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## COMPANY INFORMATION

|                                                              |                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>BOARD OF DIRECTORS</b>                                    | : Mr. R.C. Kantaria<br>: Mrs. R. Thatthi<br>: Mr. S.K. Shah<br>: Mr. A.R. Kantaria<br>: Mr. S.O.J. Mainda<br>: Mr. P.T. Warutere<br>: Mr. S. Oueslati<br>: Mr. B. Yohannes                                                 | Chairman<br>Managing Director/Principal Officer<br><br>(Appointed with effect from 13th December 2018)<br>(Appointed with effect from 13th December 2018)                                                                                                                 |
| <b>COMPANY SECRETARY</b>                                     | : Mr. N.P. Kothari, FCPS (Kenya)                                                                                                                                                                                           |                                                                                                                                                                                                                                                                           |
| <b>EXECUTIVE MANAGEMENT</b>                                  | : Mrs. R. Thatthi<br>: Mr. M. Itimu<br>: Ms. W. Muoki<br>: Ms. F. Njeri<br>: Mr. S. Ogunde<br>: Ms. M. Okemwa<br>: Mr. S. Muriuki<br>: Mr. W. Orwe<br>: Mr. M. Mwangi                                                      | Managing Director/Principal Officer<br>General Manager, resigned on 17th Dec 2018<br>Assistant General Manager, Legal and Claims<br>Assist. Manager Underwriting<br>Reinsurance Manager<br>Internal Actuary<br>Senior Risk Officer<br>Internal Auditor<br>Finance Manager |
| <b>REGISTERED OFFICE AND<br/>PRINCIPAL PLACE OF BUSINESS</b> | : L.R. No. 209/2259/1<br>: Tausi Court, Tausi Road<br>: Off Muthithi Road, Westlands<br>: P.O. Box 28889, 00200<br>: NAIROBI<br>: Tel: 3746602/3/17<br>: Mobile: 0729145888/0735145020                                     |                                                                                                                                                                                                                                                                           |
| <b>INDEPENDENT AUDITOR</b>                                   | : PKF Kenya<br>: Certified Public Accountants<br>: P.O. Box 14077, 00800<br>: NAIROBI                                                                                                                                      |                                                                                                                                                                                                                                                                           |
| <b>ACTUARIES</b>                                             | : Zamara Actuaries<br>: P.O. Box 52439, 00200<br>: NAIROBI                                                                                                                                                                 |                                                                                                                                                                                                                                                                           |
| <b>PRINCIPAL BANKER</b>                                      | : Prime Bank Limited<br>: NAIROBI                                                                                                                                                                                          |                                                                                                                                                                                                                                                                           |
| <b>LEGAL ADVISORS</b>                                        | : Mandla & Sehmi Advocates LLP<br>: P.O. Box 48642, 00100<br>: NAIROBI<br><br>: Wanjia & Kibe Advocates<br>: P.O. Box 1382, 80100<br>: MOMBASA<br><br>: Muchui & Company Advocates<br>: P.O. Box 61901, 00200<br>: NAIROBI | : Macharia, Mwangi & Njeru Advocates<br>: P.O. Box 10627, 00100<br>: NAIROBI<br><br>: Daly & Inamdar Advocates<br>: P.O. Box 80483, 80100<br>: MOMBASA<br><br>: Mucheru Law LLP Advocates<br>: P.O. Box 7769, 00200<br>: NAIROBI                                          |

## BOARD OF DIRECTORS



### **Rasik Kantaria**

Mr. Rasik Kantaria joined the Tausi Board in 1993 and was elected Chairman in March 2006. A Bachelor of Science (Economics) graduate, Mr. Kantaria is also the Chairman of Prime Bank Limited, Leisure Lodge Beach and Golf Resort and First Merchant Bank, Malawi. He is a Director of Deposit Protection Fund Board of Kenya.



### **Amar Kantaria**

Mr. Amar Kantaria joined the Tausi Board in June 2007 and chairs the Asset/Liability Board committee of the Company. A Bachelor of Arts (Honours) graduate, Mr. Amar Kantaria has an MBA in International Management. He is currently the Executive Director of Prime Bank Limited. Mr. Kantaria is also a Director of Kenya Community Development Fund and Treasurer of the Rotary Club Nairobi.



### **Shantilah Shah**

Mr. Shantilah Shah joined the Tausi Board in May 2005 and chairs the Audit Board Committee of the Company. A Bachelor of Commerce (Honours) graduate, Mr. Shantilah Shah is an FCA (Chartered Accountant, UK), an FCPA (Certified Public Accountant, Kenya) and a CPS (Certified Public Secretary, Kenya). He is also a Director of Prime Bank Limited.



### **P. T. Warutere**

Mr. P. T. Warutere joined the Tausi Board in March 2017. He is a development economist with over 30 years of experience in strategic communications and governance. He holds a Master of Philosophy degree in Business Administration from Maastricht School of Management in Netherlands, a Master of Economics and Social Studies degree from University of Manchester in UK, and a Bachelor of Education degree in Economics and Business Studies from University of Nairobi. He has worked in senior positions in several organizations, more recently at the World Bank Group. He is also an accomplished editor and writer on development issues. Mr. Warutere is also a director of Mashariki Communications and Mashariki Knowledge Academy.



### **Biniam Yohannes**

Mr. Biniam Yohannes joined the Tausi Board of Directors on 13th December 2018. He has over 18 years of experience in private equity, investment banking and emerging markets. He is the Managing Director of Catalyst Principal Partners, a private equity fund that invests across eastern Africa. Mr. Yohannes previously worked as a Vice President at Goldman Sachs focused on the infrastructure, technology, media, telecom and project finance sectors.

