loans maturing:		
Within 1 year	19,891	2,888
In 1 - 5 years	20,878	23,657
After 5 years	58,667	79,534
	99,436	106,079

b) Policy loans

	Group	
	2020	2019
	KShs.'000	KShs.'000
At 1 January 2020	309,791	360,769
Additions	88,684	106,825
Repayments	(167,590)	(177,366)
Interest accrued	23,505	19,563
At 31 December	254,390	309,791
Provision for impairment:		
At 1 January 2020	(57,109)	(102,652)
Movement in the year	197,281	43,409
At 31 December		(59,243)
Net policy loans	197,281	250,548

Maturity profile of Policy loans

	Group	
	2020	2019
	KShs'000	KShs'000
Loans maturing:		
Within 1 year	56,955	63,959
In 1 - 5 years	71,854	119,155
After 5 years	68,472	67,434
	197,281	250,548

Notes (continued)

c) Insurance premium finance loans (IPF)

		Group
	2020	2019
	KShs.'000	KShs.'000
At start of year	23,139	75,800
Repayments	(1,675)	(59,904)
Interest accrued	-	7,243
At end of year	21,464	23,139
Provision for impairment:		
At start of the year		-
Increase during the year	(17,862)	-
At end of the year	(17,862)	-
Net insurance premium finance loans	3,602	23,139

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.

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 2020:	Amortised cost	Fair value through profit or loss	Total
	Kshs. '000	Kshs. '000	Kshs. '000
Equity securities	-	516,342	516,342
Government securities	-	22,012,625	22,012,625
Deposits with financial institutions	-	1,247,857	1,247,857
Total	-	23,776,824	23,776,824

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

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

Notes (continued)

Financial assets movement

The movement in financial assets is as shown below:

Year ended 31 December 2020:	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	1,933,402	66,766	(1,197,395)	(286,431)	-	516,342
Government securities	18,681,638	5,995,089	(2,727,280)	43,680	19,498	22,012,625
Corporate bonds	53,695	-	(52,418)	(1,277)	-	-
Deposits with financial institutions	573,740	(3,271,444)	2,828,088	26,810	1,090,663	1,247,857
Total	21,242,475	2,790,411	(1,149,005)	(217,218)	1,110,161	23,776,824

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

Notes (continued)

Maturity analysis:

As at 31 December 2020:	< 1 year KShs.'000	1 - 5 years KShs.'000	> 5 years KShs.'000	Open ended KShs.'000	Total KShs.'000
Equity securities	-	-	-	516,342	516,342
Government securities	489,024	1,974,846	19,548,755	-	22,012,625
Deposits with financial institutions	1,247,857	-	-	-	1,247,857
Total	**1,736,881**	**1,974,846**	**19,548,755**	**516,342**	**23,776,824**
As at 31 December 2019:					
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**

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.

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.

Notes (continued)

As at 31 December 2020:	Level 1 KShs.'000	Level 2 KShs.'000	Level 3 KShs.'000	Total fair value KShs.'000
Equity securities	80,691	435,651	-	516,342
Government securities	22,012,625	-	-	22,012,625
Deposits with financial institutions	-	1,247,857	-	1,247,857
Total	**22,093,316**	**1,683,508**	**-**	**23,776,824**

As at 31 December 2019:	Level 1 KShs.'000	Level 2 KShs.'000	Level 3 KShs.'000	Total fair value 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**	**1,022,681**	**-**	**21,213,498**

Covid-19 has introduced market volatility which have affected the fair values of the instruments at Fair value. The disclosures above include the impact of these volatilities.

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.

	2020	2019
Treasury bills	10%	10%
Treasury bonds	12%	12%
Mortgage loans and corporate bonds	6%	9%
Deposits with financial institutions	8%	6%
Policy loans	10%	10%

18. Reinsurance share of insurance contract liabilities

The reinsurance asset can be broken down as follows;

		Group
	2020	2019
	KShs. '000	KShs. '000
Long term business reinsurance asset (Note 18 (i))	125,807	143,397
General business reinsurance asset (Note 18 (ii))	1,234,845	608,137
	1,360,652	751,534

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

Long term reinsurance asset movement

		Group
	2020	2019
	KShs. '000	KShs. '000
Opening balance	143,197	157,506
Current year movement (Note 24 (b))	(17,390)	(14,309)
	125,807	143,197

		Group
	2020	2019
ii) General reinsurance asset movement	KShs. '000	KShs. '000
As at 1 January		
Reinsurer's share of contract liabilities (Note 24(a))	258,013	422,850
Reinsurer's share of unearned premium (Note 25)	350,125	238,821
Current year movements		
Increase in reinsurer's share of contract liabilities	369,456	(164,838)
Increase in reinsurer's share of unearned premiums (Note 25)	257,251	111,304
At 31 December		
Reinsurer's share of contract liabilities (Note 24(a))	627,469	258,012
Reinsurer's share of unearned premium (Note 25)	607,376	350,125
Total reinsurer's share of liabilities	**1,234,845**	**608,137**

Notes (continued)

19. Inventory

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At start of year	89,564	109,189	89,564	109,189
Disposals	-	(19,625)	-	(19,625)
As at December	**89,564**	**89,564**	**89,564**	**89,564**

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.

20. Receivables and deferred acquisition costs

(a) Insurance receivables	Group	
	2020	2019
	KShs.'000	KShs.'000
Due from policyholders	2,696,839	1,782,867
Provision for doubtful debts	(2,158,111)	(1,290,174)
Net amount due from policyholders	538,728	492,693
Amounts due from reinsurers	471,770	373,127
Provision for doubtful debts	(20,686)	(20,686)
Amounts due from agents, brokers and intermediaries	158,217	93,437
	1,148,029	938,571

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	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amounts due from related parties (Note 33 (a))	-	-	2,587	6,082
Rent outstanding	14,179	11,734	-	-
Prepayments	32,086	39,917	9,852	7,044
VAT claimable	53,669	146,444	-	-
Other receivables	91,263	121,202	13,995	69,498
Total	191,197	319,297	26,434	82,624

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

(c) Deferred acquisition costs

The movement in deferred acquisition costs is shown below;

	Group	
	2020	2019
	KShs.'000	KShs.'000
At start of year	172,008	151,292
Net movements in the year	26,469	20,716
At end of year	198,477	172,008

Notes (continued)

