ICEA LION
LIFE ASSURANCE

2019 INTEGRATED REPORT

INTO THE DIGITAL FUTURE

FOREWORD

ICEA LION's 2019 Integrated Report aims to provide a comprehensive overview of how we create shared value for our stakeholders. It is founded upon our relentless pursuit of best practice with regard to corporate governance and our corporate mission to sustainably protect and create wealth for our stakeholders while considering The Triple Bottom Line (TBL) of people, planet and profit.

The purpose of this report is to provide our stakeholders with concise information about ICEA LION in the context of the internal and external environment as well as our ability to create value over the short, medium and long-term.

With this report, we expect to provide all interested parties with the information needed to understand the vital role ICEA LION plays in corporate citizenship within the socio-economic sphere. We aim to share our approach to dealing with the real contemporary issues affecting the insurance sector including the evolution and in some cases revolution of demographics, climate change, the role of innovative technology, our social impact and essentially, our outlook on the future.

OUR PAST REPORTS

THE 6 CAPITALS & OUR VALUE CREATION PROCESS

For the purpose of Integrated Reporting, ICEA LION uses the 6 Capitals Model to demonstrate our value creation process. These capitals that underlie the disclosure in this Integrated Report are: human, intellectual, natural, social and relationship, manufactured and financial.

It is our belief that revealing our strengths and vulnerabilities will not only boost our bid to scale the heights of best practice with regards to relational thinking and corporate governance, but also increase our social licence to operate as we showcase the heart and soul of ICEA LION.

MATERIALITY

This report regards material aspects as those which are likely to impact our Group's ability to achieve its strategy; remain commercially viable; environmentally and socially relevant; and to substantively influence the assessment and decisions of our stakeholders. In pursuing our strategy, we will continue to carefully use the range of capitals available to us as we consider their interconnectedness. This will in turn help us create value for our internal and external stakeholders.

FRAMEWORKS USED

This report has been prepared in compliance with the International Integrated Reporting Council (IIRC) Framework. The ICEA LION Integrated Report Lab and Leadership Team have considered the IIRC guiding principles, key elements and concepts; and with the guidance of the Board of Directors applied these to the preparation of this report. This report is also aligned with the parameters of the Global Reporting Initiative (GRI), Kenya Companies Act, 2015, The Corporate Governance Code for the Private Sector, as well as guidance issued by the Insurance Regulatory Authority on Corporate Governance.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). ICEA LION Life Assurance's financial statements contained in this report were audited by PricewaterhouseCoopers (PwC).

REPORTING PERIOD & RESPONSIBILITY

The Integrated Report has been prepared for the period 1 January to 31 December 2019 and covers the activities of ICEA LION Life Assurance Company Limited and its subsidiaries. The ICEA LION Board is responsible for the Integrated Report.

ACTING AS A RESPONSIBLE LEADER

As the first signatory in East and Central Africa to UNEP Finance Initiative's Principles for Sustainable Insurance (PSI), we continue to stand by our commitment to responsible business. By signing on to these Principles, we lay down the foundation upon which we, as a player, can build a stronger relationship that puts sustainability at the heart of risk management in the pursuit of a more forward-looking and better managed world. Commitment to these Principles articulates to our stakeholders our stance towards responsible action as we consciously develop innovative risk solutions that solve current and emerging challenges. It positions ICEA LION as a market leader as we seek dominance towards shaping policies that positively influence the insurance market.

Committed Leader in the International Stage

We are committed to responsible finance as the way of assuring our future. To amplify this and make a real impact, we embrace stronger regional and international co-operation in the knowledge that we cannot change the world alone. We believe in and live up to our brand promise 'We're better together.'

In light of this, we have partnered with 21 of the world's largest insurers, representing around 10% of world premium and USD 5 trillion in Assets Under Management to develop a new generation of risk assessment tools designed to enable the insurance industry better understand the impact of climate change on their business. As the only Africa member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) insurer pilot group, we are playing an active role in the climate change agenda. We are developing analytical tools that will be used to pioneer the insurance industry's climate risk disclosures that are in line with the recommendations of the TCFD, using the latest climate science, including some of the most advanced, forward-looking climate scenarios available.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

UNEP

PSI Principles for Sustainable Insurance

In this regard, we have participated in various forums such as the PSI Market Event in Cairo - Egypt and the Global Forum on Human Settlements for Resilient Cities in Addis Ababa - Ethiopia, among others.

Our participation in such global platforms not only lends an African-voice to emerging global regulation that will soon find its way to this market, but also expands our network and collaborative engagements that helps us broaden our business opportunities. It brings us to the forefront of creating an impact and leaving the world a better place for the sake of future generations.

Looking to the future, we intend to work with our peers and industry partners within the East African space by hosting the 2021 PSI Market Event in Nairobi as we seek collaborative engagements that can help us tackle this global challenge.

As society's early warning system and risk manager, we are consistently pursuing innovation to better serve our customers and society as we seize unprecedented business opportunities to ensure an insurable, resilient and sustainable world.

In the following sections of the report, we use the concept of the 6 Capitals framework to anchor our disclosure and demonstrate the integration of strategy and sustainable development issues, material aspects, how we manage and perform for each capital.

CONTENTS

WHO WE ARE 01

ICEA LION
LIFE ASSURANCE

ABOUT ICEA LION GROUP

ICEA LION Life Assurance is the long-term insurance arm of ICEA LION Group and currently operates in Kenya and Uganda.

ICEA LION Group is a one-stop financial services provider offering innovative products and services in insurance, pensions, investments and trusts. The Group was formed as a result of a business reorganisation involving Insurance Company of East Africa Limited (ICEA) and Lion of Kenya Insurance Company Limited (LOK) in January 2012.

We are one of the largest providers of insurance and financial services in East Africa with well-established operations in Kenya, Uganda and Tanzania. True to our Group's mission to protect and create wealth, we pride ourselves in having one of the strongest balance sheets in East Africa empowering all our stakeholders.

With roots dating back to 1895, ICEA LION was integral to the dawn of commercial progress and opportunity in East Africa and we have continued to shape the region's financial landscape since then. As such, we have decades of experience in helping discerning individuals protect and create their wealth. We have done so by keeping an eye firmly on the future and embracing innovation to craft financial products and services that we know meet our clients' diverse and dynamic needs in today's constantly changing world.

ICEA LION Group is a member of First Chartered Securities (FCS), a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture. Over the years, the Group has built impressive investment portfolios in these spheres.

Our life and non-life companies are ICEA LION Life Assurance Company Ltd and the ICEA LION General Insurance Company Ltd. ICEA LION Asset Management Ltd and ITSL Trust Company Ltd are our investment and individual and corporate trusteeship companies. The insurance and investment subsidiaries in Uganda and Tanzania, previously controlled separately by Insurance Company of East Africa (ICEA) and Lion of Kenya respectively, also form part of ICEA LION Group.

Our Staff Complement Across East Africa

ICEA LION GROUP

INSURANCE • PENSIONS • INVESTMENTS • TRUSTS

ICEA LION LIFE ASSURANCE

140

ICEA LION GENERAL INSURANCE

177

Subsidiaries

ICEA LION ASSET MANAGEMENT **38**

ITSL TRUST COMPANY LIMITED **14**

ICEA LION GENERAL INSURANCE

38

ICEA LIFE ASSURANCE

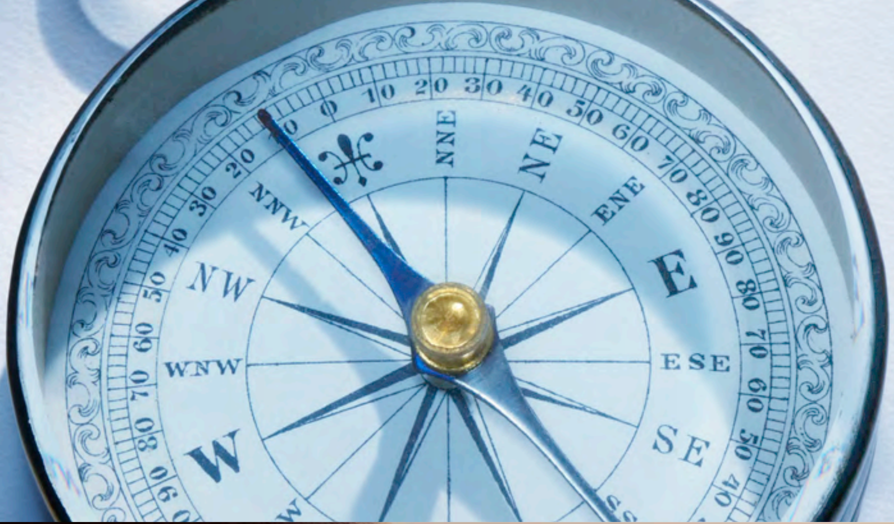
42

ICEA GENERAL INSURANCE

51

ICEA ASSET MANAGEMENT

7



OUR MISSION

To Protect and Create Wealth

OUR VISION

To be the leading Pan African provider of insurance and financial services

OUR CORE VALUES

- *We see through the eyes of the customer*
- *Our people are important to us*
- *We deliver on our promises*
- *We champion integrity*

OUR BRAND PROMISE

For every life-changing moment we're better together

OUR HISTORY

1964

Insurance Company of East Africa (ICEA) was established in 1964 by Eagle Star Insurance Company, both of the UK, and the New Zealand Insurance Company. The Company was incorporated on 10th November 1964

1965

ICEA started writing general business on 1st January 1965

1966

ICEA started writing life business in 1966

1976

In 1976, the Company's foreign shareholders sold their interests to a group of pioneering local investors, making ICEA the first privately owned local insurance company.

2000

Within the region, Insurance Company of East Africa (Uganda) Limited, a composite company (i.e. offeering both general and life products) was set up in 2000.

2012

A business reorganisation between ICEA and Lion of Kenya (LOK) gave birth to ICEA LION Life Assurance & ICEA LION General Insurance respectively; both form ICEA LION Group

OUR REGIONAL FOOTPRINT

KENYA

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UGANDA

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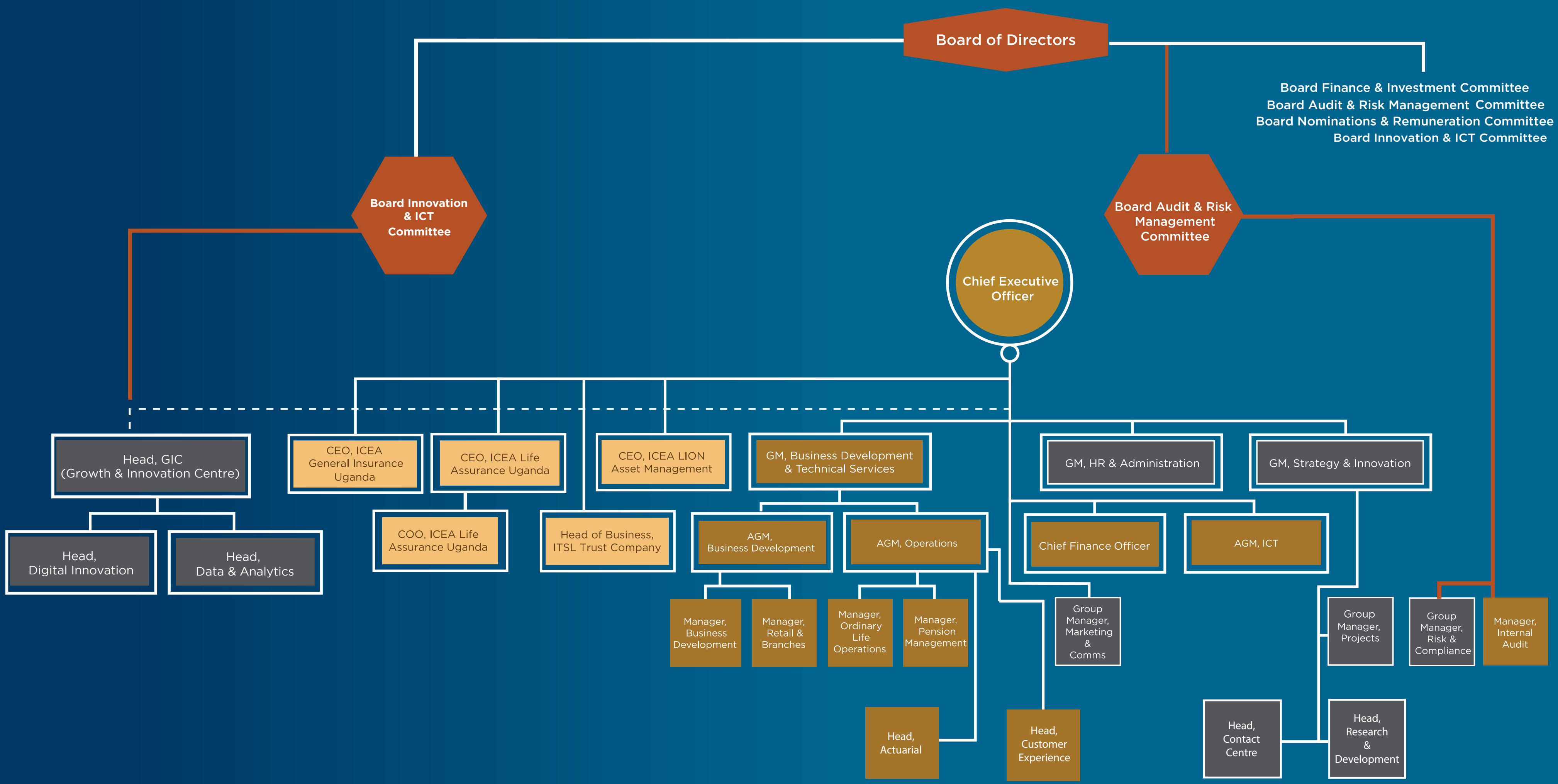
MBARARA
STANDARD CHARTERED BANK BUILDING
1ST FLOOR, BANANUKA DRIVE
TEL: +256 382 280 501 / 414 692 184

OUR LEADERSHIP STRUCTURE



KEY:

- Board of Directors
- Life Assurance Management Team
- Group Shared Services Management
- Subsidiaries Management Team

HOW WE CREATE VALUE

Creating shared value is at the core of our business strategy. This helps us focus on the right kind of profits – profits that create societal benefits rather than diminish them. Below is an illustration of how our strategy creates shared value and aligns to the Sustainable Development Goals (SDGs).

FINANCIAL CAPITAL

- Value added to the economy - Kshs 14.4 Billion
- Net Assets - Kshs 11.9 Billion
- Taxes paid - Kshs 1.14 Billion
- Local procurement 99% - purchases
- Market share - 13.35%

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

INTELLECTUAL CAPITAL

- Brand Consideration Measure of 73% in East Africa against a global average of 57%
- Brand Strength Measure of 1.9% in East Africa against a global average of 3.2%
- Brand Visibility Measure of 16% in East Africa against a global average of 24%
- Award winning advertising campaigns for millennials dubbed #BackYourFuture that garnered the Best Overall Integrated Campaign as well as Best Overall Campaign across industries in Kenya as well as 2nd Runners Up in Africa at the African Cristal Awards
- Qualified Recognised Overseas Pension Scheme (QROPS) that allows you to move your United Kingdom corporate pension to Kenya Tax free. This product offers far better returns and benefits than the UK market

MANUFACTURED CAPITAL

- Development of new products/distribution channels
- Cancer insurance product including online end to end purchase portal
- Online self-service portal that allows clients to access and update their policy information

3 GOOD HEALTH AND WELL-BEING

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

HUMAN CAPITAL

- Proportion of women staff members working at 53%
- Percentage of women in senior management at 38%
- Direct jobs sustained in entire economy - 218
- Number of staff between 20s and 30s – 17%
- Number of staff in wellbeing programs - 134
- Learning costs per employee Kshs. 64,967
- Number of Tied Life Agents – 700

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

NATURAL CAPITAL

- Signatory to UNEP FI PSI since 2016
- Participant in TCFD Insurer pilot group
- Carbon-Neutral operations
- Monitored resource usage (water, fuel, power and paper

SOCIAL & RELATIONSHIP CAPITAL

- Corporate Social Investment & Responsibility worth 16.2 million between 2013 and 2019
- Grew our social media following : Facebook over 60,000 | Twitter over 6,700 | LinkedIn over 11,200 | Instagram over 2100 | YouTube over 530

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

OUR 2019 AWARDS

1. ASSOCIATION OF KENYA INSURERS AGENTS OF THE YEAR AWARDS

Most Improved Company Award: 1st Runners Up

&

Company of the Year: 2nd Runners Up

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2. AFRICAN CRISTAL MEDIA & ADVERTISING AWARDS - MOROCCO

Insurance Digital Category : 2nd Runners Up

A jubilant ICEA LION Life Assurance team celebrates emerging 1st Runners Up in the Most Improved Category having moved up from 44 qualifiers to 68 and 2nd Runners Up Overall for Company of the Year Category.

ANTHONY KIOKO GIDEON
#10 AGENT OVERALL
Persistency #10 at 84.53%

Lucy Kabeti #11 Agent Overall Persistency #6 - 86.47%

James Nyarieko #21 Agent Overall Persistency #8 - 85.90%

Wilson Odhiambo #16 Agent

Bernice Cheptoo #25 Agent

Wycliffe Sabuti #37 Agent

Benson Mwangi #42 Agent

CHAIRMAN'S STATEMENT

I am pleased to share with you the results of our work in 2019.

The year proved challenging for businesses in Kenya with constrained private sector credit, erratic weather patterns and a general slowdown in the real estate market. Against this backdrop, ICEA LION Life Assurance registered a solid performance in terms of business growth and increased profitability.

The Company recorded gross premium and contributions for the year of KES 13 billion and a profit before tax of KES 4.2 billion. Total assets as at 31 December 2019 stood at KES 93.5 billion while shareholders' funds were KES 12.2 billion.

Details of our performance and key economic metrics that prevailed during the period are set out in the pages ahead.

INDUSTRY PERFORMANCE

According to the Insurance Regulatory Authority's Q3 Industry Report, long-term business premium grew by 11% in 2019 from KES 62.81 billion to KES 69.69 billion. The Industry's total asset base grew by 14.7% to KES 436.44 billion and was mainly composed of income generating investments.

Pensions and Life Assurance, being the main classes of business, constituted 67% of the Gross Premium Income. Total Investments as at 30th September 2019 amounted to KES 401.52 billion yielding Investment Income of KES 32.66 Billion which was an improvement of 48% over 2018. Management expenses for the period stood at KES 10.98 Billion during the same period.

Kenya's insurance penetration rate for long-term business remains at 1%. Though higher than the rest of the East African region, it lags behind global averages.

JAMES NDEGWA

KENYAN ECONOMY

Gross Domestic Product (GDP)

99.246B (USD) - 2019

87.93B (USD) - 2018

GDP per Capita

2,010 (USD) - 2019

1,711 (USD) - 2018

GDP Growth Rate

5.9% - 2019

6.3% - 2018

The decline was occasioned by unfavorable weather conditions and reduced government investment.

USD/Kshs Exchange Rate

Kshs 101.33 - 2019

Kshs 101.85 - 2018

The stable exchange rate was occasioned by the narrowing of the current account deficit. This was also attributed to strong diaspora remittances, offshore investor inflows and sufficient foreign exchange reserves.

91 Day Treasury Bill Rate

7.2% - 2019

7.3% - 2018

182 Day Treasury Bill Rate

8.2% - 2019

9% - 2018

Average Headline Inflation

5.8% - 2019

5.7% - 2018

This remained within the Central Bank's target band of 5+-2.5%. The increased inflation rate was occasioned by higher food prices.

364 Day Treasury Bill Rate

9.8% - 2019

10% - 2018

The Central Bank Rate (CBR) was dropped from 9% to 8.5% on account of contained inflation.

Private Sector Credit Growth

5.3% - 2019

3.26% - 2018

Account Deficit

4.9% of GDP - 2019

5% of GDP - 2018

The improvement was occasioned by increase in foreign exchange reserves from USD 9 billion to USD 8.9 billion being 5.6 month's import cover. This provides adequate cover against any unforeseen volatility.

UGANDAN ECONOMY

Gross Domestic Product (GDP)

62.22B (USD) - 2019

56.85B (USD) - 2018

GDP per Capita

1,090 (USD) - 2019

1,009 (USD) - 2018

GDP Growth Rate

6.8% - 2019

6.7% - 2018

The growth of GDP was mainly attributed by increased construction and mining activities.

Average Headline Inflation

2.9 % - 2019

2.6 % - 2018

GDP Growth Rate Q3

2.7 % - 2019

6 % - 2018

GDP Growth Rate Q2

6.9 % - 2019

5.2 % - 2018

USD/Ushs Exchange Rate

3670.59 Ushs/USD - 2019

3671.52 Ushs/USD - 2018

91 Day Treasury Bill Rate

9.2 % - 2019

9.45 % - 2018

182 Day Treasury Bill Rate

10.77 % - 2019

10.48 % - 2018

364 Day Treasury Bill Rate

11.2 % - 2019

11.76 % - 2018

REGULATION

Regulatory changes continued to impact the Industry in 2019.

The Risk-Based Capital requirements are expected to come into force in June of 2020. The significance will be that all insurers in Kenya will be required to maintain adequate capital commensurate with their risk profiles. The enforcement of Risk-Based Capital requirements may prompt industry consolidation and realignment, with some players needing to raise capital to meet the required threshold.

The Valuation Best Estimate assumptions introduced with Gross Premium Valuation Method in 2016 impacted on actuarial valuations of life companies in 2018. This was on account of the Insurance Regulatory Authority (IRA) maintaining the insurance interest risk margin at 20% in 2018. In 2019 however, the rate was legislated downwards to 10%. We believe this change is more in line with our market dynamics and engenders certainty in the medium term.

The Retirement Benefits Amendment Act of 2019 reduced the period within which a pension scheme can transfer funds to another underwriter from 3 years to 1 year. This change will oblige insurers to revise their investment policies to increase short term liquidity and this will affect investment returns as more assets are invested in short term liquid financial assets and instruments.

In addition, legislation on cash and carry rules was passed that requires insurers to only cover risks for which payment has been received, that premium is paid directly to insurers and that commission to intermediaries thereon be paid within 30 days.

INNOVATION

The importance of innovation is to enable our business to grow, prosper and secure its future is well understood. In order to achieve this, significant resources are allocated to the review of processes, updating of existing products and the development of new ones. In 2019, the Company developed and launched the first standalone cancer product in Kenya.

GROUP CONSOLIDATED RESULTS

Consolidated Gross Premium

14.8 B in 2019

13.6 B in 2018

Group consolidated premiums grew by 5%

Total Assets Growth

98.9 B in 2019

84.3 B in 2018

Total assets grew by 17% on account of greater business growth

COMPANY RESULTS

Total Premium & Contributions

13 B in 2019

12.1 B in 2018

Total premium and contributions was up by 7.4% to 13 Billion shillings

Total Investment Income

10.7 B in 2019

7.5 B in 2018

Total investment income increased by 43% on account of increased interest income and higher valuations of listed stocks on the Nairobi Securities Exchange.

Actuarial Surplus Generated

16 B in 2019

10.5 B in 2018

The company declared very competitive rates of interest and bonus to group and individual retirement schemes under management and to the "with profits" ordinary life policies due to strong performance.

Total Assets

93.5 B in 2019

80 B in 2018

Total assets grew by 16% from 2018.

OUR SUBSIDIARIES PERFORMANCE

ICEA LION ASSET MANAGEMENT LIMITED (ILAM)

ILAM continues to be a major player in the fund management and investment sector prudently investing its clients' assets and generating competitive returns for them. In 2019 ILAM's income grew by **16%** to **KES 415 million.** Assets Under Management stood at **KES 159 Billion** representing a growth of **20%** over **KES 133 B** in 2018

ITSL TRUST COMPANY LIMITED (ITSL)

ITSL offers trust services and scheme administration to the Group and external clients. In 2019 the Company acquired new mandates under both lines of business and achieved a **20%** growth in profit before tax to **KES 37.4 million.**

ICEA LIFE ASSURANCE COMPANY LIMITED

In 2019 the gross premium and contributions for the Uganda Life business grew by **19%** to **UGX 39.7 billion**, while assets grew by **25%** to **UGX 111 billion**. The Life Fund's strong performance enabled the Company to declare competitive rates of return to Deposit Administration schemes and bonus rates to "with Profits" ordinary life policies.

ICEA GENERAL INSURANCE COMPANY LIMITED

The Uganda General business' gross premium grew by **10%** to close at **UGX 24 billion**, while the net earned premium grew by **5%** to **UGX 11.3 billion**.

ICEA ASSET MANAGEMENT

The Uganda fund management business' Assets Under Management were **UGX 155 billion** as at 31 December 2019 while income for the year grew by **60%** to close at **UGX 557 million**

FUTURE OUTLOOK

ICEA LION is strategically poised to grow through digital transformation and capturing growth markets by carefully understanding and fulfilling, or indeed exceeding, our customer's needs. We are determined that through our definitive strategy, delivered through our talented team, and while meeting all regulatory requirements, we shall continuously delight our customers in our quest to be a leading world-class financial services company.

ICEA LION's approach is to offer the highest levels of service, compliance, good governance and ethics in our dealings with all our stakeholders. Championing Integrity remains a core value at the heart of all that the Company does.

Our Company's fundamentals remain strong and we are confident that our strategy will continue to deliver sustainable value for all our stakeholders.

APPRECIATION

I wish to express my sincere gratitude to our customers, intermediaries, fund managers, scheme administrators, trustees, actuaries, brokers and agents for their trust, support and loyalty. We also appreciate our various regulators for their efforts to raise the soundness of the industries in which we operate and take this opportunity to assure them of our support. I commend the leadership and team members in all our business units for their continued service and dedication to our Group and thank my fellow board directors for the guidance and stewardship they provide to ICEA LION Life Assurance and all its subsidiaries.

James Ndegwa

CHAIRMAN

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION LIFE ASSURANCE

2019 was a busy and exciting year for our business. We diligently executed our winning strategy. Increasing technology adoption and competition are revolutionizing insurance. Every player is competing to take the lead in new offerings. Given the intensifying competition for market share, everyone claims to be best at what they do. Interestingly, as the industry evolves, we see new competition from a different perspective; as such, we have redefined our strategy for the next phase of our growth trajectory. We are ever committed to sustaining our culture of innovation in product and service offerings, investment in the most relevant new technologies and continuous investment in human capital. All of which are the levers that continue to ensure our value creation to our customers.

FOCUS ON THE CUSTOMER & USE OF TECHNOLOGY

A company may create strong value and may even have the best technology and talent but the customer is the ultimate winner in the long run. We strongly believe that the umpire who will define our Greatness is the customer. Our desire is to enable our customers fulfill their protection and investment needs through simple, convenient, value-adding and affordable offerings. As such our most important stakeholder dominates all our actions as we deepen execution strategies to consolidate our market position. We have streamlined our processes and automated operations that align with our desire for speed and accuracy. We have trained our talent ensuring that we put our rich human capital resources in their best fit. Being a service business, we cannot afford to get human resource management wrong as our people serve our customers. Our technology investment is more than ever, being guided by the cardinal objectives of providing convenient, simple, secure, innovative and affordable service to customers, with keen passion to meet tomorrow's needs of the customer today.

As a Company we shall continue to focus on:

- Always putting customer first by understanding what the customer wants and having the technology to fulfill customer needs
- Creating value for our stakeholders
- Working with motivated workforce; leaders must constantly motivate employees to think and do things differently. We believe that companies that encourage employees to take well thought out risks to create new solutions will always be winners

WINNING TEAMS

The quality and motivation levels of our people define our future. A major reason we have confidence in our future, is we have a pipeline of energized talent at ICEA LION Life Assurance.

My appreciation goes to our valued customers who are the essence of our existence and I dedicate the strong performance for year 2019 to them. I appreciate my colleagues for their commitment to protecting and creating wealth for our customers and the Board of Directors for their continued valuable guidance.

JUSTUS MUTIGA

CHIEF EXECUTIVE OFFICER'S STATEMENT: ICEA LION INSURANCE HOLDINGS

It gives me great pleasure to offer my inaugural remarks in our 2019 integrated report having joined ICEA LION on 1st August 2019. My role is to work closely with the Chief Executive Officers' of the operating companies in overseeing the implementation of the Group strategic plan. I will also be supporting ICEA LION's Shared Services departments of Strategy, Growth & Innovation, Human Resources & Administration, Risk & Compliance as well as Marketing & Communications. The shared services support will focus on generating strong Group synergies for the Group's eight legal entities in Kenya, Uganda and Tanzania.
The Group will continue to strive for world class excellence in all its spheres of activity so as to achieve outstanding and sustainable levels of performance, which meet and exceed the expectations of all its stakeholders in the short, medium and long term.

For ICEA LION to continue to excel, we need to pay special attention to the seven foundations eloquently identified by Judge Marvyn King, in the King IV report on Corporate Governance. *These are: ethical leadership, the organisation in society, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and integrated reporting.* I am glad to observe that we indeed pay practical attention to these foundations of corporate governance and have incorporated integrated thinking in our business practices. This integrated report illustrates our integrated thinking.

As a Group we have chosen to be at the forefront of implementing initiatives that will contribute to not only our own business sustainability, but to the sustainability of our planet and the future generations who will derive their sustenance from its resources. In this regard, we continue to espouse the critical values of integrity, customer and people centricity as well as long term sustainable business practices that ensure we deliver on our promises. We also continue to ensure that trust is promoted throughout our entire stakeholder ecosystem. We are the first insurance group in East Africa to sign up to the United Nations Environmental Programme Finance Initiatives (UNEP-FI) Principles for Sustainable Insurance (PSI). This is a clear manifestation of our commitment to sustainable business practices within our industry for a more forward-looking and better managed world. As part of our ongoing commitments in this regard, we have partnered with 21 of the world's largest insurers, representing around 10% of world premium and USD 5 trillion in Assets Under Management to develop a new generation of risk assessment tools designed to enable the insurance industry better understand the impact of climate change on their business/industry.

Given our talented, focused and competent talent pool, our exemplary governance and risk management processes and our robust stakeholder management processes, I am confident that we shall continue to prosper in 2020 and beyond and I look forward to the future with great confidence.

DR. CAESAR MWANGI

OUR BOARD OF DIRECTORS

Seated at the front row from left to right: Justus Mutiga, CEO | James Ndegwa, Chairman | Dr. Peter Kamau, Director | Dr. Caesar Mwangi, Director

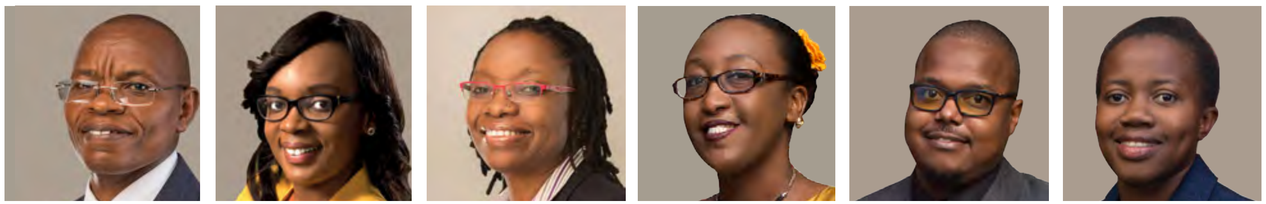
Standing & seated at the back row from left to right: Andrew Ndegwa, Director| Mugwe Manga, Director | Kairo Thuo, Director | Kennedy Ontiti, Company Secretary | Mariam Abdullahi, Director | Robin Ndegwa, Alternate Director | David Hutchison, Director | Patrick Mugambi, Alternate Director | Steven Oluoch, Director

Visit www.ICEALION.com for their individual profiles

OUR LEADERSHIP TEAM

OUR SUBSIDIARIES TEAM

OUR SHARED SERVICES TEAM



ROW 1

Justus Mutiga - Chief Executive Officer
George Nyakundi, GM - Business Development & Technical Services
Ronald Nyamosi, Chief Financial Officer
Eunah Thinwa, Assistant General Manager – Operations
Gladys Musembi, Assistant General Manager - Business Development
Christine Mutahi, Assistant General Manager - Business Development

ROW 2

Caroline Maina, Assistant General Manager – ICT
Kennedy Odenyo, Manager - Group Business Development
Kenneth Muchiri, Manager - Group Business Development
Patricia Kihara, Manager - Ordinary Life & Branches
Muiri Waichinga, Manager - Ordinary Life Operations
Felix Chomba, Manager - Pension, Deposit Administration & Actuarial

ROW 3

Enid Otieno, Manager - Internal Audit
Prisca Mwika, Head - Customer Experience
Margaret Ndungu, Head - Acturial

ROW 4

Einstein Kihanda, CEO - ICEA LION Asset Management (Kenya)
Jane Juma, Head of Business - ITSL Trust Company (Kenya)
Gabriel Kuria, CEO - ICEA General Insurance (Uganda)
Emmanuel Mwaka, CEO - ICEA Life Assurance Company (Uganda)
Anne Njugi, COO - ICEA Life Assurance Company (Uganda)

ROW 5

Dr. Caesar Mwangi - CEO, ICEA LION Insurance Holdings
Naomi Munyi, GM - Strategy & Innovation
Juliana Nguli, GM - Human Resources & Administration
Nkatha Gitonga, Group Manager - Marketing & Communications

ROW 6

John Wanjogu, Group Manager - Projects
Dorothy Maseke, Group Manager - Risk & Compliance
Jacqueline Ochieng, Head - Research & Development
Veronica Sentongo, Head - Digital Innovation
Martin Kariithi, Head - Data & Analycis
Annette Kimiywi, Head - Contact Centre

Visit www.ICEALION.com to view their individual profiles

WHERE & HOW WE OPERATE 02

ICEA LION
LIFE ASSURANCE

OPERATING CONTEXT

INDUSTRY GROWTH RATE IN KENYA

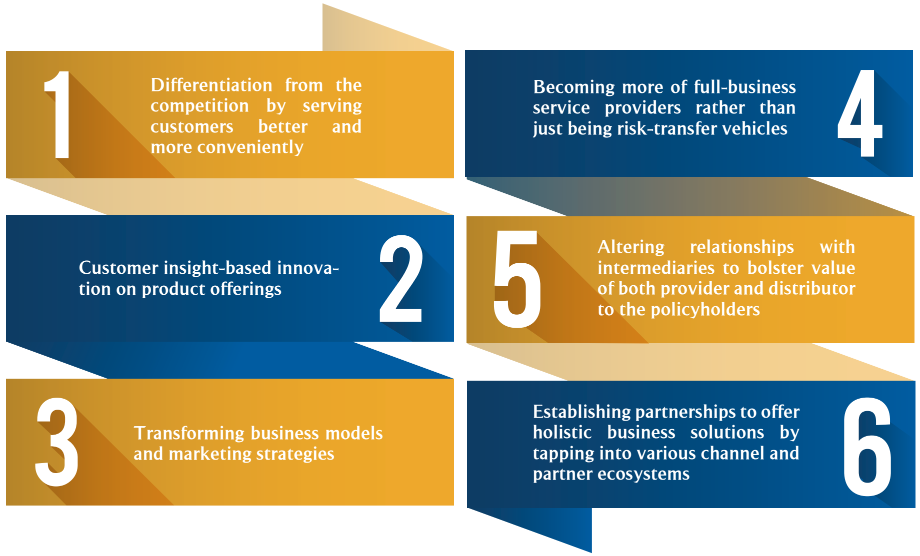
The Kenyan insurance sector remains stable with a growth rate of 6.5%, with non-life premiums recording a 3.7% growth in Quarter 3 of 2019 while the life premiums recorded a growth of 11% during the same period. The Kenya and Uganda economic indicators are as described on Pages 16-17.

INSURANCE INDUSTRY PENETRATION

The insurance industry penetration rate in Kenya remains low at 2.43 % based on an Insurance Regulatory Authority (IRA) report in 2018. The Ugandan industry-wide penetration rate stood at 1% in 2018. In East Africa, general business predominates the life business with the Kenyan proportion averaging out at 60% and while in Uganda the market is 80% general business oriented. The Kenyan Life Insurance penetration rate has plateaued at 1% over the past 5 years despite a surge in GDP growth from KES 5.4 billion in 2014 to KES 8.9 billion in 2018. This calls for a complete shift in the existing practices by the players in the industry if the economy is to deepen insurance penetration. The low penetration rate also presents a significant market growth opportunity for the industry.

COMMODITIZATION OF INSURANCE PRODUCTS

Underwriters continue to face the challenge of commoditization of insurance products. Some of the ways in which we believe offer a pathway to profitability and growth in this context include:



INDUSTRY CHALLENGES

Some of the salient issues facing the industry are:

- Far reaching regulatory change e.g. Risk Based capital requirements and accounting standards specifically IFRS 17
- Technological disruption in the face of slow pace of innovation and growth
- Industry consolidation in form of mergers and acquisitions coupled with new entrants
- Unsustainable undercutting
- Changing consumer demographic structure, tastes and preferences

At ICEA LION, differentiation and sustainable growth is the thrust of our strategy. In addition, seeking operational efficiencies continues to be an ongoing mission so as to free up funds to invest in new products, systems, business models and capabilities. Additionally, integrity and good corporate governance inform the way our business is run.

SUSTAINABLE INNOVATION

Research has shown that many insurers are still focused on enhancing legacy systems at the expense of devoting resources to transforming their business models. In most cases innovation business units lack budgets to drive broader transformation efforts across their entire organizations. Improvement in technology will not by itself foster sustainable innovation if it is not accompanied by fundamental changes in company strategy, operating models, culture and a significant emphasis on enhancing the talent pool.

FUTURE OUTLOOK & OPPORTUNITIES

Whereas emerging technologies are all the rage, at bottom, insurance remains a people business and what is critical is how it is sold and bought as well as how insurers are managed. The emerging disruptive technologies must solve a customer problem or meet a unique customer need to be of value. We see long-term opportunities in new growth markets underpinned by a technologically savvy youthful population supported by a growing regional economy.

STAKEHOLDER MAPPING

ICEA LION is committed to delivering on its mission 'To Protect and Create Wealth' for all its stakeholders. Stakeholder engagement is ingrained in our governance and strategy and is articulated in ICEA LION's Stakeholder Management Plan. These guidelines govern how we communicate, engage and release material information about the Group to ICEA LION Group's stakeholders across our network in Kenya, Uganda and Tanzania.

Significantly, ICEA LION Stakeholder Mapping is aligned to the Group Strategic Plan (2018-2022). Based on these strategic initiatives, the stakeholders are identified and appropriate engagement strategies outlined. In development of these engagement strategies, the plan bears in mind the processes required to identify the people, groups and organisations that could affect or be affected by our business activities.

ICEA LION commits to ensuring shared value is delivered for all our stakeholders. As a result, we are able to analyse stakeholder expectations and their impact on our business. Further, we are able to develop appropriate strategies and tactics for effectively engaging them in a manner appropriate to their interest and involvement in our business.

STAKEHOLDER MAP

OUR STAKEHOLDER MANAGEMENT PROCESS

We have mapped our stakeholders according to their interest and influence. This mapping allows us to define appropriate engagement strategies for each stakeholder group.

OUR STAKEHOLDERS

OUR BUSINESS MODEL

LIFE ASSURANCE
Invest customer savings to provide financial protection and create wealth

ASSET MANAGEMENT
Generate valuable returns for our customers through good investment performance

TRUSTEESHIP
Maintain custody of assets for beneficiaries in order to preserve and distribute their wealth as intended

SCHEME ADMINISTRATION
Record keepers of members benefits including data maintenance and benefit calculations. Communicators of benefit options to members and preparation of scheme accounts

Towards Shared Value
People | Planet | Profit
6 Capitals Model

Digitally-Led

Sustainability
At the core of all our interactions

GENERAL MANAGER STRATEGY & INNOVATION STATEMENT

Below is a summary of our 2019 strategy depicting what we had planned to accomplish against the actual results.

CAPTURING GROWTH MARKETS

STRATEGY

- Our Company plans to grow the retail segments for all business units by achieving TLA sales force effectiveness and Sales workforce process digitisation

ACHIEVEMENT

Our Company :

- Developed a framework for the career agent categorisation which is undergoing final review before implementation.
- Launched Phase I of the Mobile App for the sales workforce

SETTING UP A GROWTH & INNOVATION CENTRE

STRATEGY

Our Group had planned to set up a GIC Centre that would enable it transform into an innovative, customer-centric and insight-driven organisation.

ACHIEVEMENT

- The GIC has been set up and key resources recruited.
- The team developed the Data & Analytics Strategy and the Digital Strategy whose implementation has commenced and will be fast tracked in 2020.
- We commenced a test and learn process with different novel technologies and practices.
- The team also embarked on business process automation, system integration and streamlining initiatives to optimise costs and increase profitability of back-end processes.
- Please refer to page 31 for an interview with our Head, Digital Innovation.

NAOMI MUNYI

DEVELOPING CUSTOMER CONNECTIVITY

STRATEGY

- Our Group is positioning itself as the industry leader in customer experience by focusing on developing a personalised experience for its customers through enhanced digital capabilities.

ACHIEVEMENT

- Our Group has developed a Customer Relationship Management (CRM) System, a Mobile APP and has a Multi-Channel Contact Centre all aimed at ensuring better connectivity with the customer.
- Customer Contact Centre services have been extended to support the Online transformative initiatives through the successful implementation of the Customer Relationship Module (CRM), that holds all Business and Operational staff accountable.
- The Roll out of Self-Service portal to our customers also ensures 24/7 handling of customers simple service requests. The GIC has also supported the rollout of the Mobile Agent App with a specific focus on User Experience design and Analytics.
- Live chat has also been incorporated into all online channels to ease support and extend our service handling.

WINNING WITH THE PARTNER & CHANNEL ECOSYSTEM

STRATEGY

- Our Group plans to regain power in the value chain through end-customer pull and partner value propositions as well as increasing relevance to end-customers through digital channels.