He holds a Bachelor of Arts in Mathematics from Saint Anselm College, a Bachelor of Engineering and Masters of Engineering Management from Dartmouth College.



### **Skander K. Oueslati**

Mr. Skander K. Oueslati joined Tausi Assurance Board on 13th December 2018. He holds a Masters degree from Massachusetts Institute of Technology, USA, and Engineering degrees from France's Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées. Prior to joining AfricInvest Group as a Senior Partner to oversee investments in Africa, he worked for BMCE Bank International in London and the International Finance Corporation in Washington DC, USA. Mr. Oueslati has extensive investment management experience as well as board experience, the latest being his nomination to the board of Prime Bank Limited, Kenya.



### **Dr. Steve O. J. Mainda**

Dr. Steve O. J. Mainda holds a Doctorate (Honoris Causa) from the University of East Africa. He also holds a Masters degree in Management from Princeton University, a Diploma in Management from Cambridge University and a Diploma in Education from University of East Africa, Makerere College. He is a member of the Chartered Institute of Insurance of London and a Fellow of the Institute of Directors of London. Dr. Mainda has a wealth of experience in finance, Insurance, strategic management and education. He is currently the Group Chairman of Housing Finance Group of Companies and also the Chairman of Continental Reinsurance Company. He also sits on the Boards of several companies in East Africa. He has vast public and private sector management and leadership experience gained through assignments both locally and internationally. In recognition of his distinguished service, he was awarded "Elder of Burning Spear (EBS)" by the retired President Mwai Kibaki. Dr. Mainda served as the Chairman of Insurance Regulatory Authority for many years.



### **Nalin Kothari**

Mr. Kothari having been in private practice for many years, has wide and varied exposure and experience in company law and company secretarial practice in Kenya. He has been the Company Secretary to a number of public companies including listed companies, private companies, multinationals overseas branches, charitable trusts and pension and provident schemes. He has given briefs in training programmes of client companies. He has been registrar for a number of listed companies and Bond issues. He has also provided company secretarial services for companies in Uganda and Tanzania. He is a Fellow of the Certified Public Secretaries, Kenya and a Fellow of the Institute of Chartered Secretaries and Administrators, UK. He holds a degree in law. He is the founder member of the Council of Institute of Certified Public Secretaries of Kenya and was appointed one of the first members of the Registration Board of Certified Public Secretaries.



### **Mrs. Rita Thatthi**

Mrs. Rita Thatthi joined the Tausi Board in 2007 as the CEO and Principal Officer. She holds a Bachelors degree in Commerce (Accounting Option) from the University of Nairobi and is an Associate member of the Chartered Insurance Institute of England. She has worked in the Insurance industry for over 30 years, having started her career in 1983. She worked with Kenindia Assurance Company Ltd and Corporate Insurance Co. Ltd prior to joining Tausi Assurance Co. Ltd. Rita was appointed Managing Director at Tausi on 10th February 2015.

## EXECUTIVE MANAGEMENT



**MRS. RITA THATTI**  
Managing Director and Principal Officer

**Qualifications:**

BCom Honours (Accounting Option) - University of Nairobi  
Associate of the Chartered Insurance Institute (ACII) (U.K.)  
Started Insurance Career in 1983  
Email: rita\_thatthi@tausiassurance.com



**MR. JOHN MICHAEL ITIMU KIRUTI**  
General Manager

**Qualifications:**

BCom (Management Option) - Africa Nazarene University.  
MBA (Management Option) - Strathmore University.  
Chartered Insurer, Associate of the Chartered Insurance Institute (ACII) (UK)  
Started Insurance Career in 1984  
Email: ikiruti@tausiassurance.com



**MS. WINFRED MUOKI**  
Ass. General Manager, Legal and Claims

**Qualifications:**

Bachelor of Law - Dr. Babasaheb Ambedkar Marathwada University (India)  
Bachelor of Social Legislation - Dr. Babasaheb Ambedkar Marathwada University (India)  
Certified Public Secretary (CPS) - (Kenya)  
Advocate (Kenya)  
Started Insurance Career in 2004  
Email: winnie@tausiassurance.com



**MR. STEVE OGUNDE**  
Reinsurance Manager

**Qualifications:**

Started Insurance Career in 1996  
Email: steve@tausiassurance.com



**MR. SAMMY MURIUKI**  
Senior Risk Officer

**Qualifications:**

BSc. Actuarial Science, JKUAT  
MSc. Finance, JKUAT  
Certified Governance, Risk Management and Compliance Professional (GRCP)  
Started Insurance career in 2014  
Email: SMuriuki@tausiassurance.com



**MR. WILLYS ODUOR ORWE**  
Head of Internal Audit

**Qualifications:**

Bachelor of Business Management (Accounting option) – Egerton University  
MBA (Finance option) - University of Nairobi  
Certified Public Accountant of Kenya (CPAK)  
Member of Institute of Internal Auditors (IIA)  
Started Insurance Career in 2010  
Email: worwe@tausiassurance.com



**MS. MERCY OKEMWA**  
Internal Actuary

**Qualifications:**

BSc. Actuarial Science - JKUAT  
CT 1-CT 9 professional papers  
Started Insurance career in 2013  
Email: MOkemwa@tausiassurance.com



**MR. MATHEW MWANGI**  
Finance Manager

**Qualifications:**

B.A. (Economics & Sociology), University of Nairobi  
M.B.A (Finance), University of Nairobi  
Certified Public Accountant (CPA(k))  
Associate of the Insurance Institute of Kenya (AIK)  
Started Insurance career in the year 2009.  
Email: mmwangi@tausiassurance.com



**MRS. FAITH NJERI GITAU**  
Assistant Manager – Underwriting

**Qualifications:**

Pursuing degree in Bachelor of Commerce  
Diploma in Insurance, CII.  
Started Insurance career in 2007  
Email: Faith@tausiassurance.com

## CHAIRMANS' STATEMENT



It is my great pleasure to present the Annual Report and Financial Statements for Tausi Assurance Company Ltd for the year ended 31.12.2018.