21. Cash and cash equivalents

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

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cash and bank balances	898,595	650,529	5,220	113,415
Deposits with financial institutions (Note 16)	1,247,857	544,763	-	-
	2,146,452	1,195,292	5,220	113,415

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	2020	2019
	Thousands	KShs.'000	KShs.'000
At start and end of year	144,000	720,000	720,000
At the end of the year	144,000	720,000	720,000

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

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

		Group
	2020	2019
	KShs.'000	KShs.'000
Balance at the beginning of the year	1,312,284	676,720
Surplus for the year	498,513	635,564
Transfer to retained earnings	(487,216)	-
Closing fund	1,323,581	1,312,284

23. Borrowings

Finance costs incurred	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Lease liabilities finance costs	41,418	61,755	4,742	4,880
Accrued interest	265,927	395,882	265,927	302,200
Interest on related party balance	-	-	7,665	-
Foreign exchange loss on revaluation of borrowings	213,651	-	213,651	-
Total finance cost	520,996	457,637	491,985	307,080

Notes (continued)

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

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At start of year	2,763,210	3,497,432	2,763,210	2,777,380
Accrued interest	265,927	395,882	265,927	302,200
Forex exchange loss	213,651	(14,170)	213,651	(14,170)
Interest repayments	(265,927)	(375,768)	(265,927)	(302,200)
Loan Repayment	-	(740,166)	-	-
At end of year	2,976,861	2,763,210	2,976,861	2,763,210

Net debt reconciliation

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

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cash and cash equivalents	898,595	650,529	5,220	113,415
Liquid investments*	23,776,824	21,213,499	-	-
Borrowings	(2,976,861)	(2,763,210)	(2,976,861)	(2,763,210)
Lease liabilities	(132,469)	(85,643)	(42,682)	(40,900)
Net debt	21,566,089	19,015,175	(3,014,323)	(2,690,695)

* Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at FVTPL.

Maturity profile of the borrowings:

The maturity profile of borrowing is as shown below:

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Current	2,976,861	2,763,210	2,976,861	2,763,210
Non-current	-	-	-	-
	2,976,861	2,763,210	2,976,861	2,763,210

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 pus 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 Plc have extended repayment to March 2021.

Notes (continued)

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;

	2020 KShs.'000	2019 KShs.'000
Insurance contract liabilities		
General insurance policy liabilities	1,373,344	947,675
Long term policy liabilities	15,457,719	13,585,017
Total insurance contract liabilities	**16,831,063**	**14,532,692**
Investment contract liabilities - long-term	3,890,109	5,073,450
Payables under deposit administration contracts	1,546,627	1,131,718
Total investment contract liabilities	**5,436,736**	**6,205,168**
Total liabilities	**22,267,799**	**20,737,860**

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

	2020 KShs.'000	2019 KShs.'000
General insurance policy liabilities (Note 24(a))	1,373,344	947,675
Long term policy liabilities (insurance and investment contracts) (Note 24(b))	19,347,828	18,658,468
Payables under deposit administration (Note 24(b))	1,546,627	1,131,718
	22,267,799	**20,737,861**

Notes (continued)

(a) Group policy liabilities – General insurance

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

			2020			2019
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	947,676	258,013	689,663	1,222,051	422,850	799,201
Cash paid for claims settled in year	(1,799,569)	(688,133)	(1,111,436)	(1,623,552)	(487,501)	(1,136,051)
Movement in liabilities						
- arising from IBNR	42,995	26,739	16,256	505	10,597	(10,092)
- arising from AURR	(5,129)	(2,258)	(2,871)	(39,407)	987	(40,394)
- arising from current year claims	2,187,371	1,033,109	1,154,262	1,388,078	311,080	1,076,998
- arising from prior year claims				-	-	-
Total at end of year	1,373,344	627,470	745,874	947,675	258,013	689,662
Notified claims	1,151,499	549,352	602,147	763,698	204,449	559,249
Additional unexpired risk reserve (AURR)	-	-	-	5,127	2,258	2,869
Incurred but not reported (IBNR)	221,845	78,118	143,727	178,850	51,306	127,544
Total at end of year	1,373,344	627,470	745,874	947,675	258,013	689,662

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.

Notes (continued)

Summary of movements is as shown below;

	2020			2019		
	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)	5,501,501	4,804,847	696,654	4,143,881	3,951,456	192,425
Income on Investment	2,218,165	2,068,460	149,704	3,075,963	2,902,289	173,674
Asset management fees	(51,582)	(45,968)	(5,615)	(55,771)	(50,080)	(5,691)
Net investment income	2,166,582	2,022,493	144,090	3,020,192	2,852,209	167,983
Income /Inflow	7,668,084	6,827,340	840,744	7,164,073	6,803,665	360,408
Policy benefits (net)	(4,258,988)	(3,856,925)	(402,062)	(4,381,375)	(4,072,192)	(309,183)
Sales remuneration and administrative expenses	(1,687,928)	(1,664,155)	(23,773)	(2,056,557)	(2,029,678)	(26,879)
Tax Expense	(100,794)	(100,794)	-			
Transfer to statutory fund	(498,513)	(498,513)	(498,513)	(964,078)	(964,078)	-
Outflow	(6,546,223)	(6,120,388)	(425,835)	(7,402,010)	(7,065,948)	(336,062)
Net movement for the year	1,121,861	706,952	414,909	(237,937)	(262,283)	24,346
Balance at beginning of the year (net of reinsurance)	19,790,186	19,790,186	1,131,719	20,042,430	18,935,058	1,107,372
Contract liabilities ceded to reinsurers	(17,591)	(17,591)	-	(14,307)	(14,307)	-
Balance at end of year	20,894,456	19,347,828	1,546,628	19,790,186	18,658,468	1,131,718

The assets backing the amounts payable under deposits administration contracts are included in the investments reported by the group under fair value through profit and loss and deposits with financial institutions. The carrying values of the liabilities approximate the fair value of the investments.