ACHIEVEMENT

- Our Company has placed large emphasis on growing its direct business book and is also in the process of developing its digital channels to better connect with the Customer through CRM and mobile Applications.
- We have embarked on partnerships with major telcos, fintechs and technology providers to further our innovation agenda in our products, services and processes.

BECOMING AN INSIGHT DRIVEN ORGANISATION

STRATEGY

- Our Group strategy is to establish analytics as a winning core capability. This will be done through creation of insights to drive the business as well as improve the customer experience.

ACHIEVEMENT

- During the year, we trained a select group of staff on data analytics and has rolled out various initiatives which include: - Deploying an analytic model that provides insight on percentage of customers whose business is lost per quarter or year; anticipated profit potential and lifetime revenue per customer by income, geography, demographics, etc.; so as to more effectively target products and services.
- Driven by the insight generated by the model, we are designing strong and highly personalized loyalty programs by identifying those services, support, and promotional offers that our most valued customer segments require to remain in good standing or increase their spending with our company.
- Please refer to page 32 for an interview with our Head, Data and Analytics.

HARVESTING GROUP SYNERGIES

STRATEGY

- Our Group strategy is to establish ownership and an operating model to capture untapped value from group synergies.

ACHIEVEMENT

- The Group Synergies Committee was set up to focus on identifying and exploiting opportunities to create value for the Group and all its stakeholders; during the year a total of Kshs 1.6 billion worth of revenues was generated through group synergy.

GAINING PROFITABILITY FROM OPERATIONAL EFFICIENCY

STRATEGY

- Our Company had planned to streamline its processes to make them seamless and efficient in order to minimise operating costs and better secure our customers.

ACHIEVEMENT

- Our Company has finalized an in-depth process review and is currently working on the digitisation of self - service portals as well as integration with government entities

INTERVIEW WITH THE HEAD, DIGITAL INNOVATION

VERONICA SENTONGO

Q

"Digital Transformation" has become a buzz word in many organisations. Why is this the case?

A

Most companies are seeking a cost-effective way to deliver their products/services to a larger market. The fear of being an "immovable elephant" that gets left behind, has propelled companies to innovate and transform.

Q

I like to think that Digital Transformation is actually just the application of technology. Is this a correct assumption?

A

Digital transformation is not simply the implementation of technology. It is not only about creating the most beautiful Mobile App or having the fastest Online portal or the implementation of novel technologies like Block chain, Augmented Reality, Artificial Intelligence, Internet of Things, Cloud processing or Robotics alone. These technologies are enablers and are the first step into this realm of possibility. Providing value to your customers beyond the technology is the true transformation of your business.

Q

What are the attributes of a company that has truly transformed digitally?

A

We see that the companies renowned worldwide for Digital Transformation are able to leverage technology to transform their internal processes and customer touch points. They also have an emphasis on transforming their business culture. Additionally, their decision-making and time-to-market has evolved tremendously with a keen focus on the delicate balance between taking measured risks and security.

Q

In your view, where are we on the journey of digital transformation at ICEA LION?

A

Here at ICEA LION, the journey has earnestly began. We are working to enrich the way our stakeholders perceive and interact with us as we provide solutions to protect and create their wealth. Our true measure of success will be our ability to digitally enhance our customers' experience and fulfill our promise of delivery excellence - all the while maintaining an engaged and vibrant staff complement.

Innovation, Technology and Design Thinking are compelling us to shift our mind set from "product-first" to "customer-first". Through mindful application of technology, we can thus delightfully transform the way we interact with our customers. Their needs are our focus. We thus aim to provide the simplicity, safety, integrity and transparency that any customer - who trusts us with their future – will truly appreciate.

INTERVIEW WITH THE HEAD, DATA & ANALYTICS
MARTIN KARIITHI

Q

As a Company, where would you advise that the Data Analytics journey begin?

A

Using Data Analytics to achieve a sustainable competitive advantage and generate a significant return on analytics investment begins with a well-conceived Data Analytics strategy. This is already in place.

Q

What is the fundamental aspect of transforming a company into a Data-driven business?

A

Extracting value from data to drive intelligent business decisions requires a cultural shift within a business to institutionalize analytics-based decision management.

Q

Why should an organization consider adopting Data Analytics

A

Data and Analytics can fuel fascinating discovery and innovation. It can test hypotheses and find new patterns that may not have even occurred to Managers. Algorithms can support and enhance human decision-making. On the Life Assurance side, predictive modelling can be utilized in sales, underwriting and customer retention processes. We can extract insights such as geographical locations of clients, what they do, their interests and recent life-changing events such as marriage or birth of a child.

Q

How does Data Analytics aid in decision-making?

A

As the sources of data grow richer and more diverse, there are many ways to use the resulting insights to make decisions faster, more accurate, more consistent, and more transparent. Most profoundly, decisions no longer have to be made in the dark or based on gut instinct; they can be based on evidence, experiments, and more accurate forecasts.

Q

What does our Data Analytics strategy at ICEA LION encompass?

A

Our analytics strategy evaluates the unique business challenges in our organization, matching those challenges with relevant data and resources, and establishing processes that grow capabilities and institutionalize analytics to ensure key decision-makers have access to actionable results. Making the results accessible to business decision-makers is vital for adoption, so as a part of the strategy we work with our internal teams to build visualization and deployment solutions tailored for our production environment.

03
GOVERNANCE STATEMENTS

CHAIRMAN'S GOVERNANCE STATEMENT

"IT IS OUR FIRM BELIEF THAT GOOD CORPORATE GOVERNANCE NOT ONLY IMPROVES LONG-TERM SUCCESS BUT ALSO ASSURES SUSTAINED PERFORMANCE."

JAMES NDEGWA

On behalf of the ICEA LION LIFE Assurance Board, it is my pleasure to share with you this comprehensive 2019 Corporate Governance Report.

We are committed to achieving the highest standards possible, in terms of accountability, integrity, fairness, responsibility and transparency. In pursuit of this objective, we have put in place formal structures to support corporate governance. These structures are regularly reviewed in order to strengthen and improve them.

In light of this, we have implemented best practice governance guidelines including the King IV Corporate Governance Code to guide our governance processes. We have also used the International Integrated Reporting Council (IIRC) Framework and Global Reporting Initiatives (GRI) in our reporting process.

In this report, I highlight key features of the current corporate governance practices.

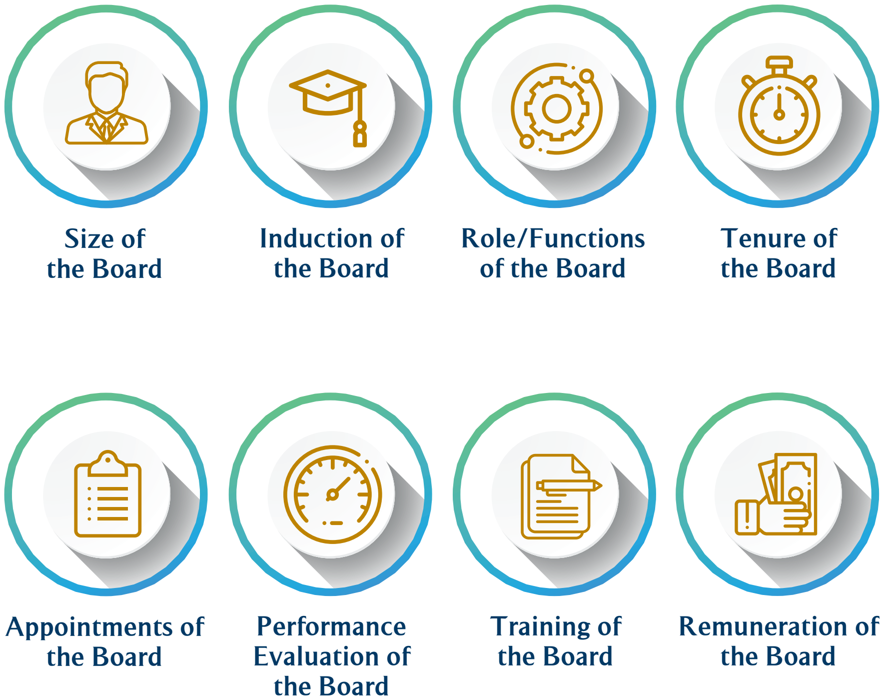
BOARD OF DIRECTORS

Our Company's Board is responsible for the development of corporate governance practice and ensuring compliance by all the Company's organs. We deliver this through Board Committees and by having in place business principles and practices as well as internal control and risk management processes that seek to ensure preservation and growth of stakeholder value.

BOARD CHARTER & WORK PLAN

Our Board Charter contains provisions that ensure that we, as the Board, observe best practice in corporate governance. Our work plan has a formal schedule of matters specifically reserved for the Board's attention to ensure we exercise full control over all significant matters. It sets out the schedule of meetings for the Board and its committees and the main business to be dealt with during those meetings. Special meetings are arranged as necessary.

OUR BOARD CHARTER



BOARD COMPOSITION & APPOINTMENTS

Our Board of Directors consists of the Chief Executive Officer, and ten non-executive directors including myself as Chairman. These Directors have a good mix of skills, experience and competencies in relevant fields of expertise. Further, these Directors meet the "fit and proper persons' criteria" in compliance with the "Guidelines of Suitability of Persons" as required by the Insurance Regulatory Authority. Directors are appointed by the Nomination and Remuneration Committee of the Board.

Recruitment of CEO, ICEA LION Insurance Holdings Ltd

Reflective of the Board's commitment to the orderly refreshment of its collective skill and experience, Dr. Caesar Mwangi was appointed as the CEO of ICEA LION Insurance Holdings Ltd. A highly respected and experienced foresight leader, Dr Caesar served as a non- executive director on the Boards of ICEA LION Life Assurance Limited and ICEA LION General Insurance Limited before his appointment on 1st August 2019. Dr Caesar has strong background in Accounting, Finance, Management, Governance and Academia. He is working worked closely with the Chief Executive Officers of each of the operating companies in overseeing the implementation of the Group strategic plan.

Diversity

Our Board recognises the benefits of a diverse skills base across the Company and is supportive of initiatives that promote diversity at all levels. Despite making some strides in this regard, we as a Company still seek to increase female representation at Board level. This continues to be a target we are eager to achieve in the near future. That said, we have made progress with regards to lowering the age profile of our Board members by introducing younger board members.

BOARD MEETINGS & INFORMATION FOR DIRECTORS

In 2019, our Board met four times on pre-set dates, to review and monitor the implementation of strategic initiatives and business plans, review quarterly financial results, approve financial reports and maintain effective control over strategic, financial, operational and compliance issues. In carrying out the above responsibilities, our Board delegates its authority to the Chief Executive Officer to oversee the day to day operations of the Company.

The notice of Board meetings is given in advance in accordance with the Company's Articles of Association and is distributed together with the agenda and board papers to all the directors beforehand, covering regular business progress reports and discussion papers on specific matters.

The Company Secretary is always available to attend to matters pertaining to the Board of Directors and Board Committees.

All reports from the Insurance Regulatory Authority, the Kenya Revenue Authority, auditors, actuaries and rating agencies are reviewed at Board meetings and appropriate action taken.

Board Evaluation

Regulations calling for board evaluation represent the minimum requirements, and this, carried out by an external consultant, coordinated by the Chairman and Company Secretary, goes beyond a check-box compliance exercise. Our evaluation contributes significantly to performance improvements on four levels that is: at the Organisational, Board, Individual Board Member and Stakeholder levels. The Board evaluations have been carried out for the past four consecutive years with significant improvements made to this end.

Governance Audit

As part of our continuous improvement and benchmarking of our governance processes, ICEA LION has undergone governance audits carried out by the Institute of Certified Secretaries (ICS-Kenya) in prior years. We continue to close these gaps as a means of continuous improvement.

ROLE OF THE CHAIRMAN & THE CHIEF EXECUTIVE OFFICER

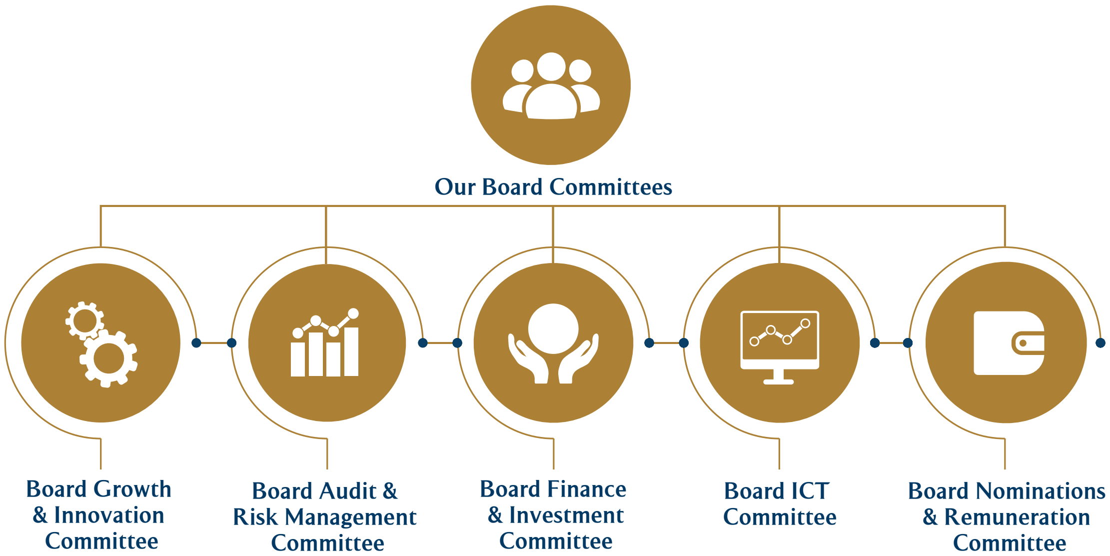
The Board is committed to a clear division of responsibilities between the Chairman and the CEO. The Chairman is responsible for managing the Board and providing strategic leadership to the Company.

The CEO directs the implementation of Board decisions and instructions. Our CEO steers our organisation to realise its strategic objectives in conjunction with the senior leadership team.

OUR BOARD COMMITTEES

Our Board has constituted several committees to assist us to discharge our responsibilities and obligations more effectively. The committees consist of at least two non-executive directors as well as members of the executive management of ICEA LION who attend by invitation. They report on their activities quarterly to the Board.

BOARD OF DIRECTORS



1. Board Audit & Risk Management Committee

This committee is chaired by a non-executive director. There are six other directors who sit on this committee. The CEO, GM (Strategy & Innovation), GM (Business Development & Technical Services), Chief Financial Officer, Assistant General Manager ICT, Manager (Internal Audit), ICT Systems Auditor and the Manager (Risk & Compliance), attend by invitation.

The committee met four times in 2019 and is responsible for ensuring that the systems and controls, procedures and policies of the Company as well as risk management activities are properly established, monitored and reported on. The committee meets to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect ICEA LION's internal control environment. Matters relating to ethics and policy holders protection are dealt with by this committee.

The Audit, Risk & Compliance Committee is also responsible for monitoring and providing effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting. Additionally, the committee is responsible for ensuring entrenchment of good corporate governance practices at ICEA LION.

2. Board Finance & Investments Committee

This committee is chaired by a non-executive director. Three other non-executive directors also sit in this committee. The CEO, the GM (Strategy & Innovation) and the CEO of ICEA LION Asset Management Limited attend by invitation.

The committee met four times in the year to review the financial and investment strategies, approve or recommend to the Board for approval investment projects in accordance with the Company's investment policy, and review the performance of the investment portfolio and monitor special projects.

3. Board Growth, Innovation & ICT Committee

In order to create a more coordinated approach towards innovation and digital transformation, in Quarter 4 2019, the Board ICT Committee merged with the previous Board Growth & Innovation Committee. Its name has therefore changed to the Board Growth, Innovation & ICT Committee. Aside from its roles of reviewing the ICT Strategy including ICT Security and Business Continuity Plans (BCP), recommending ICT projects for Board approval, reviewing recommendations on the annual budgets and monitoring project implementation, it now has an expanded role.

These new roles includes being the Board's oversight and liaison committee on formulation and implementation of our innovation agenda and related matters. Others include vetting the Company's innovation strategy and investments in innovation development prior to submission to the Board for approval. It also monitors compliance with the approved innovation strategy, including innovation portfolio mix and the progress made in its implementation.

This committee is chaired by a non-executive director. Five other directors sit in. The First Chartered Securities Group Information Systems Manager, the CEO, Assistant GM (ICT), GM (Strategy & Innovation), Manager (Risk & Compliance), The Head; Digital Innovation & The Head Data and Analytics attend by invitation. The ICT committee met three times in 2019. The Growth Innovation and ICT Committee met once in the year.

Board Nominations & Remuneration Committee

This committee is chaired by a non-executive director and includes two other non-executive directors. The committee meets at least twice a year or more frequently as required. This committee is responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment, retention and termination policies for senior management, remuneration framework as well as succession planning.

BOARD OF DIRECTORS MEETING ATTENDANCE

Board of Directors					
Name	**Designation**	**19.03.2019**	**18.06.2019**	**20.09.2019**	**29.11.2019**
J P M Ndegwa	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Alternate Director	√	√	√	√
R M Ndegwa	Alternate Director	√	√	√	√
P W Kamau	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
Mr M Manga	Member	X	√	√	√
Ms M Abdullahi	Member	√	√	√	√
Mr K Thuo	Member	X	√	√	√
S O Oluoch	Member	√	√	√	√
J M Mutiga	Chief Executive Officer	√	√	√	√

Board Audit, Risk & Compliance Committee					
Name	**Designation**	**06.03.2019**	**19.06.2019**	**17.09.2019**	**26.11.2019**
P W Kamau	Chairman	√	√	√	√
A S M Ndegwa	Member	√	√	√	√
J K Kimeu	Member	√	√	√	√
D G M Hutchison	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
R M Ndegwa	Member	√	√	√	√
Dr C Mwangi	Member	√	√	√	√
J M Mutiga	Chief Executive Officer	√	√	√	√

Present √ Absent with Apologies X

Board Nomination & Remuneration Committee			
Name	Designation	04.03.2019	05.11.2019
J P M Ndegwa	Chairman	√	√
A S M Ndegwa	Member	√	√
Dr. C Mwangi	Member	√	√
J K Kimeu	Member	√	√
J M Mutiga	CEO	√	√

Board ICT Committee				
Name	Designation	18.03.2019	17.06.2019	16.09.2019
D G M Hutchison	Chairman	√	√	√
A S M Ndegwa	Member	√	√	√
J K Kimeu	Member	√	√	√
P K Mugambi	Member	√	√	√
Mariam Abdullahi	Member	√	√	√
M Manga	Member	√	X	√
J M Mutiga	CEO	√	√	√

Board Growth & Innovation			
Name	Designation	09.05.2019	16.09.2019
D G M Hutchison	Chairman	√	√
A S M Ndegwa	Member	√	√
M Manga	Member	√	√
Mariam Abdullahi	Member	√	√
J M Mutiga	CEO	√	√

Board Growth, Innovation & ICT Committee		
Name	Designation	25.11.2019
M Manga	Chairman	√
A S M Ndegwa	Member	√
J K Kimeu	Member	√
P K Mugambi	Member	√
Mariam Abdullahi	Member	X
J M Mutiga	CEO	√

Board Finance & Investment Committee					
Name	Designation	18.03.2019	17.06.2019	16.09.2019	25.11.2019
A S M Ndegwa	Chairman	√	√	√	√
J K Kimeu	Member	√	√	√	√
P K Mugambi	Member	√	√	√	√
M Manga	Member	√	√	√	√
J M Mutiga	CEO	√	√	√	√

Present √ Absent with Apologies X

Attendance at Full and Board Committee meetings was commendable

PRINCIPAL OFFICER & SENIOR MANAGEMENT

In our commitment to strengthen efficiency and executional capability, we have in place a strong management team. The calibre of our senior leadership team has ensured that risks and governance have been well managed throughout the year with a clear commitment to not only doing things in the right way but also doing the right things. Our team has the requisite qualifications and experience in their respective fields. We also meet the "fit and proper persons' criteria" in compliance with the "Guidelines of Suitability of Persons" as required by the Insurance Regulatory Authority.

Directors have been inducted on how the Group manages and governs itself, how we make decisions, what we stand for and the standards of governance we wish to retain.

OUR SUSTAINABILITY PRACTICES

Long-term sustainability is a key pillar anchored to our internally adopted best-practice corporate governance practices. ICEA LION has been a signatory to the United Nations Environmental Programme Finance Initiative (UNEP FI) Principles of Sustainable Insurance (PSI) for the past four years. These principles provide a global roadmap to develop and expand innovative risk management and insurance solutions that promote social and environmental protection, inclusive insurance, renewable energy, food security, clean water, sustainable cities and disaster-resilient communities. Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance and contribute to environmental, social and economic sustainability while creating shared value.

The aim of the Principles is to lay a foundation upon which as a player, we can build a stronger relationship that puts sustainability at the heart of risk management in the pursuit of a more forward-looking and better managed world.

Commitment to the Principles articulates to our stakeholders our stance towards responsible action as we consciously develop innovative risk solutions that solve current challenges. It positions us as a market leader as we seek dominance towards shaping policies that positively influence the insurance market.

Our Role in Climate Change

As the only Africa member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) insurer pilot group, we are playing an active role in the climate change agenda. As a member of this pilot group, we are working with 21 of the world's largest insurers, representing around 10% of world premium and USD 5 trillion in assets under management to develop a new generation of risk assessment tools designed to enable the insurance industry to better understand the impacts of climate change on their business.

The pilot group is developing analytical tools that will be used to pioneer insurance industry climate risk disclosures that are in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

We have been active in this scene and have contributed our resources in supporting this initiative including participating in a series of round-tables and workshops where we have tabled information on the African view and experience, presented and analyzed data, among other tasks that are expected of pilot group members.

Our future outlook is to bring on board more insurance companies and walk with them on this journey as we tackle this global challenge.

INTERNAL CONTROL & RISK MANAGEMENT SYSTEMS

Our Company is exposed to a variety of risks which can have a negative impact on our stakeholders. We have put in place a strong integrated risk management process in our daily business activities as well as solid corporate governance structures that promote effective identification, monitoring and management of risk.

These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programmes for staff. The latter are intended to enable staff to attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

Our Company has established a fully-fledged risk management and compliance function headed by a senior officer. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team.

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. We also have in place an independent internal audit function headed by a senior officer. This function reviews the adequacy and effectiveness of ICEA LION's adherence to its internal controls as well as reporting on strategies, policies and procedures.

Our internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

These systems are designed to:

The Board satisfies itself that the internal control framework is operating effectively through:

COMPLIANCE & ANTI-MONEY LAUNDERING

The sustained success of our Company is based on trust, respect and the responsible, integrity-enriched behaviour of all our employees. With our compliance and anti-money laundering programme, ICEA LION follows local and international guidelines and standards for rules-compliant and values-based corporate leadership.

These guidelines include:

- Corporate Governance Code for Private Sector Organisations;
- Anti-Money Laundering Guidelines by the Insurance Regulatory Authority (IRA);
- UK Corporate Governance Code;
- Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance;
- King IV Report; and
- Financial Action Task Force (FATF) among others

By recognising and supporting these local and international principles, we manage the risk of violating legal and regulatory provisions and requirements (compliance risks). This also means that our stakeholders benefit from the fact that sustainability and social responsibility are integrated into corporate behaviour. The Company has been careful to ensure that we adhere to and continuously improve our standard of corporate governance. In light of this, we will continuously work toward full compliance to the King IV Governance code.

The standards for conduct established by the ICEA LION's Code of Business Conduct and Ethics serve to implement these guidelines and principles which are obligatory for all employees.

The Code of Conduct and other internal guidelines adopted on its basis provide all employees with clear guidance on conduct that is in accordance with the values of the Company. They provide employees with practical guidelines for making their own decisions and avoiding potential conflicts of interest.

These guidelines also help employees recognise when they are approaching a critical limit, such as the acceptance of gifts or invitations from business partners.

The Code of Business Conduct and Ethics also forms the basis for guidelines and controls to ensure fair dealings with our customers. In cases of doubt, the compliance department provides advice.

The tasks of the compliance team include advising the business units on laws, provisions and other regulations, the creation, implementation and monitoring of compliance with internal guidelines and standards as well as regular training of employees on applicable rules.

A major component of the compliance programme is an independently managed whistle-blower system that allows employees to alert the compliance and audit departments confidentially about irregularities.

Employees who voice concerns about irregularities in good faith should not fear retribution in any form, even if the charge later turns out to be unfounded. To transmit the principles of the Code of Conduct and other compliance guidelines and controls effectively, we have developed interactive training programmes.

ACTUARIAL FUNCTION

ICEA LION has in place an in-house actuarial function. This function evaluates and provides advice to our management regarding at a minimum, technical provisions, premium and pricing activities, and compliance with related statutory and regulatory requirements.

The Company has further contracted the “Appointed Actuary” who is a Fellow of The Actuarial Society of Kenya in compliance with the Actuarial Function guidelines released by the Insurance Regulatory Authority.

CONFLICT OF INTEREST

Our Directors are required to act in the best interest of ICEA LION at all times. It is our policy to ensure that Directors avoid putting themselves in positions whereby their interests’ conflict with ICEA LION’s interests. Any business transacted with the Directors or their companies must be at arm’s length and fully disclosed.

Our Board has adopted a policy which ensures that directors, management and staff disclose all possible conflict of interest sources and are required to exclude themselves in decisions where conflict of interest may arise.

DIRECTORS’ EMOLUMENTS

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 39 (iii) to the financial statements for the year ended 31 December 2019. (See page 172)

RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 39 to the financial statements for the year ended 31 December 2019. (See page 172)

COMPLIANCE WITH THE LAW

Our Board is satisfied that ICEA LION has, to the best of its knowledge, put in place mechanisms to ensure compliance with all the applicable laws. To the knowledge of the Board, no director, employee or agent of the Company acted or committed any indictable offence in conducting the affairs of the ICEA LION nor been involved or been used as a conduit for money laundering or any other activity incompatible with the relevant laws.

CONDUCT OF BUSINESS & PERFORMANCE REPORTING

ICEA LION’s business is conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed on a regular basis by the management team. Management prepares a quarterly business review report which is presented to the Board and any issues arising are fully discussed. Performance trends, forecasts as well as actual performance against budget are closely monitored.

DISCLOSURE OF INFORMATION & RELATIONSHIP WITH THE INSURANCE REGULATORY AUTHORITY

ICEA LION shares information on its financial position and the risks to which it is subject to. This information gives a well-rounded view of our Company and includes financial position, performance, and corporate governance among others. This information is shared with the Insurance Regulatory Authority and other relevant stakeholders.

ACCOUNTABILITY, AUDIT & SHAREHOLDER RELATIONS

Our Board recognises its responsibility to present a balanced and understandable assessment of the ICEA LION’s financial position and prospects.

Our financial statements are prepared in accordance with IFRS and the requirements of the Kenyan Companies Act 2015 and are audited in accordance with International Auditing Standards. Our Directors recognise and have confirmed our responsibility over the financial statements and have provided other information in this integrated report that we consider useful to shareholders and other stakeholders.

STAKEHOLDER GROUPS

We take cognizant of the fact that we can only thrive if we balance the interests of our key stakeholders. The target operating model puts market management as well as customer value at centre stage with customer centricity and innovation programmes having been defined. In order to assure its progress, we measure our customers’ satisfaction and brand value.

Our Company cannot excel in customer experience excellence and market success without the support and commitment of its employees. As a result, we are strongly investing in our talent pool by providing opportunities for personal and institutional development. Significantly, training is geared towards knowledge that will aid us to deliver on strategy especially in the coming age where skills sets like data and analytics will be more critical.

Further, 9 Managers qualified as Certified Engagement and Productivity Coaches (CEPC) from the International Coach Federation (ICF) with another 12 undergoing this very impactful training. Inculcating coaching as our culture will result in our people maximizing their personal and professional potential. In addition, a select team of 9 high-potential mid level team members went through the Africa Leadership University (ALX) accelerator programme to develop our next generation of leaders.

It is my pleasure in the spirit of disclosure in this integrated report, to introduce the statements from our Board Committee Chairmen.

BOARD FINANCE & INVESTMENT COMMITTEE REPORT

ANDREW NDEGWA

"We are committed to safeguarding the Company's investment assets and delivering sustainably competitive returns for our stakeholders on a consistent, sustainable and ethical basis."

It is my pleasure to report to you the activities of our Board Finance and Investment Committee for the year ended 31 December 2019.

The Committee is charged with the responsibility of:

- Reviewing investment policies and strategies
- Monitoring compliance with the approved investment strategy including investment mix and the progress made towards its implementation
- Monitoring the performance of the investment portfolio
- Recommending investment proposals to the Board for approval and overseeing investment projects
- Reviewing and recommending to the Board the Company's asset allocation policies and strategies including asset liability matching
- Engaging investment managers and consultant

During the year the Committee has:

- Considered the Economic outlook and its implications on the Company's investment strategies
- Reviewed the proposed investment strategies for the Company's asset portfolios
- Reviewed the Asset and Liability Matching reports for the Company on a quarterly basis and evaluated the liquidity gaps as well as assets durations for the various investments
- Considered compliance of the investment portfolios with the regulatory framework as stipulated by the Insurance Regulatory Authority
- Reviewed the performance of the investment portfolios against various measures which include liquidity, interest rates, relative performance, market and tactical allocations
- Vetted the annual investments budgets
- Reviewed strategies to ensure high properties occupancy rates
- Considered the property managers reports to ensure the properties are maintained in good condition and progress made on tenants debtors collections
- Approved investments, divestiture, expenditure and related decisions within the limits granted by the Board

During the year the Group and Company's investment portfolio performed as follows:

Figures in KSH

Group Investment Assets

93.6 B in 2019

78.9 B in 2018

Group Investment Income

11.2 B in 2019

7.9 B in 2018

Group Return on Investments

12% in 2019

10% in 2018

Company Investment Assets

90 B in 2019

75.8 B in 2018

Company Investment Income

10.7 B in 2019

7.5 B in 2018

Company Return on Investments

12% in 2019

9% in 2018

BOARD AUDIT & RISK MANAGEMENT COMMITTEE STATEMENT

DR. PETER KAMAU

> *Following best practices in risk management and internal controls augments our quest towards promoting ethical standards within the organisation.*

As Chair of the Audit and Risk Management Committee, I am pleased to present our report. The committee meets quarterly to review external auditors' plans and reports, internal audit reports and any proposals or reports that affect our Company's internal control environment. Matters relating to ethics and policy holders' protection are dealt with by this committee.

The Audit and Risk Management Committee is also responsible for monitoring and providing effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting.

Additionally, the committee is responsible for ensuring entrenchment of good corporate governance practices.

AUDIT & RISK COMMITTEE ACTIVITIES IN 2019

During the year, the Committee:

- Reviewed the Group's Integrated Report
- Reviewed the effectiveness of the internal controls and the work of Risk and Internal Audit functions
- In respect of financial statements, the Committee's focus was:
    - » The accounting judgments made by management that could have a significant effect on the Group's financial results
    - » Oversight of ICT changes affecting financial systems and controls
    - » The clarity of disclosure of financial information
    - » Whether the financial statements, taken as a whole, give a true and fair view of the Company's financial performance
- Key policies approved by the committee during the year were Transfer Pricing and IFRS 16
- Reviewed filing of various statutory returns in Kenya and Uganda

The Statement of Directors' Responsibilities on this can be found on page 91 of this report.

Company Capital Adequacy

The Committee reviewed and affirmed that the Company's capital adequacy status was adequate. Further, the Capital Management strategy in place was sound and capable of supporting the Company's planned growth strategy.

Information Technology

As part of its oversight responsibility, this Committee reviews controls over ICT.

Our Company has a qualified ICT systems auditor who reviews ICT systems general controls with an aim of providing an independent assurance on the effectiveness and efficiency of IT controls.

Aside from that, working with the internal auditors, external auditors and external technical reviewers, our Committee was able to review the status of the Company's information security processes.

Cyber security continues to be top on the agenda with focus placed on the development of a group-wide cyber security strategy to be implemented by all subsidiaries. No major information security breaches were noted in 2019.

Internal Control & Risk Management

The Board has overall accountability for ensuring that risk is effectively managed across our Group. On behalf of the Board, this Committee has the responsibility of reviewing the effectiveness of internal controls including financial, operational and compliance controls.

In order to do this, Our Committee:

- Receives and agrees on appropriate actions in response to regular reports from the Risk & Internal Audit function on:
  - The status of internal control and risk management systems
  - The department's findings, annual plan and the resources available to it to perform its work
  - Any concerns expressed by colleagues about possible malpractice or wrongdoing
- Reviews whistle-blowing reports from our Company; and reviews the external auditor's management letter on internal financial controls
- Seeks reports from senior management on the effectiveness of the management of key risk areas; and monitors the adequacy and timeliness of management's response to identified audit issues

The Company's principal risks are set out from pages 52 to 60 of this report.

The main features of our Company's internal control and risk management systems relating to the accuracy and reliability of financial reporting, including the process for preparing the Integrated Report are:

- Recruitment of suitably qualified & experienced finance team members
- Segregation of duties, clear lines of accountability & delegation of authority
- Policies & procedures that cover financial planning & reporting, preparation of financial & non-financial information and capital expenditure
- A robust period end review process including review and commentary from process owners
- A tiered review process for external financial reports involving internal stakeholders from relevant areas of the business

EFFECTIVENESS & INDEPENDENCE OF THE EXTERNAL AUDITOR

Our Committee considered the effectiveness of Pricewaterhouse Coopers (PWC) LLP as the external auditor over the last year. In making this assessment our Committee has considered the information presented by the auditors, management responses to the auditor's findings, including any adjustments and the level of audit fees.

To fulfil its responsibilities in respect of the independence and effectiveness of the external auditor, our Committee reviewed:

- Terms, areas of responsibility, duties & scope of work of the external auditor
- Audit work-plan for the Group
- Detailed findings of the audit including a discussion on major issues that arose during the audit
- The letter from the external auditor confirming its independence and objectivity
- The Auditor's Fee

The Committee is satisfied with the performance and independence of the external auditor.

INTERNAL AUDIT

The Internal Audit department reviews the adequacy and effectiveness of our Company's adherence to its internal controls as well as reporting on strategies, policies and procedures. The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material financial misstatements or loss.

Our Committee reviewed the proposed internal audit methodology and work plan. During the year, the internal audit department carried out internal audit engagements reviewing various functions within the Company.

2019 Internal audit focus areas are highlighted below:

Audit Focus Area	Meeting Dates In 2019	Overall Rating
Ordinary Life Operations	6th March	
Lapsed Policies	"	
ICEA LION Life Management Systems	"	
Investment Properties	19th June	
It Vendors & Internal Services Management	"	No significant failings or weaknesses of internal control were identified during these reviews.
Data Centre Operations & Business Continuity Planning	"	
Bank Reconciliations	18th September	
Group Risks Business	"	
Financial Investments	"	Where limited weaknesses existed and controls could be further enhanced, clear action plans were put in place with defined management responsibility.
Network Infrastructure Operations & Windows Active Directory	"	
Electronic Data Management System Audit	"	
Annuities	27th November	
Tied Life Agents Performance	"	
Navision Financial System Audit	"	

Our Committee is satisfied with the performance of the internal audit function and will continue to provide support in ensuring it is able to achieve its mandate effectively.

FUTURE OUTLOOK

Our Committee understands the importance of a robust risk management process and control environment and looks to progressively strengthen it over time in this era of uncertainty. In light of this, new methodologies and best practices on audit and risk management will continuously be deployed with the aim of improving our Company's risk intelligence and internal control framework.

BOARD NOMINATIONS & REMUNERATION COMMITTEE REPORT

As the Chair of the Board Nominations and Remuneration Committee, I am pleased to report on the activities of the Committee for 2019.

This Committee considers and makes recommendations regarding the appointment of potential directors and is responsible for the evaluation of the performance of the Board, its committees, and directors as well as succession planning. The Committee reviews and makes appropriate recommendations to the Board in relation to the necessary and desirable competencies of directors.

The Committee is also responsible for making recommendations to the Board on executive remuneration and incentive policies, recruitment, retention and termination policies for senior management, the remuneration framework for directors, among other matters.

KEY CONSIDERATIONS AND ACTIVITIES

During the year the Committee:

- Considered and approved the 2019 staff performance appraisals and 2019 Profit Share proposals
- Considered and approved the 2019 salary increments
- Reviewed the Company's ongoing compliance with regulatory and Best Practice Corporate Governance Codes
- Oversaw the recruitment of senior management
- Reviewed and approved enhancements to the employee benefits structure
- Considered and approved an implementation plan for job evaluation
- Considered and approved additional human resource policies

APPOINTMENT OF CHIEF EXECUTIVE OFFICER

ICEA LION INSURANCE HOLDINGS LIMITED

Reflective of the Board's commitment to the orderly refreshment of its collective skill and experience, Dr. Caesar Mwangi was appointed as the Chief Executive of ICEA LION Insurance Holdings Ltd. This is a new position within the ICEA LION Group and one that works closely with the Chief Executive Officers of each of the operating companies in overseeing the implementation of the Group's strategic plan.

A highly respected and experienced foresight leader, Dr Mwangi served as a non-executive director on the Boards of ICEA LION Life Assurance Limited and ICEA LION General Insurance Limited before his appointment on 1st August 2019. Dr Mwangi has a strong background in Accounting, Finance, Management, Governance and Academia.

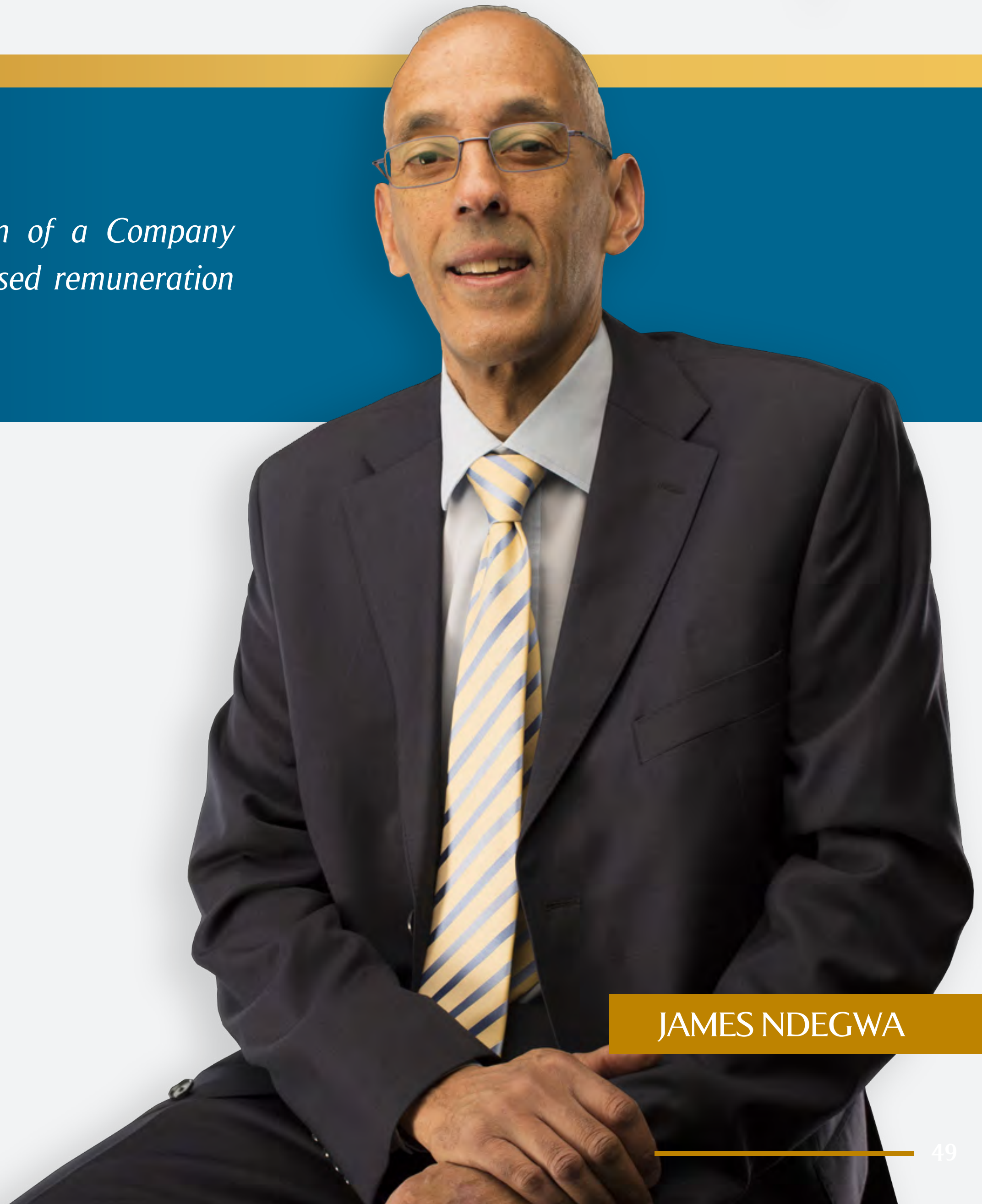
The Committee's mission is to support the Board's Vision of a Company characterised by integrity, robust governance and performance-based remuneration and reward.

REMUNERATION PHILOSOPHY

Our Company is committed to a remuneration philosophy that prevails throughout the ICEA LION Group, and one which focuses on rewarding consistent and sustainable individual and corporate performance.

Our Company's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, operational and strategic requirements of the Company, and providing attractive and appropriate remuneration packages.

Our remuneration practices of the Company have been structured to be competitive in the rapidly evolving industry in which it operates and to ensure that the Company can attract, motivate, reward and retain highly talented people.