The Company's performance was impressive in a difficult market characterized by many challenges ranging from severe competition to increased claims and fraud. The Country GDP is estimated to have expanded by 6.3% in 2018 compared to 4.9% in 2017. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. The insurance sector, however, was faced with fierce undercutting of premium and low growth rates. Tausi achieved a growth of 11% in its gross written premium from Ksh 1.06 billion in 2017 to Ksh. 1.17 billion in 2018. A gross profit of Ksh.331m was generated in the year 2018, representing an increase of 6% over the previous year.

The Company has made sustained profits since 2009, which is a reflection of the quality of the business underwritten and good management practices. The strategy to "grow with profit" combined with the synergy attained from Prime Bank Ltd becoming a majority shareholder in the year 2017, has been rewarding. These two factors led to an increased underwriting profit in our core business which was of course complemented by low claims ratio and reduced operational costs. In addition to the underwriting profit, a sound and secure investment income led to an increased risk based capital ratio from 209 % in 2017 to 231% in 2018; which makes

the Company compliant with the statutory risk based capital requirements.

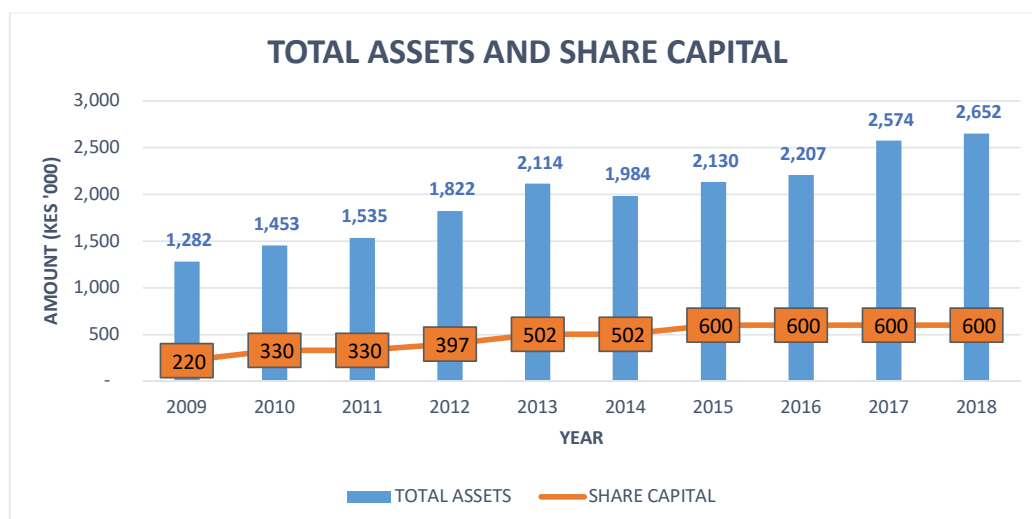
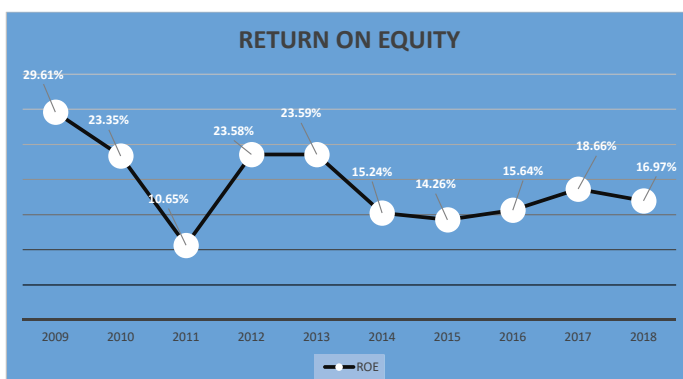
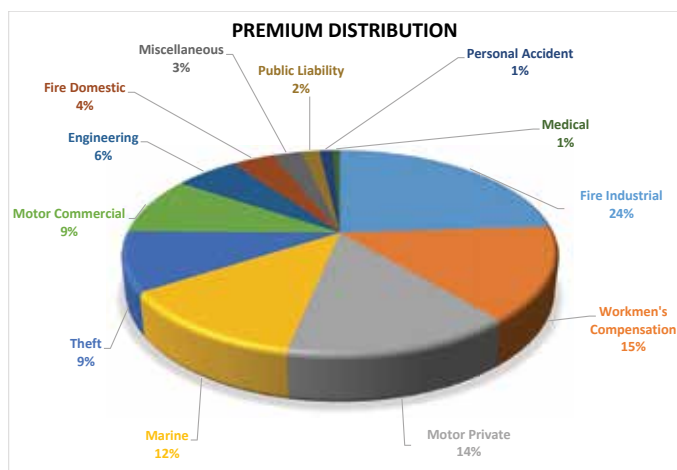
The Company is currently implementing its second 5-year Strategic Plan, running from 2017 to 2021. The actual performance in the year 2018, when compared to the Strategic Plan, was commendable. The loyal support of our clients, agents and brokers remain the pillars of our success. The Shareholders funds increased by 12% from Ksh 1.33 billion in 2017 to Ksh.1.49 billion in 2018. The return on equity stood at 17% in 2018 compared to 19% in 2017. In keeping with the Company policy, a dividend of Ksh.12/- per share, amounting to Ksh 72m, was declared and paid during the year.