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

The impact of Covid-19 on the insurance contract liabilities has been assessed to be immaterial. No Covid-19 overlays have been applied in the estimation of the insurance contract liabilities

Notes (continued)

(ii) Maturity analysis of long term policy liabilities:	< 1 year KShs.'000	1-5 years KShs.'000	>5 years KShs.'000	open ended KShs.'000	Total KShs.'000
As at December 2020:					
Linked and market-related investment contract liabilities	1,141,697	2,143,761	604,650	-	3,890,109
Insurance contract liabilities:					
Reversionary bonus policies	357,450	1,291,856	1,736,247	-	3,385,553
Other non-participating liabilities	1,262,485	3,645,934	6,972,317	191,431	12,072,166
Total insurance contracts liabilities	1,619,935	4,937,789	8,708,564	191,431	15,457,719
Deposit administration contracts	-	-	-	1,546,627	1,546,627
Total long-term policy liabilities	**2,761,632**	**7,081,551**	**9,313,214**	**1,738,058**	**20,894,455**
As at December 2019:					
Linked and market-related investment contract liabilities	1,022,212	2,987,534	1,063,704		5,073,450
Insurance contract liabilities:					
Reversionary bonus policies	47,809	1,064,022	1,640,070	-	2,751,901
Other non-participating liabilities	1,293,864	3,475,508	5,873,365	190,379	10,833,116
Total insurance contracts liabilities	1,341,673	4,539,530	7,513,435	190379	13,585,017
Deposit administration contracts	-	-	-	1,131,718	1,131,718
Total long-term policy liabilities	**2,363,885**	**7,527,064**	**8,577,139**	**1,322,097**	**19,790,185**

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)

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2020:

	Gross provisions KShs.'000	Reinsurance assets KShs.'000	Net KShs.'000
Long-term business:			
Insurance contracts liabilities	15,457,720	(125,807)	15,331,913
Investment contract liabilities	3,890,109	-	3,890,109
Deposit administration contracts	1,546,627	-	1,546,627
	20,894,456	(125,807)	20,768,650

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2019:

	Gross provisions KShs.'000	Reinsurance assets KShs.'000	Net KShs.'000
Long-term business:			
Insurance contracts liabilities	13,585,018	(157,706)	13,427,312
Investment contracts 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 summary of the movements in the reinsurance asset is outlined in Note 18.

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 8% (2019: 11%).

Insurance contracts

The insurance contract liabilities are shown gross of bonus declaration. Bonus to with profit policies was declared and credited as follows:

	2020	2019
Reversionary bonus	1.5%	1.5%
Terminal bonus	1.5%	1.5%
Total bonus declared	3%	3%

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

Notes (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	2013 Shs'000	2014 Shs'000	2015 Shs'000	2016 Shs'000	2017 Shs'000	2018 Shs'000	2019 Shs'000	2020 Shs'000
Accident year	109,893	79,723	71,994	152,288	366,025	520,431	307,784	724,141
One year later	105,951	140,954	152,185	77,524	171,044	94,099	149,637	
Two years later	124,274	140,957	86,936	52,955	76,710	45,894	-	
Three years later	113,859	66,336	49,377	24,144	32,497	-	-	
Four years later	38,861	44,677	31,803	8,762	-	-	-	
Five years later	18,840	31,348	20,512	-	-	-	-	
Six years later	17,435	15,816	-	-	-	-	-	
Seven years later	7,212	-	-	-	-	-	-	
Current estimate of cumulative claims	193,251	329,508	314,064	458,940	1,397,588	1,160,576	808,433	1,270,494
Cumulative payments to date	186,039	313,692	293,553	450,178	1,365,091	1,114,682	658,789	546,353
Incurred but not reported	15	36	4	4	36	2,859	178,849	221,845
Total gross claims liability included in the statement of financial position	7,227	15,853	20,516	8,766	32,533	48,753	947,676	1,373,344

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;

			2020			2019
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	1,265,707	(350,125)	915,582	899,653	(238,821)	660,832
Net increase in the period	582,251	(257,251)	325,000	366,054	(111,304)	254,750
At end of year	1,847,958	(607,376)	1,240,582	1,265,707	(350,125)	915,582

Notes (continued)

26. Provisions

		Group
	2020	2019
	KShs.'000	KShs.'000
General provision on insurance claims	34,620	34,620
Specific provision for financial guarantee	-	-
	34,620	34,620
The movement in the provisions is as follows:		
At 1 January	34,619	51,925
Unused amounts reversed	1	(17,306)
At end of year	34,620	34,619

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% (2019: 30%). The movement on the deferred income tax account is as follows:

For the year ended 31 December 2020:	At start of year KShs.'000	Initial application of IFRS 16 KShs.'000	(Charge)/credit to Income statement KShs.'000	Transfer to current tax KShs.'000	At end of year KShs.'000
Property and equipment	8,020	-	4,574	-	12,594
Other deductible differences	145,635	-	(6,633)	-	139,002
Deferred tax on life fund surplus	(649,620)	-	(80,034)	162,405	(567,249)
	(495,965)	-	(82,093)	162,405	(415,653)
Deferred tax asset	153,655	-	(2,059)	-	151,596
Deferred tax liability	(649,620)	-	(80,034)	162,405	(567,249)
For the year ended 31 December 2019:					
Property and equipment	6,465	-	1,555	-	8,020
Other deductible differences	164,709	2,437	(21,547)	-	145,635
Tax losses carried forward	65,377	-	(65,377)	-	-
Deferred tax on life fund surplus	(360,397)	-	289,223	-	(649,620)
	(123,846)	2,437	276,509	-	(495,965)
Deferred tax asset	236,551	2,437	(85,369)	-	153,655
Deferred tax liability	(360,397)	-	289,223	-	(649,620)

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)

b) Company

For the year ended 31 December 2020:	At start of year KShs.'000	Credit to profit or loss KShs.'000	At end of year KShs.'000
Property and equipment	-		-
Other deductible differences	-		-
Tax losses carried forward	-		-
	-	-	-
Deferred tax			

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

28. Insurance payables

		Group
	2020	2019
	KShs.'000	KShs.'000
Outstanding claims	876,161	843,652
Payables arising out of direct insurance arrangements	153,753	-
Payables arising out of reinsurance operations arrangements	64,607	128,585
Total insurance payables	1,094,521	972,237

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

29. Payables and other charges

		Group		Company
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amounts due to related parties (Note 33 (b))	-	91,747	597,743	479,049
Deposits received from sale of plots	-	145,600	-	-
Accruals	218,107	302,147	60,115	16,420
Trade creditors	-	1,179	-	-
Payroll creditors	37,336	31,658	4,093	-
Other payables	429,210	205,171	123	6,501
	684,653	777,502	662,074	501,970

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.