JAMES NDEGWA

BOARD INNOVATION & ICT COMMITTEE REPORT

MUGWE MANGA

> *More than ever before our global economy is being enabled by the power of technology. It is estimated that by 2030 humanity shall have over 50 billion devices connected to the internet. The insurance industry is not immune to this digital revolution.*

In 2019, we witnessed the introduction of the virtual motor insurance certificate developed by the Association of Kenya Insurers (AKI). This exhibits the industry's step forward towards a digital future that will help create transparency in the motor industry and other businesses. As such, ICEA LION has taken positive action in becoming a part of this digital revolution with the emergence of the newly formed Growth and Innovation Centre (GIC) whose board committee has now merged with the Information, Communications & Technology (ICT) Committee to form the Innovation and ICT Committee.

It is without doubt that we are beginning to feel its dynamism as we move across its futuristic wake of advancements. We are delighted to highlight the following achievements in 2019 that focused on digital transformation projects :

- Online e-commerce portals for online sales of cancer and motor insurance products
- Online portal that provides customers with self-service capabilities
- Mobile application for our life assurance agents to digitally manage the sales cycle, on boarding and portfolio management
- Core system improvements arising from process optimization leading to shorter service turnaround times
- Digital motor certificates for real-time issuance of certificates for motor policies purchased online
- Service provider integrations to provide connectivity with our brokers, assessors, medical providers and garages.

OUTLOOK FOR 2020

In the year 2020 the Innovation and ICT Committee looks to deepen its reach in the digital transformation initiative through strategic partnerships, internal innovation strategies and customer connectivity initiatives. Special focus will be placed on enhancing core systems and applications to further improve efficiency in service delivery. Cyber security, ICT risk management and business continuity continues to be a key area of focus for the committee to address the rising challenges that emanate from increased use of technology.

APPRECIATION

I would like to take this opportunity to thank the entire ICEA LION Group team working on ICT and Innovation projects for their unwavering focus in transforming ICEA LION into an innovative and digitally-driven market leader.

04

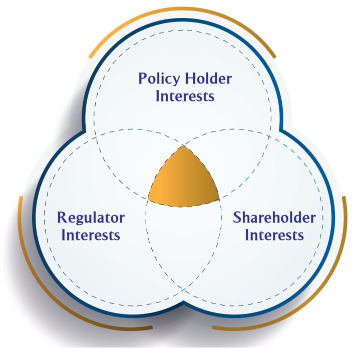
OUR RISK LANDSCAPE

MANAGING CURRENT RISKS

The business of a life insurer is to manage collective risks passed to it by its policyholders. The primary risks that are managed by life companies are those due to the uncertainties caused by the demographic determinants of life assurance claims; that is, due to the incidence of death and survival among its policyholders. For us, just like all other life insurance companies, risk management is becoming increasingly complex. Products sold have attained a sophistication that requires more stringent risk management principles, and the risk landscape to which the Company is exposed has also changed radically.

UNDERSTANDING INTERESTED PARTIES.

The following are three main interested parties, namely; the policyholders, the shareholders and the regulators whose interests must all be protected at all times.



We are exposed to the following risks within the course of our day to day business:

1. Insurance Risk

This is the risk that the cost of contractual claims will be higher than that assumed in the premium basis. This risk has two elements; the amount of claim and the incidence of claims. Insurance Risk is managed by ensuring there is clear separation of risk takers from risk managers. The Company has significant exposure to protection and annuity products which makes management of insurance risks a major focus. Under the savings- type products we focus on the management of persistency risk which is a key driver of this risk.

The main way to control claim incidence rates is by underwriting which classifies applicants into various risk groups. Reassurance is also used as a means of balance sheet protection.

2.0 Business Risks

This is the contribution to the company's risks caused by our trading activities. We have further divided this into the following elements:

EXPENSE RISK

The Company incurs expenses of management policy administration, marketing, investment, and reassurance, actuarial and supervisory obligations). Expenses are monitored to ensure total expenses incurred are not more than those assumed in premium loadings.

DISCONTINUANCE RISK

Discontinuance risk occurs when a policy is lapsed or surrendered. A surrender value is payable on termination. Care is taken to ensure surrender values are based on realistic reserves to avoid paying surrender values higher than values of the policies.

DISTRIBUTION RISK

This is avoided by distributing less of the estimated profits and appropriate reserving. We maintain a level of statutory free assets in order to provide a financial cushion against future adverse experience thereby providing necessary flexibility to achieve business objectives as a means of mitigating this risk.

DATA RISK

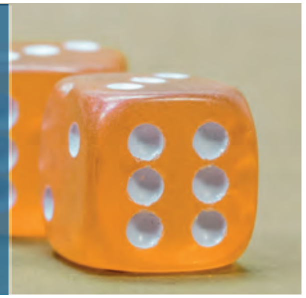
Insufficient data is a common problem for insurance companies which may lead to the making of wrong assumptions during pricing and product development. As a result, data accuracy is a key area of focus for us and many times data from other sources such as industry, population and reinsurers is used to complement our own internal data.

GUARANTEES RISK

Some of the products offered by the Company offer guarantees on interest and impairment of capital by investment loss. The products with guarantees are: Deposit Administration (DA) and Personal Retirement Scheme (PRS) whereby there is the risk that capital may be impaired by investment loss and interest and Annuity which has the guaranteed interest element on annuities. These guarantees have costs and to manage them we have built sufficient reserves with an appropriate investment strategy.

NEW BUSINESS RISK (VALUATION STRAIN)

This is the risk that there is the strain on the business due to inadequate premium amounts in initial years, which may not be enough to cover for the expenses, commissions and statutory reserves. New business may also cause strain on the institution's infrastructure rendering it unable to meet is objectives effectively. The Company ensures adequate reserves are maintained to facilitate business growth. Further, we are continuously expanding our infrastructure to match business growth.



In order to ensure that we are able to meet our contractual liabilities to policyholders, the Company manages its assets in a sound prudent manner, taking into account the profile of its liabilities, its solvency position and its complete risk-return profile. We have established a well-defined risk tolerance and desired target return that we wish to achieve in our overall operations. The appropriateness of the asset allocation underpins our investment strategy which is reviewed periodically to ensure the Company is well protected.

The Board is responsible through the Board Investment Committee (BIC) and Management for ensuring sound and comprehensive investment and risk management policies which adhere to applicable regulations.

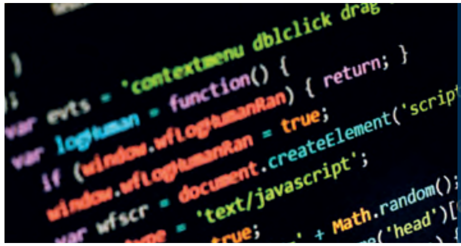
3.0 Other Risks

STRATEGIC RISKS

The risk that strategic outcomes may differ adversely to expectations or that the strategy chosen may be suboptimal. There are adequate controls and oversight processes with regards to strategic initiatives including regular updates and progress tabled at the Board.

CREDIT RISKS

This refers to financial loss due to counterparties not being able to fulfil their contractual obligations. Counterparties may not be able to pay their ongoing obligations (for example, interest on a corporate bond or rent by a lessee) or they may not be able to meet their obligations. There is continuous engagement with all relevant stakeholders with regards to follow-up of debts. The Company has developed and complies with a board-approved a counter-party risk model.



OPERATIONAL RISKS

These risks include losses arising from inadequate or failed internal processes, human errors or external events. Human capital management, cyber/ICT and fraud risk management processes are in place. Oversight of operational controls take place across the three lines of defence.

INVESTMENT RISKS

Risks due to investment performance, which may fall short of the benchmarks/expectations. Investment risks may also arise as a result of failure of financial institutions.

A Board- approved Investment Policy Statement and Asset Liability Policy ensures that assets are matched to liabilities and the investment mix is set accordingly. The Company has developed and complies with a board-approved a counter-party risk model.

MARKET RISKS

These are risks that may arise as a result of market movements, which may expose the Company to fluctuations in the value of its assets, the amounts of its liabilities, or the income from its assets. Market risks may also arise out of fluctuations in interest rates, foreign exchange rates and volatile equity and property market. A board-approved Investment Policy Statement and Asset Liability Policy ensures that assets are matched to liabilities and the investment mix is set accordingly. The Company has engaged the services of a professional Asset Manager to leverage on market intelligence.

LIQUIDITY RISKS

This is the risk that the Company may be unable to meet its liabilities as and when they fall due. The current structure of the Company's investments takes care of liquidity requirements.

REPUTATION RISKS

This is the risk of damage to the Company's image which may impair our ability to retain and general business due to loss of trust and confidence or a breakdown in business relationships. We have no appetite for reputation risk. We have set up a Crisis Management Team that handles reputational risks that may arise out of adverse media coverage, social media incidences, among others.

BUSINESS CONTINUITY RISKS

This is the risk of disruption of business activities due to internal and external risk events such as failure of technology, natural disasters such as floods, civil unrest, etc. We have formalized business continuity, disaster recovery and crisis management plans.

COMPLIANCE RISKS

These arise from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards as well as from the possibility of incorrect interpretation of effective laws or regulations. We minimise compliance risks by ensuring all activities are conducted in accordance to all regulations, code of conduct and good practices as well as in conformance to internal policies and standards of operations. Independent assurance and oversight is provided by the compliance and internal audit teams.

FRAUD RISK MANAGEMENT

This is defined as intentional dishonest activities or wilful misrepresentation which may deprive or harm the Company. They can be perpetrated by management, employees or third parties.

We have integrated fraud risk management within the enterprise risk management activities. We commit to the highest possible standards of openness, probity and accountability in all our affairs. In light of this, we are determined to maintain a culture of honesty and zero tolerance to fraud and corruption. A board-approved fraud management policy is in place and it defines processes in relation to reporting and managing fraud and corruption. Key elements of this fraud management system includes:

- Deployment of a whistle-blowing policy through and independently managed hotline
- Deployment of an Anti-Bribery policy
- Sanctions including legal actions against those found to have committed fraud
- Fraud awareness programs through training
- Due diligence processes for new staff, suppliers and other stakeholders

BUILDING RESILIENCE THROUGH RISK INTELLIGENCE

We have put in place a strong integrated risk management process in our daily business activities, as well as strong corporate governance structures that promote effective identification, monitoring and management of risk. We have established a fully-fledged risk management and compliance function headed by a senior officer. Independence of this function is maintained by a direct reporting line to the Board Audit and Risk Committee. This position is the focal point of in-house risk management compliance monitoring, authentication and related activities. This function has coordinated the setup of the risk appetite by the Board of Directors which has been cascaded to the senior management team.

Regular risk assessment exercises are also conducted in a bid to integrate risk management into the business. Specific key risks are also measured individually against pre-defined risk tolerance levels. These structures include well developed and documented internal procedures, clearly defined reporting lines and well-structured regular training programs for staff.

The latter is intended to enable staff attain a clear appreciation of the nature of business risk; the likely consequences of not giving adequate attention to, or failure to properly manage risk; and of the universally accepted and internally prescribed techniques of effectively managing risk.

Integration of risk management has been a journey that has led to continuous improvement, the latest of which is the move towards quantification of risk through the Risk Based Capital regime by the Insurance Regulatory Authority.

RISK MANAGEMENT GOVERNANCE & PRINCIPLES

The diversity of our business model requires us to identify, assess, measure, aggregate and manage our risks, and to allocate our capital among our businesses. Risk and capital are managed via a framework of principles, organizational structures and measurement and monitoring processes that are closely aligned with the activities for each department or function.

- We operate a Three Lines of Defense (“3LoD”) risk management model. The 1st Line of Defense (“1st LoD”) are all the business functions who are the “owners” of the risks. The 2nd Line of Defense (“2nd LoD”) are all the independent risk and control functions. The 3rd Line of Defense (“3rd LoD”) is Internal Audit, which assures the effectiveness of our controls. The 3LoD model and the underlying design principles apply to all levels of the Company. 3LoD are independent of one another and accountable for maintaining structures that ensure adherence to the design principles at all levels.
- Risk strategy is approved by the Board on an annual basis in order to align risk, capital and performance targets.
- All material risk types are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and compliance risk. Measurement approaches for quantifying risk and capital demand are implemented across the material risk types as defined by the Insurance Regulatory Authority.
- Systems, processes and policies are critical components of our risk management capability.
- Recovery planning provides the escalation path for crisis management governance.

1st Line of Defense	2nd Line of Defense	3rd Line of Defense
The Board	Risk Management Committees (RMC)	Internal Audit
Business Units	Risk Management Function	
Technical Support Functions	Actuarial Function	
Finance	Compliance Function	
Underwriting		
Claims		
Reassurance		
General Support Functions		
Information Communication Technology		
Human Resource & Administration		
Marketing & Communications		

RISK CULTURE

We seek to promote a strong risk culture throughout our organization. Our aim is to help reinforce our resilience by encouraging a holistic approach to the management of risk and return throughout our organization as well as the effective management of our risk, capital and reputational profile.

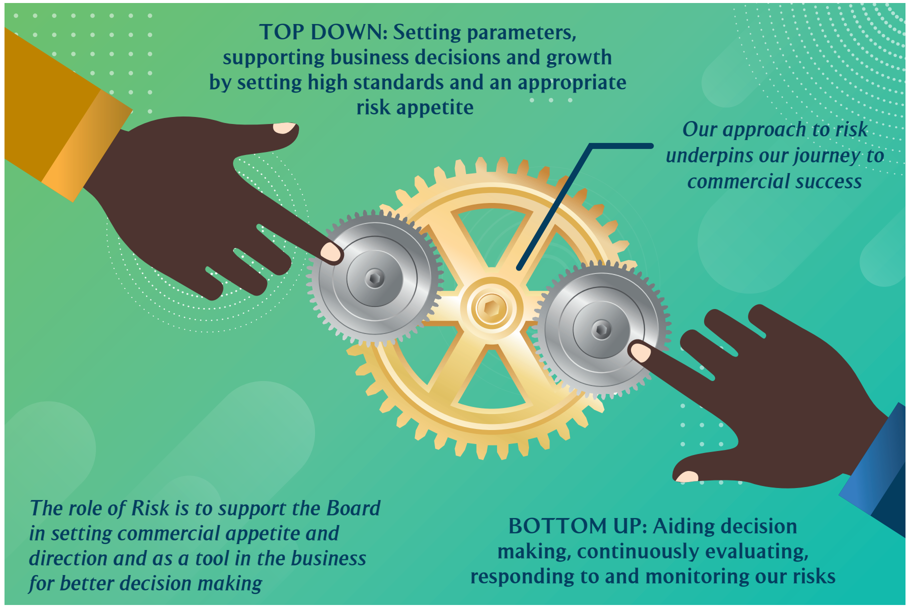
RISK MANAGEMENT FRAMEWORK

We have established and implemented a risk management framework as well as policies and procedures for managing risks within the Company. This framework is based on the ISO 31000 Enterprise Risk Management model. The risk management strategy is designed to support the achievement of the strategic objectives of the company while identifying, quantifying and managing risks. The Company takes risks that are within its allowable risk appetite and tolerance levels.

Key elements of this framework include:

- Risk Identification
- Risk Measurement
- Risk Analysis and Measurement
- Risk Reporting

OUR ROBUST APPROACH TO RISK MANAGEMENT



RISK HEAT MAP

The risk heat map highlights the overall rating of risks once the risk evaluation and analysis phase. Special attention is given to those risks categorised as "very high" or "high".

CONSEQUENCE \ LIKELIHOOD	Rare	Unlikely	Possible	Likely	Almost Certain
Catastrophic	TOLERABLE	HIGH	VERY HIGH	VERY HIGH	VERY HIGH
Major	LOW	TOLERABLE	HIGH	VERY HIGH	VERY HIGH
Moderate	LOW	LOW	TOLERABLE	HIGH	HIGH
Minor	VERY LOW	LOW	TOLERABLE	TOLERABLE	HIGH
Insignificant	VERY LOW	VERY LOW	LOW	TOLERABLE	TOLERABLE

Risk Category	Materiality	Capital Charge Implication	Measurement & Mitigation Methodology
Insurance risk	Material	Yes	Capital Charge Formula as prescribed by Insurance Regulatory Authority
Credit Risk	Material	Yes	
Market Risk	Material	Yes	
Operational Risk	Material	Yes	
Liquidity Risk	Material	No	Ratio analysis; liquidity ratio, liquidity gap analysis, Asset Liability Management, Reassurance
Strategic Risk	Material	No	Corporate Scorecard, deviations, ROE. ROA deviations
Reputation Risk	Material	No	Reputation events, social media, brand survey index
Compliance Risk	Material	No	Internal and regulatory compliance levels
ICT Risk (includes cyber risks)	Material	No	Incident reporting, penetration test results, system downtime percentages
Concentration Risk	Material	Yes	Excess over risk limits, HerfindahlHirschman Index (HHI) for counter-party concentration risk under credit risk, diversification benefits
Contagion Risk	Material	No	Reputation events for related parties, corporate scorecard performance for subsidiaries
Interest rate risk	Material	Yes	Review of impact of change of interest rates, Asset Liability Management

FUTURE OUTLOOK

Dynamic Risk Assessment Approach

As the risk landscape becomes even more complex, levels of interconnectedness between risks demands the consideration of contagion and velocity as indispensable analyses of risk. We will explore emerging risk management thinking which suggest the dynamic risk assessment approach; a new methodology that incorporates future trends and their downstream consequences to organisations so as to identify their future expected pathways of contagion and expected velocity. The result of this analysis is used to generate a risk neuro-network, which can then be used for decision making.

Risk Culture Framework

In the shorter term however, we have embarked on a project that will help our Group further integrate risk management into day to day operations as well as keep all process owners aware of the risk landscape as well as new opportunities that we can exploit. This is to be done through the implementation of a risk culture framework which defines the levers that contribute to the evolution of a strong risk culture, as well as the minimum criteria that should be met at Group and departmental level. It is envisaged that this process will tie formal measurement of risk-culture-related behaviours to employee performance assessment.

Our Risk Appetite

We will continue to review our risk appetite to ensure that it aligns with our Capital Management strategy. A re-assessment of our risk tolerance and appetite will ensure that the risk implications of plans are understood, and that our business and investment plans adhere to the risk appetite framework which is fit for purpose.

The risk appetite framework establishes the overall approach through which the Company practices controlled risk-taking throughout the Group.

Environmental, Social & Governance Risk Management

We will also continue to review and analyse our environmental and social performance bench-marks in line with the Board-approved Environmental and Social Risk Policy.

MANAGING FUTURE RISKS

Cognisant of the fact that an adaptive approach that builds risk intelligence in a volatile, uncertain, complex and ambiguous (VUCA) world is necessary, review of emerging risk forms a key element in our risk management process. This process involves the assessment and monitoring of risks in broader context in which the Company operates in terms of the political and economic landscape, industry, labour and financial market trends. This process involves analysis of research materials and industry benchmarking studies by institutions such as the World Economic Forum, Institute of Risk Management, the World Bank and Control Risk. These serve as an early warning system.

CLIMATE CHANGE

With the Earth's average temperature having increased by about 2 degrees Fahrenheit during the 20th century, effects that scientists had predicated in the past would result from global climate change are now occurring. The intensity and probability of floods, heat waves, hurricane, among others, even within the African context continues to rise.

Tomorrow's world will need to face the consequences of future environmental change: dwindling natural resources, global warming, declining biodiversity and massive urbanization. This is a challenge that threatens the future of generations to come. It is a risk that can no longer be ignored.

We have partnered with 22 of the world's largest insurers - representing around 10% of world premium and USD 5 trillion in assets under management to develop a new generation of risk assessment tools designed to enable the insurance industry to better understand the impacts of climate change on their business. As the only African member of this pilot group, we are developing analytical tools that will be used to pioneer insurance industry climate risk disclosures that are in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

We are also actively working towards reducing our carbon footprint. Looking to the future, we intend to review our underwriting and investment policies to be in line with the Principles of Sustainable Insurance (PSI) as well as the Principles of Responsible Investments (PRI).

CYBERSECURITY RISK

According to the World Economic Forum Global Risks Report, cyber-attacks are perceived as the global risk of highest concern to business leaders in advanced economies. Cyber security risks are growing in prevalence and disruptive potential. Cyber-attacks are not only a concern for organisations, but for nations at large, changing the landscape of modern-day political machination and even warfare. Yet, with every passing year, the African cyber security landscape rapidly evolves. This region is even more vulnerable due to cyber security funding gaps as well as lack of loss-data that would help in pricing of cyber insurance products in the market. Therefore, cyber insurance products remain pricey and out of reach for many organisations.

At Group level, we have a cybersecurity management strategy approved at Board level. Key aspects of this includes enhancing the cyber security culture through regular training and work place programs among others. This is in addition to investment in cyber security tools that can assist in mitigating this risk.

On the industry front, we are at the forefront of a project coordinated by the Africa Cyber Immersion Centre and other industry partners to develop a much needed locally designed cyber-risk visibility, measurement and quantification tool (the CVEQ tool). This tool helps organizations determine and understand their cyber value at risk, determine optimal investment strategies, and achieve measurable outcomes within their cyber-risk management program.

SOCIAL/DEMOGRAPHIC CHANGES

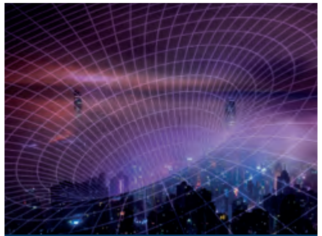
We continue to be influenced by distinct demographic and social phenomena with a strong impact on socio-economic balances. Kenya's growing youthful population, a dynamic private sector, highly skilled workforce and its pivotal role in East Africa makes us a country with great potential. We recognise that the successful underwriter is one who will provide sufficient flexibility to support individuals following substantially different life and career paths.

The proportion of Kenya's youth to the population is among the highest globally, presenting the economy with a vibrant manpower if put to productive use. We boast of a relatively young population whose average income capacity is limited. There is the growing middle class with urban dwellers constituting 26% of the population. The millennials are in excess of 10 million with most of them being educated. Kenya leads the region in youth unemployment at 17.3% compared to only 6% for neighbouring Uganda and Tanzania each. Kenya's unemployment crisis has been blamed on sluggish growth of formal sector jobs even as the country continues to produce thousands of university graduates every year. Intermittent, part-time and informal employment or self-employment, with frequent career changes, is becoming the norm.

We continuously monitor the changes in demographics as we develop and improve on products that are more accessible and flexible to accommodate unique needs.

In treating our customers fairly, we provide customers with complete and easily accessible information on products and services. A key aspect of this is helping them understand factors that may affect their income capacity as they accurately assess their capacity to save as well as identifying their current and future needs.

Business models favoring this youthful population is not brick and mortar with most seeking dynamic and digital solutions that can address their specific needs. There is still however the traditional customers who prefer conventional products distributed via conventional means whom we still serve.



A.I. & BIG DATA

We recognise the profound impact disruptive technologies have had on our business in the last decade and the likelihood for more disruption in the years to come.

These include the Internet of Things (IoT), block chain, augmented reality, artificial intelligence, cloud processing, robotics and the growth of mobile technology. Availability of customer data, combined with technological capabilities of processing data quickly provides new opportunities in terms of customer segmentation and pricing.

New technology is crucial in terms of opening up new markets, spurring growth of the insurance industry as well as the ancillary businesses that grow around them. It however creates potential risks such as cyber risks which challenges institutions' traditional risk management models. Technology as a key process driver within the institution may also impair business continuity in the event of malfunction of systems and processes.

We are leveraging on cutting-edge technologies for the management and analysis of data as we work towards greater direct interaction with our clients. We have dedicated significant attention and resources on developing our digital infrastructure through our digital transformation project.

Our approach towards innovation, technology and design thinking is compelling us to shift our mind set from "product-first" to "customer-first". As data sources within the Group grow richer and more diverse, we are able to make decisions more accurately, more consistently and more. Our data analytics strategy evaluates the unique business challenges in our organization, matching those challenges with relevant data and resources, and establishing processes that grow capabilities and institutionalize analytics to ensure key decision-makers have access to actionable results.

TERRORISM & THREATS TO NATIONAL SECURITY

High profile terror attacks in Kenya has increased over the past few years. The alert level has been high in light of the rise in al Shabaab activity in Kenya's border counties and continued warnings concerning attacks particularly against US and Western targets.

Aside from that, the changing nature of these attacks are posing challenges in managing disruption and associated costs. Setting assumptions for pricing, measuring accumulations and reserving for terrorism and political violence policies is challenging given the limitations of the data and uncertainties in the future developments of the risk profile.

Looking at products available in the market, terrorism coverage was traditionally designed to cover property damage but significant losses have occurred in recent attacks from business interruption. Coverage may also be insufficient for small business and individual travel policies. This, however, brings with it new opportunities.

In 2019, specific attention was given to understanding and managing terror and security related risks.

We documented a stand-alone Security Risk Management Strategy that takes into account relevant security management and operating procedures which we have adopted across the Group.

NATURAL RESOURCES MANAGEMENT

We recognise that natural capital, or the global stock of resources that includes soil, groundwater and clean air, is disappearing at a faster rate than it can be replenished.

Non-compliance with set environmental standards therefore, not only threatens our ecosystems as well as the wellbeing of future generations, it exposes companies to business interruption and liability issues as a result of these risks.

As signatories to the UNEP Finance Initiative's Principles of Sustainable Insurance (PSI), we recognize that our management of environmental issues is important to our stakeholders and a key determinant in the long-term success of our business.

We aim to achieve far more than minimum legal requirements compliance; we will undertake an improvement programme of positive action by setting environmental objectives and targets as well as continuously monitoring and reviewing our environmental performance.

05

OUR VALUE CREATION

ICEA LION
LIFE ASSURANCE

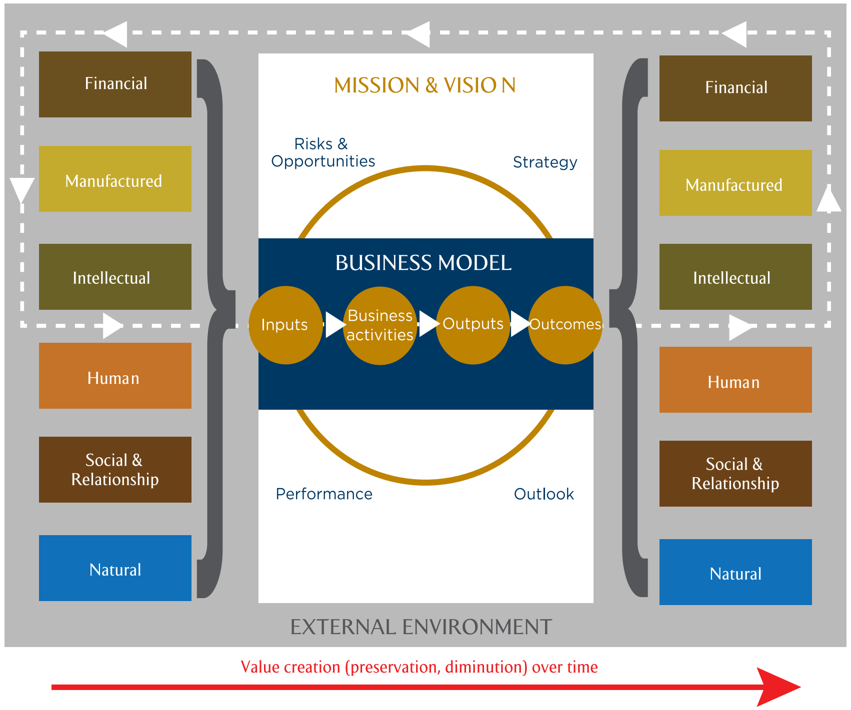
OUR APPROACH: THE 6 CAPITALS MODEL

It is our intent to provide insights into how our resources and relationships; collectively referred to as the 6 Capitals; are used by the organisation. We will also share how we interact with our external environment to create value over the short-, medium- and long-term

MAINTAINING OUR CAPITALS TO CREATE VALUE IN THE FUTURE

Capitals represent stores of value that can be built up, transformed or run down over time in the production of goods or services. Their availability, quality and affordability can affect the long-term viability of an organisation's business model and, therefore, its ability to create value over time. The Capitals must therefore be maintained if they are to continue to help organisations create value in the future.

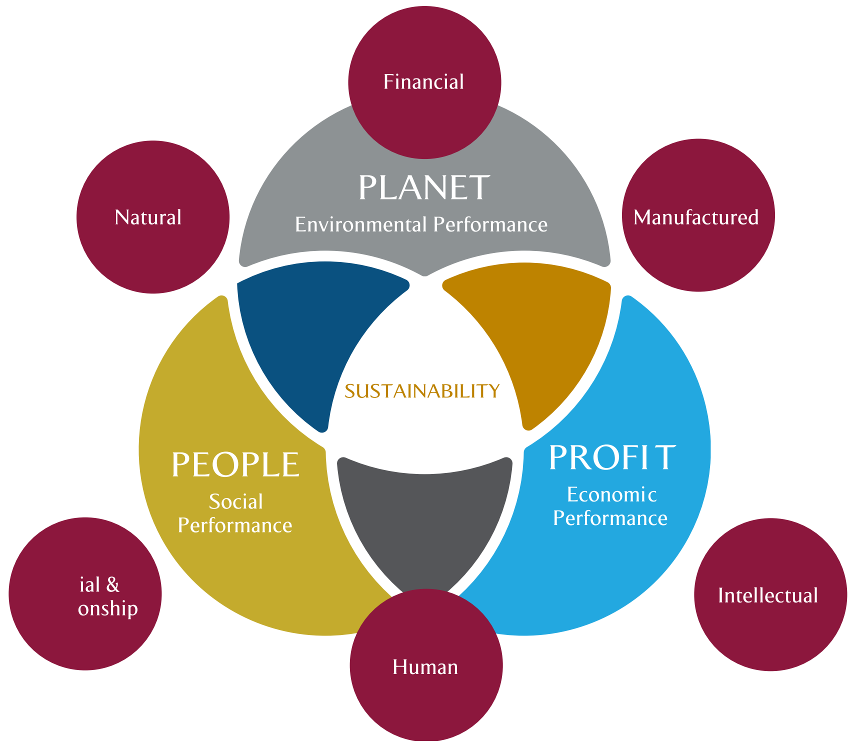
Based on the International Integrated Reporting Council (IIRC) framework, shown in the diagram below, the following capitals are inputs to our business model.



EMBRACING THE SIX CAPITALS MODEL & THE TRIPLE BOTTOM LINE

The Triple Bottom Line has been particularly influential in corporate reporting practices. For a long time, Triple Bottom Line and sustainability have been the preferred terms to refer to the non-financial reporting practices of large organisations. This was the concept used when we developed our first sustainability report in 2017.

More recently, we have adopted the 6 Capitals Model approach on integrated reporting proposed by the IIRC. The diagram below shows how the 6 Capitals relate to the Triple Bottom Line approach that we have used in the past.



ENSURING OUR SUSTAINABILITY BY EMBRACING THE SHARED VALUE APPROACH

Having embraced the shared value approach, we recognise that societal needs, not just conventional economic needs define markets. Shared value refers to policies and operating practices that enhance the competitiveness of an organization while simultaneously advancing economic and social conditions in the communities it operates. We further recognise that social harms or weaknesses frequently create internal costs for institutions such as wasted energy, costly accidents and the need for remedial training to compensate for inadequacies in education.

We accept that addressing societal harms and constraints do not necessarily raise costs for organisations, because through them we can innovate by using new technologies, operating methods, and management approaches; and as a result, increase our productivity and value creation. Our commitment to the shared value approach highlights our desire to spearhead and propagate opportunities for future generations. We are committed to embedding the principles of integrated thinking in our business. For us to be accountable to our stakeholders, we have to be understood. In light of this, integrated reporting allows us to communicate our commitment towards this end, our dreams and aspirations in creating a better future, and where we are on this journey.

We have structured this section of the report in the form of the 6 Capitals and hope that they will be useful to our stakeholders in understanding the Company, our material issues driving our strategy and how we respond to the needs of our stakeholders.

1. Our Human Capital

Our people are important to us and therefore this is one of the greatest capitals we have. It encompasses people's competencies, capabilities and experience, and their motivations to innovate. It includes alignment with and support for an organisation's governance framework and risk management approach, and ethical values such as recognition of human rights.

The ability to understand, develop and implement an organisation's strategy, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate are also included here. Other aspects include employee turnover, labour/management relations, occupational health and safety, training and education, diversity and equal opportunity.

2. Our Natural Capital

These include all renewable and non-renewable environmental materials that we utilise in order to deliver the financial products and services that support our current and future prosperity. Other related aspects include biodiversity and ecosystem health, carbon emissions, effluents and waste. As a financial services player, we relate to various sectors of the economy and can therefore influence how our stakeholders relate to natural resources.

3. Our Social and Relationship Capital

These includes our institution and the relationships established within and between each community, group of stakeholders and other networks including the ability to share information and enhance individual and collective well-being. Shared norms, and common values and behaviors, key relationships, and the trust and willingness to engage that we have developed over time as we strive to create and protect wealth for our stakeholders are also included here.

Our social license to operate, community related aspects including: corruption; anti-competitive behavior; customer health, safety and privacy; human rights such as non-discrimination, freedom of association, and indigenous rights are also included here.

4. Our Intellectual Capital

This is comprised of our knowledge-based intangibles such as intellectual property, e.g. patents, copyrights, software, rights and licenses. It also includes organisational capital e.g. tacit knowledge, systems, procedures and protocols. The Corporate brand image and reputation that we have developed over time are also a key consideration.

5. Our Financial Capital

This is composed of financial resources or the pool of funds available to us for use in the provision of insurance services as well as the value we create in the economies in which we operate.

6. Our Manufactured Capital

This is composed of physical objects that are available to us for use in the production of goods or the provision of services. They include our buildings, equipment and facilities, infrastructure, applications and systems, among others. We have invested heavily on infrastructure over the past few years, an essential component in building efficacy and efficiencies within our business model.

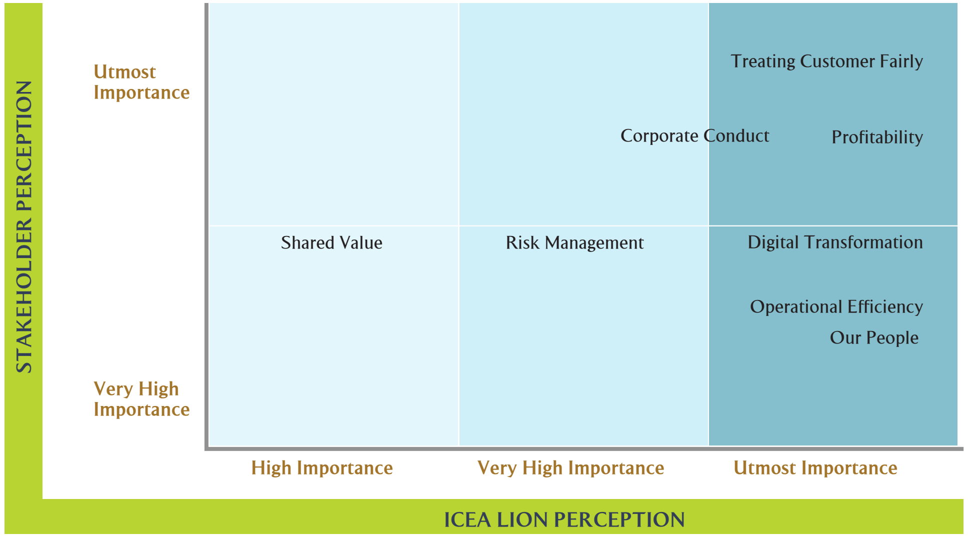
MATERIALITY ASSESSMENT

OUR MATERIAL ISSUES

Material issues have been identified which could impact positively or negatively on the Company's ability to create and sustain value. These matters impact the Company's ability to achieve its strategy, remain commercially viable or environmentally and socially relevant. They may also substantively influence the assessment and decisions of our stakeholders. The needs, expectations and concerns of the stakeholder groups that are most likely to influence the Company's ability to create sustainable value, notably shareholders, customers, suppliers and staff, are central to determining the material issues.

This section highlights materiality matrix that could impair our ability to create long-term value as well as our progress towards mitigating them as we exploit these new opportunities.

A scale has been used to rate the importance of the material issues and the degree of stakeholder perception and the Company's perception.
In specifying the material issues, we have tested them against the Global Reporting Initiative (GRI) standard.



Corporate Conduct	Shared Value	Treating Customers Fairly	Profitability	Digital Transformation	Our People	Operational Efficiency	Risk Management
• Integrity • Ethics • Values • Governance • Consistency • Trust • Compliance • Stakeholder engagement • Transparency • Confidentiality Professionalism Values • Brand	• Inclusivity • Diversity • Sustainable Practices • Local Procurement • Gender parity • Remuneration • Financial inclusion	• Culture • Trust • Innovation • Agility • Flexibility • One stop Financial Services Shop • Brand Consistency • Data Accuracy	• Shareholder Value • Sustainable Growth	• Conversion Rate • Lead Generation • Data & Analytics • Client Engagement • Business Partner Connectivity	• Retention • Skills-matching • Culture • Succession • Training • Placement–Matching • Remuneration • Promotion • Disability Consideration • Employee Engagement • Competence Rewards • Wellbeing	• Turn-around time • Reliability • Convenience • Automation	• Resilience • Succession Strategy, • Proactive Anticipation • Prudence • Compliance • Diversification • Audit results • Regulator inspection results • Standard Operating Procedures • Policies Monitoring Due diligence

OUR PEOPLE ARE IMPORTANT TO US

We continue to create and maintain an environment that attracts and retains the best staff and have put in place the conditions and structures to enable all our People to fulfil their career aspirations in a manner that is not only "Employer of choice" for them, but also challenges them and supports their development.

The following diagram indicates some of our people engagement programs.

LEARNING & DEVELOPMENT AT THE CORE OF OUR PEOPLE STRATEGY

Coaching for Engagement & Productivity

One of the key scorecards for any organization is its learning agility and the ability to adapt to the changing business environment. More importantly, transformational learning is the most effective way to keep abreast with the technical, behavioural and cultural changes of the industry and the consumer.

As part of the transformational learning agenda and leadership development strategy, in 2019, the Group took nine managers through an intensive coaching training that will assist them to adopt a more facilitative style of management, guide staff in solving their own problems and take responsibility for results. Coaching training for the second cohort of managers is currently undergoing this training.

With this pool of certified coaches, ICEA LION is entrenching a coaching culture in the organisation for maximum staff engagement and productivity.

Talent Xcelerator Program

Talent management and succession planning is necessary to develop key people to fill future senior leader positions. The Group took nine high-potential mid-level staff through the Talent Xcelerator (ALX) program last year through the Africa Leadership University, and another ten staff are set to complete the program in 2020.

This program equips staff with the necessary competencies to take up leadership positions, and to be accountable and responsible in their current leadership roles. The trained staff have taken up the leadership of various key projects at ICEA LION Group.

Our Globally Certified Coaches

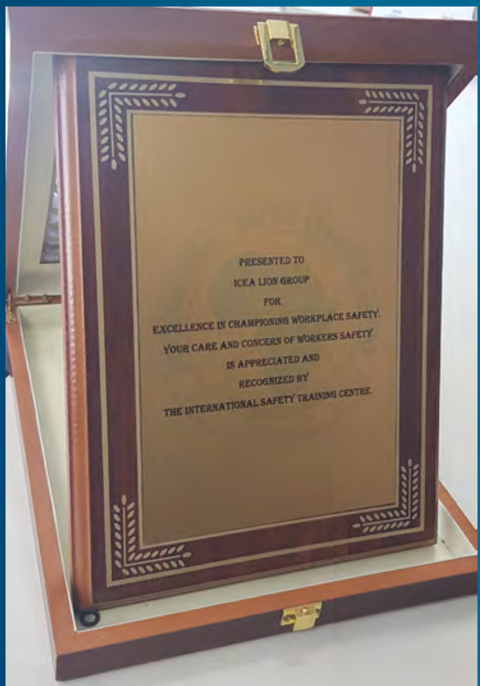
Our ALX Graduates

HEALTH & SAFETY

Ensuring a safe and healthy workplace is a fundamental part of our corporate responsibility. Our inclusive approach to Occupational Health and Safety (OHS) includes all persons who are employed by the Company. Our vision is zero major incidents and we work actively to prevent injuries and work-related ill health. To avoid incidents and prevent work-related hazards, we apply a risk-based approach that is based on transparency and inclusiveness.

We have over the past year made progress towards our target; to increase frequency and quality of incident reporting and handling, and to increase knowledge and awareness within incident handling for selected job roles. Competence and awareness are key to reducing major incidents. There was one workplace injury reported in our Mombasa branch.

Our Health and Safety committee, headed by a Senior Officer, is charged with ensuring the best practice and regulatory standards in Health and Safety are met. As a testament to this, ICEA LION received the 2019 Workplace Safety Award from the International Safety Training Centre.

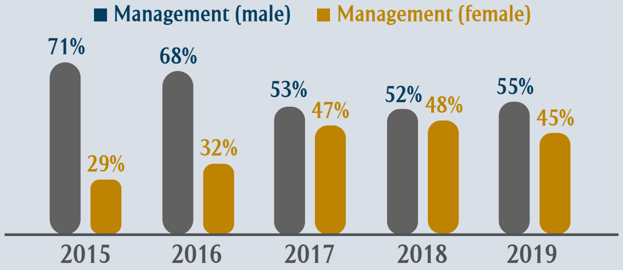


Ruth Musya receives a special recognition award for always going above and beyond the call of duty from our Chairman James Ndegwa

Paul Sagati receives the Rising Star Award for the Group Shared Services team from our ICEA LION Insurance Holdings CEO Dr. Caesar Mwangi

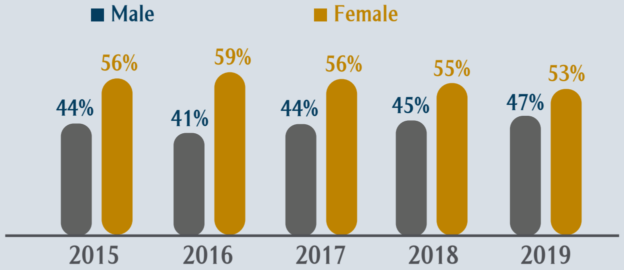
At ICEA LION, we believe in celebrating success as well as sharing in the joy of family. We also believe exercise is key to physical, mental and emotional wellness. We have ingrained this in our culture.