Tausi retained its Global Credit Rating of "A" with a STABLE outlook for the third year running. I wish to appreciate our clients, agents and brokers for the confidence they have shown in Tausi over the years and I assure them of our commitment to deliver on our promise beyond expectation. I thank the Insurance Regulatory Authority and all business partners for their cooperation throughout the year.

I record my appreciation of fellow Directors, Management and Staff for their tireless efforts in steering the Company well and I thank the shareholders for their support.

**RASIK KANTARIA**

## COMPANY PERFORMANCE



## STATEMENT OF **CORPORATE GOVERNANCE**

**T**ausi Assurance Company Limited is committed to the principles of Corporate Governance and high standards of business ethics. The Board of Directors is accountable to the shareholders for ensuring that the Company complies with the law and effective Corporate Governance for long term success of the Company's business.

### **BOARD OF DIRECTORS**

The Board consists of seven non-executive Directors and the Managing Director. One third of these are independent. The Board brings together a wealth of experience, skills and independence and the Board's diverse experience contributes significant value.

### **BOARD MEETINGS**

The Board of Directors meets at least four times in a year and on other occasions to deal with specific matters. The Directors are provided with all the necessary information in advance in respect of the items to be discussed at all meetings.

The Directors have access to any information of the Company and are provided with all the information needed to carry out their duties and responsibilities fully and effectively. The Directors are entitled to seek independent professional advice concerning the affairs of the Company. All Directors are required to declare any conflict of interest in respect of any matter before the Board.

### **PRIMARY RESPONSIBILITIES OF THE BOARD**

The Board is also responsible for establishing long-term goals of the Company and ensuring strategic objectives and plans are established to achieve those goals. It ensures that the management structures are in place to achieve these objectives. They guide the implementation of strategic decisions and actions in addition to advising the management as appropriate.

The Board is also responsible for policy decisions, review and adoption of the annual budgets, review of financial performance of the Company and monitoring the Company's performance and results on a monthly basis. It ensures the preparation of quarterly financial statements and annual financial statements with disclosures of information.

Further, the Board is responsible for the management of risk, overseeing implementation of adequate control systems and relevant compliance with the law, regulations, corporate governance, accounting and auditing standards. It is also responsible for ensuring that the Company remains viable, sustainable and competitive while maintaining and increasing shareholder value.

### **BOARD COMMITTEES**

The Board has constituted various Board Committees listed hereunder to assist the Board in the discharge of its responsibilities including monitoring key activities in the Company. The essential function of the Committees is to deliberate in accordance with their terms of reference and

make recommendations to the Board and seek directions from the Board. The Board, following deliberations on the recommendations of various Committees, gives direction for implementation or otherwise.

### **BOARD AUDIT COMMITTEE**

The Committee is responsible for reviewing the effectiveness and reliability of management information systems, internal control systems and the efficiency and effectiveness of both external and internal audit. It ensures the efficient functioning of the internal audit department and reviews its reports. The Committee is also responsible for overseeing preparation of financial statements, financial reporting and disclosure processes. The Committee is further responsible for reviewing annual financial statements with external auditors as necessary before they are approved by the Board.

The Committee ensures the independence of the external auditors and reviews their reports. It also sets out to the external auditors the scope, nature and priorities of external audit.

### **BOARD RISK MANAGEMENT AND ETHICS COMMITTEE**

The Committee is responsible for ensuring the effective operation of the risk management system and ethics in the company by performance of specialized analysis and quality reviews. It reports on details of risk exposures and actions being taken to manage the exposures. It also advises on Risk Management decisions in relation to Strategic and Operational matters like Corporate Strategy, mergers and acquisitions and related matters. In addition, the Committee addresses protection matters of policyholders including review of the status of policyholders' complaints. It also deals with compliance concerns and supervising and monitoring matters reported on ethical violations and potential breaches or violations of the same.

### **BOARD ASSET LIABILITY AND INVESTMENT COMMITTEE**

The Investment, Asset and Liability Committee is responsible for investments of assets in accordance with the Company's investment policy and the requirements of the Insurance Act. It is also responsible for the management of assets and liabilities to achieve the Company's financial objectives and for formulating the framework that ensures the Company's adherence to the solvency requirements, meets its cash flow needs and capital requirements. It is further responsible for setting the Company's risk or reward objectives.

### **BOARD CORPORATE GOVERNANCE, NOMINATION, REMUNERATION AND HUMAN RESOURCE COMMITTEE**

The Committee is responsible for addressing corporate governance matters in the Company and the manner in which the Board of Directors and the Senior Management oversee the Company's business. Corporate governance includes corporate discipline, transparency, independence, accountability, fairness, probity, ethics and corporate social responsibility.

## STATEMENT OF **CORPORATE GOVERNANCE (CONT'D)**

It is also responsible for determining, with agreed terms of reference, the Company's policy on nomination to the Board, procedures and specific remuneration packages and any remuneration for the Principal Officer and the Executive Director. It is further responsible for the scrutiny and evaluation of declarations made by the Directors before their appointment or reappointment or election of Directors by Shareholders. The Committee ensures succession planning, Board continuity, and also assesses annual evaluation of the Board. It is responsible for the recruitment of persons in control functions and senior management positions. Its responsibilities include overseeing the implementation of the human resource policy.