Notes (continued)

30. Earnings per share

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

a) Group

	2020 KShs.'000	2019 KShs.'000
Net profit/(loss) attributable to ordinary shareholders for basic and diluted earnings	(117,008)	103,156
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	(0.81)	0.79
Diluted earnings per ordinary share KShs.	(0.81)	0.79
b) Company		
Net loss attributable to ordinary shareholders for basic and diluted earnings	(559,678)	(561,678)
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	(3.89)	(3.90)
Diluted earnings per ordinary share KShs.	(3.89)	(3.90)

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

31. Contingent liabilities – Group

Companies in the Group are defendants to legal proceedings filed against them by third parties. 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.

Notes (continued)

32. Cash generated from operations

a) Group

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

	Note	2020	2019
		KShs. '000	KShs. '000
Profit/(loss) before income tax:		43,284	550,086
Adjusted for:			
Amortisation of intangible assets		20,442	23,412
Depreciation of property and equipment		78,850	93,012
Depreciation of lease	12 (c)	52,164	23,412
Finance charge on lease	23	41,418	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)	(2,222,567)	(2,103,680)
Revaluation loss on investment property	6(b)	85,737	41,241
Fair value losses (gains) on financial assets at fair value through profit or loss	6(b)	275,125	(463,418)
Rental income	6(a)	(57,457)	(96,141)
Other investment income	6(a)	(193,853)	(150,468)
Impairment of financial assets	6(c)	-	(2,624)
Impairment of investment in associate		17,779	-
Other operating revenues		(5,846)	-
Foreign exchange gain	23	213,651	(14,170)
Finance costs	23	265,927	375,768
		(1,385,346)	(1,641,162)

	Note	2020	2019
		KShs. '000	KShs. '000
			550,086
Changes in working capital:			
Actuarial value of policyholder liabilities		1,115,029	(550,966)
Payables under deposit administration contracts		414,909	24,346
Reinsurance share of insurance contract liabilities		(609,118)	67,842
Insurance receivables		(209,458)	(94,730)
Deferred acquisition costs		(74,704)	27,519
Deferred reinsurance commission		119,189	-
Insurance payables		122,284	283,591
Receivables and other financial assets		128,100	130,065
Payables and other charges		(92,849)	72,766
Cash utilised in operations		(471,964)	(1,680,729)

Notes (continued)

32. Cash generated from operations

b) Company
Reconciliation of profit before income tax to cash generated from operations

Cash flow from operations	2020 KShs.'000	2019 KShs.'000
Loss before income tax	(556,160)	(479,294)
Adjusted for:		
Investment income	(1,368)	(10,587)
Depreciation (Note 12(b))	6,685	6,504
Dividend income	(180,000)	-
Depreciation of lease	4,485	4,485
Finance charge on lease	4,742	4,880
Cost of sales – Inventory (Note 7(c))	-	20,653
Interest expense	265,927	302,200
Forex exchange losses/(gains)	213,651	(14,170)
Impairment of investment in associate	4,893	-
	(237,144)	(165,329)
Changes in working capital		
Receivables and other financial assets	56,190	99,607
Payables and other charges	160,104	101,549
	216,294	201,156
Tax paid	-	-
Net cash (used in) / generated from operations	(20,850)	35,827

33. Related party transactions

The Group is controlled by the following entities;

Name	Type	Place of incorporation	Ownership interest 2020	Ownership interest 2019
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).

a) Amounts due from related parties:	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Sanlam Investments Limited (subsidiary)	-	-	2,587	6,082
Total	-	-	2,587	6,082

There were no provisions made or amounts written off on related party balances during the year (2019: nil). The amounts due from related parties are non-interest bearing and will be paid using cash and cash equivalents.

Notes (continued)

33. Related party transactions (continued)

b) Loans and amounts due to related parties	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Sanlam Capital Markets (Note 23)	2,976,861	2,763,210	2,976,861	2,763,210
Sanlam Life Insurance Limited	-	-	171,106	
Sanlam Securities Limited (Subsidiary)	-	-	426,637	387,302
Hubris Holdings Limited (immediate parent)	-	91,747	-	91,747
Total	2,976,861	2,854,957	3,574,604	3,242,259
c) Key management compensation:				
Salaries and other short-term employment benefits	217,243	165,983	62,003	68,452
Post-employment benefits	20,109	-	6,937	-
	237,352	165,983	68,940	68,452

d) Directors' remuneration:	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Fees	23,361	22,203	11,680	11,102
Other emoluments (included in (c) above)	62,003	54,052	68,940	54,052
Total	85,364	76,255	80,620	65,154
e) Directors' pension				
Pension benefits	6,937	6,021	6,937	6,021

f) Other related party transactions through the statement of profit or loss

	Group		Company	
	2020	2019	2020	2019
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Fund management fees payable to Sanlam Investments East Africa Limited	45,968	40,658	-	-
Management fees payable to Sanlam Emerging Markets Proprietary Limited	25,854	23,722	-	-
Finance costs payable to Sanlam Capital Markets	260,468	389,477	260,468	302,200
Interest expense on intercompany advances payable to Sanlam Life Insurance Limited	-	(1,393)	6,101	(1,393)
	332,290	452,464	266,569	300,807

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	71.84
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

Notes (continued)

33. Related party transactions (continued)

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.

34. Capital management

Group 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 2020, both the Life and General insurance subsidiaries had complied with the external capital requirements and had CARs of 221% and 133% 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 23 to 27. 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 23);
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, 2015. A deterministic modelling process is used to determine the long-term required capital levels.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's policy to ensure appropriate capital levels is twofold:

(i) The Group dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and

(ii) Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

b) Required capital

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.

Notes (continued)

34. Capital management (continued)

The following main strategies are used to achieve this objective:
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.

Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business per business.

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.

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.

Company

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt

The gearing ratios at 31 December 2020 was as follows:

	2020 KShs '000
Total borrowings	2,976,861
Less: cash at bank and in hand	(5,220)
Net debt	2,971,641
Total equity	(1,239,072)
Total capital	1,732,569
Gearing ratio	172%

Notes (continued)

35. Risk management

The Group's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continue to monitor the impact of Covid-19 on the Group's risk profile. Non-financial risks emerging from global movement restrictions, remote working are being assessed, identified and managed through timely application of the Group's risk management framework.

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. 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:

Direct equity shareholdings in shareholder funds;
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;
Equity assets backing insurance liabilities that are not participating or not fully market linked;
and Interest in the free estate of long term with profit funds.