Management Staff Gender Balance (%)



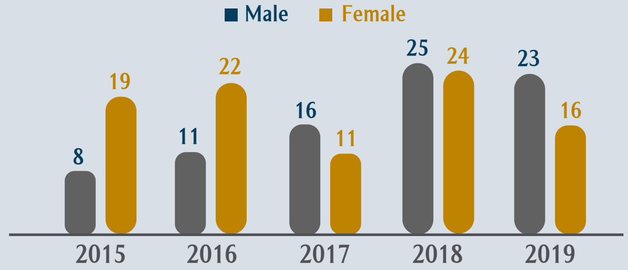
Over the years, the company has been concscious about gender balance in the management team and over the last 3 years great strides have been made towards that end.

Other Staff Gender Balance (%)



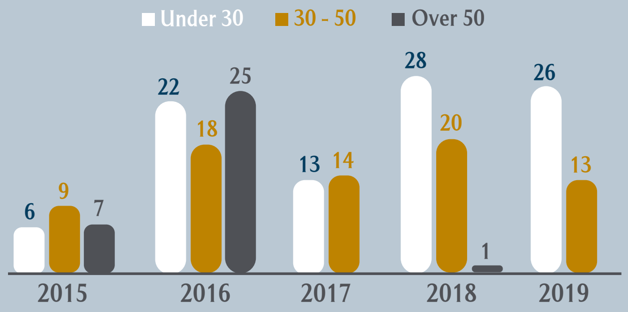
Over the years, the company has been concscious about giving equal opportunities to the male and female gender and over the last 3 years great progress has been made towards that end.

New Hires



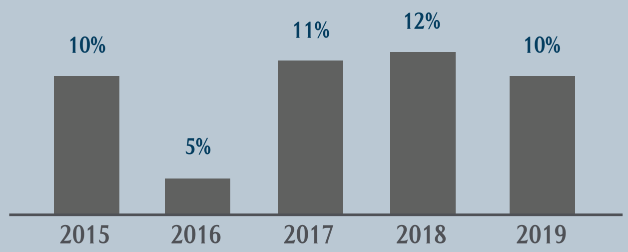
Over the years, new hires were mostly female. However, over the last 3 years great progress has been made towards ensuring that the male gender is not forgotten.

New Hires by Age



The number of new hires aged 30 years & below has increased as we try to create more opportunities to young talent while not leaving out those over 30 years who have more experience.

Staff Attrition Rate

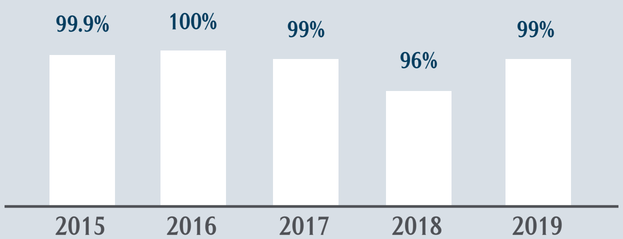


The average staff attrition rate over the last 3 years has been high topping off at 12% in 2018.

Staff Separation

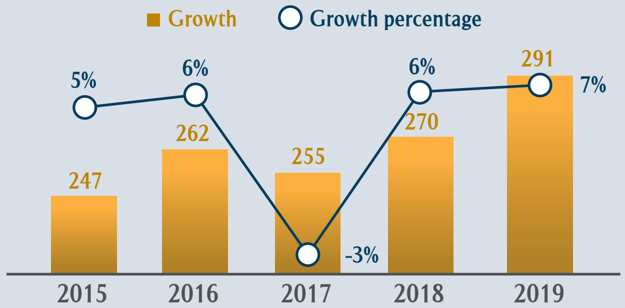
In the last 3 years, the number of instance where the company has had to separate with an employee has increased gradually with most cases being resignations.

Retention Rate for Best Performing Staff



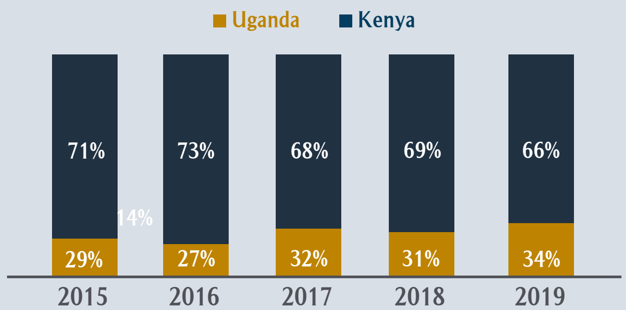
Over the years, the company has managed to retain on an average, 99% of its best performing staff.

Total Headcount



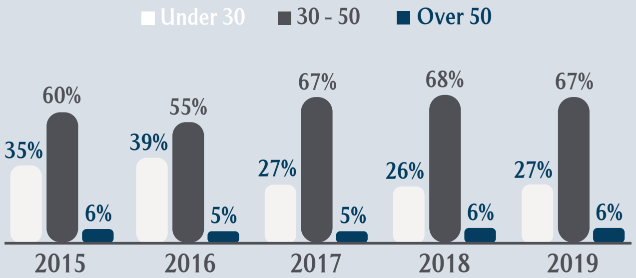
Over the last 3 years, there has been a gradual growth in the number of employees across the region.

Regional Split of Headcount (%)



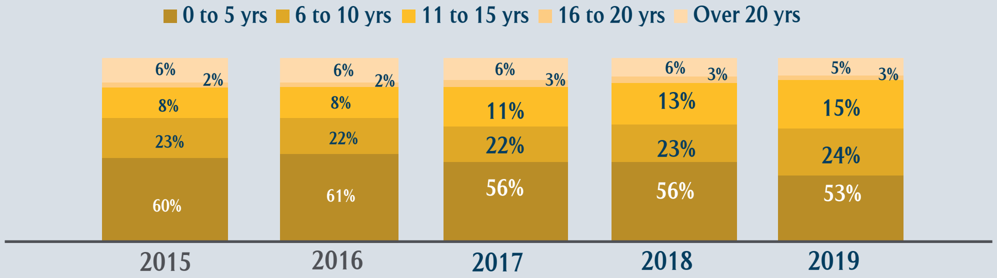
The company has maintained a steady count of employees across the region over the years with Kenya having the most number since this is where the Head Office is domiciled.

Headcount by Age Group (%)



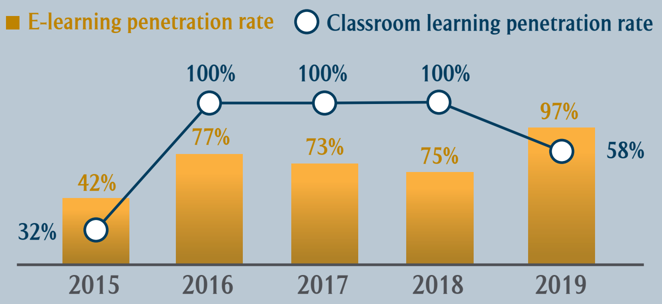
The employee mix over the years has remained steady and fair with majority of employees being between 30 - 50 years old depicting a fairly balanced demography.

Employee Years of Service (Count) 2015 - 2016



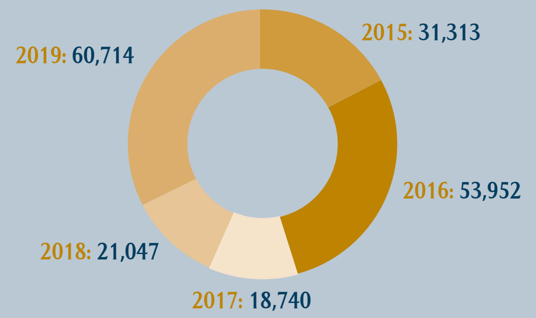
Over the last 3 years, the average years of service for employees has been steadily increasing.

Employee Learning & Development



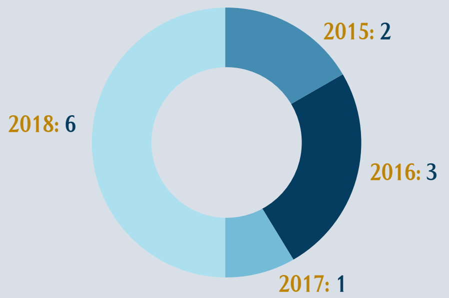
There was a steep decline in classroom penetration in 2019 compared to the previous 3 years where it was at 100%. Nonetheless, the percentage of e-learning penetration has improved.

Learning Costs per Employee (KShs)



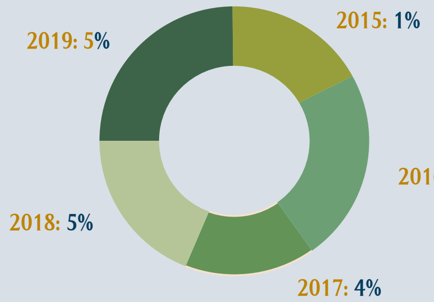
The learning cost per employee over the last 3 years has increased significantly. the company is committed to ensuring its employees are equipped with the necessary skills to perform their daily duties.

International Training & Exposure



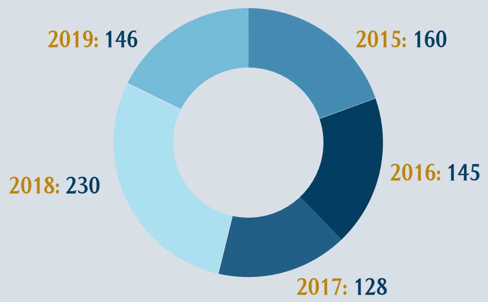
Over the last 3 years, the number of employees who have had the opportunity to receive international exposure in the form of training or work experience has increased significantly.

Staff Involvement in Social Development Activities



The number of employees involved in social development activities over the years has remained low.

Wellness Program



Over the last 3 years the number of employee involvement in the wellness program remained above average.

OUR CANCER INSURANCE PRODUCT – AVAILABLE ONLINE

Cancer is the third highest cause of death in Kenya after infectious and cardiovascular diseases. It is estimated that around 33,000 people die annually from cancer. 60% of Kenyans affected by cancer are younger than 70 years old. National Cancer statistics indicate that the number of deaths and new cases are on the rise, yet the insurance market in Kenya is devoid of a stand-alone Cancer Insurance product. The market has a critical illness cover that has a cancer component and the product is offered as an accelerated benefit to group life insurance or as a standalone critical illness cover.

These critical illness insurance covers have various shortcomings in that they do not cover the unique needs of cancer victims inter alia; expenses related to diagnosis, medical attention/treatment, and loss of income. The critical illness sum insured is usually small and often a percentage of the group life sum insured thus failing to adequately meet the needs of a cancer patient.

OUR INDUSTRY FIRST

Cancer is therefore on the verge of becoming a national disaster. The Cancer Insurance product is the opportunity to not only showcase our innovative spirit but also demonstrate our responsiveness by offering solutions that address emerging and unaddressed insurance needs. The psycho-social and financial toxicity associated with cancer insurance cannot be over-emphasized. Our stand-alone cancer product provides financial relief for cancer victims and their families to meet their day to day expenses, allowing them to focus on their treatment comforted that insurance cover meets their financial obligations.

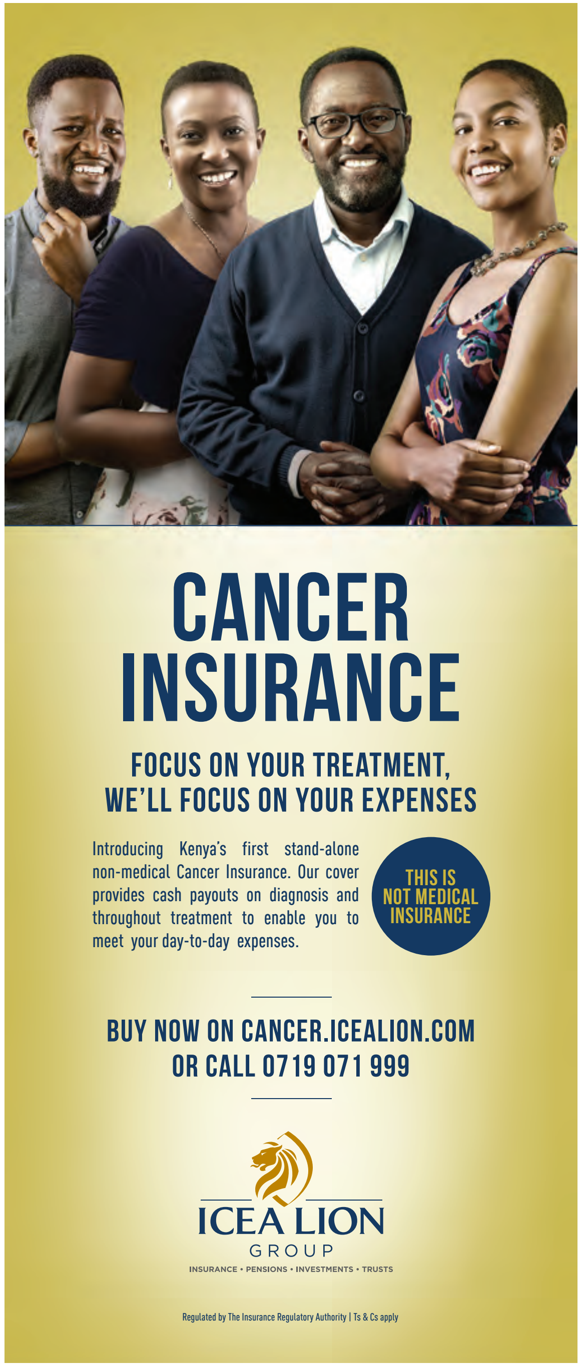
Our target customers are aged between 18 and 65 years and can purchased online at cancer.ICEALION.com and has variations of cover from diagnosis, treatment and loss of income. True to our corporate mission "To protect and create wealth' this product seeks to ease the financial burden on families as well as deliver on our brand promise "We're better together" demonstrating that we are indeed there for our clients during their life changing moments.

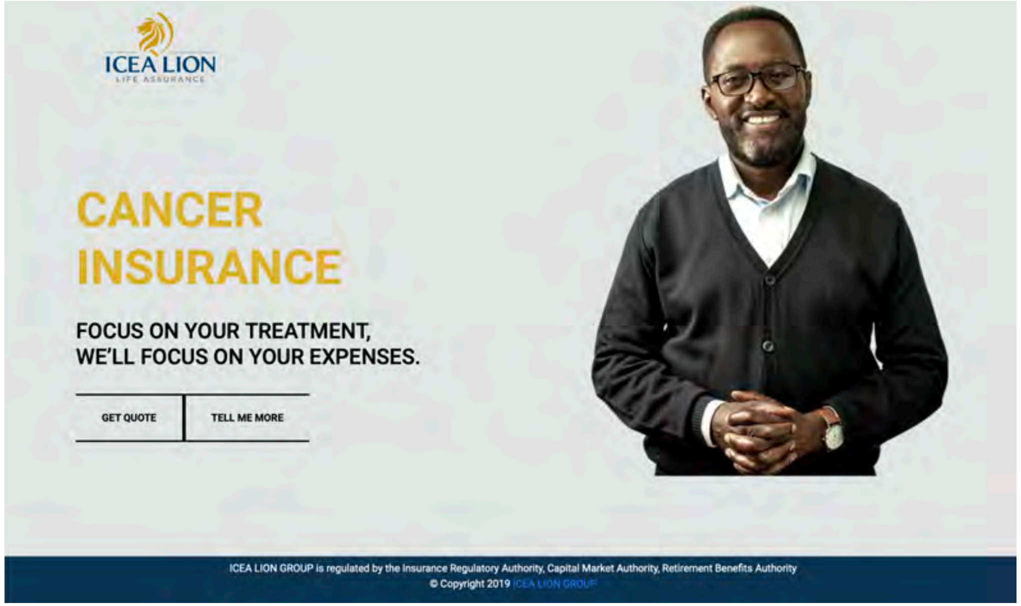
Our Product Features

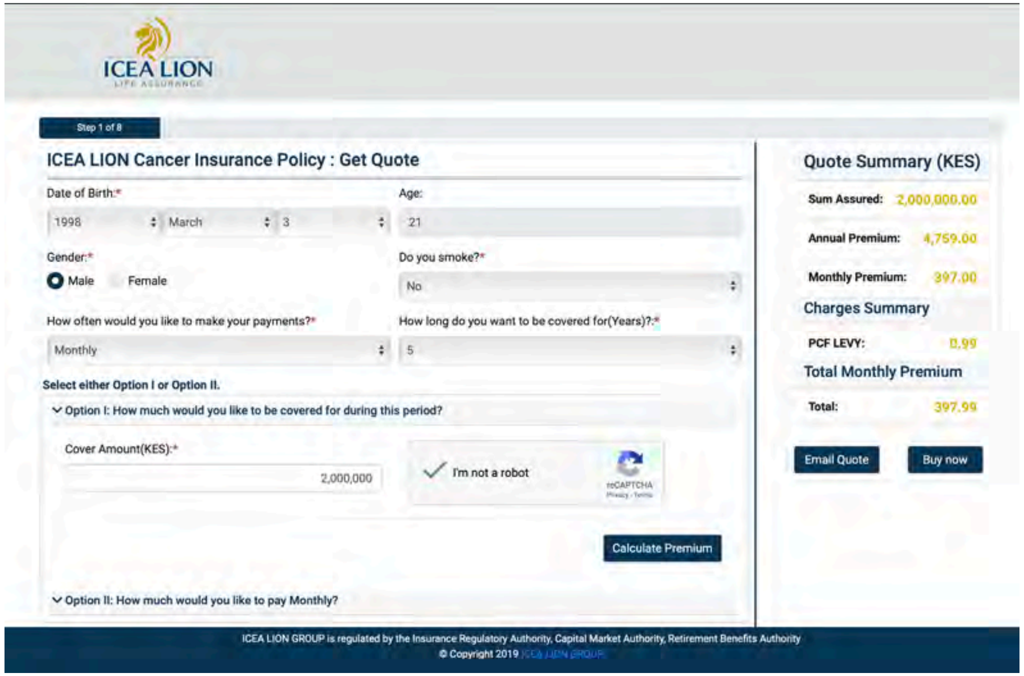
The product will offer unique benefits/payments to the customers or their nominated next of kin as follows:

- On Cancer diagnosis: 10 % of the sum insured
- Chemotherapy: 5% of the sum insured per each course up to a maximum of 5 courses within 5 years since initial diagnosis.
- Radiotherapy: 5% of the sum insured per each course up to a maximum of 5 courses within 5 years since initial diagnosis.
- Surgery: 20% of the sum insured limited to 1 surgery within 5 years since initial diagnosis.
- Relapse: 10% of the sum insured between 5 and 10 years since initial diagnosis.
- Recovery: 10% of the sum insured after 10 years since initial diagnosis.
- Palliative Care: The remaining part up to 100% of the sum insured
- Additionally, the product benefits/payouts have been extended to cover benign brain tumors as follows:
- Diagnosis of a benign brain tumor: 10% of the sum insured
- Surgery of a benign brain tumor: 40% of the sum insured

The product will therefore potentially pay out benefits up to 150% of the sum insured.



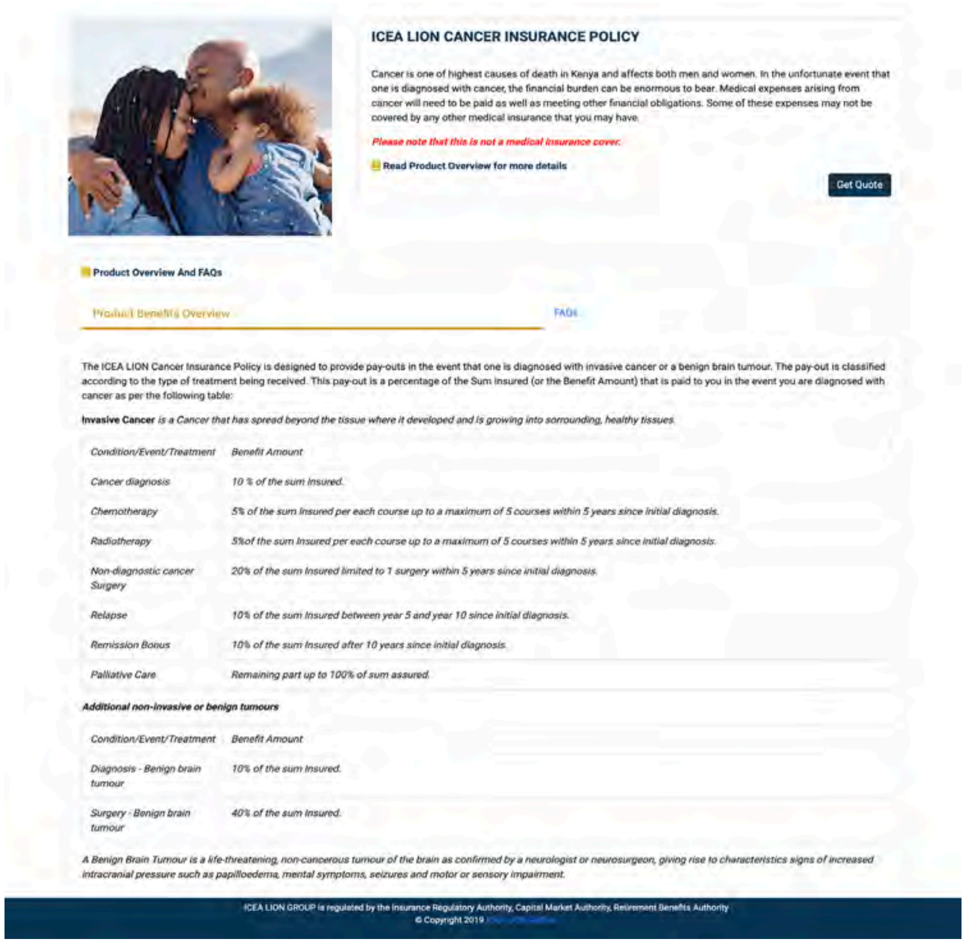




The premium for our Cancer Insurance depend on:

- The gender of the customer
- Whether smoker or non-smoker
- The sum insured being applied for
- The term/tenure of the cover
- Premium payment mode and method
- Other underwriting considerations

Our product can be purchased online at Cancer.ICEALION.com



NATURAL CAPITAL

We recognise that we have a significant responsibility towards environmental sustainability as a means of protecting natural capital. We are committed to minimize our impact on the environment through deliberate management of environmental risks and prevention of pollution.

As signatories to the UNEP Finance Initiative's Principles of Sustainable Insurance (PSI), we recognize that our management of environmental issues is important to our stakeholders and a key determinant in the long-term success of our business.

We aim to achieve far more than minimum legal requirements compliance; we will undertake an improvement programme of positive action by setting environmental objectives and targets as well as continuously monitoring and reviewing our environmental performance.

The following activities indicates out commitment towards environmental sustainability:

- We have identified and comply with all environmental legislation, standards and codes of practice, which are relevant to our business;
- We continue to improve our environmental performance through effective measurement, monitoring, communication and adoption of best techniques available to our tenants, suppliers and other stakeholders;
- We influence our stakeholders to minimize, wherever possible, the use of natural resources (energy, fuel and water) and raw materials such as paper and other consumables;

We promote raw materials use minimization through the use of reduce, reuse, recycle and dispose methodology;

- We support the reduction of greenhouse gas emissions which contribute to climate change;
- We identify and manage instances of soil, ground water or surface water contamination resulting from our operations;
- We continue to improve our sanitation standards by ensuring there is adequacy, cleanliness and safety; and,
- We conduct energy audits and implement the recommendations given for efficient use of energy on site. For example, the light bulbs were recently replaced with LED lighting as a means of reducing energy use.

Additionally, we do not knowingly:

- Do business with companies whose activities involve industrial activity where the specified use of proceeds would significantly convert or degrade a critical habitat;
- Carry out business with companies whose activities do not adhere to local laws, regulations and standards on pollution prevention; and,
- Do business with companies that contravene international environmental agreements that have been enacted into the law.

RISK SURVEYS

As part of our underwriting and claims management processes, we have embedded risk surveys as a critical component. Risk surveys are done prior to underwriting various key accounts and a discussion is held with our insured on various ways in which they could mitigate risk. In our business portfolio are various clients in the hospitality industry largely located at key national reserve areas and whose properties are built close to river banks for tourists' attraction. Risk surveys discussions have greatly assisted our insured in mitigating risk as well as protecting the environment as they further their business.

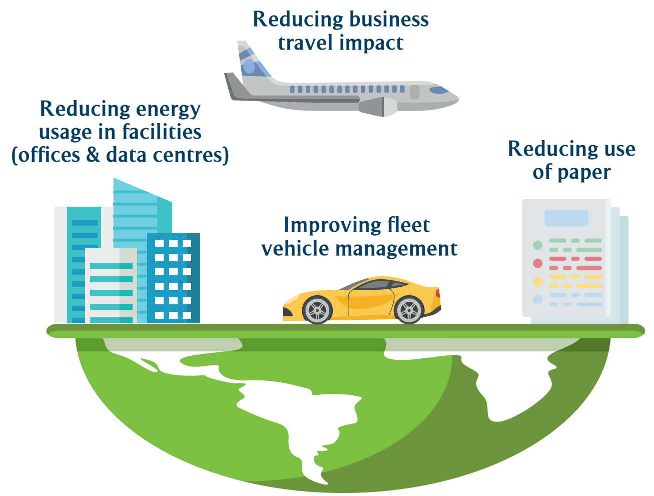
I SEE A LION CAMPAIGN

As part of preserving our East Africa's natural capital, the group has invested on I SEE A LION Campaign aimed at ensuring that future generations get to see lions roam freely in the wild and future. The campaign entails partnering with Kenya Wildlife Service (KWS) and conservation partners to enable a nationwide lion census and hence facilitate identification of where the lions are most vulnerable and at risk. This is a true testament of ICEA LION supporting sustainable initiatives and positively impacting people, planet and profit.

RESPONSIBLE CONSUMPTION

We continuously work to reduce carbon footprint of our activities using a four-pronged approach namely: -

The business continues to manage the above four activities and this is evidenced by the level of costs incurred on various parameters including: -



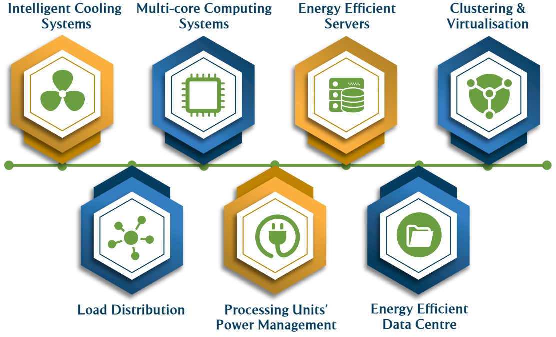
The business continues to manage the above four activities and this is evidenced by the level of costs incurred on various parameters including: -

Cost Line	2019 Kshs'000	2018 Kshs'000	2017 Kshs'000	2016 Kshs'000	2015 Kshs'000
Electricity	6,131	5,044	4,431	4,740	4,510
Paper costs	1,162	1,022	833	815	636

EMBRACING GREEN TECHNOLOGY

With rising energy consumption, global warming and e-waste, we have deliberately taken into serious consideration the concept of green computing as our contribution to best practice for sustainable development. We have aligned our ICT processes and practices to find innovative and alternative ways of using ICT across the organisation and beyond to deliver environmental benefits.

The diagram below shows these initiatives are elaborated below:



Green Deployment

Virtualisation:

Our data centre runs all our core application systems on a virtualised environment that has eliminated the need for dedicated servers for applications, allowing for the running of multiple operating system on minimal hardware at optimal performance. Our server footprint has reduced 15-fold.

Cloud Computing:

We have migrated some of our processes to cloud computing providers who are focused on environmental sustainability. We have adopted cloud deployments for services such as email, business intelligence, back-ups and disaster recovery with sustainability cloud providers such as Google Cloud©, Microsoft Azure© and Chartio©.

Green Disposal & Re-use

We have partnered with our vendors for recycling used equipment and parts such as inverter power back-up batteries which are collected upon expiry of recommended run time and recycled in socially and environmentally desirable processing and re-use methodologies. Replaced computing equipment are appraised and reused within the organisation.

Data Centre Sustainability Improvements

In building our data centre towards eco-friendliness, the following targeted initiatives have been implemented.

- **Air Reticulation:** Our data centre design has incorporated the separation of the cold and hot aisles to reduce cooling power required. With this, our data centre air conditioning systems settings have been adjusted up by 4°C leading to a reduction in energy consumption.
- **Cooling System:** We deployed in-row self-contained air conditioners by Tripplite© that provide large amounts of cooling power for much less electrical power compared to traditional cooling systems. This combined with air reticulated design of the data centre has resulted in reduction of cool air leakages and allowed for the reduction of run time of the installed air conditioners from full time run to every other week.

Green Use of Technology

- Wireless Telecommuting: Our Head Office has deployed wireless connectivity across all offices and meeting rooms. This allows meetings to take place without the need for paper reports.
- Paperless Processing: We have implemented end to end document processing system and automated workflows which has ensured elimination for paper flows across offices.

FUTURE OUTLOOK

Looking to the future, we will continuously ensure employees are aware of and are committed to the Environmental Management System through training, site posters, tool box talks and briefings. We also intend to establish a Group-wide baseline for our performance and set KPIs which will be tracked on an annual basis.

SOCIAL & RELATIONSHIP

CORPORATE GOVERNANCE

We have a reputation for honesty and integrity in our management practices. This indeed lives up to one of our four core values “We Champion Integrity.” We have developed: a robust corporate governance framework anchored on global best practice governance systems. These include the U.K. Corporate Governance Code, the Organisation for Economic Co-operation and Development (OECD) Principles on Corporate Governance and The King IV Report. We have also benchmarked ourselves against the locally adopted Code of Corporate Governance for the Private Sector in Kenya.

The standards for conduct established by the Company’s Code of Business Conduct and Ethics serve to implement these guidelines and principles which are obligatory for all employees. The Code of Conduct and other internal guidelines adopted on its basis provide all employees with clear guidance on conduct that is in accordance with the values of the Company. They provide employees with practical guidelines for making their own decisions and avoiding potential conflicts of interest. These guidelines also help employees recognise when they are approaching a critical limit, such as the acceptance of gifts or invitations from business partners. We believe good ethics are paramount and that organisations should aim for a strong ethical culture that is self-policing.

ANTI-BRIBERY AND CORRUPTION

Our commitment to fight all forms of corrupt activities is covered in our Anti-Bribery Policy. Channels have been set up, including an independently managed whistleblowing system which helps employees and other stakeholders report on fraud, corruption and unethical activities.

SUPPLIERS

We have a formal supplier selection process for all products and services procured that is reviewed every three years. All new suppliers are expected to comply with our Anti-Bribery Policy, a copy of which is provided to them when they come on board.

We have adopted a centralised procurement service which aims to bring with it enhanced efficiencies with regards to the procurement process. This service is overseen by a Procurement Committee.

GOVERNMENT AND REGULATORS

Recognising that the government is a key stakeholder, we ensure that we are in full compliance with all applicable laws and regulations. The tasks of the compliance team includes advising the business units on laws, provisions and other regulations, the creation, implementation and monitoring of compliance with internal guidelines and standards as well as regular training of employees on the rules which are applicable.

DATA PROTECTION

We recognise that it is our duty to protect corporate and personal information in all our operations. In light of global changes on data privacy and the need to be proactive in implementation of such guidelines, we have updated our privacy policy. We also have in place an Information Risk and Governance policy that’s sets out our commitment to the security, information risk management, confidentiality and quality of information. We recognise the need to efficiently manage information risk as well as put in place appropriate policies, procedures and management accountability in order to provide a robust governance framework for information management.

OUR CORPORATE CITIZENRY

Our Passion To Safeguard The Future Of Lions In Kenya

The population of lions in the wild has been noted to have decreased significantly throughout Africa and is currently at 20,000 with an estimated 2,000 being from Kenya. The lions’ official conservation status is ‘threatened and vulnerable’. Africa is synonymous with lions and people all over the world travel to Kenya to witness and experience our spectacular natural and wildlife wealth. Protecting lions in the wild is an important part of securing our economic future as a nation. As an organisation we strongly believe that our partnering with KWS and other world renown local conservationists ensures the future of our economy.

Our *I SEE A LION* Corporate Social Investment Campaign is aptly named, and has a strong connection with our company name ICEA LION. It is aimed at ensuring that future generations get to SEE lions roam freely in the wild and future.

At ICEA LION, we like to think of ourselves as the ‘King of the Financial Jungle‘. It was a natural fit to inculcate the passion needed to safeguard the future of the Lion in Kenya; that almost forgotten noble and iconic beast that has unwittingly been relegated by the grand and beloved tusked giants, yet is a central part of this country’s heritage.

Following sessions and conferences held with Kenya Wildlife Service (KWS) at their Carnivore Conference, the passion to save this vulnerable and threatened icon of East Africa was born. The adopted project not only demonstrated true sustainability in the viability of projects that ICEA LION could support, but also impacted the socio-economic prosperity of East Africa.

We identified two key initiatives in this regard:

- **The Nationwide Lion Census:** In collaboration with Kenya Wildlife Service, we have contributed **Kshs. 1.28 Million** towards the Conservation Partners Methodologies & Standardization Workshop as well as the pilot census undertaken at Lake Nakuru National Park. In 2019, ICEA LION invested **Kshs. 1.7 Million** towards purchase of census equipment to complete the exercise across the country.

- **The Human-Wildlife Conflict Interventions:** We have invested over **Kshs. 12.5 Million** with conservation partners Ewaso Lions and Lewa Wildlife Conservancy to support community conservation programmes.

THE NATIONWIDE LION CENSUS:

“Charity begins at home” the old adage goes. As such, it is imperative that we impassion our family at ICEA LION to understand the intricacies of lion conservation. As a result, in 2019, we continued our partnership with Lewa Wildlife Conservancy to immerse our staff at the Conservancy for two days to be sensitised on the cause. There, they had an opportunity to see programmes instituted by Lewa and how these unsung heroes were transforming communities around them.

The Conservation Education Programme came into clearer focus in 2019. In August, the team from ICEA LION engaged with the students from Bardassa Mixed Secondary School to jointly learn about lion conservation. These students are raised to see the lion as a foe who is to be killed on sight. The trip achieved a lot of milestones, but most importantly the realisation that keeping these animals alive in their natural ecosystem has a direct impact on the country and the communities around them.

The imagery herein illustrates highlights from the life-changing engagements between the three parties.

MANUFACTURED CAPITAL

OUR GEOGRAPHICAL FOOTPRINT

Our manufactured capital includes our geographical footprint covering our head office, subsidiaries and branches as shown on page 11 of this report.

Our branch network also acts as a distribution network reaching devolved units within the counties.

The following is a listing of the prime properties we own

- Riverside Park, Residential Apartments
- Riverside Park, ICEA LION Centre East Wing (hosts our Head Office) and West Wing (hosts our Tenants)
- Clanson Court
- A property in Rosslyn Estate
- St. Austin's Gardens

We have leased 22 other properties that host our branches in Kenya and our subsidiaries in Uganda.

For all our properties, we have employed best practice processes in terms of health and safety and environmental management.

OUR ICT PLATFORMS AND INFRASTRUCTURE

A key element of our manufactured capital includes our ICT system infrastructure including servers, core systems, utilities, IP telephony and security systems all of which are governed by a well-structured ICT governance model.

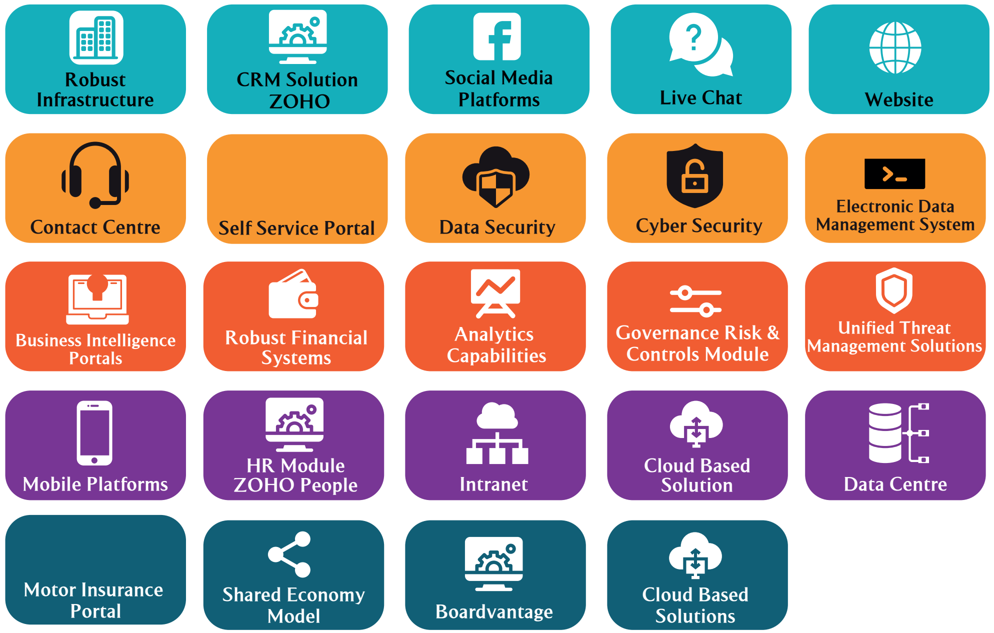
We have invested heavily in infrastructure over the past few years, an essential component in building efficiencies within our business model.

Special focus has been on out digital channels such as our mobile apps and portals as we work toward digital transformation.

Key elements of this include:

- Our agents' mobile app that enable our agents to carry out customer on-boarding from mobile devices
- Our internally developed Life Insurance Management system
- Cancer insurance online portal

Below is a illustration of our Manufactured Capital with regards to infrastructure:



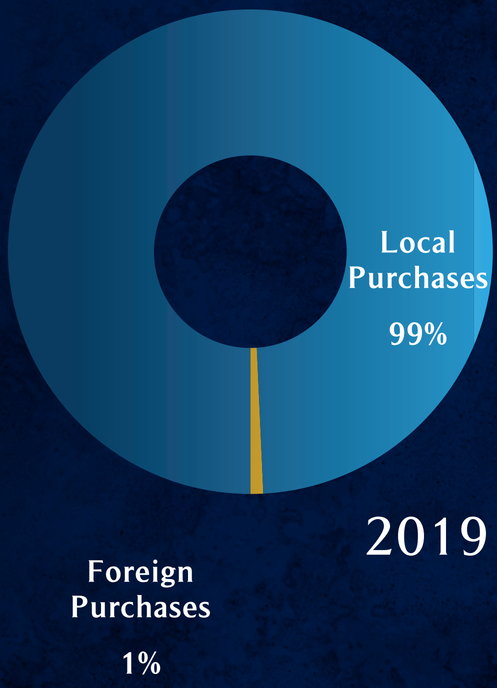
FINANCIAL CAPITAL

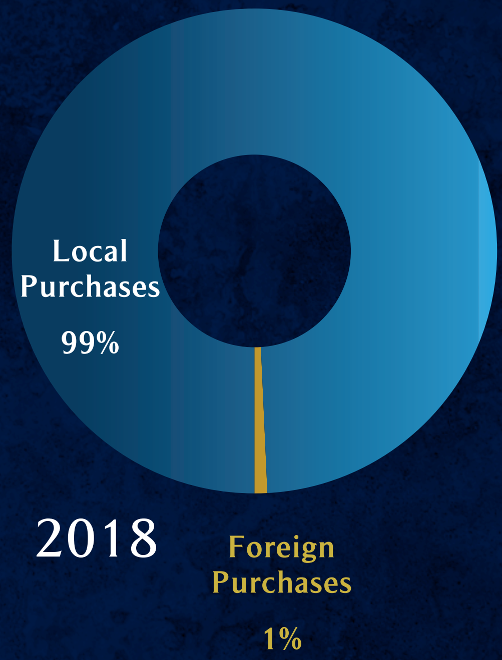
CREATING IN COUNTRY-VALUE THROUGH OUR FINANCIAL CAPITAL

Taxes Paid

ICEA LION's contribution to economic sustainability over the past five years in terms of tax payments to the government has exceeded Kshs. 1billion as shown on the value statement below.

Supporting qualified local suppliers when procuring any goods and services is our first choice. In 2018 and 2019, 99% of our purchases was spent on local suppliers. Our supply chain strategy is to engage with our suppliers and commit to our procurement, sustainability and environmental charters as we embed the principles of sustainable insurance across the entire value chain. We believe that together we can deliver economic solutions to support both our business as well as to ensure the continued socio-economic growth of Kenya.





VALUE CREATION

Financial Capital

The funding for the Company's operations comes from shareholders and proceeds from investing activities. The funds are used to run the activities of the Company and generate value for our stakeholders.

During the year, we complied with all the capital requirements we are subject to under the Risk Based Capital Supervision Model by the Insurance Regulatory Authority.