### **RELATIONS WITH SHAREHOLDERS**

The Board's primary role is to promote the success of the Company and in that process, interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Company. Communication with its shareholders in respect of the Company's business activities is through General Meetings, the Annual Report and Financial Statements and yearly publication of results made in the press.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Board is conscious of the Company's social responsibility

and has ensured that the community at large and the environment benefit from funds that have been donated to various worthy causes. The Company's staff have also participated in CSR activities. Some of the activities or projects that the Company supported in 2018 are listed below:

- (a) Donation of food for Kenyans affected by drought through the Rotary Disaster Relief Fund.
- (b) Donation to Jaipur foot trust for fitting artificial limbs to amputees.
- (c) Funds to Faraja Cancer Support Trust and cancer patients.
- (d) Sponsorship to the needy for eye operations at Lions Sight First Hospital.
- (e) Donation for the construction of Kanaani Primary School through Amara Charitable Trust.
- (f) Donation of sports gear to Mr. Ibrahim Wafula of One Leg Network.
- (g) Cerebral Palsy Society of Kenya sponsorship.
- (h) Planning and sponsoring the Tausi Parklands Marathon.
- (i) Donation for fostering of orphaned elephants through David Sheldrick Wildlife Trust.



*Tausi Assurance chairman, Dr Rasik Kantaria and Managing Director Mrs. Rita Thatthi flagging off relief food at Parklands sports club. Looking on is S.K. Shah, a director at Tausi and Tausi staff.*

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2018 which disclose the state of affairs of the company.

### PRINCIPAL ACTIVITIES

The company underwrites all classes of general insurance business as defined by Section 31 of the Kenyan Insurance Act (cap 487) with the exception of aviation.

### BUSINESS REVIEW

During the year, the company's net earned premiums increased from Shs. 743,985,575 to Shs. 801,800,646. This was mainly attributed to increase in the client's retention capacity for various classes of business under reinsurance programme, increase in the volume of business sourced by brokers as well as increase in the value of sum insured for various policies. The profit before tax increased from Shs. 312,897,995 to Shs. 330,581,164 reflecting the effects of increased premium income and lower claims.

As at 31 December 2018, the net asset position of the company was Shs. 1,488,851,496 compared to Shs. 1,333,966,786 as at 31 December 2017.

### Key performance indicators

|                                         | 2018<br>Shs          | 2017<br>Shs          |
|-----------------------------------------|----------------------|----------------------|
| Gross premiums written                  | 1,174,177,323        | 1,061,069,436        |
| Gross earned premiums                   | 1,158,666,849        | 1,073,540,715        |
| Less: reinsurance premium ceded         | (356,866,203)        | (329,555,140)        |
| Net earned premiums                     | 801,800,646          | 743,985,575          |
| Investment and other income             | 191,579,342          | 200,749,364          |
| Fair value (loss)/gain on quoted shares | (24,239,441)         | 23,299,457           |
| Commissions earned                      | 120,259,997          | 102,765,448          |
| Net income                              | <b>1,089,400,544</b> | <b>1,070,799,844</b> |
| <b>Profit for the year</b>              | <b>252,727,226</b>   | <b>248,935,699</b>   |

### PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall performance of the company. The company's strategic focus is to enhance revenue growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions and innovativeness to sustain market share.

In addition to the business risks discussed above, the company's activities expose it to a number of financial and insurance risks which are described in detail in Note 3 to the financial statements.

### DIVIDEND

During the year, an interim dividend of Shs. 72,000,000 (2017: Shs. 72,000,000) was paid. The directors do not recommend the payment of a final dividend for the year.

### DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 2. Mr. Biniam Yohannes and Mr. Skander Oueslati were appointed as Directors of the Company with effect from 13 December 2018.



## REPORT OF THE **DIRECTORS (cont'd)**

### **DIRECTORS INDEMNITIES**

In line with sound governance practices, the Company maintains Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. The company has also granted indemnities to each of its Directors and the secretary to the extent permitted by law.

### **STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR**

With respect to each director at the time this report was approved:

- (a) there is, so far as the Director is aware, no relevant audit information of which the Company's auditor is unaware; and
- (b) the director has taken all the steps that the Director ought to have 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.

### **APPOINTMENT OF THE AUDITOR**

PKF Kenya having expressed their willingness to continue in office, the Board of Directors recommends their appointment as auditors of the Company in accordance with Section 719 of the Kenyan Companies Act 2015.

The Report of Directors was approved by the Board of Directors on 13th March, 2019 and signed on its behalf by the Secretary.

### **BY ORDER OF THE BOARD**

**COMPANY SECRETARY  
NAIROBI**

13th March, 2019

## STATEMENT OF **DIRECTORS' RESPONSIBILITY**

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 state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets 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 fair presentation of the financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

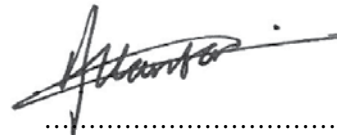
The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2018 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Having made an assessment of the 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 company's ability to continue as a going concern.

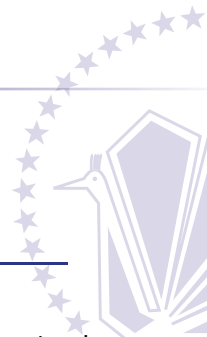
The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities. Approved by the board of directors on 13th March, 2019 and signed on its behalf by:



.....  
**DIRECTOR**



.....  
**DIRECTOR**



## REPORT OF THE **INDEPENDENT AUDITOR**

### **Opinion**

We have audited the financial statements of Tausi Assurance Company Limited set out on pages 15 to 56, which comprise the statement of financial position as at 31 December 2018, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of Tausi Assurance Company Limited's financial position as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. 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 other 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**

This section of the audit report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgment, were of most significance in the audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Insurance contract liabilities**

The directors exercise significant judgement in estimation of outstanding reported claims and Incurred But Not Reported (IBNR) claims. Accounting policy 1(b), to the financial statements describes the basis for such provisions and Note 22 to the financial statements sets out the disclosures in respect of these provisions.