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

	Gross Portfolio KShs.'000	% change in base	KShs.'000
31 December 2020			
Equities and similar securities	516,342	+(-) 8.6%	37,516
31 December 2019			
Equities and similar securities	1,933,402	+(-) 18%	116,004

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 2020, all stable and reversionary bonus business portfolios had a funding level in excess of 100%. (2019: 100%)

Equity risk is borne by policyholders to the extent that the after-tax and after - cost investment return is declared as bonuses. The capital portfolio is however exposed to some equity risk as an under performance in equity markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. Actuarial committee oversees the investment policy for the various smoothed-bonus portfolios.

Market risk on Stable, reversionary bonus and participating annuity business (smoothed-bonus business)

Notes (continued)

35. Risk management

a) Market risk (continued)

i) Equity risk (continued)

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 though profit and loss. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group manages this risk by adopting close asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements. Interest rate risk is managed as follows with regard to long-term life business.

Changes in prices of public loans and stock as a result of changes in interest rates will have the following impact in the statement of profit or loss. The impact is net of tax.

	Gross portfolio	% change in base	2020	Gross portfolio	% change in base	2019
Financial assets			**KShs.'000**			**KShs.'000**
Government bonds	22,012,625	10%	264,151	18,681,638	+(-)10%	+(-) 224,180
Corporate bonds	-	10%	-	53,695	10%	483
Deposits with financial institutions	1,247,857	10%	12,495	544,763	10%	3,269
Financial liabilities						
Borrowings	2,976,861	10%	27,170	2,763,210	+(-)10%	+(-) 25,220

Notes (continued)

35. Risk management

a) Market risk (continued)

ii) Interest rate risk

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.

At 31 December 2020	Carrying amount	Contractual cashflows (undiscounted)		
		< 1 year	1 - 5 years	> 5 years
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Assets				
Government securities	22,012,625	489,024	1,974,846	19,548,755
Corporate bonds	-	-	-	-
Deposits with financial institutions	1,249,541	1,247,857	-	-
Cash and bank balances	898,595	898,595	-	-
Total	24,159,077	2,635,476	1,974,846	19,548,755
Liabilities				
Borrowings	2,976,861	3,067,099	-	-
Total	2,976,861	3,067,099	-	-

At 31 December 2019	Carrying amount	Contractual cashflows (undiscounted)		
		< 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	3,003,845	-	-
Total	2,763,210	3,003,845	-	-

Notes (continued)

35. Risk management

a) Market risk (continued)

ii) Interest rate risk

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. 2,976,861,000 (2019: Kshs. 2,763,210,000). 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.

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 23. 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. 20.2 million (2019: decrease of KShs. 17.2 million).

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.

d) Market risk – capital

Changes in economic mortality and expense assumptions will have the following impact in the statement of profit or loss

Sensitivities	% change in base	Insurance Participating	Insurance non-participating	Shareholders' funds
31 December 2020				
Interest rate	+(-)3%	+(-) 91,979	+(-) 369,410	+(-) 16,843
Equity/Property	+(-)4%	+(-) -	-	+(-)113,200
31 December 2019				
Interest rate	+(-)3%	+(-) 4,312	+(-) 325,743	+(-) 5,253
Equity/Property	+(-)4%	+(-) 1,810	-	+(-)135,000

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

Notes (continued)

35. Risk management (continued)

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

- Developing and maintaining processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting, assessment and measurement process that provide it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review. The exposure to any one borrower is further restricted by sub-limits. Actual exposures against limits are monitored regularly. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, corporate, and personal guarantees.

The credit quality of financial assets is assessed by reference to external credit ratings if available or internally generated information about counterparty default rates. None of the Group's credit risk counterparties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating and the reinsurance companies from whom reinsurance balances are due.

Notes (continued)

35. Risk management (continued)

e) Credit risk (continued)

The Company Group counterparties without an external credit rating as below:
- Group 1 - new customers/related parties.
- Group 2 - existing customers/related parties with no defaults in the past.
- Group 3 - existing customers/related parties with some defaults in the past.

Group

Assets	Note	External credit rating	Internal Credit rating	12-month or lifetime ECL	2020 Shs'000	2019 Shs'000
Government securities at fair value through profit or loss	16	B+	-	12 months	22,012,625	18,681,638
Corporate bonds at amortised cost	16	-	Group 2	12 months	-	53,695
Loans	15	-	Group 2	12 months	300,319	379,766
Insurance receivables	20 (a)	-	Group 2	Life time	1,148,029	938,571
Reinsurers' share of insurance contract liabilities	18	-	Group 2	Life time	1,360,652	751,534
Other receivables (excluding prepayments)	20 (b)	-	Group 2	Mix of both life time & 12	159,111	279,380
Deposits with financial institutions	21	-	Group 2	12	1,247,857	544,763
Cash and bank balances (excluding cash in hand)	21	-	Group 2	12	898,595	650,529
Total					27,127,188	22,279,876

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position. Other receivables balance shown in the table is less prepaid amounts while the cash and bank balances are less cash in hand balances.

As shown above, 81% of the total maximum exposure is derived from government securities (2019: 84%).In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

Mortgage loans are secured by collateral in the form of charges over land and buildings. Policy loans are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to KShs 433,938,000 (2019: KShs 390,544,000) while the surrender values of the policies with loans amounted to KShs: 3,683,780,182 (2019: KShs 1,089,381,578). In case of default the collateral would be realised thereby reducing the Group's credit risk. There were no changes in the quality of the collaterals

Notes (continued)

35. Risk management (continued)

e) Credit risk (continued)

Company

Assets	Notes	External credit rating	Internal Credit rating	12-month or lifetime ECL	2020 Shs'000	2019 Shs'000
Receivables from related parties	20 (b)	-	Group 2	12 months	2,587	6,082
Other receivables (excluding prepayments)	20 (b)	-	Group 2	Mix of both life time & 12	13,995	69,498
Cash and bank balances (excluding cash in hand)	21	-	Group 2	12 months	5,220	113,415
Total					21,802	188,995

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position. Other receivables balance shown in the table is less prepaid amounts while the cash and bank balances are less cash in hand balances.

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from any collateral. The LGD models for secured assets consider collateral valuation.

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

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

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

Notes (continued)

35. Risk management (continued)

e) Credit risk (continued)

Groupings based on shared risks characteristics

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

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

Stages of credit quality and expected credit loss measurement

The Group evaluates financial instruments based on their credit characteristics and assesses any changes in credit risk since origination before grouping them into stages. The groupings are reviewed and updated on a regular basis. The table below shows the staging criteria applied across financial assets.