SHAREHOLDER FUNDS
Group 2019:
Kshs. 13.7 Billion
Company 2019:
Kshs. 12.2 Billion

TOTAL REVENUE
Group 2019:
Kshs. 26 Billion
Company 2019:
Kshs. 23.8 Billion

TOTAL ASSETS
Group 2019:
Kshs. 98.9 Billion
Company 2019:
Kshs. 93.5 Billion

ACTUARIAL SURPLUS
Group 2019:
Kshs. 16.1 Billion
Company 2019:
Kshs. 15.8 Billion

VALUE ADDED STATEMENT

GROUP					
	2019	2018	2017	2016	2015
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	17,658	13,585	16,789	10,627	9,065
Less; Insurance ceded and costs of other services	1,698	1,496	1,373	1,196	1,303
Wealth created:	15,960	12,088	15,416	9,432	7,762
DISTRIBUTION:					
Employees - salaries, wages and other benefits	1,063	915	782	748	701
Benefits to Sales Agents	989	830	799	719	674
Benefits & interest payment to policy holders	9,329	10,782	12,513	3,930	5,504
Taxes paid to Government	(1,371)	(268)	25	751	115
Dividends to Shareholders	250	200	200	460	200
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation Amortisation	156	75	107	115	93
Retained Earnings	3,233	(446)	990	2,708	475
Total distribution:	15,960	12,088	15,416	9,432	7,762

COMPANY					
	2019	2018	2017	2016	2015
	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions	Kshs Millions
Gross written premiums & interest income	15,241	11,473	14,737	8,898	7,317
Less; Insurance ceded & costs of other services	858	805	694	609	698
Wealth created:	14,383	10,667	14,043	8,289	6,620
DISTRIBUTION:					
Employees - salaries, wages & other benefits	621	519	453	431	426
Benefits to Sales Agents	744	614	570	500	469
Benefits & interest payment to policy holders	8,692	10,101	12,085	545	5,110
Taxes paid to Government	(1,263)	(309)	(23)	699	85
Dividends to Shareholders	250	200	200	460	200
RETENTION TO SUPPORT FUTURE BUSINESS GROWTH:					
Depreciation & Amortisation	101	53	82	93	77
Retained Earnings	2,962	(511)	675	2,561	253
Total distribution:	14,383	10,667	14,043	8,289	6,620

CHIEF FINANCIAL OFFICER'S REPORT

KEVIN NYAKERI, CFA

Kevin joined ICEA LION Life Assurance as CFO in January 2020 following the departure of Ronald Nyamosi in December 2019.

"Our business philosophy is to take on sustainably profitable business that safeguards the long-term interests of all our stakeholders and meets regulatory capital requirements by preserving and growing our capital base."

PERFORMANCE

The Group delivered a solid profit performance on account of operational efficiency, reduced risk margins for life assurance companies, higher interest income and improved performance of equities listed on the Nairobi Securities Exchange (NSE).

Profit before Tax grew to KES 4.6B from a loss of KES 412 in 2018 on the back of a reduced insurance interest risk margin from 20% to 10% and better performance of listed equities. In 2018, the higher risk margin lowered profits by KES 818 million while poor NSE performance generated an unrealized loss of KES 1.33 billion. An impact assessment by The Actuarial Society of Kenya in collaboration with the Insurance Regulatory Authority, affirmed that a rate of 10 % lines up with the reality of the Kenyan insurance market. The new rate of 10% was legislated in June 2019 and as expected, more life assurance companies are likely to return to profitability in 2019 and beyond.

The Group continued to deliver strong growth; total assets were up by 17% to KES 99 Billion driven mostly by more pension scheme and insurance policy mandates. The company operating expenses were well managed due to improved efficiencies across the entire business. Revenue growth was subdued in 2019 which is a testament to the highly competitive market we operated in during the year. The company philosophy is to take on sustainably profitable business that safeguards the long-term interests of all our stakeholders and meets the regulatory capital requirements by preserving and growing our capital base.

NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted IFRS 16 on Leases during the year. This resulted in the creation of a right of use assets and a lease liability on our statement of financial position. Implementation of this standard had a negligible impact on our profitability performance during the year.

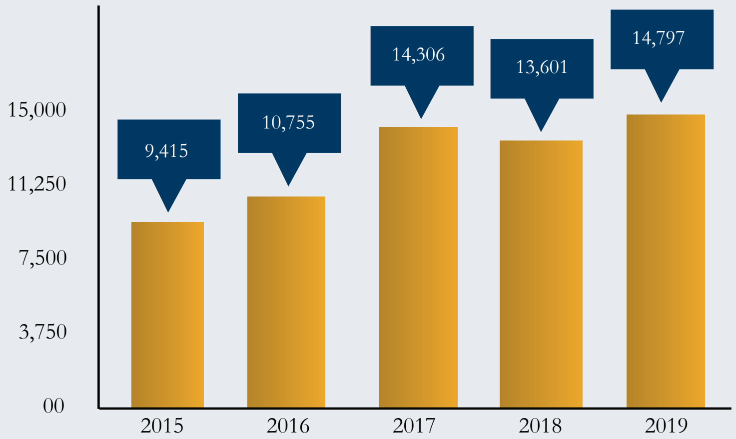
IFRS 17 remains the most significant and impactful accounting standard for the insurance industry and is slated for implementation on 1st January 2023. Rollout of the standard will demand robust new systems and data capture processes, upskilling of our people and will require involvement of multiple stakeholders beyond those in finance roles. As a Group, we are on track towards the implementation of this major new standard.

OUTLOOK

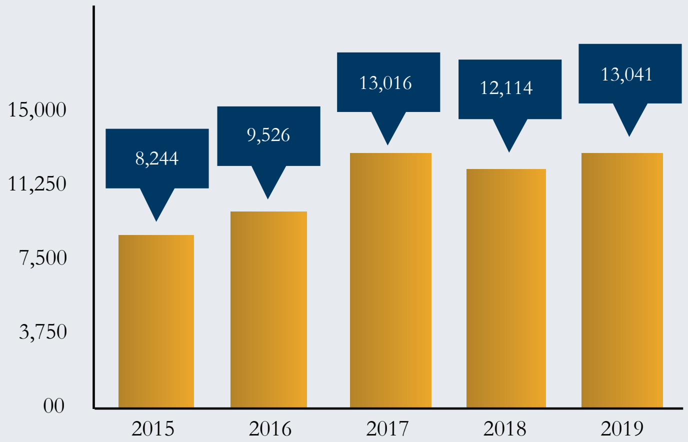
Regulatory headwinds will continue to impact our business in the coming days. The RBA regulation of 2019 that reduced the scheme assets transfer window from 3 years to 1 year is a case in point. Unless reversed, the impact of this change will have far reaching adverse consequences on the pension industry in Kenya.

We are optimistic that the operating environment in Kenya and East Africa will improve in the medium term. Further, we believe our strategic focus on cost effectively capturing growth markets and leveraging on the Group's strong balance sheet will deliver the ambitious targets set out by the leadership team. Our insight-based customer focused innovation, people with integrity and talent coupled with relevant technology will continue to differentiate us from the competition.

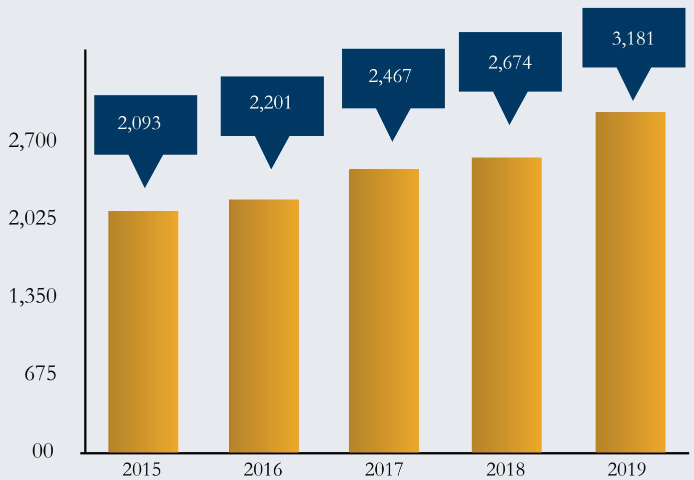
Group GWP and Contributions



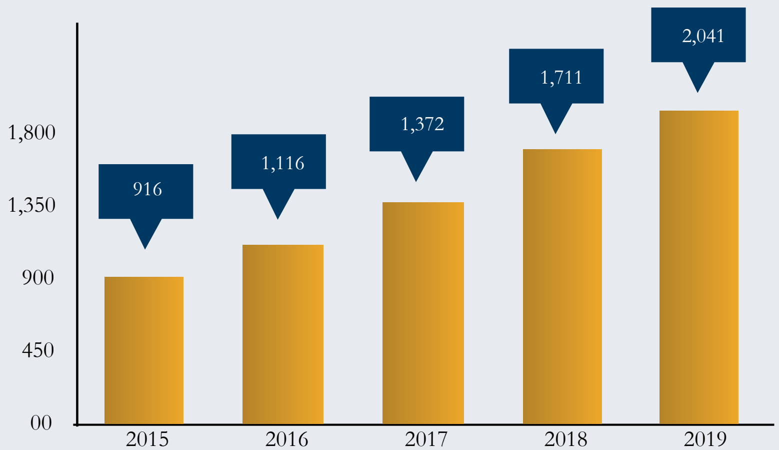
Company GWP and Contributions



Group Operating Expenses

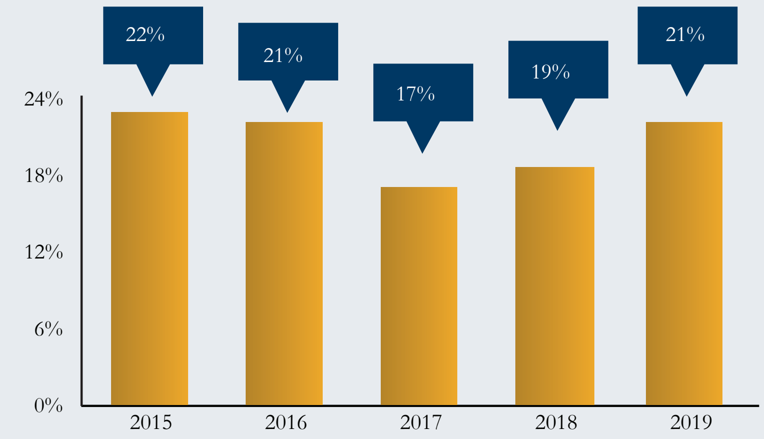


Company Operating Expenses

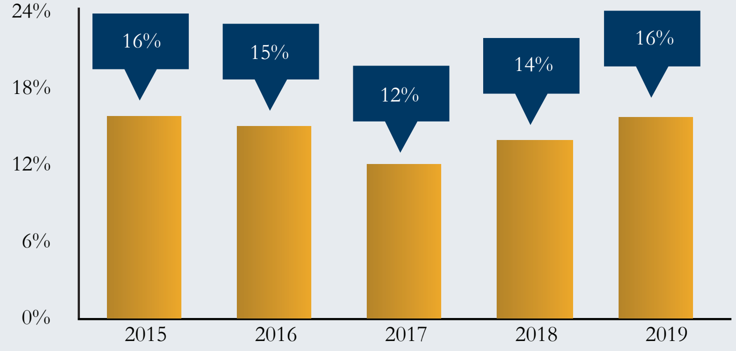


(Chart figures in Kshs Millions)

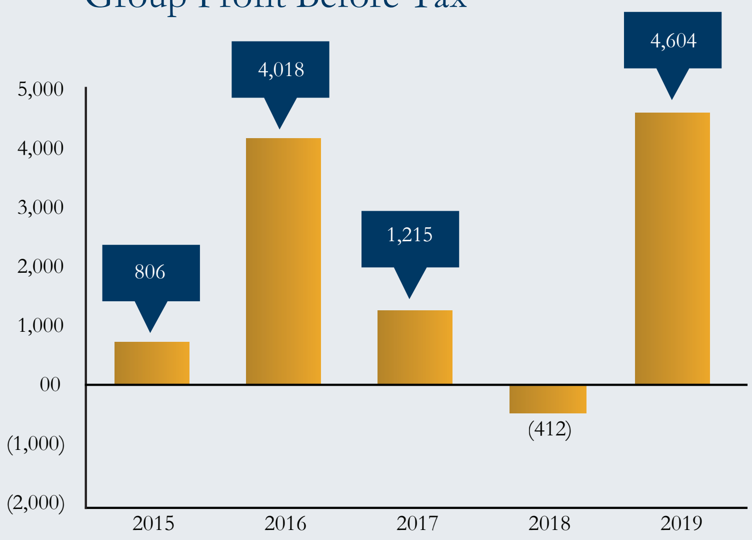
Group Total Expenses Ratio



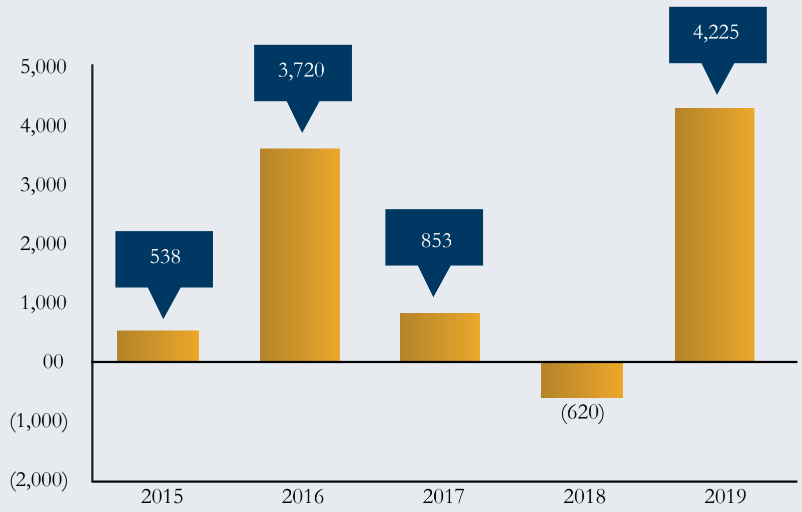
Company Total Expenses Ratio



Group Profit Before Tax



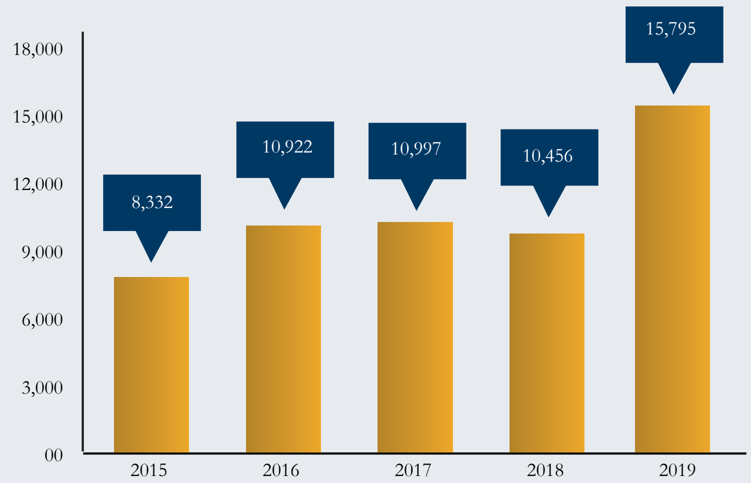
Company Profit Before Tax



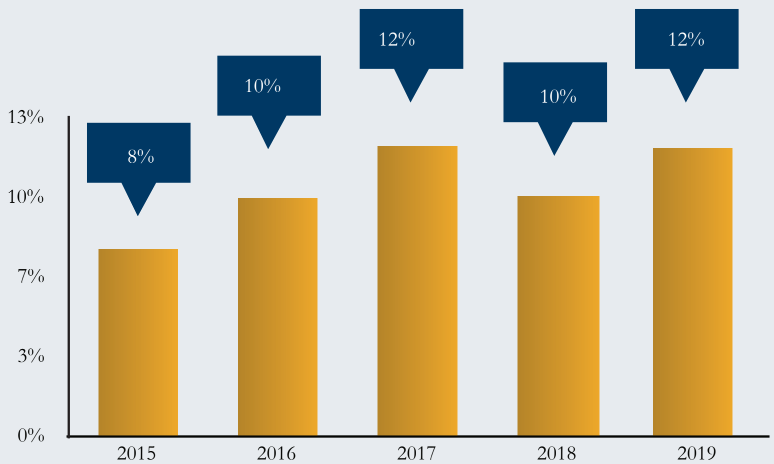
(Chart figures in Kshs Millions)

Group Actuarial Surplus

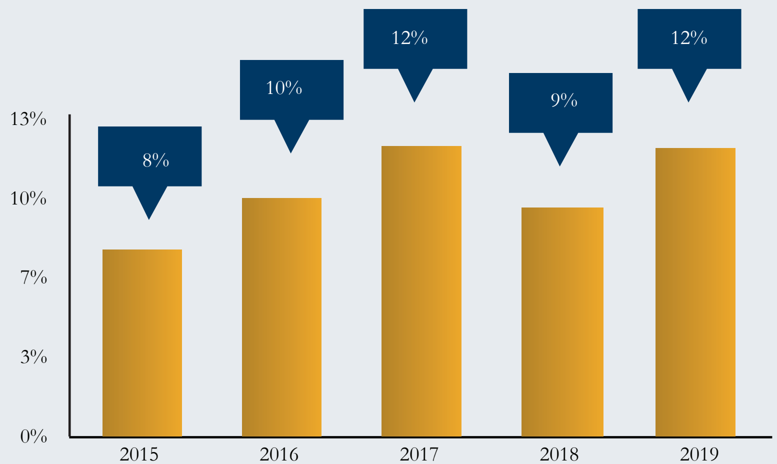
Company Actuarial Surplus



Group Return on Investments

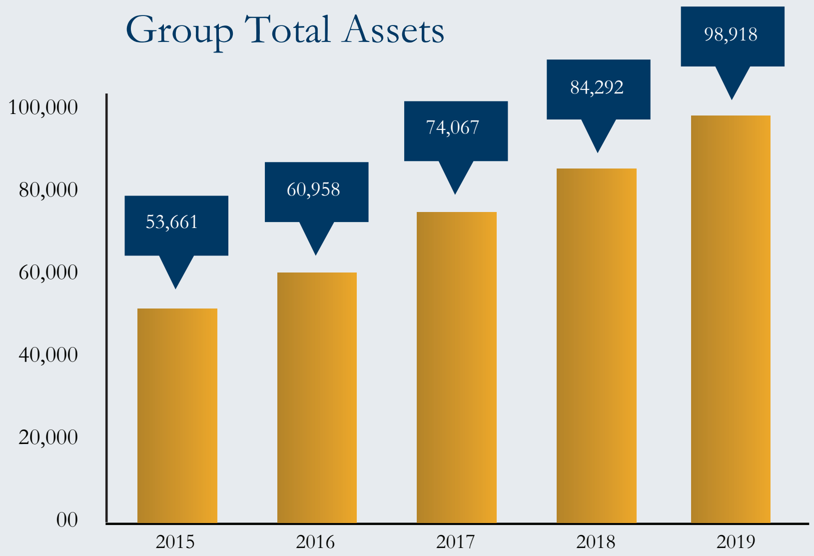


Company Return on Investments

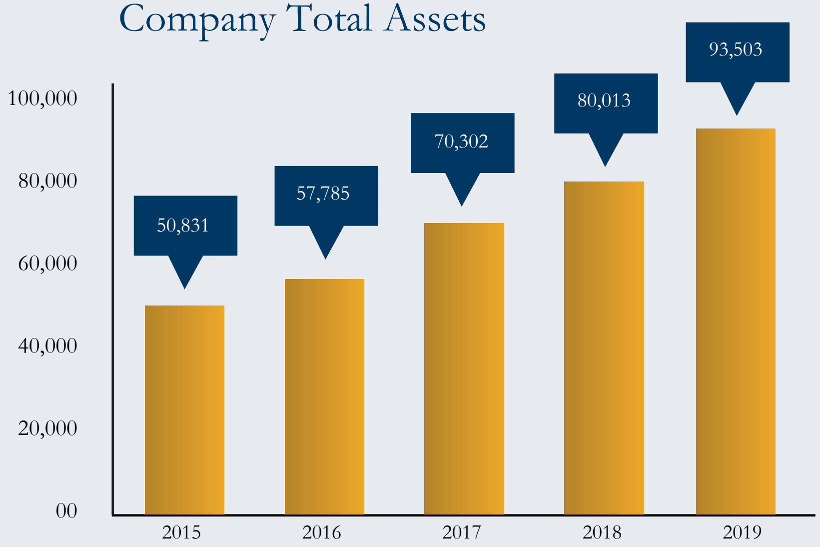


(Chart figures in Kshs Millions)

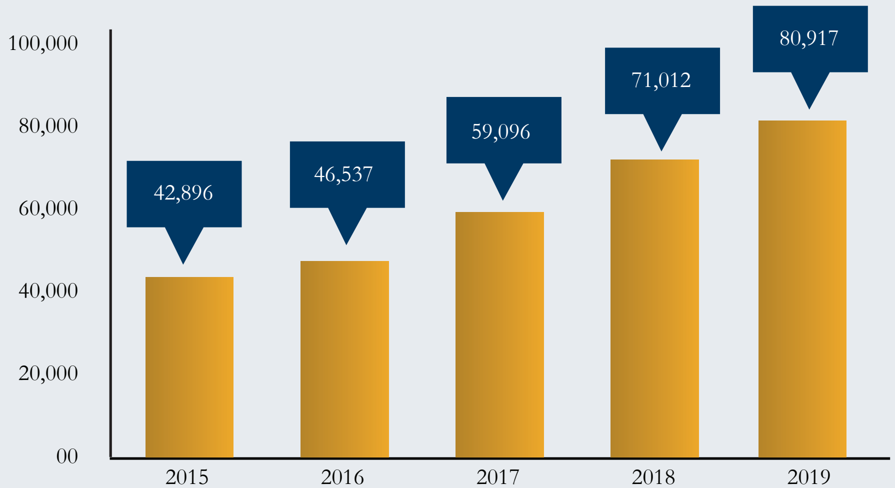
Group Total Assets



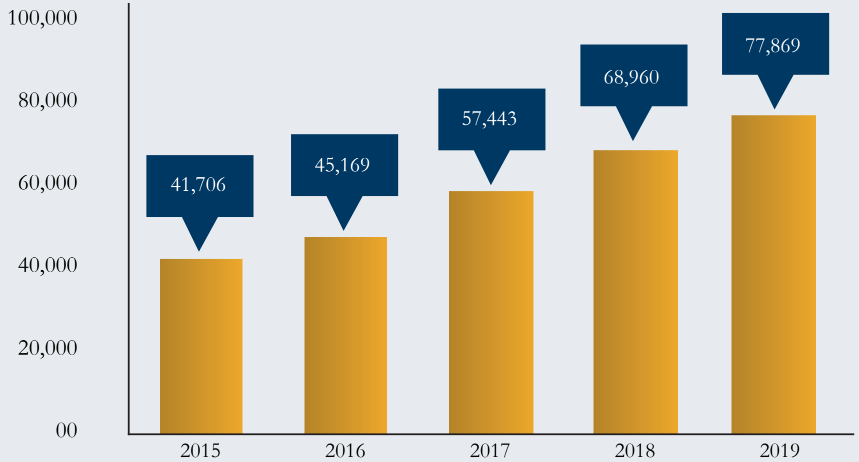
Company Total Assets



Group Life Fund



Company Life Fund



(Chart figures in Kshs Millions)

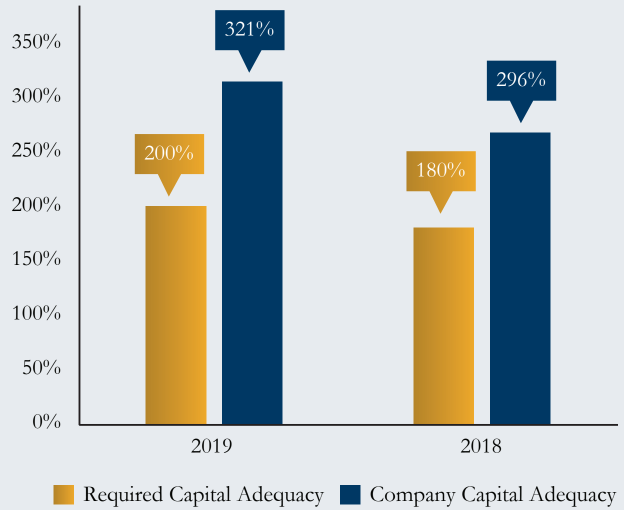
STATEMENT OF COMPREHENSIVE INCOME

	GROUP						COMPANY				
Kshs millions	2019	2018	2017	2016	2015		2019	2018	2017	2016	2015
Total Income	16,932	12,878	16,195	10,150	8,803		14,957	11,192	14,506	8,678	7,020
Net claims & benefits payable	9,329	10,782	12,513	3,930	5,504		8,692	10,101	12,085	3,545	5,110
Total Expenses	3,181	2,674	2,467	2,201	2,093		2,041	1,711	1,568	1,413	1,372
profit/(loss) before tax	4,604	(412)	1,215	4,018	806		4,225	(620)	853	3,720	538
Income Tax	(1,371)	268	(25)	(751)	(115)		(1,263)	309	23	(699)	(85)
profit/(loss) after tax	3,233	(144)	1,189	3,267	691		2,962	(311)	875	3,021	453
Other comprehensive Income	10	(102)	1	(99)	(16)		-	-	-	-	-
Total Comprehensive Income	3,243	(246)	1,190	3,168	675		2,962	(311)	875	3,021	453

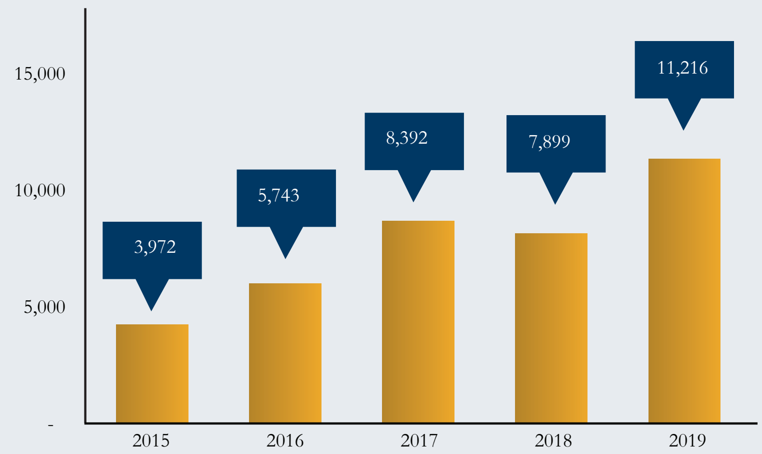
FINANCIAL HIGHLIGHTS (CONTINUED)
STATEMENT OF FINANCIAL POSITION

	Group					Company				
Kshs millions	**2019**	**2018**	**2017**	**2016**	**2015**	**2019**	**2018**	**2017**	**2016**	**2015**
Assets										
Investment property	10,773	10,534	10,276	9,882	9,105	10,773	10,534	10,276	9,882	9,105
Government securities	67,171	57,134	48,149	38,172	29,684	64,449	54,913	46,472	36,994	28,647
Deposits with financial institutions	6,665	4,421	5,176	3,853	4,283	5,856	3,652	4,529	3,121	3,678
Equities	8,166	6,833	6,162	5,149	5,660	8,074	6,738	6,162	5,149	5,559
Other Assets	6,144	5,421	4,303	3,900	4,929	4,352	4,227	2,863	2,639	3,791
Total	**98,918**	**84,343**	**74,067**	**60,958**	**53,661**	**93,503**	**80,064**	**70,302**	**57,785**	**50,780**
Liabilities;										
Insurance contract liabilities	23,631	22,495	17,426	10,735	12,371	21,757	20,813	16,322	9,846	11,406
Payable under deposit administration	57,284	48,764	41,617	35,722	31,006	56,111	48,813	40,786	35,031	30,418
Deferred tax	2,098	1,136	1,617	1,795	1,276	2,098	1,136	1,617	1,795	1,276
Other liabilities	2,193	1,046	1,875	2,164	1,175	1,321	675	1,363	1,574	703
Total liabilities	**85,207**	**73,442**	**62,534**	**50,416**	**45,828**	**81,287**	**70,437**	**60,087**	**48,246**	**43,803**
Total Equity	13,711	10,901	11,532	10,542	7,834	12,216	9,627	10,214	9,539	6,978
Total Liabilities and Equity	**98,918**	**84,343**	**74,067**	**60,958**	**53,661**	**93,503**	**80,064**	**70,302**	**57,785**	**50,780**

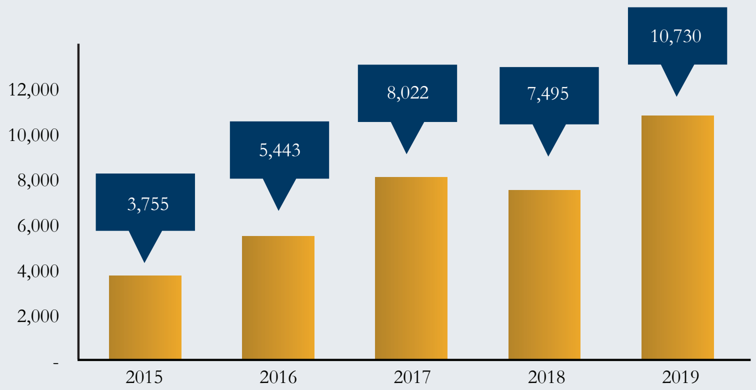
Company Capital Adequacy



Group Investment Income



Company Investment Income



(Chart figures in Kshs Millions)

2019
AUDITED FINANCIAL STATEMENTS

ICEA LION
LIFE ASSURANCE

REPORT OF DIRECTORS

The directors have the pleasure of presenting their report together with the audited financial statements of ICEA LION Life Assurance Company Limited (the "Company'') and its subsidiaries (the "Group'') for the year ended 31 December 2019.

BUSINESS REVIEW

The principal activities of the Group is the transaction of life insurance business and pension schemes administration in Kenya and the transaction of general insurance business and life insurance business and pension scheme administration in Uganda. The Group and Company's 5 years financial highlights including ratios are summarised on pages 81 to 87.

The Group's activities expose it to a variety of financial risks, including underwriting risk, credit risk, the effects of changes in debt and equity market prices, and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. These policies include the use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients and defined criteria for the approval of intermediaries and reinsures. Investment policies are in place, which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk. Further, the internal audit and risk and compliance functions help to ensure that these policies are followed. Group's risk management objectives and policies are detailed in Note 4 and pages 52 to 60.

RESULTS

	Long-term business Shs' 000	Short-term business Shs' 000	2019 Total Shs' 000	2018 Total Shs' 000
Profit before income tax	4,116,223	487,978	4,604,201	(412,231)
Income tax expense	(1,302,417)	(68,672)	(1,371,089)	267,983
Profit for the year	**2,813,806**	**419,306**	**3,233,112**	**(144,248)**

DIVIDENDS

Net profit for the year of Shs 3,233,112,000 (2018: Loss of Shs 144,248,000) has been added to retained earnings. During the year, no interim dividend was paid (2018: nil). The directors recommend a final dividend of Shs 19.33 per share amounting to Shs 435 million (2018: Shs 11.11 per share amounting to Shs 250 million).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on pages 22.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S 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 company'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 company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By Order of the Board

SECRETARY
23 March 2020
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Having made an assessment of the Group's and Company'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 and Company'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 23 March 2020 and signed on its behalf by:

J P M Ndegwa

Chairman

Dr. Caesar J M Mwangi

Director

REPORT OF THE PARENT COMPANY CONSULTING ACTUARY

I have conducted an actuarial valuation of the long term business of ICEA LION Life Assurance Company Limited and ICEA Life Assurance Company Limited as at 31 December 2019.

The valuations were conducted in accordance with generally accepted actuarial principles and the requirements of the Kenyan and Uganda Insurance Acts. Those principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuations, I have relied upon the audited financial statements of the companies.

In my opinion, the long term business of the companies were 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 business at 31 December 2019.

James I. O. Olubayi - Fellow of the Institute of Actuaries

March 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION LIFE ASSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Our Opinion

We have audited the accompanying financial statements of ICEA LION Life Assurance Company Limited (the Company) and its subsidiaries (together, the Group) set out on pages 96 to 172, which comprise the consolidated statement of financial position at 31 December 2019 and the 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 2019, and the Company statements of 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 ICEA LION Life Assurance Company Limited give a true and fair view of the financial position of the Group and the Company at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Nobert's B Okundi K Saiti

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION LIFE ASSURANCE COMPANY LIMITED (continued)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Valuation of policyholder liabilities Policyholder liabilities as disclosed in Notes 31 to the financial statements are of significant magnitude (Shs 23,344 million) to the overall financial statements. There are several methods which can be adopted in the determination of these reserves which are underpinned by a series of assumptions, and which are also subject to the requirements of the Insurance Acts in Kenya and Uganda. Changes in these assumptions can lead to significant changes in actuarial liabilities. The methodology used can also have a material impact on the valuation of the liabilities. The valuation of policyholder liabilities was considered to be a key audit matter due to magnitude of the balance and the estimation uncertainty involved in determining the liabilities.	We engaged our actuarial specialists to assess the reasonableness of the actuarial assumptions, including the consideration and challenge of management's rationale for the judgments applied. Our audit work included: • evaluating the reasonableness of the methodology and assumptions used by comparing them against regulatory requirements, recognised actuarial practices and industry standards; and • obtaining audit evidence in respect of the key data inputs into the estimation process

Other information

The other information comprises the information included in the integrated report other than 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 express any form of assurance conclusion thereon.

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

Responsibilities of the directors of the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and Company'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 Company 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICEA LION LIFE INSURANCE COMPANY LIMITED (continued)

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 controls.
- Obtain an understanding of internal controls 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 and company's internal controls.
- 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 and Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group's 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors' on page 89 to 90 is consistent with the financial statements.

Certified Public Accountants
Nairobi — **March 2020**
FCPA Richard Njoroge, Practicing certificate No. 1244.
Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000
Gross earned premiums	5	5,102,279	661,673	5,763,952	4,451,130	583,119	5,034,249
Less: reinsurance premiums ceded		(374,461)	(351,221)	(725,682)	(350,547)	(292,388)	(642,935)
Net earned premiums		**4,727,818**	**310,452**	**5,038,270**	**4,100,583**	**290,731**	**4,391,314**
Investment income	6	10,970,265	245,698	11,215,963	7,706,557	192,748	7,899,305
Commissions earned		84,147	94,003	178,150	63,791	61,312	125,103
Fees earned by subsidiaries		-	483,154	483,154	-	400,406	400,406
Other operating income	7	20,349	693	21,042	37,541	21,388	58,929
Foreign exchange gain		(1,074)	(3,359)	(4,433)	1,398	1,617	3,015
Total investment and other income		**11,073,687**	**820,189**	**11,893,876**	**7,809,287**	**677,471**	**8,486,758**
Claims and policy holder benefits		9,296,473	270,115	9,566,588	10,668,743	225,280	10,894,023
Less: amounts recoverable from reinsurers		(47,420)	(189,824)	(237,244)	(47,057)	(65,090)	(112,147)
Net claims incurred	**8**	**9,249,053**	**80,291**	**9,329,344**	**10,621,686**	**160,190**	**10,781,876**
Commissions payable		876,797	112,490	989,287	732,827	97,669	830,496
Other operating expenses	9(a)	1,465,741	610,096	2,075,837	1,270,675	573,101	1,843,776
Finance costs	9(b)	93,691	21,891	115,582	-	-	-
Total expenses		**2,436,229**	**744,477**	**3,180,706**	**2,003,502**	**670,770**	**2,674,272**
Results of operating activities		**4,116,223**	**305,873**	**4,422,096**	**(715,318)**	**137,242**	**(578,076)**
Loss on purchase of associate companies	20	-	-	-	-	(24,811)	(24,811)
Share of profit of associate, net of tax	20	-	182,105	182,105	452	190,204	190,656
Profit before income tax		**4,116,223**	**487,978**	**4,604,201**	**(714,866)**	**302,635**	**(412,231)**
Income tax expense	10	(1,302,417)	(68,672)	(1,371,089)	378,327	(110,344)	267,983
Profit for the year attributable to owners of the company		**2,813,806**	**419,306**	**3,233,112**	**(336,539)**	**192,291**	**(144,248)**
Other comprehensive income, net of tax: Items that may subsequently be reclassified to profit or loss							
Exchange differences in translating foreign operations		20,572	(10,610)	9,962	(64,843)	(36,887)	(101,730)
Other comprehensive income; net of tax		**20,572**	**(10,610)**	**9,962**	**(64,843)**	**(36,887)**	**(101,730)**
Total comprehensive income for the year attributable to owners of the company		**2,834,378**	**408,696**	**3,243,074**	**(401,382)**	**155,404**	**(245,978)**
Earnings per share (Basic and Diluted)	11			143.69			(6.41)

The notes on pages 103 to 172 are an integral part of these financial statements

COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000
Gross earned premiums	5	4,351,877	-	4,351,877	3,834,156	-	3,834,156
Less: reinsurance premiums ceded		(283,581)	-	(283,581)	(280,867)	-	(280,867)
Net earned premiums		**4,068,296**	**-**	**4,068,296**	**3,553,289**	**-**	**3,553,289**
Investment income	6	10,603,463	126,172	10,729,635	7,395,523	98,982	7,494,505
Commissions earned		136,662	-	136,662	106,076	-	106,076
Other operating income	7	18,639	4,138	22,777	36,577	1,387	37,964
Total investment and other income		**10,758,764**	**130,310**	**10,889,074**	**7,538,176**	**100,369**	**7,638,545**
Claims and policy holder benefits payable		8,717,444	-	8,717,444	10,126,711	-	10,126,711
Less: amounts recoverable from reinsurers		(25,941)	-	(25,941)	(25,993)	-	(25,993)
Net claims payable	**8**	**8,691,503**	**-**	**8,691,503**	**10,100,718**	**-**	**10,100,718**
Commissions payable		744,241	-	744,241	614,378	-	614,378
Operating and other expenses	9(a)	1,218,014	65	1,218,079	1,096,514	73	1,096,587
Finance costs	9(b)	78,255	-	78,255	-	-	-
Total expenses		**2,040,510**	**65**	**2,040,575**	**1,710,892**	**73**	**1,710,965**
Profit before income tax		**4,095,047**	**130,245**	**4,225,292**	**(720,145)**	**100,296**	**(619,849)**
Income tax expense	10	(1,233,249)	(29,544)	(1,262,793)	331,908	(23,057)	308,851
Profit for the year		**2,861,798**	**100,701**	**2,962,499**	**(388,237)**	**77,239**	**(310,998)**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**2,861,798**	**100,701**	**2,962,499**	**(388,237)**	**77,239**	**(310,998)**
Earnings per share (Basic and Diluted)	11			131.67			(13.82)

The notes on pages 103 to 172 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

ASSETS	Notes	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000
Investment properties	17	9,526,200	1,246,300	10,772,500	9,288,000	1,246,000	10,534,000
Motor vehicle and equipment	14	133,736	33,611	167,347	122,143	31,855	153,998
Intangible assets	15	17,042	29,704	46,746	14,728	776	15,504
Right-of-use assets	16	538,582	130,842	669,424	-	-	-
Investment in associates	20	-	1,568,580	1,568,580	-	1,417,375	1,417,375
Deferred taxation	35	-	19,856	19,856	-	5,073	5,073
Mortgage loans	22(a)	574,700	-	574,700	531,772	-	531,772
Policy loans	22(b)	613,966	-	613,966	568,209	-	568,209
Government securities:							
- at amortised cost	27	45,482,958	475,391	45,958,349	36,286,246	387,763	36,674,009
- held at FVTPL	27	21,006,104	206,425	21,212,529	20,227,019	233,196	20,460,215
Corporate bonds at amortised cost	26	800,840	-	800,840	1,380,132	2,062	1,382,194
Corporate bonds held at FVTPL	26	44,349	-	44,349	39,335	-	39,335
Kenya motor pool balances	21	-	37,209	37,209	-	46,944	46,944
Equity securities:							
- at fair value through profit or loss	18	8,156,249	9,442	8,165,691	6,821,684	11,298	6,832,982
Statutory deposits		32,712	40,540	73,252	28,396	36,856	65,252
Deferred acquisition costs	23	-	43,368	43,368	-	41,439	41,439
Receivables arising out of reinsurance arrangements		17,100	62,686	79,786	14,415	83,610	98,025
Receivables arising out of direct insurance arrangements		-	29,197	29,197	-	70,403	70,403
Reinsurers' share of insurance contracts liabilities	24	50,013	390,686	440,699	31,518	281,944	313,462
Current income tax		35,542	45,032	80,574	45,916	52,651	98,567
Other receivables	25	618,885	83,287	702,172	282,638	117,965	400,603
Due from long term business		(228,197)	228,197	-	(337,356)	337,356	-
Deposits with financial institutions	28	5,622,944	1,042,326	6,665,270	3,760,267	661,142	4,421,409
Cash and bank balances		53,675	98,194	151,869	88,128	33,439	121,567
Total Assets		**93,097,400**	**5,820,873**	**98,918,273**	**79,193,190**	**5,099,147**	**84,292,337**
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	29	150,000	300,000	450,000	150,000	300,000	450,000
Statutory reserve	12	9,009,903	328,842	9,338,745	6,830,600	269,474	7,100,074
Revaluation reserve	12	-	-	-	9,145	(9,145)	-
Translation reserve	12	11,056	(343,468)	(332,412)	(64,843)	(277,531)	(342,374)
Retained earnings		176,052	3,643,748	3,819,800	79,021	3,364,473	3,443,494
Proposed dividends		-	435,000	435,000	-	250,000	250,000
Total Equity		**9,347,011**	**4,364,122**	**13,711,133**	**7,003,923**	**3,897,271**	**10,901,194**
LIABILITIES							
Current income tax		6,062	-	6,062	19,166	-	19,166
Unearned premiums	30	-	136,725	136,725	-	134,581	134,581
Lease liabilities		765,630	185,841	951,471	-	-	-
Other payables	34	686,167	229,118	915,285	596,936	233,117	830,053
Payables arising from reinsurance arrangements		546	132,369	132,915	4,009	141,927	145,936
Payables arising from direct insurance arrangements		-	49,932	49,932	-	50,808	50,808
Payable under deposit administration contracts	33(a)	57,284,548	-	57,284,548	48,764,306	-	48,764,306
Payables under unit linked policies	33(b)	287,589	-	287,589	307,348	-	307,348
Insurance contract liabilities	31	22,826,087	518,407	23,344,494	21,616,278	437,174	22,053,452
Deferred income tax	35	1,893,760	204,359	2,098,119	881,224	204,269	1,085,493
Total Liabilities		**83,750,389**	**1,456,751**	**85,207,140**	**72,189,267**	**1,201,876**	**73,391,143**
Total Equity and Liabilities		**93,097,400**	**5,820,873**	**98,918,273**	**79,193,190**	**5,099,147**	**84,292,337**