Such provisions are based on multiple sources of information including models developed that rely on historical experience of claims. Because of the complexity of such models, the degree of judgement and estimation involved and the quantum of these provisions, the audit of insurance contract liabilities is a key audit matter.

Our audit procedures included testing the key controls over the claims recording procedures, including controls over the completeness and accuracy of the data that supports the models used in estimating the insurance contract liabilities. We tested the completeness of the claims registers including the quantification of claims outstanding at the reporting date. We tested the completeness of the data used by management in its models to estimate the IBNR claims provision. We reperformed, on a sample basis, management's model. In testing the reasonability of the estimates and assumptions used by management, we reviewed the historical experience of claims incurred against provisions recognised. We also reviewed the trend in claims over the recent past, including our knowledge of the industry, to determine overall reasonability of the provisions recognised.

#### **Information technology (IT) systems and controls over financial reporting**

The company is reliant on IT systems, with respect to its underwriting function. There is a risk that the controls around the IT systems may not be designed and operating effectively which could have a material impact on amounts reported. Therefore this represented a key audit matter.

Our audit procedures involved testing the overall design and operational effectiveness of controls over information systems that are critical to financial reporting. We applied judgement to the deficiencies that were observed that affected application and databases within the scope of our audit and performed additional controls and substantive procedures to determine the reliance placed on the completeness and accuracy of the system generated information.

### **Other information**

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities and the general insurance business revenue account but does not include the financial statements and our auditor's report thereon.

## REPORT OF THE **INDEPENDENT AUDITOR (Cont'd)**

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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of directors for the financial statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs 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 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 company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

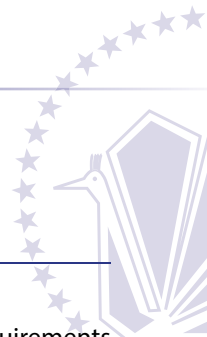
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's 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 company'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 company 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.

We communicate with those charged with governance 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.



## REPORT OF THE **INDEPENDENT AUDITOR (Cont'd)**

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

From the matters communicated with those charged with governance, 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**

In our opinion the information given in the report of the directors on pages 9 and 10 is consistent with the financial statements.

*PKF Kenya*

**Certified Public Accountants  
NAIROBI**

**CPA Jalpesh Vershi Shah - P/No. 1219.  
Signing partner responsible for the independent audit**

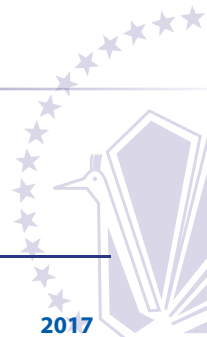
29th March 2019

STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

## And Other Comprehensive Income

|                                                                                                        | Note      | 2018<br>Shs          | 2017<br>Shs          |
|--------------------------------------------------------------------------------------------------------|-----------|----------------------|----------------------|
| Gross premiums written                                                                                 |           | 1,174,177,323        | 1,061,069,436        |
| Gross earned premiums                                                                                  | 4         | 1,158,666,849        | 1,073,540,715        |
| Less: reinsurance premium ceded                                                                        | 4         | (356,866,203)        | (329,555,140)        |
| <b>Net earned premiums</b>                                                                             | <b>4</b>  | <b>801,800,646</b>   | <b>743,985,575</b>   |
| Investment and other income                                                                            | 5         | 191,579,342          | 200,749,364          |
| Fair value adjustments                                                                                 | 5         | (24,239,441)         | 23,299,457           |
| Commissions earned                                                                                     |           | 120,259,997          | 102,765,448          |
| <b>Net income</b>                                                                                      |           | <b>1,089,400,544</b> | <b>1,070,799,844</b> |
| Claims payable                                                                                         | 6         | (328,361,738)        | (289,654,495)        |
| Less: amounts recoverable from reinsurers                                                              | 6         | 109,236,550          | 46,726,841           |
| <b>Net claims payable</b>                                                                              | <b>6</b>  | <b>(219,125,188)</b> | <b>(242,927,654)</b> |
| Operating and other expenses                                                                           | 7         | (338,717,568)        | (324,473,553)        |
| Commissions payable                                                                                    |           | (200,976,624)        | (190,500,642)        |
| <b>Total operating and commission expenses</b>                                                         |           | <b>(539,694,192)</b> | <b>(514,974,195)</b> |
| <b>Profit before tax</b>                                                                               |           | <b>330,581,164</b>   | <b>312,897,995</b>   |
| Income Tax Charge                                                                                      | 9         | (77,853,938)         | (63,962,296)         |
| <b>Profit for the year</b>                                                                             |           | <b>252,727,226</b>   | <b>248,935,699</b>   |
| <b>Other comprehensive income:</b>                                                                     |           |                      |                      |
| <b>Items that shall not be reclassified subsequently to profit or loss:</b>                            |           |                      |                      |
| Surplus on revaluation of property, plant and equipment                                                | 11        | -                    | 38,925,122           |
| Deferred income tax on surplus on revaluation of property, plant and equipment                         | 25        | -                    | (11,677,537)         |
| <b>Items that may be reclassified subsequently to profit or loss when specific conditions are met:</b> |           |                      |                      |
| Changes in fair value of Government securities - Fair value through other comprehensive income         | 17(b)     | 3,553,321            | 9,601,253            |
| Changes in fair value of quoted shares - Fair value through other comprehensive income                 | 19(b)     | (11,828,017)         | 22,941,184           |
| <b>Total other comprehensive income</b>                                                                |           | <b>(8,274,696)</b>   | <b>59,790,022</b>    |
| <b>Total comprehensive income for the year attributable to shareholders of the company</b>             |           | <b>244,452,530</b>   | <b>308,725,721</b>   |
| Dividend - interim paid during the year                                                                | 30        | 72,000,000           | 72,000,000           |
| <b>Earnings per share</b>                                                                              | <b>31</b> | <b>42.12</b>         | <b>41.49</b>         |

The notes on pages 19 to 56 form an integral part of these financial statements. Report of the independent auditor - pages 12 to 14.