Stage 1	Stage 2	Stage 3
Performing	Underperforming	Non-Performing
No significant change in credit risk since initial recognition.	Significant increase in Credit risk since initiation. No Objective evidence of impairment	Financial instruments that have deteriorated significantly in credit quality since initial recognition. Credit impairment evident

Impairment and provisioning policies

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent “step up” or “step down” between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Sanlam uses a scoring methodology to come up with asset ECLs. The table provide details of the key principles applied over each asset class that is in scope.

Financial asset	Description	Key principle applied
Cash and bank balances	Cash assets have been defined as cash in bank, on hand or in other accounts. These excludes liquid deposits held with financial institutions	Sanlam annually performs the bank credit risk analysis for banking institutions, within which institutions are scored and ranked. Institutions are then assigned an internal rating rank based on the score and assigned a credit rating.
Deposits with financial institutions	Deposits with financial institutions are cash transfers to financial institutions for the purposes of a term investment during which the principal can be redeemed with interest earned at the call of the investor. This will exclude any cash in a bank account that is earning interest on existing balances	Sanlam annually performs the bank credit risk analysis for banking institutions, within which institutions are scored and ranked. Institutions are then assigned an internal rating rank based on the score and assigned a credit rating.
Government Securities	This is secured or unsecured short term or long term debt issued by a sovereign Government	Sanlam utilizes a scoring methodology while reviewing sovereign debt credit risk. The scores are adjusted for credit risk ratings and a macro economic outlook adjustment.
Receivables from direct insurance arrangements	These are receivable that arise out of normal insurance business	Sanlam uses a simplified approach based on an entity’s historical default rates over the expected life of the receivables and is adjusted for forward-looking estimates.
Other receivables	These are all other receivables that are neither investment assets nor insurance receivable	These are each assessed individually based on the unique factors that include the nature, aging, collateral to determine a loss rate adjusted with a macroeconomic factor

Notes (continued)

35. Risk management (continued)

e) Credit risk (continued)

The Group has determined the level of risk as below

Financial asset	Credit risk attributes
Cash and bank balances	Assessed as low credit risk All cash is held with financial institutions with low risk of default. The cash is accessible whenever needed or on maturity of the deposits There are no adverse economic changes expected to impact the banks' ability to meet the obligations when they fall due
Deposits with financial institutions	
Government securities at amortised cost	Assessed as low credit risk All government paper is with the Government of Kenya with low risk of default The Government is able to its obligations i.e coupons and redemptions when they fall due There are no adverse economic changes expected to impact the ability of the Government to meet its obligations when they fall due
Mortgage loans receivables	Assessed as low credit risk All loans are secured on the mortgaged property thus low risk of default The collateral value covers the outstanding obligations There are no adverse economic changes expected to impact the value of the collateral or ability of the borrowers to meet their obligations

Financial asset	Credit risk attributes
Loans to policyholders	Assessed to have a mitigated credit risk loans are issued based on the cumulative surrender values of the policies thus no risk of default
Receivables arising out of direct insurance arrangements	Assessed as low credit risk A significant portion of the retail insurance covers are sold on a cash and carry basis thus low risk of default Credit is extended to select corporate clients to a maximum of 60 days assessed to have ability to settle the debt There are no adverse economic changes expected to impact the ability of the debtors to meet their obligations
Receivables arising out of reinsurance arrangements	Assessed as low credit risk Reinsurance accounts are contractually cleared on a quarterly basis and incorporate premium payable and commissions and claims recoverable thus low risk of default The Group deals with reinsurers with a high external rating thus have ability to settle the debt There are no adverse economic changes expected to impact the ability of the debtors to meet their obligations
Other receivables	Incorporates different counterparties including staff, agents and others all of which are assessed independently. The simplified approach has been applied.

Notes (continued)

35. Risk management (continued)

e) Credit risk (continued)

Maximum exposure to credit risk

The amount that best represents the Group's and Company maximum exposure before collateral to credit risk at end of year 2020 is tabulated in the industry analysis below:

Group:	Government	Services	Financial Services	Others	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Public sector stocks and loans	22,012,625	-	-	-	22,012,625
Reinsurers' share of insurance contract liabilities	-	-	1,360,653	-	1,360,653
Receivables arising out of direct insurance arrangements	-	-	1,148,029	-	1,148,029
Mortgage loans	-	-	-	99,436	99,436
Policy loans	-	-	-	197,281	197,281
IPF loans	-	-	-	3,602	3,602
Receivables and other financial assets	-	-	-	191,197	191,197
Cash and cash equivalents	-	-	2,146,452	-	2,146,452
	22,012,625	-	4,655,134	491,516	27,159,274
Company					
Receivables and other financial assets	-	-	-	26,434	26,434
Cash and cash equivalents	-	-	5,220	-	5,220
	-	-	5,220	26,434	31,654

The amount that best represents the Group's and Company maximum exposure before collateral to credit risk at end of year 2019 is tabulated in the industry analysis below:

Notes (continued)

35. Risk management (continued)

e) Credit risk (continued)

Maximum exposure to credit risk (continued)

Group:	Government KShs.'000	Services KShs.'000	Financial Services KShs.'000	Others KShs.'000	Total KShs.'000
Public sector stocks and loans	18,681,638	-	53,695	-	18,750,079
Reinsurers' share of insurance contract liabilities	-	-	751,534	-	751,534
Receivables arising out of direct insurance arrangements	-	-	938,571	-	938,571
Mortgage loans	-	-	-	106,079	106,079
Policy loans	-	-	-	250,548	250,548
IPF loans	-	-	-	23,139	23,139
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)

35. Risk management (continued)

e) 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

31 December 2020	ECL Stage 1 KShs.'000	ECL Stage 2 KShs.'000	ECL Stage3 KShs.'000	Total KShs.'000
Financial Instruments:				
Reinsurers' share of technical provisions and reserves	1,360,653	-	-	1,360,653
Receivables arising out of direct insurance arrangements	1,148,029	-	2,178,797	3,326,826
Loans	300,319	-	85,312	385,631
Receivables and other financial assets	191,197	-	-	191,197
Cash and cash equivalents	898,595	-	-	898,595
	3,898,793	-	2,264,109	6,162,902
Company:				
31 December 2020				
Financial Instruments:				
Receivables and other financial assets	26,434	-	-	26,434
Cash and cash equivalents	5,220	-	-	5,220
	31,654	-	-	31,654

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.