The financial statements on pages 96 to 172 were approved and authorised by the board of directors on 23 March 2020 and were signed on its behalf by:

J P M Ndegwa - Chairman   Dr. Caesar J M Mwangi - Director   J M Mutiga - Principal officer

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	Long term business 2019 Ksh '000	Short term business 2019 Ksh '000	Total 2019 Ksh '000	Long term business 2018 Ksh '000	Short term business 2018 Ksh '000	Total 2018 Ksh '000
Investment properties	17	9,526,200	1,246,300	10,772,500	9,288,000	1,246,000	10,534,000
Motor vehicle and equipment	14	99,465	-	99,465	91,422	-	91,422
Intangible assets	15	17,042	-	17,042	14,728	-	14,728
Right-of-use assets	16	394,925	-	394,925	-	-	-
Investment in subsidiaries	19	9,823	683,101	692,924	9,823	683,101	692,924
Investment in associate	20	-	553,922	553,922	-	553,922	553,922
Mortgage loans	22(a)	574,700	-	574,700	531,772	-	531,772
Policy loans	22(b)	505,449	-	505,449	472,769	-	472,769
Government securities at amortised cost	27	43,384,119	58,591	43,442,710	34,685,845	-	34,685,845
Government securities held at FVTPL	27	21,006,104	-	21,006,104	20,227,019	-	20,227,019
Corporate bonds at amortised cost	26	800,840	-	800,840	1,380,132	-	1,380,132
Kenya motor pool balances	21	-	37,209	37,209		46,944	46,944
Equity investments at fair value through profit or loss	18	8,074,008	-	8,074,008	6,738,294	-	6,738,294
Corporate bonds at fair value through profit or loss	26	44,349	-	44,349	39,335	-	39,335
Receivables arising out of reinsurance arrangements		-	-	-	14,415	-	14,415
Reinsurers' share of insurance liabilities	24	13,674	-	13,674	12,108	-	12,108
Other receivables	25	544,606	44,658	589,264	243,594	44,015	287,609
Current income tax		-	11,203	11,203	-	20,275	20,275
Due from long term business		(228,197)	228,197	-	(337,356)	337,356	-
Deposits with financial institutions	28	5,231,230	624,699	5,855,929	3,331,358	320,566	3,651,924
Cash and bank balances		15,549	1,595	17,144	14,120	3,340	17,460
Total Assets		**90,013,886**	**3,489,475**	**93,503,361**	**76,757,378**	**3,255,519**	**80,012,897**
EQUITY AND LIABILITIES							
Equity							
Ordinary shares	29	150,000	300,000	450,000	150,000	300,000	450,000
Statutory reserve	12	8,970,465	-	8,970,465	6,623,662	-	6,623,662
Retained earnings		-	2,361,116	2,361,116	-	2,303,415	2,303,415
Proposed dividends		-	435,000	435,000	-	250,000	250,000
Total Equity		**9,120,465**	**3,096,116**	**12,216,581**	**6,773,662**	**2,853,415**	**9,627,077**
LIABILITIES							
Current income tax		6,062	-	6,062	19,166	-	19,166
Lease liabilities		602,553	-	602,553	-	-	-
Other payables	34	520,869	135,087	655,956	457,998	143,046	601,044
Payables arising from reinsurance arrangements		546	3,981	4,527	-	3,981	3,981
Payables arising from direct insurance arrangements		-	49,932	49,932	-	50,808	50,808
Payable under deposit administration contracts	33(a)	56,111,116	-	56,111,116	47,812,662	-	47,812,662
Payables under unit linked policies	33(b)	287,589	-	287,589	307,348	-	307,348
Insurance contract liabilities	31	21,470,926	-	21,470,926	20,505,318	-	20,505,318
Deferred income tax	35	1,893,760	204,359	2,098,119	881,224	204,269	1,085,493
Total Liabilities		**80,893,421**	**393,359**	**81,286,780**	**69,983,716**	**402,104**	**70,385,820**
Total Equity and Liabilities		**90,013,886**	**3,489,475**	**93,503,361**	**76,757,378**	**3,255,519**	**80,012,897**

The financial statements on pages 96 to 172 were approved and authorised by the board of directors on 23 March 2020 and were signed on its behalf by:

J P M Ndegwa - Chairman

Caesar J M Mwangi - Director

J M Mutiga - Principal officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2019

	Notes	Share capital Ksh '000	Statutory reserve Ksh '000	Revaluation reserve Ksh '000	Translation reserve Ksh '000	Retained earnings Ksh '000	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2018		450,000	7,786,613	-	(240,644)	3,151,203	200,000	11,347,172
Profit /(loss) for the year		-	(336,539)	-	-	192,291	-	(144,248)
Other comprehensive income for the year		-	-	-	(101,730	-	-	(101,730)
Transfer from statutory reserve		-	(350,000)	-	-	350,000	-	-
Transaction with owners:								
Interim dividend paid for 2017		-	-	-	-	-	(200,000)	(200,000)
Final dividend proposed 2018		-	-	-	-	(250,000)	250,000	
Balance as at 31 December 2018		**450,000**	**7,100,074**	**-**	**(342,374)**	**3,443,494**	**250,000**	**10,901,194**
Balance as at 1 January 2019 as previously stated		**450,000**	**7,100,074**	**-**	**(342,374)**	**3,443,494**	**250,000**	**10,901,194**
Changes on initial application of IFRS 16		-	(183,135)	-	-	-	-	(183,135)
At start of year (restated)		**450,000**	**6,916,939**	**-**	**(342,374)**	**3,443,494**	**250,000**	**10,718,059**
Profit for the year		-	2,813,806	-	-	419,306	-	3,233,112
Other comprehensive income for the year		-	-	-	9,962	-	-	9,962
Transfer from statutory reserve		-	(392,000)	-	-	392,000	-	-
Transaction with owners:								
Final dividend paid for 2018	13	-	-	-	-	-	(250,000)	(250,000)
Final dividend proposed 2019		-	-	-	-	(435,000)	435,000	-
Balance as at 31 December 2019		**450,000**	**9,338,745**	**-**	**(332,412)**	**3,819,800**	**435,000**	**13,711,133**

The notes on pages 103 to 172 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

	Note	Share capital	Statutory reserve Ksh '000	Retained earnings	Proposed dividends Ksh '000	Total Ksh '000
Balance as at 1 January 2018		450,000	7,361,899	2,126,176	200,000	10,138,075
Profit /(loss) for the year		-	(388,237)	77,239	-	(310,998)
Transfer from statutory reserve	12	-	(350,000)	350,000	-	-
Transaction with owners:						
Final dividend paid for 2017		-	-	-	(200,000)	(200,000)
Interim dividends paid for 2018		-	-	-	-	-
Final dividend proposed 2018		-	-	(250,000)	250,000	-
Balance as at 31 December 2018		**450,000**	**6,623,662**	**2,303,415**	**250,000**	**9,627,077**
Balance as at 1 January 2019 as previously stated		**450,000**	**6,623,662**	**2,303,415**	**250,000**	**9,627,077**
Changes on initial application of IFRS 16		-	(122,995)	-	-	(122,995)
At start of year (restated)		**450,000**	**6,500,667**	**2,303,415**	**250,000**	**9,504,082**
Profit for the year		-	2,861,798	100,701	-	2,962,499
Transfer from statutory reserve	12	-	(392,000)	392,000	-	-
Transaction with owners:						
Final dividend paid for 2018	13	-	-	-	(250,000)	(250,000)
Final dividend proposed 2019		-	-	(435,000)	435,000	-
Balance as at 31 December 2019		**450,000**	**8,970,465**	**2,361,116**	**435,000**	**12,216,581**

The notes on pages 103 to 172 are an integral part of these financial statements.

CONSOLIDATED & COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

		GROUP		COMPANY	
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**2019 Ksh '000**	**2018 Ksh '000**	**2019 Ksh '000**	**2018 Ksh '000**
Cash generated from operations	36	3,777,772	3,121,952	2,989,387	3,076,497
Income tax paid		(368,738)	(263,952)	(201,488)	(153,473)
Net cash generated from operating activities		**3,409,034**	**2,858,000**	**2,787,899**	**2,923,024**
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income		8,292,079	7,102,069	7,944,487	6,765,531
Purchase of property and equipment	14	(70,522)	(41,912)	(45,646)	(31,688)
Right of use asset	16	(773,436)	-	(449,518)	-
Purchase of intangible assets	15	(52,653)	(14,506)	(18,067)	(14,506)
Additions to investment property	17	(28,244)	-	(28,244)	-
Investment in subsidiary		-	-	-	(195,000)
Investment in associate	20	-	-	-	(225,355)
Proceeds from disposal of property and equipment		-	2,415	-	-
Purchase of quoted shares	18	(451,042)	(2,025,777)	(451,042)	(2,022,115)
Purchase of corporate bonds		(11,229)	(171,980)	(11,229)	(171,980)
Proceeds from disposal of government securities		14,445,240	5,667,450	14,313,649	5,682,457
Purchase of government securities		(24,209,577)	(13,561,058)	(23,579,634)	(13,033,704)
Policy loans advanced	22(b)	(312,132)	(177,373)	(240,499)	(133,707)
Policy loans recovered	22(b)	266,375	156,346	207,819	130,565
Mortgage loans advanced	22(a)	(145,774)	(95,334)	(145,774)	(95,334)
Mortgage loans recovered	22(a)	102,846	57,319	102,846	57,319
Proceeds from/(placement of) deposits with financial institutions		(1,581,454)	(2,401,849)	(1,606,473)	(2,378,002)
Proceeds from disposal of quoted shares		452,268	118,816	452,407	116,216
Redemption of corporate bonds		587,569	184,829	585,508	182,012
Dividend income on equity investments	6	458,578	301,627	452,676	297,895
Rental income	6	558,114	455,624	559,559	477,009
Statutory deposit		(8,001)	(5,482)	-	-
Net cash used in investing activities		**(2,480,996)**	**(4,448,776)**	**(1,957,175)**	**(4,592,387)**
CASH FLOWS FROM FINANCING ACTIVITIES					
2018 Final Dividends paid		(250,000)	(200,000)	(250,000)	(200,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**678,038**	**(1,790,776)**	**580,724**	**(1,869,363)**
Cash and cash equivalents at 1 January		1,498,040	3,294,625	920,911	2,790,274
Effect of translation of cash and cash equivalents		9,962	(5,809)	-	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**36(b)**	**2,186,040**	**1,498,040**	**1,501,635**	**920,911**

The notes on pages 103 to 172 are an integral part of these financial statements.

1. GENERAL INFORMATION

ICEA LION Life Assurance Company Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya. The address of its registered office is:-

ICEA LION Centre
Riverside Park, Chiromo Road Westlands
P.O Box 46143-00100
Nairobi

The Company acts as an insurance company and a holding company for insurance, investment management, schemes administration and trust services in Kenya and Uganda.

The Group comprises of eight entities; ICEA LION Life Assurance Company which is the parent company, ICEA LION Asset Management Company (Kenya), ITSL Trust Services Company (Kenya), Riverside Park Company (Kenya), ICEA General Insurance Company (Uganda), ICEA Life Assurance Company (Uganda) and ICEA Asset Management Company (Uganda). The Group also has a 30.9% stake in East Africa Reinsurance Company in Kenya, which is accounted for as an associate.

The Group is organised into two main divisions, Short term business and Long term business. Long term business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. The Group also issues a diversified portfolio of deposit administration contracts to provide its customers with asset management solutions for their savings and retirement needs. Short term business relates to all other categories of short term insurance business underwritten by the Group, analysed principally property, casualty and medical insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied 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

(i) Statement of compliance
The consolidated financial statements of the Company and its subsidiary as well as the separate financial statements of the Company, together referred to as "the financial statements", have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015.

(ii) Basis of measurement
The financial statements have been prepared on the historical cost basis except for the following which are measured at fair value: -

- Financial instruments at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income, and;
- Investment properties

(iii) Functional and presentation currency
The financial statements are presented in Kenya Shillings (KShs), which is the functional currency of the parent company. Except as otherwise indicated, financial information presentation in Kenya shillings has been rounded to the nearest thousand (KShs '000').

(iv) Use of estimates and judgements
In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Application of new and revised International Financial Reporting Standards (IFRSs)

1.1. Amendments to IFRSs that are mandatorily effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2 (n). The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, and thus has not restated comparative information but rather has recognised the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial recognition.

(a) Impact of the new definition of a lease
The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)
Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(a) Impact of the new definition of a lease (Continued)

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:
(a) Recognises right-of-use assets and lease liabilities in the consolidated and company statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognises an investment in sub-lease for cases where the Group has entered into a lease or otherwise entered into a shared space arrangement with another company, the copany accounts for the head lease and the sub-lease as two separate contracts;
(c) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(d) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases
The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

(c) Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts.

The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The Company and the Group did not have any sub-lease arrangements where it is the lessor.

(d) Financial impact of the initial application of IFRS 16
The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current year.

GROUP

Impact on profit or loss	2019 Shs'000
Impact on profit/(loss) for the year	
Increase in depreciation of right-of-use asset	(104,158)
Increase in finance costs	(115,582)
Decrease in other expenses	176,220
Decrease in profit for the year	**(43,520)**

COMPANY

Impact on profit or loss	2019 Shs'000
Impact on profit/(loss) for the year	
Increase in depreciation of right-of-use asset	(54,593)
Increase in finance costs	(78,255)
Decrease in other expenses	100,927
Decrease in profit for the year	**(31,921)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(d) Financial impact of the initial application of IFRS 16 (continued)

GROUP

Impact on assets, liabilities and equity as at 1 January 2019	As previously reported Shs'000	IFRS 16 adjustments Shs'000	As restated Shs'000
Property, plant and equipment	167,347	-	167,347
Right-of-use assets	-	769,391	769,391
Deferred tax asset	56,055	56,605	112,660
Net impact on total assets		**825,996**	
Obligations under finance leases			
Lease liabilities	-	1,009,130	1,009,130
Deferred tax liabilities	423,484	-	423,484
Net impact on total liabilities		**1,009,130**	
Net impact on total assets and liabilities		**(183,134)**	
Net impact			
Retained earnings	7,100,074	(183,134)	6,916,939
Net impact on equity		**(183,134)**	

COMPANY

Impact on assets, liabilities and equity as at 1 January 2019	As previously reported Shs'000	IFRS 16 adjustments Shs'000	As restated Shs'000
Property, plant and equipment	99,465	-	99,465
Right-of-use assets	-	446,411	446,411
Deferred tax asset	50,982	52,712	103,694
Net impact on total assets		**499,123**	
Obligations under finance leases			
Lease liabilities	-	622,118	622,118
Net impact on total liabilities	**-**	**622,118**	**-**
Net impact		**(122,995)**	
Retained earnings	**6,623,662**	**(122,995)**	**6,500,667**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impact of initial application of IFRS 16 Leases (Continued)

(d) Financial impact of the initial application of IFRS 16 (continued)

Group as a lessor:
The application of IFRS 16 has an impact on the consolidated and company statement of cash flows of the Group.
Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Other amendments mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI. The Group did not have such prepayment features.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.1. Amendments to IFRSs that are mandatorily effective for the current year (Continued)

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments will not have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Group did not acquire a business during the year.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework,* which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to* the *Conceptual Framework* in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non- controlling interest's proportionate share of recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

When the Group ceases to have control over an entity, any retained interest in the entity is remeasured 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 previous 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 previous recognised in other comprehensive income are reclassified to profit or loss.

Investment in subsidiaries in the company books are carried at cost less provisions for impairment.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

The Group's investment in its associate is accounted for using the equity method and is recognized initially at cost.

The cost of the investment includes transaction costs. Subsequent to initial recognition, the financial statement includes the Group's share of the profit or loss and other comprehensive income of equity accounted investee until the date in which significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.
The Company's investment in associate is accounted for at cost in its separate financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) The Kenya Motor pool

The Kenya Motor Insurance Pool balances represent the group's share of the surplus and net assets of the pool.

Results of the company's share of the two Kenya Motor Insurance Pools are accounted for in profit or loss in accordance with the Pool's accounting year which runs from October of the previous year to September of the current year. As a result, the Pool's results for the 4th quarter of the group's accounting year are accounted for in the subsequent year.

(d) Insurance and investment contracts – classification and measurement

i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur investment contracts are those contracts that transfer financial risk with no significant insurance risk. A number of insurance and investment contracts contain discretionary participation features (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses.

Long-term insurance business

Includes insurance business of all or any of the following classes, namely, life assurance business, superannuation business and business incidental to any such class of business.

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

Superannuation business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policy.

Short term insurance business

This is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Aviation insurance, Engineering insurance, Fire insurance – domestic risks, Fire insurance – industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance – private vehicles, Motor insurance – commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above. Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of motor vehicles, inclusive of third party risks but exclusive of transit risks. Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class. It also includes business of effecting and carrying out contracts of insurance against risk of persons insured incurring medical expenses.

ii) Recognition and Measurement

Premium Income

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

For general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the un expired terms of policies in force at the financial reporting date, and is computed using the 1/24ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance and investment contracts – classification and measurement (continued)

Claims (continued)

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

For permanent assurances including endowments, decreasing term, level term and annuities, the liabilities are determined using Gross Premium Valuation (GPV) method on a policy by policy basis.

The Gross Premium Valuation reserves are then computed by deducting the present value of the future income from the present values of future outgo at the prescribed valuation rate of interest.

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

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

Outstanding claims are not discounted.

Reinsurance contracts held

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

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), and longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss for the year.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables related to insurance contracts and investment contracts are amounts due from / due to agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss for the year.

Salvage and subrogation reimbursements

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Insurance and investment contracts – classification and measurement (continued)

Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalized as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortized over the life of the contracts.

(e) Revenue recognition (non – insurance contracts)

Revenue comprises the fair value for services, net of value-added tax, after eliminating revenue within the Group. Revenue is recognised as follows:

(i) Rendering of services

Revenue arising from asset management and other related services offered by the Group are recognized in the accounting period in which the services are rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. These services comprise the activity of trading financial assets in order to reproduce the contractual returns that the Group's customers expect to receive from their investments. Such activities generate revenue that is recognised by reference to the stage of completion of the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts. For practical purposes, the Group recognizes these fees on a straight-line basis over the estimated life of the contract.

(ii) Investment Income

Rental income

Rental income is recognised as income in the period in which it is earned.

Dividend income

Dividend income from equity securities is recognised when the Group's right to receive payment has been established provided that it is probable that the economic benefits will flow to the fund and the amount of income can be measured reliably.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(f) Deposit administration contracts

The Group administers the funds of a number of retirement benefit schemes which are classified as investment contracts. The liabilities of the Group to the schemes have been treated as payables within the statement of financial position. Contributions are recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by administration fees and any withdrawals. These liabilities are the contract holders' account balances.

(g) Accrued leave benefits

Entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability in respect of annual leave accrued on the reporting period end.

(h) Motor vehicle and equipment

Motor vehicle and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation is calculated on motor vehicle and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life, on the following bases:

Motor vehicles	25%
Furniture fittings & equipment	12.5%
Computer equipment	30%

The residual values of items of motor vehicle and equipment and their estimated useful lives are reviewed at each reporting period end and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of motor vehicles and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

(i) Intangible assets

Intangible assets comprise of computer software costs which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated to write off the cost of computer software on a straight line basis over its estimated useful life of 3 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on open market basis determined using the highest and best use valuation model.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

k) Financial instruments

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.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

- 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 FVTPL. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and

losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL 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.

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, USE). The quoted market price used for financial assets held by the Group is the current bid price.

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.

iv) Impairment

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

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:
- Government securities measured at amortised cost
- Receivables arising from direct insurance arrangements
- Rent and other receivables;
- Loan receivable
- Corporate bonds and commercial paper;
- Deposits with financial institutions; and Cash and bank balances.

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

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

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:
- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade receivables) for which credit risk has not increased significantly since initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

iv) Impairment (continued)

Loss allowances for premium 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. The following are examples of such events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Definition of default

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

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

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

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: eg. 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 advice from the Group risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

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.

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses

The predicted relationships between the key indicators and the default and loss rates on various portfolios of financial assets have been developed by analysing historical data over the past 3 to 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of Default;
- Loss given default (LGD); and
- Exposure at default (EAD).

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

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

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

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

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity; industry; and
- geographic location of the borrower.

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

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided in the S&P default study and the LGDs provided in the Rating recovery studies.

Offsetting financial instruments

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

Financial liabilities

Two measurement categories exist for financial liabilities; FVTPL and amortised cost. Financial liabilities that are held for trading are measured at FVTPL and all other financial liabilities are measured at amortised cost unless the fair value option is applied. IFRS 9, contains an option to designate a financial liability as measured at FVTPL when:-

(i) Doing so significantly reduces or eliminates an accounting mismatch that would arise from measuring assets and liabilities or recognising gains or losses on different basis
(ii) The liability is part of a group of financial liabilities that are managed and performance is evaluated on a fair value basis.

A financial liability that does not meet any of the above two criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is removed from the statement of financial position when and only when it is extinguished, i.e. when the obligation in the contract is either discharged or cancelled or it expires. Where there been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as extinguishment of the original financial liability and the recognition of a new financial liability.

A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

(l) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(m) Translation of foreign currencies and operations

(i) Functional and presentation currency

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

(ii) Transactions and balances

In preparing the financial statements of individual entities in the Group, transactions in foreign currencies during the year are recorded at rates ruling at the transaction dates. Assets and liabilities at the end of each reporting period which are expressed in foreign currencies are translated at rates ruling at that date. The resulting differences are dealt with in the statement of comprehensive income come in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to Kenya shillings using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in other comprehensive income and accumulated in equity under the Groups' currency translation reserve. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(n) Leases

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

(a) The Group as lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(c) Accounting for operating leases before 1 January 2019

Payments made under operating leases were changed to Profit and Loss on a straight line basis over the period of the lease. The amounts of unexpired operating leases were disclosed under note 37 of the finanacial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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 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, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

(p) Retirement benefit obligations

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Group and employees. The employees of the Group are also members of the statutory National Social Security Fund ("NSSF"). The Group's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate.

(q) Dividends

Dividends on ordinary shares are charged to retained earnings in the year in which they are paid. Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the shareholders

(r) Share Capital

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 directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparation of the annual financial statements, the Group makes use of estimates and assumptions that affect the reported amounts of its assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

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

a) Short-term insurance contract liabilities

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvage and subrogation. The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

b) Long term insurance contract liabilities

The long term insurance contract liabilities have been calculated in accordance with the actuarial method and basis set out in the insurance valuation of technical provisions for life insurance business guidelines, 2017. The liabilities have been determined using the Gross Premium Valuation (GPV) method on a policy by policy basis. The best estimate liability has been increased in accordance with the prescribed loadings risk margins. The assumptions underlying the compulsory risk margins have purely been based on the regulatory guidelines. The key assumptions that have been used in determining the actuarial liabilities at year end include; mortality, longevity, expense inflation, investment return and withdrawals.

The most significant valuation assumptions are as summarized below;

i) Mortality - The Company used KE 2007-2010 as base table of standard mortality for ordinary life and KE-2007-2010 plus 40% for annuitant life.
ii) Withdrawals - The withdrawal rates used in the valuation were set as per the experience observed in the Company's data.
iii) The discount rate assumptions used are based on risk free interest rate as at 31st December 2019 which is derived by converting the Nairobi Securities yield curve as at 31st December 2019 to zero coupon yield.
iv) Expense and inflation - The level of renewal expenses were taken based on the current expense experience of the Company. The expense inflation has been assumed to be 5% for the year ended 31st December 2019.

SENSITIVITY ANALYSIS

The effect of changes in mortality, longevity, expenses and withdrawals will have the following effect on the value of actuarial liabilities;

	% change	2019 Kshs'000	2018 Kshs'000
Mortality	+10	45,449	50,096
Longevity	+10	180,990	184,476
Expense inflation	+10	58,633	58,655
Withdrawals	+10	(13,135)	(11,828)

The above sensitivity analysis is on the Company actuarial liabilities. Since the Company actuarial liabilities account for over 90% of the group actuarial liabilities the subsidiaries liabilities will not materially change this sensitivity position.

The table below summarizes details of the risk margins applied in the actuarial valuation of long term insurance contract liabilities:

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

b) Long term insurance contract liabilities (continued)

	Risk Margins Applied	
	31st December 2019	31st December 2018
Mortality	10% increase in mortality for death assurances	10% increase in mortality for death assurances
Longevity	10% decrease in mortality for life assurances and annuities	10% decrease in mortality for life assurances and annuities
Morbidity/disability	10% decrease in inception rates & 5% decrease in recovery rates	10% decrease in inception rates & 5% decrease in recovery rates
Lapses	25% increase or decrease in lapse rates depending on which options gives rise to increase in liabilities	25% increase or decrease in lapse rates depending on which options gives rise to increase in liabilities
Interest	10% decrease	20% decrease
Expenses	10% increase	10% increase
Expense inflation	10% increase of estimated escalation rate	10% increase of estimated escalation rate
Surrenders	10% increase or decrease in surrender rates depending on which option gives rise to increase in liabilities	10% increase or decrease in surrender rates depending on which option gives rise to increase in liabilities

Interest rate margins Sensitivity

The actual interest rate used is arrived at by multiplying the risk free term structure of the interest rates of government bonds by a risk margin factor (1-risk margin) which further reduces the valuation interest rate thus increasing the liabilities. The liabilities for 2019 have been valued using 10% (2018 20%) risk margins on interest rates as stipulated in the IRA regulations. The table below summarises the impact on the earnings of the group had a rate of 20% been used.

Interest rate risk margin	Multiplication factor	Decrease in earnings
20%	(1-20)%	2,024 million

c) Income Tax

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

d) Valuation of Investment property

Estimates are made in determining valuations of investment properties. Fair value is based on valuation performed by an independent valuation expert. In performing the valuation the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of Investment property. The change in these assumptions could result in a significant change in the carrying value of investment property. Management monitors the investment property market and economic conditions that may lead to significant change in fair value, and conducts a formal and independent property valuation at least once every three years and adjusts the recorded fair values accordingly for any significant change.

SENSITIVITY ANALYSIS

The effect of changes in gross annual rental and yield will have the following effect on the fair value of investment property;

	% change	2019 Kshs'000	2018 Kshs'000
Gross annual rental income	+10	732,378	753,805
Gross annual rental income	-10	(599,218)	(616,749)
Yield	+0.5	6.8%	8.4%
Yield	-0.5	5.6%	7.4%

e) Calculation of loss allowance

When measuring expected credit losses (ECL), the Group 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.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

e) Calculation of loss allowance (continued)

Probability of default (PD) constitutes a key input in measuring ECL. Probability of default 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.

If the PD rates on the financial assets had been 5% higher (lower) as of 31 December 2019, the loss allowance would have been Shs 19.3 million higher (lower).

f) Assessment as to whether the right-of-use assets is impaired

In estimating the recoverable amount of the right-of-use asset, the directors have made assumptions about the achievable market rates for similar properties with similar lease terms.

g) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK

The Group's activities expose it to a variety of financial and insurance risks. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The disclosures below summarises the way the Group manages key risks:

4.1 Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance 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.

Long-term business

Long term insurance products expose required capital to risk if actual experience differs from that which is assumed. The Group is also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect to long term business.

The Group manages underwriting risk through Its product development process and underwriting policy to prevent anti - selection and ensure appropriate premium rates (loadings) for substandard risks. The Group also ensures there is adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks. Other measured the Group uses to manage its Insurance risk includes ensuring that there is in place a sound claims handling policy and adequate pricing and reserving philosophy. Quarterly full actuarial valuations and the Group's regular performance reporting process assist in the timely identification of experience variances.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Long-term business (continued)

The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk;

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.
ii) The statutory actuaries approve the policy conditions and premium rates of new and revised products;
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) The experience of reinsurers is used where necessary for the rating of substandard risks
v) 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.
vi) Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action is taken where necessary.

Short-term business

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of road accidents and injuries to agricultural employees. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess, surplus and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than set limits per class of business in any one year.

The Group has specialised claims units dealing with the mitigation of risks surrounding known claims. This unit investigates all claims and adjusts them where necessary. The claims records are reviewed individually at least semi-annually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on all insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims are settled over a long period of time and a large element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they have adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered and damage or loss to property.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

At present; these risks are monitored very closely and reassurance arrangements are in place to protect the impact of severity of claims and frequency from one event. There is also an underwriting policy in place which is strictly followed.

The underwriting strategy adopted is intended to ensure that the risks underwritten are well diversified in terms of type of risk and level of insured benefits. Medical selection is also included in underwriting procedures with premiums varied to reflect the health condition and family medical history of the insured. The Group has retention limit for standard risks (from a medical point of view). The Group does not have in place any reinsurance for contracts that insure survival risk but every year reserves are set aside to support the liabilities arising from such contracts. Insurance risk for contracts disclosed in this note is also affected by policyholder's right to pay reduced premiums or no future premiums or terminate the contract completely.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Concentration of insurance risks

The table below discloses the maximum insured risk (sum assured) by the class of business in which the contract holder operates and included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities (gross and net of reinsurance) arising from insurance. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

GROUP

Year ended 31 December 2019

		Maximum Insured loss			
Long term Business					
Class of business		Shs 0 m-Shs 15 m	Shs 15 m-Shs 250 m	Shs 250 m and above	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Annuity	Gross/Net	1,218,123	15,434	0	1,233,557
Ordinary life	Gross	54,638,853	1,966,123	611,745	57,216,721
	Net	49,550,297	1,133,517	196,458	50,880,272
Group life	Gross	231,276,714	8,322,256	2,589,410	242,188,380
	Net	92,427,437	2,114,378	366,457	94,908,272
Short term business					
Class of businesss					
Fire	Gross	4,934	27,839	139,679	172,452
	Net	3,946	12,942	19,269	36,157
Motor	Gross	3,233	4,663	2,939	10,835
	Net	3,210	4,595	2,896	10,701
Accident	Gross	12,485	14,835	61,314	88,634
	Net	12,578	6,034	8,847	27,459
Others	Gross	2,828	17,863	74,502	95,193
	Net	2,014	11,856	21,328	35,198
Total	**Gross**	**287,157,170**	**10,369,013**	**3,479,589**	**301,005,772**
Total	**Net**	**143,217,605**	**3,298,756**	**615,255**	**147,131,616**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

Concentration of insurance risks (continued)

COMPANY

Year ended 31 December 2019

Long term Business

Class of business		Maximum Insured loss			
		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	1,218,123	15,434	0	1,233,557
Ordinary life	Gross	54,638,853	1,966,123	611,745	57,216,721
	Net	49,550,297	1,133,517	196,458	50,880,272
Group life	Gross	231,276,714	8,322,256	2,589,410	242,188,380
	Net	92,427,437	2,114,378	366,457	94,908,272
Total	**Gross**	**287,133,690**	**10,303,813**	**3,201,155**	**300,638,658**
Total	**Net**	**143,195,857**	**3,263,329**	**562,915**	**147,022,101**

GROUP

Year ended 31 December 2018

Long term Business

Class of business		Maximum Insured loss			
		Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	7,330,641	3,227,862	-	10,558,503
Ordinary life	Gross	42,800,466	2,081,437	611,745	45,493,648
	Net	37,396,828	572,444	3,500	37,972,772
Group life	Gross	1,344,421	19,256,860	170,724,215	191,325,496
	Net	1,254,066	12,546,439	95,315,167	109,115,672
Short term business					
Class of business					
Fire	Gross	2,634	2,830	4,343	9,807
	Net	4,842	29,641	129,647	164,130
Motor	Gross	3,791	11,687	8,313	23,791
	Net	634	7,321	50,132	58,087
Accident	Gross	609	4,754	16,730	22,093
	Net	3,452	17,372	105,847	126,671
Others	Gross	2,566	10,415	15,889	28,870
Total	**Gross**	**51,487,128**	**24,624,130**	**171,625,972**	**247,737,230**
Total	**Net**	**45,991,135**	**16,376,431**	**95,363,942**	**157,731,508**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

COMPANY

Year ended 31 December 2018

Long term Business

Class of business		Maximum Insured loss Shs 0 m-Shs 15 m Shs'000	Shs 15 m-Shs 250 m Shs'000	Shs 250 m and above Shs'000	Total Shs'000
Annuity	Gross/Net	7,330,641	3,227,862	-	10,558,273
Ordinary life	Gross	35,757,057	1,637,657	611,745	38,006,459
	Net	30,722,005	559,286	3,500	31,284,791
Group life	Gross	1,030,960	15,073,854	112,268,869	128,373,683
	Net	945,779	9,406,078	64,668,584	75,020,441
Total	**Gross**	**44,118,658**	**19,939,373**	**112,880,614**	**176,938,415**
Total	**Net**	**38,998,425**	**13,193,226**	**64,672,084**	**116,863,505**

4.2 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Group produces regular reports at portfolio and asset and liability class level that are circulated to the Group's key management personnel. The principal technique of the Group's asset liability management (ALM) is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Group does not use hedge accounting.

The Group has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Group's ALM framework.

The Group has exposure to the following risks arising from financial instruments;

a) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The primary liquidity risk of the Group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2019.

GROUP

		Contractual cash flows (undiscounted)				
Financial assets	Carrying amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost						
- Government securities	623,225	-	224,357	196,763	10,003	192,102
- Fixed deposits	1,042,326	-	1,042,326	-	-	-
Debt securities at FVTPL	206,425	-	206,425	-	-	-
Kenya motor pool balances	37,209	37,209	-	-	-	-
Other receivables	83,287	-	83,287	-	-	-
Cash and cash equivalents	98,194	91,100	7,094	-	-	-
Total	**2,090,666**	**128,309**	**1,563,489**	**196,763**	**10,003**	**192,102**
Financial liabilities						
Insurance contracts-short term	518,407	-	518,407	-	-	-
Payables arising from reinsurance arrangements	132,369	-	132,369	-	-	-
Payables arising from direct insurance arrangements	49,932	-	49,932	-	-	-
Lease liabilities	185,841	-	10,087	14,267	18,677	142,810
Other payables	229,118	-	229,118	-	-	-
Total	**1,115,667**	**-**	**939,913**	**14,267**	**18,677**	**142,810**
Difference in contractual cash flows	**974,999**	**128,309**	**623,576**	**182,496**	**(8,674)**	**49,292**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of short-term insurance contracts as of 31 December 2018.

GROUP

		Contractual cash flows (undiscounted)				
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost						
- Government securities	620,959	-	249,588	199,378	-	171,993
- Corporate bonds	2,062	-	-	2,062	-	-
- Fixed deposits	661,142	-	649,344	11,798	-	-
Debt securities at FVTPL	233,196	-	233,196	-	-	-
Kenya motor pool balances	46,944	46,944	-	-	-	-
Equity securities at fair value through profit and loss	11,298	11,298	-	-	-	-
Other Receivables	117,965	-	117,965	-	-	-
Cash and cash equivalents	33,439	-	33,439	-		-
Total	**1,727,005**	**58,242**	**1,283,532**	**213,238**	**-**	**171,993**
Financial liabilities						
Insurance contracts	437,174	-	437,174	-	-	-
Payables arising from reinsurance arrangements	141,927	-	141,927	-	-	-
Payables arising from direct insurance arrangements	50,808	-	50,808	-	-	-
Other payables	233,117	-	233,117	-	-	-
Total	**863,026**	**-**	**863,026**	**-**	**-**	**-**
Difference in contractual cash flows	**863,979**	**58,242**	**420,506**	**213,238**	**-**	**171,993**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2019.

COMPANY

		Contractual cash flows (undiscounted)				
Financial assets	Carrying amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost						
- Fixed deposits	624,699	-	624,699	-	-	-
Debt securities at FVTPL	58,591	-	58,591	-	-	-
Kenya motor pool balances	37,209	37,209	-	-	-	-
Cash and cash equivalents	1,595	-	1,595	-	-	-
Other receivables	44,658	-	44,658	-	-	-
Total	**766,752**	**37,209**	**729,543**	**-**	**-**	**-**
Financial liabilities						
Payables arising from direct insurance arrangements	49,932	-	49,932	-	-	-
Other payables	135,087	-	135,087	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-
Total	**189,000**	**-**	**189,000**	**-**	**-**	**-**
Difference in contractual cash flows	**577,752**	**37,209**	**540,543**	**-**	**-**	**-**

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the company's Assets and Liabilities Management (ALM) framework for management of Short-term insurance contracts as of 31 December 2018.

		Contractual cash flows (undiscounted)				
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost						
- Fixed deposits	320,566	-	308,768	11,798	-	-
Kenya motor pool balances	46,944	46,944	-	-	-	-
Cash and cash equivalents	3,340	-	3,340	-	-	-
Other receivables	44,015	-	44,015	-	-	-
Total	**414,865**	**46,944**	**356,123**	**11,798**	**-**	**-**
Financial liabilities						
Payables arising from direct insurance arrangements	50,808	-	50,808	-	-	-
Other payables	143,046	-	143,046	-	-	-
Payables arising from reinsurance arrangements	3,981	-	3,981	-	-	-
Total	**197,835**	**-**	**197,835**	**-**	**-**	**-**
Difference in contractual cash flows	**217,030**	**46,944**	**158,288**	**11,798**	**-**	**-**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2019.

GROUP

		Contractual cash flows (undiscounted)					
Financial assets	Carrying amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	85,417,343	-	7,955,461	7,319,966	8,900,970	7,903,824	53,337,122
- Corporate bonds	965,030	-	326,650	321,443	315,744	1,193	-
- Fixed deposits	7,052,344	-	6,678,909	360,956	-	12,479	-
Fair value through profit and loss:							
- Equity securities at FVTPL	8,156,246	8,156,246					
- Government securities	45,556,095	-	2,840,674	2,612,853	4,262,610	3,414,953	32,425,005
- Corporate bonds	54,404	-	54,404	-	-	-	-
Mortgage loans	745,870	-	135,607	135,607	135,607	135,607	203,442
Policy loans	613,966	-	95,844	229,203	-	-	288,919
Other Receivable	618,885	-	618,885	-	-	-	-
Cash and cash equivalents	53,675	-	53,675	-	-	-	-
Total	**149,233,858**	**8,156,246**	**18,760,109**	**10,980,028**	**13,614,931**	**11,468,056**	**86,254,488**
Financial liabilities							-
Insurance contracts-long term	55,715,750	-	501,884	939,238	1,286,005	1,283,747	51,704,876
Payables under unit linked policies	287,589	-	287,589	-	-	-	-
Less assets arising from reinsurance contracts	(17,100)	-	(17,100)	-	-	-	-
Payables arising from reinsurance arrangements	456	-	456	-	-	-	-
Payables under deposit administration contracts	57,248,548	-	57,248,548	-	-	-	-
Lease Liability	765,630	-	41,556	58,776	76,945	91,096	497,257
Other Payables	686,167	-	686,167	-	-	-	-
Total	**114,687,040**	**-**	**58,749,100**	**998,014**	**1,362,950**	**1,374,843**	**52,202,133**
Difference in contractual cash flows	**34,546,818**	**8,156,246**	**(39,988,991)**	**9,982,014**	**12,251,981**	**10,093,213**	**34,052,355**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Group's Assets and Liabilities Management (ALM) framework for management of long term insurance contracts as of 31 December 2018.

GROUP

		Contractual cash flows (undiscounted)					
Financial assets	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	71,825,645	-	4,875,290	7,299,390	4,970,048	8,003,289	46,677,628
- Corporate bonds	1,399,548	-	657,000	264,664	267,344	157,025	53,515
- Fixed deposits	4,021,611	-	3,865,450	49,842	-	-	106,319
Fair value through profit and loss:							
- Equity securities at FVTPL:	6,821,684	6,821,684	-	-	-	-	-
- Government securities	45,645,612	-	2,649,938	2,757,233	2,527,928	4,177,700	33,532,813
- Corporate bonds	164,976	-	34,166	49,863	10,047	70,900	-
Mortgage loans	905,405	-	67,646	106,719	63,389	63,389	604,262
Policy loans	477,207	-	184,061	177,973	-	-	115,173
Other Receivable	282,636	-	282,636	-	-	-	-
Cash and cash equivalents	104,707	-	104,707	-	-	-	-
Total	**131,649,031**	**6,821,684**	**12,720,894**	**10,705,684**	**7,838,756**	**12,472,303**	**81,089,710**
Financial liabilities							-
Insurance contracts-long term	52,323,661	-	362,321	936,819	-	1,388,204	49,636,317
Payables under unit linked policies	307,348	-	307,348	-	-	-	-
Less assets arising from reinsurance contracts	(14,415)	-	(14,415)	-	-	-	-
Payables arising from reinsurance arrangements	4,009	-	4,009	-	-	-	-
Payables under deposit administration contracts	48,764,306	-	48,764,306	-	-	-	-
Other Payables	596,936	-	596,936	-	-	-	-
Total	**101,981,845**	**-**	**50,020,505**	**936,819**	**-**	**1,388,204**	**49,636,317**
Difference in contractual cash flows	**29,667,186**	**6,821,684**	**(37,299,611)**	**9,768,865**	**7,838,756**	**11,084,099**	**31,453,393**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2019.