## STATEMENT OF FINANCIAL POSITION

|                                                                       | Notes | 2018<br>Shs          | 2017<br>Shs          |
|-----------------------------------------------------------------------|-------|----------------------|----------------------|
| <b>CAPITAL EMPLOYED</b>                                               |       |                      |                      |
| Share capital                                                         | 10    | 600,000,000          | 600,000,000          |
| Revaluation reserves                                                  | 11    | 171,009,140          | 174,110,982          |
| Fair value reserve - Fair value through other comprehensive income    |       | (767,041)            | 7,507,655            |
| Retained earnings                                                     |       | 718,609,397          | 552,348,149          |
| <b>Shareholders' funds</b>                                            |       | <b>1,488,851,496</b> | <b>1,333,966,786</b> |
| <b>REPRESENTED BY</b>                                                 |       |                      |                      |
| <b>Assets</b>                                                         |       |                      |                      |
| Property, plant and equipment                                         | 12    | 321,440,575          | 320,809,773          |
| Intangible assets                                                     | 13    | 1,347,183            | 1,967,253            |
| Mortgage and other loans                                              | 14    | 133,700,668          | 148,204,697          |
| Receivables arising out of reinsurance arrangements                   |       | 5,296,534            | 3,847,305            |
| Receivables arising out of direct insurance arrangements              |       | 77,431,194           | 84,752,133           |
| Reinsurers' share of insurance contract liabilities                   | 15    | 258,762,569          | 326,953,506          |
| Other receivables                                                     | 16    | 75,794,058           | 59,226,194           |
| Government securities - 'Amortised cost'                              | 17(a) | 856,820,427          | 878,821,933          |
| Government securities - Fair value through other comprehensive income | 17(b) | 299,777,079          | 99,060,672           |
| Commercial paper                                                      | 18    | 7,012,479            | 14,446,411           |
| Quoted shares at fair value through profit or loss                    | 19(a) | 116,882,605          | 141,221,916          |
| Quoted shares - Fair value through other comprehensive income         | 19(b) | 83,804,928           | 95,632,945           |
| Deposits with financial institutions                                  | 21(b) | 371,860,649          | 363,280,576          |
| Cash and bank balances                                                | 21(a) | 41,804,656           | 22,535,629           |
| Tax recoverable                                                       |       | -                    | 13,378,437           |
| <b>Total assets</b>                                                   |       | <b>2,651,735,604</b> | <b>2,574,139,380</b> |
| <b>Liabilities</b>                                                    |       |                      |                      |
| Insurance contract liabilities                                        | 22    | 625,442,732          | 764,620,960          |
| Payables arising out of reinsurance arrangements                      |       | 95,342,084           | 57,350,001           |
| Unearned premium reserve                                              | 24    | 318,961,090          | 285,356,749          |
| Deferred tax                                                          | 25    | 62,545,389           | 62,655,999           |
| Other payables                                                        | 26    | 52,829,889           | 70,188,885           |
| Tax payable                                                           |       | 7,762,924            | -                    |
| <b>Total liabilities</b>                                              |       | <b>1,162,884,108</b> | <b>1,240,172,594</b> |
| <b>Net assets</b>                                                     |       | <b>1,488,851,496</b> | <b>1,333,966,786</b> |

The financial statements on pages 15 to 56 were approved and authorised for issue by the Board of Directors on 13th March, 2019 and were signed on its behalf by:



Director



Director



Director

The notes on pages 19 to 56 form an integral part of these financial statements.  
Report of the independent auditor - pages 12 to 14.