Group: 31 December 2019	ECL Stage 1 KShs.'000	ECL Stage 2 KShs.'000	ECL Stage3 KShs.'000	Total KShs.'000
Financial Instruments:				
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	650,529	-	-	650,529
	3,016,829	-	1,398,465	4,415,294
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 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.

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:

Notes (continued)

35. Risk management (continued)

e) Credit exposure by staging (continued)

	Loans	Insurance receivables	Cash and bank balances	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
The movement in the provisions is as follows:				
At 1 January 2020	131,333	1,310,860	2,657	1,444,850
Additional provision	-	867,937	725	868,662
Unused amounts reversed	(28,159)	-	-	(28,159)
At end of year	103,174	2,178,797	3,382	2,285,353
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

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 2020:	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Loans	300,319	-	103,174	403,493
Insurance receivables	1,148,029	-	2,158,111	3,306,140
Receivables and other financial assets	191,197	-	-	191,197
Cash and bank balances	896,911	3,382	-	900,293
Gross financial assets	2,536,456	3,382	2,261,285	4,801,123

	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
Cash and bank balances	658,439	7,910	-	666,349
Gross financial assets	1,331,284	7,910	941,921	2,281,115

f) Reinsurance Risk

Sanlam Kenya Plc makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

Notes (continued)

35. Risk management (continued)

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:

As at 31 December 2020	1 year	1 - 5 years	Over 5 years	Total
Group	Kshs 000	Kshs 000	Kshs '000	Kshs '000
Borrowings	3,067,099	-	-	3,067,099
Market linked investment contracts	2,143,761	1,190,840	657,823	3,992,423
Non-market related insurance contracts	1,619,935	6,453,130	15,200,770	23,273,835
Deposit administration contracts	-	-	2,641,567	2,641,567
Insurance payables	-	-	1,094,521	1,094,521
Payables and other charges	684,653	-	-	684,653
Lease liabilities	44,934	303,800	-	348,734
Total financial liabilities	7,560,382	7,947,770	19,594,681	35,102,833

	1 year	1 - 5 years	Over 5 years	Total
	Kshs 000	Kshs 000	Kshs '000	Kshs '000
Financial instruments	489,024	1,974,846	20,065,097	22,528,967
Loans	87,688	101,078	138,582	327,348
Reinsurance assets	1,318,325	40,085	8,291	1,366,701
Insurance receivables	1,148,029	-	-	1,148,029
Receivables and other financial assets	191,197	-	-	191,197
Deposits with financial institutions	1,249,541	-	-	1,249,541
Total	4,483,804	2,116,009	20,211,970	26,811,783
(Gap)/surplus	3,076,578	5,831,760	(617,289)	8,291,049

Notes (continued)

35. Risk management (continued)

g) Liquidity risk (continued)

Company - 2019	Less than one year
Borrowings	3,067,099
Payables and other charges	662,074
Total liabilities	3,729,173
Financial assets: Receivables and other financial assets	26,434
Liquidity gap	(3,702,739)

As at 31 December 2019 Group	1 year Kshs 000	1 - 5 years Kshs 000	Over 5 years Kshs '000	Total Kshs '000
Borrowings	3,003,845	-	-	3,003,845
Market linked investment contracts	2,987,534	1,074,092	1,174,415	5,236,041
Non-market related insurance contracts	1,341,673	4,769,922	8,505,633	14,617,229
Deposit administration contracts	-	-	1,249,509	1,249,509
Insurance payables	-	-	972,237	972,237
Payables and other charges	771,483	-	-	771,483
Lease liabilities	45,324	361,475	-	406,799
Total financial liabilities	8,149,859	6,205,489	11,901,795	26,257,143
Financial instruments	673,532	2,261,137	17,734,066	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	2,998,576	2,540,599	17,981,509	23,520,684
(Gap)/surplus	5,151,283	3,664,890	(6,079,714)	2,736,459

Company - 2019	Total Kshs '000
Borrowings	3,003,845
Payables and other charges	501,970
Total liabilities	3,505,815
Receivables and other financial assets	82,624
Total assets	82,624
Liquidity gap:	(3,423,191)

h) Insurance risk

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

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

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

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

The Group manages underwriting risk through:

Underwriting risk

- Its product development process and underwriting policy to prevent anti - selection and

Notes (continued)

35. Risk management (continued)

h) Insurance risk (continued)

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.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timorously identified, and corrective action taken. The Group's reserving policy is based on the statutory required Gross Premium Method which ensures that adequate provision is made for lapses, surrenders and paid-up policies.

Expense risk

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

Claims risk

The risk that Sanlam Kenya Plc may pay fraudulent claims (claims risk) is mitigated by employing highly trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The Sanlam forensic investigation team also advises on improvements to internal control systems.

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients.

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

Notes (continued)

35. Risk management (continued)

h) Insurance risk (continued)

Sum assured	**Number of lives**		**Before Reinsurance**		**After reinsurance**	
	2020	**2019**	**2020**	**2019**	**2020**	**2020**
Kshs'000						
0 – 3,510	161,742	174,083	98,408,681	57,154,925	82,420,372	57,153,925
3,510 – 7,020	14,639	11,762	79,448,689	59,062,140	62,340,185	48,314,336
7,020 – 35,102	12,609	7,673	170,111,969	94,867,785	81,516,675	32,590,112
35,102 – 56,164	626	316	28,924,282	13,627,326	4,452,000	1,366,112
>56,164	353	148	34,166,272	12,058,312	2,186,000	614,110
Total	189,969	193,982	411,059,894	236,770,488	232,915,232	140,038,595

Non-participating annuity payable per annum per life insured

Sum assured	**Number of lives**		**Before Reinsurance**		**After reinsurance**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Kshs'000						
0 – 143	1,958	2,003	126,823	123,021	126,823	123,021
143 – 286	979	912	206,675	185,165	206,675	185,165
286 – 428	452	403	163,931	140,977	163,931	140,977
428 – 571	263	239	135,027	118,323	135,027	118,323
571 – 714	155	139	103,270	88,849	103,270	88,849
>714	348	314	437,233	380,164	437,233	380,164
Total	**4,155**	**4,010**	**1,172,959**	**1,036,499**	**1,172,959**	**1,036,499**

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by maximum insured loss limit included in the terms of the policy.