COMPANY

		Contractual cash flows (undiscounted)					
Financial assets	Carrying amount 31.12.2019 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Debt securities held at amortised cost							
- Government securities	83,318,504	-	7,310,657	5,987,166	8,900,970	7,903,824	53,215,887
- Corporate bonds	965,030	-	326,650	321,443	315,744	1,193	-
- Deposit with financial institutions	6,660,630	-	6,287,195	360,956	-	12,479	-
Fair value through profit and loss:							
- Equity securities held at FVTPL	8,074,008	8,074,008	-	-	-	-	-
- Government securities	45,556,095	-	2,840,674	2,612,853	4,262,610	3,414,953	32,425,005
- Corporate bonds	54,404	-	54,404	-	-	-	-
Mortgage loans	745,870	-	135,607	135,607	135,607	135,607	203,442
Policy loans	505,449	-	95,844	229,203	-	-	180,402
Other receivables	544,606	-	544,606	-	-	-	-
Cash and bank balances	15,549	-	15,549	-	-	-	-
Total	**146,440,145**	**8,074,008**	**17,611,186**	**9,647,228**	**13,614,931**	**11,468,056**	**86,024,736**
Long term insurance liabilities							
Insurance contracts - long term	55,640,482	-	426,616	939,238	1,286,005	1,283,747	51,704,876
Payables under unit linked policies	287,589	-	287,589	-	-	-	-
Less assets arising from reinsurance contracts	(14,415)	-	(14,415)	-	-	-	-
Payable arising from reinsurance contracts	4,009	-	4,009	-	-	-	-
Payables under deposit administration contracts	56,111,116	-	56,111,116	-	-	-	-
Lease Liability	602,553	-	32,705	46,257	60,556	71,693	391,342
Other payables	520,869	-	520,869	-	-	-	-
Total	**113,152,203**	**-**	**57,368,489**	**985,495**	**1,346,561**	**1,355,440**	**52,096,218**
Difference in contractual cash flows	**33,287,942**	**8,074,008**	**(39,757,303)**	**8,661,733**	**12,268,370**	**10,112,616**	**33,928,518**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
a) Liquidity risk (continued)

The table below shows the contractual timing of cash flows and expected maturities arising from assets and liabilities included in the Company's Assets and Liabilities Management (ALM) framework for management of long-term insurance contracts as of 31 December 2018.

COMPANY

	Contractual cash flows (undiscounted)						
	Carrying amount 31.12.2018 Shs'000	No stated Maturity Shs'000	0-1 yr Shs'000	1-2 yrs Shs'000	2-3 yrs Shs'000	3-4 yrs Shs'000	> 5 yrs Shs'000
Financial assets							
Debt securities held at amortised cost							
- Government securities-fixed rate	70,225,244	-	4,506,147	6,317,911	4,970,048	8,003,289	46,427,849
- Corporate bonds	1,399,548	-	657,000	264,664	267,344	157,025	53,515
- Deposit with financial institutions	3,592,792	-	3,436,631	49,842	-	-	106,319
At fair value through profit and loss: -							
- Equity securities	6,821,684	6,821,684	-	-	-	-	-
- Government securities	45,645,612	-	2,649,938	2,757,233	2,527,928	4,177,700	33,532,813
- Corporate bonds	164,976	-	34,166	49,863	10,047	70,900	-
Mortgage loans	809,539	-	63,389	63,389	63,389	63,389	555,983
Policy loans	477,207	-	184,061	177,973			115,173
Other receivables	243,594	-	243,594	-	-	-	-
Cash and bank balances	14,120	-	14,120	-	-	-	-
Total	**129,394,316**	**6,821,684**	**11,789,046**	**9,680,875**	**7,838,756**	**12,472,303**	**80,791,652**
Long term insurance liabilities							
Insurance contracts - long term	52,323,662	-	362,321	936,819	1,388,204	-	49,636,318
Payables under unit linked policies	307,348	-	307,348	-	-	-	-
Less assets arising from reinsurance contracts	(14,415)	-	(14,415)	-	-	-	-
Payables under deposit administration contracts	47,812,662	-	47,812,662	-	-	-	-
Other payables	457,998	-	457,998	-	-	-	-
Total	**100,887,255**	**-**	**48,925,914**	**936,819**	**1,388,204**	**-**	**49,636,318**
Difference in contractual cash flows	**28,507,061**	**6,821,684**	**(37,136,868)**	**8,744,056**	**6,450,552**	**12,472,303**	**31,155,334**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

b) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the financial instruments as the carrying amounts of the latter are not directly affected by changes in market risks.

The Group's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 1 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Group's overall exposure to interest rate sensitivities included in the Group's ALM framework and its impact in the Group's profit or loss by business.

An increase/decrease of one percentage point in interest yields would result in additional profit/loss for the year of Shs 631 million (2018:Shs 536 million) investment income in long-term business and Shs 3.4 million (2018:Shs 3 million) in short-term business.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)

b) Market risk (continued)

As at 31 December, the Group had the following interest bearing financial assets.

GROUP	Long term business 2019 Shs'000	Short term business and Investment Activities 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Assets				
Mortgage loans	574,700	-	574,500	531,772
Policy loans	613,966	-	613,966	568,209
Corporate bonds held at amortised cost	800,840	-	800,840	1,382,194
Corporate bonds held at FVTPL	44,349	-	44,349	39,335
Government securities held at amortised cost	45,482,958	475,391	45,958,349	36,674,009
Government securities held at FVTPL	21,006,104	206,425	21,212,529	20,460,215
Deposits with financial institutions	5,622,944	1,042,326	6,665,270	4,421,409
Total interest bearing assets	**74,145,861**	**1,724,142**	**75,870,003**	**64,077,143**
COMPANY				
Assets				
Mortgage loans	574,700	-	574,700	531,772
Policy loans	505,449	-	505,449	472,769
Corporate bonds held at amortised cost	800,840	-	800,840	1,380,132
Corporate bonds held at FVTPL	44,349	-	44,349	39,335
Government securities held at amortised cost	43,384,119	58,591	43,442,710	34,685,845
Government securities held at FVTPL	21,006,104	-	21,006,104	20,227,019
Deposits with financial institutions	5,231,230	624,699	5,855,929	3,651,924
Total interest bearing assets	**71,546,791**	**683,290**	**72,230,081**	**60,988,796**

(ii) Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. The currency risk is also effectively managed by ensuring that the transactions between the Group and other parties are designated in the functional currencies of the individual Group companies.

At 31 December 2019, if the Kenya shilling had weakened/strengthened by 1% against the Uganda Shillings with all other variables held constant the profit before tax for the year would have been increased/decreased by Shs 0.454 million (2018: Shs 0.116 million) mainly as a result of ICEA Life Assurance (U) Company Limited and ICEA General Insurance (U) Company Limited operations.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from corporate bond issuers
- Cash and cash equivalents (including fixed deposits)

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Groups of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

The Group has in place a well - developed counterparty model that is used to evaluate banks where the Group can place bank deposits. The model has incorporated Bank performance, governance structures and asset quality in arriving at counter party scores. The counter party model is reviewed bi-annually and banks that do not meet the deposit placement criteria and dropped from the approved bank deposit placement institutions.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

Classification of credit risk bearing assets

The tables below represent the maximum credit risk exposure to the Group attributable to receivables arising out of direct insurance and reinsurance contracts as at 31 December 2019 and 2018.

GROUP

31 December 2019	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	46,005,168	(46,819)	45,958,349
Government securities held at FVTPL	21,212,529	-	21,212,529
Receivables arising from insurance contracts held	29,197	-	29,197
Receivables arising from reinsurance contracts held	79,786	-	79,786
Mortgage loans	580,214	(5,514)	574,700
Policy loans	615,399	(1,433)	613,966
Corporate bonds	804,313	(3,473)	800,840
Corporate bonds held at FVTPL	44,349	-	44,349
Deposits with financial institutions	6,695,795	(30,525)	6,665,270
Cash and bank balances	154,628	(2,759)	151,869
Other receivables	997,230	(295,058)	702,172
	77,218,608	**(385,581)**	**76,833,027**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk (continued)

GROUP

31 December 2018	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held to amortised cost	36,708,764	(34,755)	36,674,009
Government securities held at FVTPL	20,460,215	-	20,460,215
Receivables arising from insurance contracts held	98,194	(27,791)	70,403
Receivables arising from reinsurance contracts held	250,729	(152,704)	98,025
Mortgage loans	537,997	(6,225)	531,772
Policy loans	572,647	(4,438)	568,209
Corporate bonds	1,391,569	(9,375)	1,382,194
Corporate bonds held at FVTPL	39,335	-	39,335
Deposits with financial institutions	4,432,857	(11,448)	4,421,409
Cash and bank balances	121,658	(91)	121,567
Other receivables	427,678	(27,076)	400,603
	65,041,643	**(273,903)**	**64,767,740**

COMPANY

31 December 2019	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	43,486,997	(44,287)	43,442,710
Government securities held at FVTPL	21,006,104	-	21,006,104
Mortgage loans	580,214	(5,514)	574,700
Policy loans	506,882	(1,433)	505,449
Corporate bonds held at amortised cost	804,313	(3,473)	800,840
Corporate bonds held at FVTPL	44,349	-	44,349
Deposits with financial institutions	5,876,589	(20,660)	5,855,929
Cash and bank balances	17,186	(42)	17,144
Other receivables	589,264	-	589,264
	72,911,898	**(75,409)**	**72,836,489**

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
c) Credit risk (continued)

COMPANY

31 December 2018	Carrying amounts Shs'000	Impairment allowances Shs'000	Total Shs'000
Government securities held at amortised cost	34,720,566	(34,721)	34,685,845
Government securities held at FVTPL	20,227,019	-	20,227,019
Mortgage loans	537,997	(6,225)	531,772
Policy loans	477,207	(4,438)	472,769
Corporate bonds held at amortised cost	1,389,507	(9,375)	1,380,132
Corporate bonds held at FVTPL	39,335	-	39,335
Deposits with financial institutions	3,661,997	(10,073)	3,651,924
Cash and bank balances	17,537	(77)	17,460
Other receivables	290,731	(3,122)	287,609
	61,361,896	**(68,031)**	**61,293,865**

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The past due debtors are not impaired and continue to be paid. The group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

Management makes regular reviews to assess the degree of compliance with the Group's procedures on credit. Exposures to individual policyholders and Groups of policyholders are tracked within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous Groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

(d) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(d) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018.

GROUP	Level 1	Level 2	Level 3	Total
31 December 2019	Shs '000	Shs '000	Shs '000	Shs '000
Financial assets at fair value through profit or loss				
- Equity securities	8,165,691	-	-	8,165,691
- Debt securities	21,212,529	-	-	21,212,529
- Corporate bonds held at FVTPL	44,349			44,349
Total financial assets	**29,422,569**	**-**	**-**	**29,422,569**
31 December 2018				
Financial assets at fair value through profit or loss				
- Equity securities	6,832,982	-	-	6,832,982
- Debt securities	20,460,215	-	-	20,460,215
- Corporate bonds held at FVTPL	39,335			39,335
Total financial assets	**27,332,532**	**-**	**-**	**27,332,532**

There were no transfers between levels 1, 2 and 3 in the period (2018: None).

Reconciliation of level 3 fair value measurements

There were no financial assets or financial liabilities measured at fair value on level 3 fair value.

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(d) Fair value estimation (continued)

The following table presents the Company's financial assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018.

COMPANY	Level 1	Level 2	Level 3	Total
31 December 2019	Shs `000	Shs `000	Shs `000	Shs `000
Financial assets at fair value through profit or loss				
- Equity securities	8,074,008	-	-	8,074,008
- Debt securities	21,006,104	-	-	21,006,104
- Corporate bonds	44,349			44,349
Total financial assets	**29,124,461**	**-**	**-**	**29,124,461**
31 December 2018				
Financial assets at fair value through profit or loss				
- Equity securities	6,738,294	-	-	6,738,294
- Debt securities	20,227,019	-	-	20,227,019
- Corporate bonds	39,335			39,335
Total financial assets	**27,004,648**	**-**	**-**	**27,004,648**

There were no transfers between levels 1, 2 and 3 in the period (2018: None).

Reconciliation of level 3 fair value measurements

There were no financial assets or financial liabilities measured at fair value on level 3 fair value.

The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

(e) Capital management

The Group maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business.

The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to maintain financial strength to support new business growth
- to satisfy the requirements of its policyholders, regulators and rating agencies
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- to allocate capital efficiently to support growth
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the Group's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Group is focused on the creation of value for shareholders.

4. MANAGEMENT OF INSURANCE & FINANCIAL RISK (continued)

4.2 Financial risk (continued)
(e) Capital management (continued)

The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Group considers not only the traditional sources of capital funding but also the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Group manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The Group manages capital in accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. The Group has complied with all externally imposed capital requirements throughout the year.

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The new capital requirements (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital by the 30th June 2018; the higher of:-
(i) Shs 400 million; or
(ii) risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or
(iii) 5% of the liabilities of the life business for the financial year.

In line with risk-based methodology, IRA has developed a Risk Based Capital (RBC) model, which is aimed at introducing capital requirements that are commensurate to the levels of risk being undertaken, and provide appropriate incentives for good risk management. The RBC model is a factor-based model that computes the capital requirement based on four risk segments: insurance, market, credit and operational risk.

The Company’s Capital adequacy ratio position as at 31 December 2019 is as shown below;

	2019 Shs'000	2018 Shs'000
Available Capital	12,047,363	9,520,927
Required Capital	3,752,734	3,211,372
Capital Adequacy ratio	**321%**	**296%**
Required Capital Adequacy ratio	**200%**	**180%**

In Uganda, statutory capital is based on Section 6 of the Insurance Act, 2011.

The Uganda Insurance Act require each insurance company to hold the minimum level of paid up capital as follows;
- General insurance business companies: Ushs 4 billion and
- Long term insurance business companies: Ushs 3 billion

The Insurance Act, 2011 further requires that 2% of the gross written premium or 15% of the net profit, whichever is greater, be transferred to the contingency reserve until it equals the minimum paid up capital or 50% of the current year’s net written premium, whichever is higher.

Additionally, for a general insurance company, the Insurance Act, 2011 requires that 5% of the net profit for the year be transferred to the capital reserve.

The two insurance companies in Uganda complied with these requirements during the year.

5. GROSS EARNED PREMIUMS

The premium income of the Group is analysed between the main classes of business as shown below:

	Group		Company	
	2019 Shs '000	2018 Shs '000	2019 Shs '000	2018 Shs '000
Long-term business				
Ordinary life	3,845,405	3,007,737	3,302,679	2,506,223
Group life	449,245	441,075	318,592	325,615
Group Credit	265,165	218,798	200,821	218,798
Annuity	542,464	783,520	529,785	783,520
	5,102,279	**4,451,130**	**4,351,877**	**3,834,156**
Short-term business				
Motor	142,173	165,438	-	-
Fire	149,487	86,738	-	-
Personal accident	76,933	85,303	-	-
Other	293,080	245,640	-	-
	661,673	**583,119**	**-**	**-**
	5,763,952	**5,034,249**	**4,351,877**	**3,834,156**

6. INVESTMENT INCOME

GROUP

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000
Investments held to maturity						
Interest from government securities	7,655,484	66,678	7,722,162	6,493,653	62,145	6,555,798
Interest from corporate bonds	155,935	-	155,935	196,037	-	196,037
Interest from unit trusts	-	-	-	-	1,794	1,794
Bank deposit interest	263,938	52,383	316,321	189,453	32,739	222,192
	8,075,357	**119,061**	**8,194,418**	**6,879,143**	**96,678**	**6,975,821**
Investments at fair value through profit or loss						
Fair value gains/(loss) on equity investments (Note 18)	1,259,142	(1,945)	1,257,197	(1,298,190)	-	(1,298,190)
Dividends receivable from equity investments	426,560	32,018	458,578	275,649	25,978	301,627
Gain on disposal of equity investments	64,368	-	64,368	(26,158)	-	(26,158)
Fair value gains on treasury bonds	274,827	2,352	277,179	1,089,737	1,915	1,091,652
Fair value gains on unit trusts	13,913	2,624	16,537	15,730	(1,209)	14,521
Interest income on treasury bonds	-	25,479	25,479	-	27,427	27,427
Interest income on unit trusts	-	16,535	16,535	-	11,353	11,353
	2,038,810	**77,063**	**2,115,873**	**56,768**	**65,464**	**122,232**
Loans and receivables						
Loan interest receivable-mortgages	81,123	-	81,123	77,635	-	77,635
Loan interest receivable-policy loans	56,179	-	56,179	9,833	-	9,833
	137,302	**-**	**137,302**	**87,468**	**-**	**87,468**
Investment properties						
Fair value gains on investment properties (Note 17)	209,956	300	210,256	252,000	6,000	258,000
Rental income from investment properties	508,840	49,274	558,114	431,158	24,466	455,624
	718,796	**49,574**	**768,370**	**683,158**	**30,466**	**713,624**
Other investments income						
Miscellaneous income	-	-	-	20	140	160
Net investment income	**10,970,265**	**245,698**	**11,215,963**	**7,706,557**	**192,748**	**7,899,305**

6. INVESTMENT INCOME (CONTINUED)

COMPANY

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Long term business 2018 Shs'000	Short term business 2018 Shs'000	Total 2018 Shs'000
Investments held to maturity						
Interest from government securities	7,430,772	3,800	7,434,572	6,287,868	18,783	6,306,651
Interest from corporate bonds	155,935	-	155,935	196,037		196,037
Bank deposit interest	215,735	40,631	256,366	153,626	27,244	180,870
	7,802,442	**44,431**	**7,846,873**	**6,637,531**	**46,027**	**6,683,558**
Investments at fair value through profit or loss						
Fair value (loss) /gains on equity investments (Note 18)	1,272,922	-	1,272,922	(1,303,871)	-	(1,303,871)
Dividends receivable from equity investments	421,768	30,908	452,676	272,895	25,000	297,895
Gain on disposal of equity investments	64,368	-	64,368	(26,158)		(26,158)
Fair value gains on treasury bonds	274,827		274,827	1,089,737		1,089,737
Fair value gains on unit trusts	13,913	2,578	16,491	15,613	(1,201)	14,412
	2,047,798	**33,486**	**2,081,284**	**48,216**	**23,799**	**72,015**
Loans and receivables						
Loan interest receivable-mortgages	81,123	-	81,123	77,635	-	77,635
Loan interest receivable-policy loans	43,439	-	43,439	4,338	-	4,338
	124,562	**-**	**124,562**	**81,973**	**-**	**81,973**
Investment properties						
Fair value gains on investment properties (Note 17)	209,956	300	210,256	252,000	6,000	258,000
Rental income from investment properties	510,285	49,274	559,559	452,543	24,466	477,009
	720,241	**49,574**	**769,815**	**704,543**	**30,466**	**735,009**
Other investments income						
Miscellaneous income	-	-	-	-	-	-
Investment Expenses	(91,580)	(1,319)	(92,899)	(76,740)	(1,310)	(78,050)
Net investment income	**10,603,463**	**126,172**	**10,729,635**	**7,395,523**	**98,982**	**7,494,505**

7. OTHER OPERATING INCOME

GROUP

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Others	29,862	5,929	35,791	32,981
Allowance for expected credit losses	(9,513)	(5,236)	(14,749)	25,948
	20,349	**693**	**21,042**	**58,929**

COMPANY

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Others	28,152	5,125	33,277	29,604
Allowance for expected credit losses	(9,513)	(987)	(10,500)	8,360
	18,639	**4,138**	**22,777**	**37,964**

Others (referred above) is mainly made up of withdrawal penalties and interest on staff advances and car loans.

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE

GROUP

	2019 Shs'000	2018 Shs'000
Long term insurance business		
Death and disability claims	241,951	311,640
Life maturity claims	992,988	703,644
Surrenders	564,044	169,148
Annuity payments	1,123,779	1,121,669
Interest payable to policy holders and on deposit admin contracts	5,190,027	3,926,907
Increase /(decrease) in actuarial liabilities	1,183,684	4,435,735
Reinsurance recoveries	(47,420)	(47,057)
	9,249,053	**10,621,686**
General insurance business		
Motor	57,963	59,301
Fire	23,592	6,280
Personal accident	89,598	13,705
Other	98,962	145,994
Reinsurance recoveries	(189,824)	(65,090)
	80,291	**160,190**
Total claims and policy holder benefits payable	**9,329,344**	**10,781,876**

8. CLAIMS AND POLICYHOLDER BENEFITS PAYABLE (CONTINUED)

COMPANY	2019 Shs'000	2018 Shs'000
Long term insurance business		
Death and disability claims	175,323	246,916
Life maturity claims	829,402	616,654
Surrenders	564,044	169,148
Annuity payments	1,183,684	1,121,669
Interest payable to policy holders and on deposit admin contracts	5,076,535	3,815,014
Increase /(decrease) in actuarial liabilities	888,456	4,157,310
Reinsurance recoveries	(25,941)	(25,993)
	8,691,503	**10,100,718**

9. (A) OTHER OPERATING EXPENSES

GROUP	2019 Shs'000	2018 Shs'000
Employee benefit expense (see note below)	1,063,201	915,173
Auditors' remuneration	12,580	7,122
Directors' emoluments	6,454	4,452
Depreciation (Note 14)	58,605	55,970
Amortization (Note 15)	21,385	19,513
Impairment charge for doubtful receivables - premium debtors	-	102,173
Repairs and maintenance expenditure	7,724	5,006
Rental charges	13,629	175,306
Depreciation charge on ROUA (Note 16)	103,962	-
Legal Fees	7,277	-
Business promotions	164,538	90,149
Insurance premiums	57,533	51,155
Bank charges	38,487	33,857
Printing & stationery	31,399	27,070
Premium tax	40,339	33,426
Fund Administration fees	26,842	36,461
Technology expenditure	76,734	61,102
Professional fees	19,365	17,115
Communication expenditure	21,003	15,002
Other	304,780	193,724
	2,075,837	**1,843,776**

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

9. (A) OTHER OPERATING EXPENSES (CONTINUED)

	2019 Shs'000	2018 Shs'000
Employee benefit expense		
Employee benefit expense comprise the following:		
- Salaries and wages	704,935	608,861
- NSSF costs	15,235	19,929
- Defined contribution scheme	70,245	60,311
- Performance bonus	128,027	109,610
- Medical expenses	37,588	31,831
- Training	25,220	24,080
- Travelling allowance	33,358	30,962
- Commuter allowance	15,488	-
- Subscription professional staff	1,972	609
- Staff mortgage subsidy	22,349	21,334
- Staff housing	8,784	7,646
	1,063,201	**915,173**

COMPANY

	2019 Shs'000	2018 Shs'000
Employee benefit expense	620,783	551,151
Auditors' remuneration	6,394	2,659
Directors' emoluments	3,327	3,150
Depreciation (Note 14)	37,602	37,266
Amortization (Note 15)	15,753	15,995
Repairs and maintenance expenditure	3,260	3,416
Rental charges	9,126	101,495
Depreciation charge on ROUA (Note 16)	54,593	-
Business promotions	121,628	61,066
Insurance premiums	36,034	31,776
Bank charges	26,146	22,169
Printing & stationery	16,812	13,758
Premium tax	29,083	25,349
Fund Administration fees	26,392	29,451
Technology expenditure	52,890	49,916
Professional fees	9,431	14,428
Communication expenditure	9,684	9,394
Other	139,141	124,148
	1,218,079	**1,096,587**

Key items included in other expenses are fund medical expenses, stamp duty, corporate trustee fees, office tea and consumables, check-off administration fees and policy holders protection levy.

9. (A) OTHER OPERATING EXPENSES (CONTINUED)

	2019 Shs'000	2018 Shs'000
Employee benefit expense		
Employee benefit expense comprise the following:		
- Salaries and wages	395,494	348,652
- NSSF costs	564	553
- Defined contribution scheme	49,319	47,934
- Performance bonus	82,979	73,600
- Medical expenses	29,545	26,637
- Training	19,726	11,224
- Travelling allowance	28,719	27,871
- Subscription professional staff	328	307
- Staff mortgage subsidy	14,109	14,373
	620,783	**551,151**

	Group		Company	
	2019	2018	2019	2018
The average number of employees during the year was as follows:				
Business Development	58	56	22	23
Operations	195	180	103	101
Management and administration	39	37	15	14
	292	**273**	**140**	**138**

9. (B) FINANCE COST

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Interest on lease liabilities (Note 38)	115,582	-	78,255	-
	115,582	**-**	**78,255**	**-**

10. INCOME TAX EXPENSE

GROUP

	2019 Shs'000	2018 Shs'000
Current income tax	314,876	165,753
Deferred income tax charge / (credit) (Note 35)	1,056,213	(433,736)
Income tax expense	**1,371,089**	**(267,983)**

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

GROUP

	2019 Shs'000	2018 Shs'000
Profit /(Loss) before income tax	4,604,201	(412,231)
Tax calculated at domestic tax rates applicable to profits in the respective countries 30% (2018: 30%)	1,381,260	(123,669)
Tax effects of:		
– Income not subject to tax	(683,112)	(697,529)
– Expenses not deductible for tax purposes	672,941	553,216
Income tax expense/(credit)	**1,371,089**	**(267,983)**

COMPANY

	2019 Shs'000	2018 Shs'000
Current income tax	197,454	171,257
Deferred income tax charge / (credit) (Note 35)	1,065,339	(480,108)
Income tax expense	**1,262,793**	**(308,851)**

The income tax expense on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019 Shs'000	2018 Shs'000
Profit /(Loss) before income tax	4,225,292	(619,849)
Tax calculated at domestic tax rates applicable to profits in the respective countries 30% (2018: 30%)	1,267,588	(185,955)
Tax effects of:		
– Income not subject to tax	(616,174)	(636,523)
– Expenses not deductible for tax purposes	611,380	513,627
Income tax expense/(credit)	**1,262,793**	**(308,851)**

11. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Profit/(Loss) for the year (Shs' 000)	3,233,112	(144,248)	2,962,499	(310,998)
Number of ordinary shares	22,500	22,500	22,500	22,500
Basic earnings/(loss) per share (Shs)	**143.69**	**(6.41)**	**131.67**	**(13.82)**

The basic earnings per share is the same as the diluted earnings per share.

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

12. RESERVES

Statutory reserves

The statutory reserve relates to;

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

(i) The surplus on the long term business which is not distributable as dividends as per the requirements of the Insurance Act.

(ii) The contingency reserve under the Uganda subsidiary which is set up under Section 47(2) (c) of the Uganda Insurance Statute 1996. The reserve is provided for at the greater of 2% of the gross premium income, and 15% of net profit each year effective from 1996 and is required to accumulate until it reaches the greater of either minimum paid up capital or 50% of the net premiums written.

Revaluation reserve

Revaluation reserve relates to gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale in 2018. The reserve is not distributable.

Currency translation reserve

Currency translation reserve relates to translation gains and losses arising as a result of translating opening balances using exchange rates at the close of the period rather than exchange rates at the beginning of the period on consolidation of the subsidiaries.

13. DIVIDENDS

In respect of 2019, no interim dividend was paid (2018: Shs 250 million). The directors recommend a final dividend of Shs 19.33 per share amounting to 435 million. (2018: Shs 11.11 per share amounting to Shs 250 million).

14. MOTOR VEHICLE & EQUIPMENT

GROUP

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Total Shs'000
COST				
At 1 January 2018	48,875	161,281	270,669	480,825
Additions	-	17,452	24,461	41,913
Disposals	(4,512)	(8,057)	(1,404)	(13,973)
Exchange difference	(425)	(1,006)	(2,692)	(4,123)
At 31 December 2018	**43,938**	**169,670**	**291,034**	**504,642**
At 1 January 2019	43,938	169,670	291,034	504,642
Additions	250	32,282	40,506	73,038
Disposals	(225)	(153)	(3,193)	(3,571)
Exchange difference	97	251	707	1,055
At 31 December 2019	**44,060**	**202,050**	**329,054**	**575,164**
DEPRECIATION				
At 1 January 2018	34,141	142,567	133,636	310,344
Charge for the year	5,569	20,082	30,319	55,970
Eliminated on disposals	(4,512)	(8,057)	(1,379)	(13,948)
Exchange differences	(118)	(681)	(923)	(1,722)
At 31 December 2018	**35,080**	**153,911**	**161,653**	**350,644**
At 1 January 2019	35,080	153,911	161,653	350,644
Charge for the year	4,818	17,341	36,548	58,707
Eliminated on disposals	(192)	(36)	(1,911)	(2,139)
Exchange differences	69	199	339	607
At 31 December 2019	**39,775**	**171,415**	**196,632**	**407,821**
NET BOOK VALUE				
At 31 December 2019	**4,289**	**30,635**	**132,422**	**167,347**
At 31 December 2018	**3,345**	**15,761**	**134,892**	**153,998**

14. MOTOR VEHICLE AND EQUIPMENT (CONTINUED)

COMPANY

	Motor vehicles Shs'000	Computers Shs'000	Fittings and equipment Shs'000	Total Shs'000
COST				
At 1 January 2018	31,173	125,341	179,916	336,430
Additions	13,315	18,373	-	31,688
Transfer from WIP	-	-	-	-
Disposals	(4,512)	(7,913)	-	(12,425)
At 31 December 2018	**26,661**	**130,743**	**198,289**	**355,693**
At 1 January 2019	26,661	130,743	198,289	355,693
Additions	-	17,685	27,961	45,646
Disposals	-	-	-	-
At 31 December 2019	**26,661**	**148,428**	**226,250**	**401,339**
DEPRECIATION				
At 1 January 2018	27,976	114,058	99,411	241,445
Charge for the year	1,252	14,245	19,754	35,251
Eliminated on disposals	(4,512)	(7,913)	-	(12,425)
At 31 December 2018	**24,716**	**120,390**	**119,165**	**264,271**
At 1 January 2019	24,716	120,390	119,165	264,271
Charge for the year	1,240	11,144	25,219	37,602
Eliminated on disposals	-	-	-	-
At 31 December 2019	**25,956**	**131,534**	**144,384**	**301,873**
NET BOOK VALUE				
At 31 December 2019	**705**	**16,894**	**81,866**	**99,465**
At 31 December 2018	**1,945**	**10,353**	**79,124**	**91,422**

15. INTANGIBLE ASSETS

GROUP AND COMPANY – LONG TERM BUSINESS	2019 Shs'000	2018 Shs'000
COST		
At 1 January	121,950	107,444
Additions	18,067	14,506
At 31 December	**140,017**	**121,950**
AMORTISATION		
At 1 January	107,222	89,212
Charge for the year	15,753	18,010
At 31 December	**122,975**	**107,222**
NET BOOK VALUE		
At 31 December	**17,042**	**14,728**
GROUP– SHORT TERM BUSINESS		
COST		
At 1 January	16,120	16,239
Additions	34,558	
Exchange difference	28	(119)
At 31 December	**50,706**	**16,120**
AMORTISATION		
At 1 January	15,344	13,946
Charge for the year	5,632	1,503
Exchange difference	26	(105)
At 31 December	**21,002**	**15,344**
NET BOOK VALUE		
At 31 December 2019	**29,704**	**776**

16. RIGHT-OF-USE ASSET

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Cost				
At 1 January	-	-	-	-
Day one adjustment	769,391	-	446,411	
Additions during the year	3,363	-	3,107	-
Exchange difference	682	-	-	-
At 31 December	**773,436**	**-**	**449,518**	**-**
Depreciation				
At 1 January	-	-	-	-
Charge for the year	103,962	-	54,593	-
Exchange difference	50	-	-	-
At 31 December	**104,012**	**-**	**54,593**	**-**
Net book value	**669,424**	**-**	**394,925**	**-**

The Group and Company leases various office premises. The average lease term is five years.

Four of the Company leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of Ksh 3.1 million in 2019.

The maturity analysis of the lease liabilities is presented in note 38.

	GROUP		COMPANY	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Depreciation expense on right-of-use assets	103,962	-	54,593	-
Interest expense on lease liabilities	115,582	-	78,255	-

The Group and Company has no restrictions or covenants imposed by its leases, neither are there arranged sale and leaseback transactions.

The Group and Company has considered the options available to extend or terminate a lease and has considered that for all its leases it expects to extend the lease term by one addtional term.

The Company has determined the threshold for low values leases as Ksh 500,000.

17. INVESTMENT PROPERTIES – GROUP AND COMPANY

	Long term business Shs'000	Short term business Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
At start of year	9,288,000	1,246,000	10,534,000	10,276,000
Additions	28,244	-	28,244	-
Fair value gains (Note 6)	209,956	300	210,256	258,000
At year end	**9,526,200**	**1,246,300**	**10,772,500**	**10,534,000**

The investment properties were last revalued on 31st December 2019 by Kiragu & Mwangi Limited, independent valuers, on an open market basis using the highest and best use principle. The properties are managed by Knight Frank Kenya Limited. The rental income received from the investment properties for the group was Shs 558,094,000 (2018: Shs 455,624,000) company was Shs 559,559,000 (2018: Shs 477,009,000) (Note 6).

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

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

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
At 31 December 2019				
Investment property	-	-	10,772,500	10,772,500
At 31 December 2018				
Investment property	-	-	10,534,000	10,534,000

Valuation technique used to derive level 3 fair values

Level 3 fair value of investment properties has been derived using discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales.

18. EQUITY INVESTMENTS

GROUP

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Quoted investments - at fair value through profit or loss				
At 1 January	6,821,684	11,298	6,832,982	6,162,425
Reclassified from AFS	-	-	-	87,744
Additions	461,904	-	461,904	2,025,777
Disposals	(387,145)	-	(387,145)	(144,893)
Fair value gains /(losses) (Note 6)	1,259,142	(1,945)	1,257,197	(1,298,190)
Exchange adjustments	664	89	753	119
At 31 December	**8,156,249**	**9,442**	**8,165,691**	**6,832,982**

COMPANY

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Quoted investments - at fair value through profit or loss				
At 1 January	6,738,294	-	6,738,294	6,162,425
Additions	451,042	-	451,042	2,022,115
Disposals	(388,250)	-	(388,250)	(142,375)
Fair value gains /(losses) (Note 6)	1,272,922	-	1,272,922	(1,303,871)
At 31 December	**8,074,008**	**-**	**8,074,008**	**6,738,294**

19. INVESTMENTS IN SUBSIDIARIES – AT COST

	COMPANY			
	Long term Shs'000	Short term Shs'000	2019 Shs'000	2018 Shs'000
ICEA LION Asset Management Limited	-	34,596	34,596	34,596
ITSL Trust Company Limited	-	10,000	10,000	10,000
Riverside Park Limited	9,823	-	9,823	9,823
ICEA Life Assurance Company Limited	-	151,234	151,234	151,234
ICEA Asset Management Limited	-	4,250	4,250	4,250
ICEA General Insurance Company Limited	-	483,021	483,021	483,021
	9,823	**683,101**	**692,924**	**692,924**

All the above subsidiaries are 100% owned by ICEA LION Life Assurance Company Limited.

Subsidiary	***Principal business activity***
ICEA LION Asset Management Limited	Management of investment portfolios for clients.
ITSL Trust Company Limited	Provision of administration and trustee services to retirement benefit schemes and other clients.
ICEA Life Assurance Company Limited - Uganda	Transacts life insurance business and pension scheme administration after transferring the general business to ICEA General Insurance Company Limited on 1st September 2014
ICEA General Insurance Company Limited - Uganda	Transacts general insurance business.
Riverside Park Limited	The company ceased trading on 31 December 1996 and is dormant.
ICEA Asset Management Limited - Uganda	Management of investment portfolios for clients.

20. INVESTMENTS IN ASSOCIATE

GROUP AND COMPANY– SHORT TERM BUSINESS

	2019 Shs'000	2018 Shs'000
Company's shares of net assets;		
At 1 January	1,417,375	1,051,627
Acquisitions	-	225,355
Loss on purchase	-	(25,263)
Share of profit	182,105	190,656
Share of other comprehensive income	-	-
Dividends received	(30,900)	(25,000)
At 31 December	**1,568,580**	**1,417,375**

20. INVESTMENTS IN ASSOCIATE (CONTINUED)

Further information on the associate company is shown below:

Company	*Share capital Shs*	*% owned*	*Country of Incorporation*	*Principal activity*
East Africa Reinsurance Company Limited	*1,000,000*	*30.91%*	*Kenya*	*Underwriting all classes of reinsurance and reassurance businesses*

A summary of financial information as of 31 December 2019 and for the year then ended in respect of the associate company is set out below:

	2019 Shs'000	2018 Shs'000
Total assets	10,480,684	9,675,932
Total liabilities	5,404,372	5,088,958
Net assets	5,076,312	4,586,974
Group's share of the net assets	**1,569,088**	**1,417,834**
Net earned premiums	4,037,847	3,544,096
Profit before income tax	835,169	822,779
Income tax expense	(245,832)	(207,232)
Profit for the year	589,337	615,547
Other comprehensive income	-	-
Total comprehensive income for the year	**589,337**	**615,547**

COMPANY	2019 Shs'000	2018 Shs'000
At cost		
At 1st January	553,922	328,567
Additions	-	225,355
At 31 December	**553,922**	**553,922**

21. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY

The Kenya Motor Insurance Pool (KMIP) was a mandatory pool set up to provide motor cover under pooled arrangement. KMIP has ceased underwriting and is now dormant though its investments continue to earn income. This balance is recoverable from the pool through a refund amount due upon distribution of the pool assets.

(a) Details of the Group's share in the pool as at the end of the reporting period are as follows;

Name	Country of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held by the company 2019	2018
Kenya Motor Insurance Pool	Kenya	Sharing of pool business and risks by underwriting and investments.	5.34%	5.34%

21. KENYA MOTOR INSURANCE POOL- GROUP AND COMPANY (CONTINUED)

(b) The movement in the amount due is shown below;

	2019 Shs'000	2018 Shs'000
At 1 January	46,944	45,450
Partial distribution	(14,661)	-
Net increase in Group share of net assets of the pool	4,926	1,494
	37,209	**46,944**

22. LOANS RECEIVABLE

(a) Mortgage loans - GROUP AND COMPANY

	2019 Shs'000	2018 Shs'000
At 1 January	537,997	493,758
Loans advanced	145,774	95,334
Interest charged	33,221	31,524
Loans repayments	(136,778)	(82,619)
Gross	**580,214**	**537,997**
Allowance for expected credit losses	(5,514)	(6,225)
At 31 December	**574,700**	**531,772**
Maturity profile of mortgage loans:		
Loans maturing:		
Within 1 year	27,620	1,247
1 to 5 years	95,926	38,670
Over 5 years	451,154	491,855
	574,700	**531,772**

(b) Policy loans

GROUP

	2019 Shs'000	2018 Shs'000
At 1 January	572,647	547,182
Loans advanced	312,132	177,373
Interest charged	56,179	9,833
Loans repayments	(326,371)	(158,853)
Exchange adjustments	812	(2,888)
Gross	**615,399**	**572,647**
Allowance for expected credit losses	(1,433)	(4,438)
At 31 December	**613,966**	**568,209**

22. LOANS RECEIVABLE (CONTINUED)

Policy Loans (Continued)

	2019 Shs'000	2018 Shs'000
Maturity profile of policy loans:		
Loans maturing:		
Within 1 year	100,101	188,318
1-5 years	272,533	221,303
Over 5 years	241,332	158,588
	613,966	**568,209**

COMPANY

	2019 Shs'000	2018 Shs'000
At 1 January	477,207	469,627
Loans advanced	240,499	133,707
Interest charged	43,439	4,338
Loans repayments	(254,263)	(130,465)
Gross	**506,882**	**477,207**
Allowance for expected credit losses	(1,433)	(4,438)
At 31 December	**505,449**	**472,769**
Maturity profile of policy loans:		
Loans maturing:		
Within 1 year	95,844	184,061
1-5 years	229,203	177,973
Over 5 years	180,402	110,735
	505,449	**472,769**

23. DEFERRED ACQUISITION COSTS

GROUP

	2019 Shs'000	2018 Shs'000
At start of the year	41,439	33,542
Net increase	1,588	8,962
Exchange adjustments	341	(1,065)
At end of the year	**43,368**	**41,439**

24. REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	GROUP		COMPANY	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Reinsurers' share of:				
Notified outstanding claims	389,740	276,687	13,674	12,108
Reinsurence share of IBNR	50,959	36,775	-	-
	440,699	**313,462**	**13,674**	**12,108**

25. OTHER RECEIVABLES

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
GROUP				
Due from related companies (Note 39)	93,672	-	93,672	68,262
Staff advances	59,596	12,790	72,386	31,511
Trade debtors	-	70,304	70,304	71,177
Others	465,617	193	465,810	229,653
	618,885	**83,287**	**702,172**	**400,603**
COMPANY				
Due from related companies (Note 39)	180,197	41,314	221,511	196,636
Staff advances	123,718	1,281	124,999	28,897
Others	240,691	2,063	242,754	62,076
	544,606	**44,658**	**589,264**	**287,609**

The carrying value of other receivables above approximates their fair value

26. CORPORATE BONDS

GROUP	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Corporate bonds maturing:				
- within one year	384,230	-	384,230	760,575
- 1 to 5 years	420,083	-	420,083	594,753
- After 5 years	-	-	-	36,241
- Allowance for expected credit losses	(3,473)	-	(3,473)	(9,375)
	800,840	**-**	**800,840**	**1,382,194**

26. CORPORATE BONDS (CONTINUED)

COMPANY	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Held at amortised cost				
- within one year	384,230	-	384,230	760,575
- 1 to 5 years	420,083	-	420,083	592,691
- After 5 years	-	-	-	36,241
- Allowance for expected credit losses	(3,473)	-	(3,473)	(9,375)
	800,840	**-**	**800,840**	**1,380,132**
Held at FVTPL - Group and Company				
Corporate bonds maturing:				
- within one year	44,349	-	44,349	39,335
	44,349	**-**	**44,349**	**39,335**

27. GOVERNMENT SECURITIES

GROUP	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Held at amortised cost				
Treasury bills and bonds maturing:				
- within one year	3,558,513	282,948	3,841,461	785,928
- 1 to 5 years	15,585,864	192,443	15,778,307	12,269,805
- After 5 years	26,385,400	-	26,385,400	23,653,031
Gross	**45,529,777**	**475,391**	**46,005,168**	**36,708,764**
- Allowance for expected credit losses	(46,819)	-	(46,819)	(34,755)
	45,482,958	**475,391**	**45,958,349**	**36,674,009**
Held at FVTPL				
Treasury bills and bonds maturing:				
- within one year	626,586	-	626,586	237,178
- 1 to 5 years	4,300,850	31,690	4,332,540	4,295,939
- After 5 years	16,078,669	174,735	16,253,404	15,927,098
	21,006,104	**206,425**	**21,212,529**	**20,460,215**
COMPANY				
Held at amortised cost				
Treasury bills and bonds maturing:				
- within one year	2,913,709	58,591	2,972,300	173,541
- 1 to 5 years	14,253,064	-	14,253,064	11,143,807
- After 5 years	26,261,633	-	26,261,633	23,403,218
Gross	43,428,406	58,591	43,486,997	34,720,566
- Allowance for expected credit losses	(44,287)	-	(44,287)	(34,721)
	43,384,119	**58,591**	**43,442,710**	**34,685,845**

27. GOVERNMENT SECURITIES (CONTINUED)

COMPANY

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Held at FVTPL				
Treasury bills and bonds maturing:				
- within one year	626,586	-	626,586	230,834
- 1 to 5 years	4,300,850	-	4,300,850	4,241,080
- After 5 years	16,078,669	-	16,078,669	15,755,105
	21,006,104	**-**	**21,006,104**	**20,227,019**

Treasury bonds amounting to Shs 4,886,250,000 (2018: Shs 4,324,000,000) are held under lien with the Central Bank of Kenya.

28. DEPOSITS WITH FINANCIAL INSTITUTIONS

GROUP	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Maturing within 90 days	1,535,930	498,245	2,034,175	1,376,473
Maturing after 90 days	4,087,014	544,081	4,631,095	3,044,936
	5,622,944	**1,042,326**	**6,665,270**	**4,421,409**
COMPANY				
Maturing within 90 days	1,403,873	80,618	1,484,491	903,451
Maturing after 90 days	3,827,357	544,081	4,371,438	2,748,473
	5,231,230	**624,699**	**5,855,929**	**3,651,924**

Weighted average effective rates – GROUP AND COMPANY

The following table summarises the weighted average effective interest rates at the year end on the principle interest bearing investments.

	2019	2018
Mortgage loans	15%	15%
Policy loans	15%	15%
Government securities	12%	12%
Corporate bonds	13%	13%

29. SHARE CAPITAL

GROUP AND COMPANY

	Ordinary shares			
	Number of shares	Long term Shs'000	Short term Shs'000	Total Shs'000
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	22,500,000	150,000	300,000	450,000

The total authorised number of ordinary shares is 22,500,000 with a par value of Shs 20 per share. All issued shares are fully paid.

30. UNEARNED PREMIUM

GROUP

	2019 Shs'000	2018 Shs'000
At 1 January	134,581	126,289
Increase	1,049	12,499
Exchange adjustments	1,095	(4,207)
At 31 December	**136,725**	**134,581**

31. INSURANCE CONTRACT LIABILITIES

GROUP AND COMPANY

	GROUP		COMPANY	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
(a) Long term insurance contracts				
- claims reported and claims handling expenses	222,520	182,768	147,252	134,079
- actuarial liabilities with respect to contracts in force	22,603,567	21,433,510	21,323,674	20,371,239
	22,826,087	**21,616,278**	**21,470,926**	**20,505,318**
(b) Short term non-life insurance contracts:				
- claims reported and claims handling expenses	450,786	376,646	-	-
- claims incurred but not reported	67,621	60,528	-	-
Total – short term	**518,407**	**437,174**	-	-
	23,344,494	**22,053,452**	**21,470,926**	**20,505,318**

Insurance contract liabilities comprises gross claims reported, claims handling expenses and actuarial liabilities with respect to all contracts in force for ordinary (including unit linked policies) and group life business.

Movements in insurance liabilities and reinsurance assets are shown in Note 32.

32. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Gross	Reinsurance	Net 2019	Gross	Reinsurance	Net 2018
At 1 January	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Notified claims	380,152	(245,169)	134,983	185,846	(111,425)	74,421
IBNR	57,022	(36,776)	20,246	27,877	(16,714)	11,163
At 1 January	**437,174**	**(281,944)**	**155,229**	**213,723**	**(128,139)**	**85,584**
Claims incurred in current year	376,198	(295,940)	80,258	373,344	(153,851)	219,493
Payment for claims	(297,582)	189,824	(107,758)	(149,893)	45	(149,848)
Exchange difference	2,617	(2,625)	(8)	-	-	-
	81,233	**(108,741)**	**(27,508)**	**223,451**	**(153,806)**	**69,645**
At 31 December	**518,407**	**(390,686)**	**127,721**	**437,174**	**(281,945)**	**155,229**
Notified claims	450,786	(339,727)	111,059	380,152	(245,169)	134,983
IBNR	67,621	(50,959)	16,662	57,022	(36,776)	20,246
At 31 December	**518,407**	**(390,686)**	**127,721**	**437,174**	**(281,944)**	**155,229**
Long term						
At 1 January	21,616,278	-	21,616,278	17,212,035	-	17,212,035
Actuarial liabilities movement for current year	1,209,809	-	1,209,809	4,404,243	-	4,404,243
	22,826,087	**-**	**22,826,087**	**21,616,278**	**-**	**21,616,278**
Total	**23,344,494**	**(390,686)**	**22,953,808**	**22,053,452**	**(281,944)**	**21,771,508**

33. (A) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS

Deposit administration contract liabilities are recorded at amortised cost. Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 10.25% for the year (2018: 9%).

	2019	2018
GROUP	Shs'000	Shs'000
At 1 January	48,764,306	41,616,647
Deposit administration contributions received	9,004,938	8,529,190
Surrenders	(5,438,961)	(5,026,969)
Interest payable to policyholders	5,164,035	3,901,281
Tax on unregistered schemes	(211,544)	(222,250)
Adjustment in actuarial liabilities	(6,629)	(6,536)
Exchange adjustments	8,403	(27,057)
At 31 December	**57,284,548**	**48,764,306**

33. (A) AMOUNTS PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS (CONTINUED)

COMPANY	2019 Shs'000	2018 Shs'000
At 1 January	47,812,662	40,786,023
Deposit administration contributions received	8,660,745	8,242,547
Surrenders	(5,223,173)	(4,813,573)
Interest payable to policyholders	5,076,535	3,815,014
Tax on unregistered schemes	(215,653)	(217,349)
At 31 December	**56,111,116**	**47,812,662**

33. (B) AMOUNTS PAYABLE UNDER UNIT LINKED POLICIES

GROUP AND COMPANY	2019 Shs'000	2018 Shs'000
At 1 January	307,348	439,693
Premiums received	28,279	37,184
Claims paid	(91,554)	(113,922)
Investment income on unit linked products	107,495	(58,514)
Adjustment in actuarial liabilities	(63,979)	2,907
	287,589	**307,348**

34. OTHER PAYABLES

GROUP	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Amounts due to related companies (Note 39)	23,154	18,207	41,361	73,644
Withholding tax payable	53,790	-	53,790	24,281
Accrued expenses	303,162	-	303,162	150,723
Statutory deductions payable	12,498	-	12,498	12,728
Rent deposits	39,809	-	39,809	42,931
Other liabilities	253,754	210,911	464,665	525,746
	686,167	**229,118**	**915,285**	**830,053**

34. OTHER PAYABLES (CONTINUED)

COMPANY

	Long term business 2019 Shs'000	Short term business 2019 Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Amounts due to related companies (Note 39)	54,835	76,782	131,617	150,628
Accrued expenses	303,162	-	303,162	150,723
Rent deposits	39,809	-	39,809	42,930
Other liabilities	123,063	58,305	181,368	256,763
	520,869	**135,087**	**655,956**	**601,044**

The carrying value of other payables above approximates their fair value.

35. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2018: 30%). Deferred tax assets and liabilities are attributable to the following items:

GROUP

Year ended 31 December 2019	At 1 Jan 2019 Shs'000	IFRS 16 Day 1 Adjustment Shs'000	Prior Year Adjustment Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2019 Shs'000
Deferred income tax asset					
Property and equipment on historical cost basis	(533)	(56,605)	(1,765)	(9,399)	(63,802)
Unrealised exchange gains	(20,106)	-	-	-	(20,106)
Provision for liabilities and charges	(21,164)	-	-	274	(20,890)
Tax losses carried forward	(14,252)	-	-	-	(14,252)
	(56,055)	**(56,605)**	**(1,765)**	**(9,125)**	**(123,550)**
Deferred income tax liability					
Property and equipment:					
- on historical cost basis	302	-	-	-	302
- on revaluation surplus	(496)	-	-	-	(496)
Fair value gains on investment property	255,445	-	-	90	255,535
Actuarial reserve	881,224	-	-	1,065,248	1,946,472
	1,136,475	**-**	**-**	**1,065,338**	**2,201,813**
Net deferred tax liability	**1,080,419**	**(56,605)**	**(1,765)**	**1,056,213**	**2,078,263**

35. DEFERRED INCOME TAX (CONTINUED)

GROUP

Year ended 31 December 2018	At 1 Jan 2018 Shs'000	(Credited/ charged to Profit and Loss Shs'000	Prior Year Adjustment Shs'000	At 31 Dec 2018 Shs'000
Deferred income tax asset				
Property and equipment on historical cost basis	(489)	(44)	-	(533)
Unrealised exchange gains	(20,106)	-	-	(20,106)
Provision for liabilities and charges	(69,426)	48,262	-	(21,164)
Tax losses carried forward	(14,252)	-	-	(14,252)
	(104,273)	**48,218**	**-**	**(56,055)**
Deferred income tax liability				
Property and equipment:				
- on historical cost basis	302	-	-	302
- on revaluation surplus	(305)	(1,844)	1,653	(496)
Fair value gains on investment property	253,644	1,800	-	255,444
Actuarial reserve	1,363,134	(481,908)	-	881,226
	1,616,775	**(481,952)**	**1,653**	**1,136,475**
Net deferred tax liability	**1,512,502**	**(433,736)**	**1,653**	**1,080,419**

COMPANY

Year ended 31st December 2019	At 1 Jan 2019 Shs'000	IFRS 16 Day 1 Adjustment Shs'000	(Credited/ charged to Profit and Loss Shs'000	At 31 Dec 2019 Shs'000
Deferred income tax asset				
Provision for liabilities and charges	(50,982)	(52,712)	-	(103,694)
	(50,982)	**(52,712)**	**-**	**(103,694)**
Deferred income tax liability				
Fair value gains on investment property	255,252	-	90	255,342
Actuarial surplus	881,223	-	1,065,249	1,946,473
	1,136,475	**-**	**1,065,339**	**2,201,815**
Net deferred tax liability	**1,085,493**	**(52,712)**	**1,065,339**	**2,098,119**

35. DEFERRED INCOME TAX (CONTINUED)

COMPANY

Year ended 31st December 2018	At 1 Jan 2018 Shs'000	(Credited/ charged to Profit and Loss Shs'000	Prior Year Adjustment Shs'000	At 31 Dec 2018 Shs'000
Deferred income tax asset				
Provision for liabilities and charges	(50,982)	-	-	(50,982)
	(50,982)	**-**	**-**	**(50,982)**
Deferred income tax liability				
Fair value gains on investment property	253,644	1,800	(192)	255,252
Actuarial surplus	1,363,131	(481,908)	-	881,223
	1,616,775	**(480,108)**	**(192)**	**1,136,475**
Net deferred tax liability	**1,565,793**	**(480,108)**	**(192)**	**1,085,493**

36. CASH GENERATED FROM OPERATIONS

a) Reconciliation of profit before taxation to cash generated from operations

		GROUP		COMPANY	
		2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Profit /(Loss) before tax		4,604,201	(412,230)	4,225,292	(619,849)
Adjustments for:					
Depreciation and amortisation	14 & 15	182,598	75,483	107,948	53,261
IFRS 9 & 16 allowance	2	(183,135)	(184,897)	(175,707)	(76,391)
Gain on disposal of property and equipment		-	25	-	-
Share of associate profits	19	(151,205)	(365,748)	-	-
Gain on sale of shares	6	(64,368)	26,158	(64,368)	26,158
Fair value gains on investment properties	16	(210,256)	(258,000)	(210,256)	(258,000)
Fair value gains on treasury bonds	6	(272,316)	(1,091,652)	(269,964)	(1,089,737)
Fair value gain of quoted shares	17	(1,269,567)	1,298,190	(1,272,711)	1,303,668
Fair value gains on unit trusts	6	(4,704)	(14,521)	(16,491)	(14,412)
Dividend income	6	(458,578)	(301,627)	(452,676)	(297,895)
Rental income	6	(558,114)	(455,624)	(559,559)	(477,009)
Interest income	6	(8,292,079)	(7,102,069)	(7,944,487)	(6,765,531)
Changes in working capital:					
Trade and other receivables		(361,182)	185,840	(279,071)	128,119
Technical provisions		10,622,011	11,408,985	9,833,683	11,048,697
Trade and other payables		194,465	313,641	67,754	115,418
Cash generated from operations		**3,777,772**	**3,121,952**	**2,989,387**	**3,076,497**

36. CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Cash and bank balances	151,865	121,567	17,144	17,460
Deposits with financial institutions (Note 28)	2,034,175	1,376,473	1,484,491	903,451
	2,186,040	**1,498,040**	**1,501,635**	**920,911**

37. CAPITAL COMMITMENTS

Capital expenditure not contracted for at the end of the reporting period date was as follows:

	GROUP		COMPANY	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Property and equipment	10,075	1,342	10,075	1,342

38. LEASE LIABILITY

	GROUP		COMPANY	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
At 1 January	-	-	-	-
Day one adjustment on adoption of IFRS 16	1,009,130	-	622,118	-
Additions during the year	1,943		3,107	
Interest charge for the year (Note 9(b))	115,037	-	78,255	-
Repayment during the year	(176,514)	-	(100,927)	-
Exchange difference	1,875	-	-	-
At 31 December	**951,471**	**-**	**602,553**	**-**

Maturity analysis of operating lease payments:

	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Year 1	51,751	-	32,705	-
Year 2	73,195	-	46,257	-
Year 3	95,821	-	60,556	-
Year 4	113,443	-	71,693	-
Year 5	143,049	-	90,403	-
Year 6 and onwards	474,212	-	300,938	-
	951,471	**-**	**602,552**	**-**

39. RELATED PARTY BALANCES AND TRANSACTIONS

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The ultimate holding company is Asset Managers Limited, which is incorporated in Kenya. In the normal course of business, the Group transacts with the following related entities.

- ICEA LION Asset Management Limited – 100% subsidiary
- ITSL Trust Company Limited – 100% subsidiary
- ICEA General Insurance Company Limited – 100% subsidiary
- ICEA Life Assurance Company Limited – 100% subsidiary
- ICEA Asset Management Limited – 100% subsidiary
- ICEA LION General Insurance Company Limited - common ownership
- Knight Frank Kenya Limited - common ownership
- First Chartered Securities Limited - common ownership

	2019 Shs'000	2018 Shs'000
i) Transactions with related parties		
Management fees - ICEA LION Asset Management Limited	92,899	78,050
ITSL Trust Company Limited	39,383	42,442
Deposits held with other related institutions	344,358	1,060,314
ii) Outstanding balances with related parties		
Due to related parties		
GROUP		
First Chartered Securities Limited	12,893	15,467
ICEA LION General Insurance Company Limited	28,468	58,177
	41,361	**73,644**
COMPANY		
Riverside Park Limited	31,682	31,682
ICEA General Insurance Co. Limited	33,081	27,709
ICEA LION General Insurance Co. Limited	19,088	53,395
ICEA LION Asset Management Limited	30,413	19,289
First Chartered Securities Limited	12,893	15,467
ICEA LIFE Assurance Co. (U) Ltd	3,078	3,078
Knight Frank Kenya Limited	1,374	-
ITSL Trust Company Limited	8	8
	131,617	**150,628**

39. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

	2019 Shs'000	2018 Shs'000
Due from related parties		
GROUP		
ICEA LION General Insurance Company Limited	36,240	36,054
First Chartered Securities Limited	55,211	31,611
Knight Frank Kenya Limited	2,221	597
	93,672	**68,262**
COMPANY		
ICEA LION General Insurance Company Limited	39,455	37,084
ICEA General Insurance Company Limited	91,251	72,439
ICEA Life Assurance Company Limited	34,699	26,986
ICEA LION Asset Management Limited	34,974	20,751
First Chartered Securities Limited	11,370	31,611
ITSL Trust Company Limited	381	114
Riverside Park Limited	3	3
Knight Frank Kenya Limited	2,221	597
ICEA Asset Management Limited	7,157	7,052
	221,511	**196,637**

iii) Key management and directors' remuneration

	2019 Shs'000	2018 Shs'000
GROUP		
Directors' emoluments – fees	6,454	4,884
Key management remuneration	335,047	348,016
	341,501	**352,900**
COMPANY		
Directors' emoluments – fees	3,327	3,150
Key management remuneration	227,463	211,024
	230,790	**214,174**

APPENDIX I

GROUP LONG TERM BUSINESS REVENUE ACCOUNT

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Net premiums written					
Gross premiums written	1,256,874	3,845,405	-	5,102,279	4,451,130
Reassurance premium	(321,257)	(53,204)	-	(374,461)	(350,547)
Net earned premiums	**935,617**	**3,792,201**	**-**	**4,727,818**	**4,100,583**
Exchange fluctuation	(83)	(466)	(525)	(1,074)	1,398
Investment income	1,734,232	1,478,884	7,777,498	10,990,614	7,744,549
Commissions earned	73,880	10,267	-	84,147	63,792
Total investment and other income	**1,808,029**	**1,488,685**	**7,776,973**	**11,073,687**	**7,809,739**
Claims paid; life and death	148,689	45,842	-	194,531	264,583
Surrenders	1,210,245	1,530,471	-	2,740,716	1,994,461
Interest payable to policyholders	-	25,992	5,164,035	5,190,027	3,926,907
Increase in actuarial liabilities	117,919	1,012,489	(6,629)	1,123,779	4,435,736
Total claims	**1,476,853**	**2,614,794**	**5,157,406**	**9,249,053**	**10,621,687**
Premium tax	3,115	37,224	-	40,339	34,603
Commissions payable	68,425	691,686	116,686	876,797	732,827
Operating expenses	157,032	946,223	415,838	1,519,093	1,236,072
	228,572	**1,675,133**	**532,524**	**2,436,229**	**2,003,502**
Increase in funds during the year	**1,038,221**	**990,959**	**2,087,043**	**4,116,223**	**(714,866)**
Income tax expense	(179,364)	(446,663)	(676,390	(1,302,417)	378,327
Increase in funds after tax	**858,857**	**544,296**	**1,410,653**	**2,813,806**	**(336,539)**

APPENDIX II

COMPANY LONG TERM BUSINESS REVENUE ACCOUNT

	Other Superannuation Shs'000	Ordinary Life Fund Shs'000	Deposit Administration Shs'000	Total 2019 Shs'000	Total 2018 Shs'000
Gross earned premiums	1,049,198	3,302,679	-	4,351,877	3,834,156
Less: reassurance premiums ceded	(238,651)	(44,930)	-	(283,581)	(280,867)
Net earned premiums	**810,547**	**3,257,749**	**-**	**4,068,296**	**3,553,289**
Investment income	1,689,378	1,346,664	7,586,060	10,622,102	7,432,100
Commissions earned	116,817	19,845	-	136,662	106,076
Total investment and other income	**1,806,195**	**1,366,509**	**7,586,060**	**10,758,764**	**7,538,176**
Claims paid; life and death	109,451	39,931	-	149,382	220,923
Surrenders/annuities	1,209,848	1,367,282	-	2,577,130	1,907,471
Interest payable to policyholders	-	-	5,076,535	5,076,535	3,815,014
Adjustment in actuarial liabilities	111,629	776,827	-	888,456	4,157,310
Total claims	**1,430,928**	**2,184,040**	**5,076,535**	**8,691,503**	**10,100,718**
Premium tax	-	29,083	-	29,083	25,349
Commissions payable	34,404	594,756	115,080	744,240	614,378
Operating expenses	102,906	765,008	399,271	1,267,185	1,071,165
Total expenses	**137,310**	**1,388,847**	**514,351**	**2,040,508**	**1,710,892**
Increase/(Decrease) in funds during the year	**1,048,504**	**1,051,371**	**1,995,174**	**4,095,051**	**(720,145)**
Income tax expense	(173,736)	(413,556)	(645,957)	(1,116,241)	331,908
Increase in funds after tax	**874,768**	**637,815**	**1,349,217**	**2,861,802**	**(388,237)**

ICEA LION LIFE ASSURANCE

APPENDIX III

GENERAL BUSINESS CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellaneous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2019 Total Shs'000
Gross Premium written	147,941	1,546	76,933	104,535	24,946	30,096	45,238	34,649	44,825	9,840	60,660	81,513	662,722
Changes in gross UPR	(720)	196	4,768	(2,990)	10,166	(1,024)	171	(241)	1,675	(166)	(3,703)	(9,181)	(1,049)
Gross earned premiums	147,221	1,742	81,701	101,545	35,112	29,072	45,409	34,408	46,500	9,674	56,957	72,332	661,673
Less: Reinsurance payable	(75,830)	(278)	(61,782)	(72,652)	(11,672)	(22,231)	(32,893)	(29,023)	(23,293)	(8,519)	(3,685)	(9,362)	(351,220)
Net earned premium	**71,391**	**1,464**	**19,919**	**28,893**	**23,440**	**6,841**	**12,516**	**5,385**	**23,207**	**1,155**	**53,272**	**62,970**	**310,453**
Claims paid	23,100	492	89,598	65,300	5,477	3,621	32,754	5,431	13,419	425	27,956	30,007	297,580
Changes in gross outstanding claims	(807)	(59)	(4,657)	3,181	843	(856)	(1,159)	(1,573)	(6,954)	1,165	(9,071)	(7,520)	(27,467)
Claims recoverable	(16,228)	-	(77,218)	(57,717)	(412)	(1,531)	(29,826)	(2,912)	(77)	(410)	(741)	(2,752)	(189,824)
Total claims incurred	**6,065**	**433**	**7,723**	**10,764**	**5,908**	**1,234**	**1,769**	**946**	**6,388**	**1,180**	**18,144**	**19,735**	**80,289**
Commissions payable	29,951	288	16,159	11,584	5,239	5,551	9,500	5,782	7,750	1,721	7,582	11,382	112,489
Commissions receivable	(26,326)	(80)	(18,419)	(11,445)	(3,073)	(5,961)	(11,003)	(9,332)	(6,091)	(2,275)	(171)	(1,146)	(95,322)
Operating expenses	44,179	462	22,974	31,217	7,449	8,987	13,509	10,347	13,386	2,938	18,115	24,342	197,905
Total expenses	**47,804**	**670**	**20,714**	**31,356**	**9,615**	**8,577**	**12,006**	**6,797**	**15,045**	**2,384**	**25,526**	**34,578**	**215,072**
Underwriting profit/(loss)	**17,522**	**361**	**(8,518)**	**(13,227)**	**7,917**	**(2,970)**	**(1,259)**	**(2,358)**	**1,774**	**(2,409)**	**9,602**	**8,657**	**15,092**

APPENDIX III

GENERAL BUSINESS CONSOLIDATED REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Fire industrial Shs'000	Fire domestic Shs'000	Personal accident Shs'000	Medical Shs'000	Workmen's compensation Shs'000	Marine Shs'000	Engineering Shs'000	Public liability Shs'000	Theft Shs'000	Miscellaneous Shs'000	Motor private Shs'000	Motor commercial Shs'000	2018 Total Shs'000
Gross Premium written	86,747	1,594	87,300	67,289	39,334	32,119	57,311	16,577	46,558	3,716	78,158	78,911	595,614
Changes in gross UPR	1,789	(185)	1,997	4,245	11,906	(30)	1,866	(214)	(389)	(121)	1,634	(10,003)	12,495
Gross earned premiums	84,958	1,779	85,303	63,044	27,428	32,149	55,445	16,791	46,947	3,837	76,524	88,914	583,119
Less: Reinsurance payable	(63,032)	(452)	(53,222)	(46,947)	(4,657)	(24,880)	(53,634)	(11,635)	(20,787)	(3,304)	(2,892)	(6,946)	(292,388)
Net earned premium	**21,926**	**1,327**	**32,081**	**16,097**	**22,771**	**7,269**	**1,810**	**5,156**	**26,160**	**533**	**73,633**	**81,968**	**290,731**
Claims paid	5,850	429	13,705	35,423	4,200	8,168	7,927	3,742	10,634	3,993	22,628	36,673	153,372
Changes in gross outstanding claims	(1,068)	(18)	(2,128)	(2,103)	(1,740)	(948)	(799)	(1,132)	(7,280)	(45,743)	(2,885)	(6,064)	(71,908)
Claims recoverable	(3,672)	-	(7,867)	(24,649)	(1,461)	(7,297)	(6,826)	(3,104)	(264)	(3,016)	(15)	(6,919)	(65,090)
Total claims incurred	**3,246**	**447**	**7,966**	**12,877**	**4,479**	**1,819**	**1,900**	**1,770**	**17,650**	**46,720**	**25,498**	**35,818**	**160,190**
Commissions payable	19,172	307	16,414	7,317	6,781	5,979	12,557	2,737	6,234	683	9,376	10,108	97,665
Commissions receivable	(16,744)	(69)	(12,749)	(5,925)	(975)	(5,355)	(13,993)	(2,800)	(2,718)	(653)	(51)	(588)	(62,620)
Operating expenses	23,894	439	24,047	18,535	10,835	8,847	15,786	4,566	12,824	1,024	21,529	21,736	164,062
Total expenses	**26,322**	**677**	**27,712**	**19,927**	**16,641**	**9,471**	**14,350**	**4,503**	**16,340**	**1,054**	**30,854**	**31,256**	**199,107**
Underwriting profit/(loss)	**(7,642)**	**203**	**(3,597)**	**(16,707)**	**1,651**	**(4,021)**	**(14,440)**	**(1,117)**	**(7,830)**	**(47,241)**	**17,281**	**14,894**	**(68,566)**

06 APPENDICES

CORPORATE INFORMATION

REGISTERED OFFICE

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G Kuria Chief Executive Officer

ICEA Life Assurance Company Limited
E Mwaka Chief Executive Officer

ICEA LION Asset Management Limited
E N Kihanda Chief Executive Officer

ITSL Trust Company Limited
P Wachira Head of Business

SECRETARY
Kennedy M Ontiti
Certified Public Secretary (Kenya)
First Chartered Securities Limited
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Certified Public Accountants (Kenya)
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Nairobi, Kenya

Standard Chartered Bank Kenya Limited
Kenyatta Avenue Branch
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Nairobi, Kenya

CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2019

ICEA LION GROUP CORPORATE SOCIAL RESPONSIBILITY SUPPORT - JANUARY 2013 - DECEMBER 2019						
No.	Project	Description	Category	Group Cost	Life Assurance	General Insurance
2013						
1	Kenya Paraplegic Organization	Bring Zack Back Campaign	Health	200,000.00	100,000.00	100,000.00
2	Kenya Paraplegic Organization	Charity Golf Tournament	Health	200,000.00	100,000.00	100,000.00
3	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	200,000.00	100,000.00	100,000.00
4	The Association of Kenya Insurers	Annual Medical Camp	Health	50,000.00	25,000.00	25,000.00
5	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	100,000.00	50,000.00	50,000.00
6	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	200,000.00	-	200,000.00
7	Rhino Ark Charitable Trust	Support of Rhino Charge Team	Environment	100,000.00	50,000.00	50,000.00
8	Kahawa Garisson	High School Project	Education	300,000.00	150,000.00	150,000.00
9	August 7 Memorial Trust	In Support of the Needy	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
10	SOS Children's Villages	In Support of the Needy Children	Special Projects - Support of Needy	100,000.00	50,000.00	50,000.00
11	Lions Club of Kenya	Charity Golf Tournament	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
12	Faraja Cancer Support Trust	Faraja Cancer Centre Development	Health	2,000,000.00	1,000,000.00	1,000,000.00
13	KCB Safari Rally	Official Event Insurer June 2013 - June 2014	Brand Equity - Sports	1,000,000.00	-	1,000,000.00
Total Support Amount				4,800,000.00	1,800,000.00	3,000,000.00
2014						
1	Alexis Foundation	Charity Golf Tournament	Education	75,000.00	37,500.00	37,500.00
2	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	500,000.00	250,000.00	250,000.00
3	Heart to Heart Foundation	Heart Run (Karen Hospital)	Health	50,000.00	25,000.00	25,000.00
4	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
5	Faraja Cancer Support Trust	Purchase of Branded Tee Shirts	Health	200,000.00	100,000.00	100,000.00
6	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
7	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	100,000.00	50,000.00	50,000.00
8	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
9	The Association of Kenya Insurers	Annual Medical Camp - Kamangu Primary - Kiambu	Health	50,000.00	25,000.00	25,000.00
10	Drumbeat Ltd - Amazing Maasai Marathon	Supporting Girl Child Secondary Education in Maasailand - Official Event Insurer	Education	130,000.00	65,000.00	65,000.00
11	The Kenya Red Cross	Annual Gala Dinner for the Disaster Kitty	Special Projects - Disaster Preparedness	300,000.00	-	300,000.00
12	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				1,835,299.00	767,649.50	1,067,649.50

CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2019

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2015						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	-	50,000.00
2	Special Olympics Kenya	3 Air Tickets for Special Olympics Swim Team	Special Projects - Sports	500,000.00	250,000.00	250,000.00
3	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	-	300,000.00
5	The Association of Kenya Insurers	Annual Medical Camp - Ngurubaini Primary School - Mwea	Health	70,000.00	35,000.00	35,000.00
6	Consolata Youth Rehabilitation Programme	COYREP & ICEA LION Visit To Clean Up Deep Sea Slum	Brand Equity - Environment	100,000.00	50,000.00	50,000.00
7	The Nairobi Hospital	Children's Charity Heart Fund Golf Tournament	Health	100,000.00	50,000.00	50,000.00
8	Wema Centre Trust	Annual Fund Raising Dinner	Special Projects - Support of Needy	250,000.00	125,000.00	125,000.00
9	Help Baby Ivannah	Medical Bill Support For The Late Baby Ivannah	Special Projects - Support of Needy	30,000.00	15,000.00	15,000.00
10	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
11	KCB Safari Rally	Official Event Insurer Jun 2014 - Dec 2015	Brand Equity - Sports	3,000,000.00	-	3,000,000.00
Total Support Amount				4,690,254.00	670,127.00	4,020,127.00

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016						
1	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
2	Kenya Diabetes Management & Information Centre	Annual Diabetes Walk	Health	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Safaricom Lewa Marathon	Brand Equity - Environment	300,000.00	150,000.00	150,000.00
5	Association of Kenya Insurers	Joint Insurers Pensions Awareness Campaign	Special Projects - Financial Literacy	1,000,000.00	500,000.00	500,000.00
6	Jockey Club of Kenya - Horse Derby	111th Kenya Derby Prize Money For Riders	Brand Equity - Sports	1,000,000.00	500,000.00	500,000.00
7	Jockey Club of Kenya - Horse Derby	Social Media Boosting to Advertise Event	Brand Equity - Sports	17,492.80	8,746.40	8,746.40
8	Duke of Edinburgh's Presidential Award Scheme	Feeding Youth During Mt. Kenya Climb	Education	500,000.00	250,000.00	250,000.00
9	Insurance Regulatory Authority	Cerebral Palsy of Kenya Annual Walk	Health	20,000.00	10,000.00	10,000.00
10	East African & Kenya Motor Sports Club	FIM MotoCross Of African Nations 2016	Brand Equity - Sports	500,000.00	250,000.00	250,000.00
11	East African Motor Sports Club	Refurbishing 16 Spectator Stands & Constructing 14 new ones	Brand Equity - Sports	1,397,000.00	698,500.00	698,500.00
12	The Association of Kenya Insurers	Annual Medical Camp - Karagita - Naivasha	Health	85,000.00	42,500.00	42,500.00
13	KCB Safari Rally	Official Event Insurer - Event Cover & Office Insurance	Brand Equity - Sports	270,254.00	135,127.00	135,127.00
Total Support Amount				5,199,791.80	2,599,895.90	2,599,895.90

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2017						
1	The Association of Kenya Insurers	Annual Medical Camp - Gatanga - Thika	Health	85,000.00	42,500.00	42,500.00
2	Insurance Institute of Kenya	IIK Annual Charity Golf Tournament	Special Projects - Support of Needy	50,000.00	25,000.00	25,000.00
3	Faraja Cancer Support Trust	White Water Rafting - Official Event Insurer	Health	10,045.00	5,022.50	5,022.50
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	500,000.00	300,000.00	200,000.00
Total Support Amount				645,045.00	372,522.50	272,522.50

CORPORATE SOCIAL RESPONSIBILITY (CSR) & INVESTMENT (CSI) 2013 -2019

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1	The Association of Kenya Insurers	Annual Medical Camp - Matuu - Machakos	Health	90,000.00	45,000.00	45,000.00
2	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	500,000.00	200,000.00
Total Support Amount				790,000.00	545,000.00	245,000.00
TOTAL CORPORATE SOCIAL RESPONSIBILITY SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2017				17,960,389.80	6,755,194.90	11,205,194.90

ICEA LION GROUP CORPORATE SOCIAL INVESTMENT SUPPORT - OCTOBER 2016 - DECEMBER 2019

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2016 - 2017						
1	Ewaso Lions - Lion Conservation Project	Warrior Watch & Lion Monitoring Equipment	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	862,554.00	431,277.00	431,277.00
2		Production of the Lion Conservation Video		3,838,634.00	1,919,317.00	1,919,317.00
3		Promoting the Lion Conservation Video & Initiative on Social Media (Facebook, Instagram & YouTube)		600,000.00	300,000.00	300,000.00
4	Kenya Wildlife Service (KWS) National Lion Census	KWS Methodology & Standardization Workshop Sponsorship	Corporate Social Investment Initiative - Lion Census	462,000.00	231,000.00	231,000.00
5		National Lion Census - Phase I - Lake Nakuru National Park		821,167.00	410,583.50	410,583.50
Total Support Amount				6,584,355.00	3,292,177.50	3,292,177.50

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2018						
1	Lewa Wildlife Conservancy	ICEA LION Staff Immersion & Sensitization Videography & Photography	Corporate Social Investment Initiative - Environmental Conservation & Community Based Interventions	194,880.00	97,440.00	97,440.00
2	Lewa Wildlife Conservancy	Conservation Education Programme - 15 Schools, 690 Students, 60 Teachers from Northern Kenya for 2 Days		3,515,000.00	3,987,000.00	3,987,000.00
3	Lewa Wildlife Conservancy	Lion Predator Monitoring Programme		472,000.00	236,000.00	236,000.00
Total Support Amount				5,883,805.00	5,171,402.50	5,171,402.50

No.	Project Partner	Description	Category	Group Cost	Life Assurance	General Insurance
2019						
1	The Association of Kenya Insurers	Annual Medical Camp - Isinya	Health	90,000.00	45,000.00	45,000.00
2	Kenya Wildlife Service (KWS) National Lion Census	National Lion Census - Census Equipment for 5 Regions	Corporate Social Investment Initiative - Lion Census	1,701,925.00	850,962.50	850,962.50
3	Lewa Conservancy	Conservation Education Programme - ICEA LION Staff immersion with Bardassa Secondary School		200,000	100,000	100,000
4	Lewa Wildlife Conservancy	Lewa Marathon	Brand Equity - Environment	700,000.00	0	700,000.00
TOTAL CORPORATE SOCIAL INVESTMENT SUPPORT AMOUNT FROM OCTOBER 2016 - DECEMBER 2019				2,691,925.00	995,962.00	1,695,962.5
TOTAL CORPORATE SOCIAL RESPONSIBILITY & INVESTMENT SUPPORT AMOUNT FROM JANUARY 2013 - DECEMBER 2019				33,120,474.80	16,214,736.90	21,364,737.4

These costs exclude the launch event activities & related logistical costs

AWARDS & ACCOLADES 2012 - 2019 & GCR RATING

THINK BUSINESS AWARDS

WINNER

Life Assurer of the Year - 2018, 2017, 2016, 2015, 2014, 2013
Lifetime Achievement Award: CEO: Justus Mutiga - 2016
Best Insurer in Product Distribution & Marketing - 2017
Corporate Risk Manager of the Year: Dorothy Maseke - 2018, 2017
ICT - 2016
Training - 2016
Customer Satisfaction - 2016
Customer Service - 2018, 2016, 2014
Claims Settlement - 2015
Risk Management Award - 2015, 2014
Best Insurer in Sustainable CSR - 2018

1ST RUNNERS UP

Best Insurer in Sustainable CSR - 2017
Customer Service - 2017
Claims Settlement - 2018, 2017, 2016
Risk Management Award - 2016
Marketing Initiative of the Year - 2012
Best Company in Technology & Digital Applications - 2018
Most Innovative Insurance Company - 2018
Best Insurance Company in Product Distribution & Marketing -2018

2ND RUNNERS UP

Training - 2018

ICPSK CHAMPIONS OF GOVERNANCE AWARDS

WINNER

CEO of the Year: Justus Mutiga: 2017
Insurance Sector: 2015
Company Secretary of the Year: Kennedy Ontiti - 2016, 2015

1ST RUNNERS UP

CEO of the Year: Justus Mutiga - 2015
Insurance Sector: 2017
Company Secretary of the Year: Kennedy Ontiti - 2018

2ND RUNNERS UP

Insurance Sector: 2016
Company Secretary of the Year: Kennedy Ontiti - 2017

KENYA INSTITUTE OF MANAGEMENT (KIM) COMPANY OF THE YEAR AWARDS (COYA)

WINNER

Customer Orientation & Marketing - 2017

DELOITTE'S BEST COMPANY TO WORK FOR AWARDS

WINNER

Insurance Sector - 2014, 2015

1ST RUNNERS UP

Overall: Mid-Size Companies (under 500 employees) - 2016

INSTITUTE OF CUSTOMER SERVICE – ICS KENYA AWARDS

WINNER

Insurance Sector - 2014

COMPUTER SOCIETY OF KENYA AWARDS

WINNER

Best Mobile Application in Insurance: M-Insure - 2014

THE 2018 ASSOCIATION OF PRACTITIONERS IN ADVERTISING (APA) LOERIES AWARDS

WINNER

Overall: Grand Prix Award - #BackYourFuture Campaign
Gold Award: Integrated Campaign - #BackYourFuture Campaign

AWARDS & ACCOLADES 2012 - 2019 & GCR RATING

AFRICAN CRISTAL MEDIA & ADVERTISING AWARDS - MOROCCO

2ND RUNNERS UP

Digital Insurance Category - 2019

INSURANCE INSTITUTE OF KENYA (IIK) ANNUAL QUIZ

WINNER 2017

ASSOCIATION OF KENYA INSURERS (AKI) SPORTS DAY

WINNER

Indoor Games - 2019, 2018
Swimming - 2019

1ST RUNNERS UP

Overall Champions - 2019 , 2018, 2016
Track & Field Games Champions - 2019, 2018
Auxiliary Games, Indoor Games,Volleyball and Athletics Games Champions - 2016

INTERNATIONAL SAFETY TRAINING CENTRE AWARD-

WINNER

International Workplace Safety Award - 2019

ASSOCIATION OF KENYA INSURERS (AKI) AGENTS OF THE YEAR AWARDS (AAYA)

WINNER

Lifetime Achievement Award: Anthony Gideon Kioko - 2017
Best Loss Ratio - 2015

1ST RUNNERS UP

Overall Agent of the Year: Anthony Gideon Kioko - 2017, 2016, 2015, 2014
AAYA Company of the Year - 2018, 2016, 2014
Group Life Best Practice Award - 2012

2ND RUNNERS UP

Company of the Year – 2017, 2015
Most Improved Company - 2018, 2012

	TOP 50 QUALIFIERS	OVERALL QUALIFIERS	TOP 10 PERSISTENCY AWARD	TOP 10 NO. OF POLICIES ISSUES
2018	7	68	3	NIL
2017	9	44	3	1
2016	5	25		N/A
2015	5	29	1	N/A
2014	6	32	1	N/A
2013	3	41	2	N/A
2012	4	51	2	N/A

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

ICEA LION Life Assurance Company Limited

Kenya Assurance Analysis **September 2018**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Financial strength	National	AA-(KE)	Stable	September 2019

REPORTING GUIDANCE INDEX

BASED ON INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) FRAMEWORK

TOPIC	CONTENT ELEMENT NO.	PAGE NO.
Organisations Overview & External Environment	4A	7-32, 52-60
Governance	4B	34 - 50
Business Model	4C	28
Risks & Opportunities	4D	52 - 60
Strategy & Resource Allocation	4E	29 - 32
Performance	4F	29 - 32, 89-174
Outlook	4G	19
Basis of Preparation & Presentation	4H	2-3
General Reporting Guidance • Disclosure of material matters. • Disclosures about the capitals. • Time frames for short, medium and long term. • Aggregation and disaggregation.	4I	 • 2-3, 64 • 62 - 87 • 2, 62 • 8,11, 65-69, 89 -174

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ICEA LION General Insurance

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ICEA LION Group

Nkatha Gitonga
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Marketing & Communications
ICEA LION Group

Kevin Nyakeri
Chief Financial Officer
ICEA LION Life Assurance

ICEA LION'S INTEGRATED LAB

Meet our team that spearheaded and continues to champion Integrated Thinking and delivered the 2019 Integrated Report that was developed and designed in-house.

Special thanks to our in-house designer **Mwangi Kariuki** for his creative and tireless efforts.

Margaret Ndungu

We appreciate these dedicated five from our finance and actuarial teams who worked diligently to deliver on Section 6 - 2019 Audited Financial Statements - of our Integrated Report

Simon Ndungu | Robert Kanyi | Julius Irungu | Burton Nderitu

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