The amounts are the carrying amounts of insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

Notes (continued)
35. Risk management (continued)
h) Insurance risk (continued)

Year ended 31 December 2020	Maximum Insured Loss				
General insurance business		Shs 3 – 15m	Shs 15 - 250m	Shs 250-1000m	Total
		KShs '000	KShs '000	KShs '000	KShs '000
Motor	Gross	45,526,595	7,873,952	3,033,886	56,434,433
	Net	3,576,981	7,873,952	-	11,450,933
Fire	Gross	24,230,316	72,263,630	46,439,680	142,933,626
	Net	3,904,000	7,959,377	562,446	12,425,823
Personal accident	Gross	306,589	2,537,826	1,022,942	3,867,357
	Net	72,000	194,000	20,000	286,000
Others	Gross	11,765,315	51,094,951	32,957,252	95,817,518
	Net	809,180	5,808,220	1,255,300	7,872,700

Year ended 31 December 2019	Maximum Insured Loss				
		Shs 3 – 15m	Shs 15 - 250m	Shs 250-1,000m	Total
		KShs '000	KShs '000	KShs '000	KShs '000
Motor	Gross	3,583,081	1,333,120	-	4,916,201
	Net	3,576,981	1,333,120	-	4,910,101
Fire	Gross	6,679,807	35,410,483	147,670,061	189,760,351
	Net	3,904,000	7,959,377	562,446	12,425,823
Personal accident	Gross	195,425	479,321	24,356,000	25,030.746
	Net	72,000	194,000	20,000	286,000
Others	Gross	907,933	8,880,863	2,881,741	12,670,537
	Net	809,180	5,808,220	1,255,300	7,872,700

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

Notes (continued)

35. Risk management (continued)

i) Capital adequacy risk

Refer to the capital management section (Note 34) 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.

36. Fair value hierarchy of assets and liabilities not measured at fair value

The table below represents the fair value hierarchy of assets and liabilities measured at amortised cost.

Group	2020	Level 1	Level 2	Level 3	
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
	Carrying value				Fair value
Loans	300,319	-	300,319	-	300,319
Deferred acquisition costs	198,477	-	198,477	-	198,477
Reinsurance share of insurance contract liabilities	1,360,652	-	1,360,652	-	1,360,652
Inventory	89,564	-	89,564	-	89,564
Insurance receivables	1,148,029	-	1,148,029	-	1,148,029
Receivables and other financial assets	191,197	-	191,197	-	191,197
Deposits with financial institutions	1,247,857	-	1,247,857	-	1,247,857
Cash and bank balances	898,595	-	898,595	-	898,595
Borrowings	2,976,861	-	2,976,861	-	2,976,861
Unearned premium	1,847,958	-	1,847,958	-	1,847,958
Provisions	34,620	-	34,620	-	34,620
Insurance payables	1,094,521	-	1,094,521	-	1,094,521
Deferred Reinsurance Commissions	119,189	-	119,189	-	119,189
Payables and other charges	684,653	-	684,653	-	684,653

Notes (continued)

36. Fair value hierarchy of assets and liabilities not measured at fair value (continued)

Group	2019	Level 1	Level 2	Level 3	
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
ASSETS	Carrying value				Fair value
Loans	379,766	-	379,766	-	379,766
Deferred acquisition costs	123,773	-	123,773	-	123,773
Reinsurance share of insurance contract liabilities	751,534	-	751,534	-	751,534
Inventory	89,564	-	89,564	-	89,564
Insurance receivables	938,571	-	938,571	-	938,571
Receivables and other financial assets	319,297	-	319,297	-	319,297
Deposits with financial institutions	544,763	-	544,763	-	544,763
Cash and bank balances	650,529	-	650,529	-	650,529
Borrowings	2,763,210	-	2,763,210	-	2,763,210
Unearned premium	1,265,707	-	1,265,707	-	1,265,707
Provisions	34,619	-	34,619	-	34,619
Insurance payables	972,237	-	972,237	-	972,237
Payables and other charges	777,502	-	777,502	-	777,502

Notes (continued)

36. Fair value hierarchy of assets and liabilities not measured at fair value (continued)

Company	2020	Level 1	Level 2	Level 3	
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
	Carrying value				Fair value
Inventory	89,564	-	89,564	-	89,564
Receivables and other financial assets	191,197	-	191,197	-	191,197
Cash and bank balances	898,595	-	898,595	-	898,595
Borrowings	2,976,861	-	2,976,861	-	2,976,861
Payables and other charges	684,653	-	684,653	-	684,653

Company	2019	Level 1	Level 2	Level 3	
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
	Carrying value				Fair value
Inventory	89,564	-	89,564	-	89,564
Receivables and other financial assets	319,297	-	319,297	-	319,297
Cash and bank balances	650,529	-	650,529	-	650,529
Borrowings	2,763,210	-	2,763,210	-	2,763,210
Payables and other charges	777,502	-	777,502	-	777,502

37. Subsequent events – Group and Company

Borrowings restructuring

Subsequent to year end, the Group restructured the borrowing, with Stanbic Bank Kenya repaying SCM and taking over the borrowing.

PROXY FORM

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

I/We ____

of ____

being member/members of SANLAM KENYA PLC hereby appoint ____________

____

of. ____

or failing him/her the Chairman of the meeting of as/ our proxy, to vote for me/ us and on my/ our behalf at the 75th Annual General Meeting of the company to be held on Thursday 3rd June 2021 and at any adjournment thereof.

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorise my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

	RESOLUTIONS	FOR	AGAINST	WITHHELD
1	THAT the Balance Sheet and Accounts for the year ended 31 December 2020 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 Ms Freda Britz is hereby elected a Director of the Company.			
3	THAT Mr Cornelius Foord is hereby elected a Director of the Company			
4	THAT Mr Rohan Patel is hereby elected 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.			

Please clearly mark the box below to instruct your proxy how to vote ____________

____

CDSC No of member (if known): ____________
(This can be found on your CDSC Statement)
Mobile Number (of the proxy holder):____________

Signed this ____________ day of ____________ 2021

____

Notes

1. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but, if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

2. This proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate.

3. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) sanlamagm@image.co.ke or delivered to Registered Office of the Company or posted to the Company Secretary P.O. Box 30099 – 00100 Nairobi, or to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 12.00 noon on 1st June 2021

4. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 2nd June 2021 at 10.00am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 2nd June 2021 at 10.00am to allow time to address any issues.

5. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. 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.

6. 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.

7. A “vote withheld” option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

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