## STATEMENT OF CHANGES IN EQUITY

| <b>Year ended 31 December 2017</b>                                                            |  | <b>Notes</b> | <b>Share capital<br/>Shs</b> | <b>Fair value<br/>reserve<br/>Shs</b> | <b>Revaluation<br/>reserve<br/>Shs</b> | <b>Retained<br/>earnings<br/>Shs</b> | <b>Total<br/>Shs</b> |
|-----------------------------------------------------------------------------------------------|--|--------------|------------------------------|---------------------------------------|----------------------------------------|--------------------------------------|----------------------|
| At start of year                                                                              |  |              | 600,000,000                  | (25,034,782)                          | 149,943,509                            | 372,332,338                          | 1,097,241,065        |
| <b>Profit for the year</b>                                                                    |  |              |                              |                                       |                                        |                                      |                      |
| Other comprehensive income:                                                                   |  |              |                              |                                       |                                        |                                      |                      |
| Change in fair value of Government securities - 'Available-for-sale'                          |  | 17(b)        | -                            | 9,601,253                             | -                                      | -                                    | 9,601,253            |
| Change in fair value of quoted shares - 'Available-for-sale'                                  |  | 19(b)        | -                            | 22,941,184                            | -                                      | -                                    | 22,941,184           |
| Surplus on revaluation of property, plant and equipment                                       |  | 11           | -                            | -                                     | 38,925,122                             | -                                    | 38,925,122           |
| Deferred income tax on surplus on revaluation of property, plant and equipment                |  | 11           | -                            | -                                     | (11,677,537)                           | -                                    | (11,677,537)         |
| Transfer of excess depreciation                                                               |  | 11           | -                            | -                                     | (4,400,160)                            | 4,400,160                            | -                    |
| Deferred income tax on transfer of excess depreciation                                        |  | 11           | -                            | -                                     | 1,320,048                              | (1,320,048)                          | -                    |
| <b>Total comprehensive income for the year</b>                                                |  |              | -                            | <b>32,542,437</b>                     | <b>24,167,473</b>                      | <b>252,015,811</b>                   | <b>308,725,721</b>   |
| <b>Transactions with owners:</b>                                                              |  |              |                              |                                       |                                        |                                      |                      |
| Dividend:                                                                                     |  |              |                              |                                       |                                        |                                      |                      |
| - Interim for 2017 (paid)                                                                     |  | 30           | -                            | -                                     | -                                      | (72,000,000)                         | (72,000,000)         |
| <b>At end of year 2017</b>                                                                    |  |              | <b>600,000,000</b>           | <b>7,507,655</b>                      | <b>174,110,982</b>                     | <b>552,348,149</b>                   | <b>1,333,966,786</b> |
| <b>Year ended 31 December 2018</b>                                                            |  |              |                              |                                       |                                        |                                      |                      |
| At start of the year - as previously stated                                                   |  |              | 600,000,000                  | 7,507,655                             | 174,110,982                            | 552,348,149                          | 1,333,966,786        |
| - Changes on initial application of IFRS 9                                                    |  |              | -                            | -                                     | -                                      | (17,567,820)                         | (17,567,820)         |
| At start of the year - as restated                                                            |  |              | 600,000,000                  | 7,507,655                             | 174,110,982                            | 534,780,329                          | 1,316,398,966        |
| Profit for the year                                                                           |  |              | -                            | -                                     | -                                      | 252,727,226                          | 252,727,226          |
| <b>Other comprehensive income:</b>                                                            |  |              |                              |                                       |                                        |                                      |                      |
| Change in fair value of Government securities - Fair value through other comprehensive income |  | 17(b)        | -                            | 3,553,321                             | -                                      | -                                    | 3,553,321            |
| Change in fair value of quoted shares - Fair value through other comprehensive income         |  | 19(b)        | -                            | (11,828,017)                          | -                                      | -                                    | (11,828,017)         |
| Transfer of excess depreciation                                                               |  | 11           | -                            | -                                     | (4,431,203)                            | 4,431,203                            | -                    |
| Deferred income tax on transfer of excess depreciation                                        |  | 11           | -                            | -                                     | 1,329,361                              | (1,329,361)                          | -                    |
| <b>Total comprehensive income for the year</b>                                                |  |              | -                            | <b>(8,274,696)</b>                    | <b>(3,101,842)</b>                     | <b>255,829,068</b>                   | <b>244,452,530</b>   |
| <b>Transactions with owners:</b>                                                              |  |              |                              |                                       |                                        |                                      |                      |
| Dividend:                                                                                     |  |              |                              |                                       |                                        |                                      |                      |
| - Interim for 2018 (paid)                                                                     |  | 30           | -                            | -                                     | -                                      | (72,000,000)                         | (72,000,000)         |
| <b>At end of year</b>                                                                         |  |              | <b>600,000,000</b>           | <b>(767,041)</b>                      | <b>171,009,140</b>                     | <b>718,609,397</b>                   | <b>1,488,851,496</b> |

The notes on pages 19 to 56 form an integral part of these financial statements.  
Report of the independent auditor - pages 12 to 14.



## STATEMENT OF CASH FLOWS

|                                                                                   | Notes     | 2018<br>Shs          | 2017<br>Shs         |
|-----------------------------------------------------------------------------------|-----------|----------------------|---------------------|
| <b>Operating activities</b>                                                       |           |                      |                     |
| Cash from operations                                                              | 28        | 331,945,599          | 312,908,536         |
| Tax paid                                                                          |           | (56,823,187)         | (77,572,000)        |
| <b>Net cash from operations</b>                                                   |           | <b>275,122,412</b>   | <b>235,336,536</b>  |
| <b>Investing activities</b>                                                       |           |                      |                     |
| Purchase of property, plant and equipment                                         | 12        | (12,361,842)         | (2,371,452)         |
| Purchase of intangible assets                                                     | 13        | -                    | (2,223,848)         |
| Proceeds from disposal of property, plant and equipment                           |           | 900,000              | -                   |
| Movement in mortgage and other loans                                              |           | 14,504,029           | (49,971,070)        |
| Movement of Government securities - 'Amortised Cost'                              |           | 21,894,311           | 40,872,003          |
| Purchase of Government securities - fair value through other comprehensive income | 17(b)     | (206,296,152)        | -                   |
| Maturity of Government securities - fair value through other comprehensive income | 17(b)     | 11,400,000           | -                   |
| Placement of Fixed Deposits Maturing in over 90 days                              | 21(b)     | (85,430,027)         | -                   |
| Redemption of commercial paper                                                    | 18        | 7,075,000            | 7,075,000           |
| Proceeds from disposal of quoted shares at fair value through profit or loss      | 19(a)     | 99,870               | 23,800              |
| Increase in restricted cash balances                                              | 21        | -                    | 3,465,329           |
| <b>Net cash (used in) investing activities</b>                                    |           | <b>(248,214,811)</b> | <b>(3,130,238)</b>  |
| <b>Financing activities</b>                                                       |           |                      |                     |
| Dividend paid                                                                     | 30        | (72,000,000)         | (72,000,000)        |
| <b>Net cash (used in) financing activities</b>                                    |           | <b>(72,000,000)</b>  | <b>(72,000,000)</b> |
| <b>(Decrease)/increase in cash and cash equivalents</b>                           |           | <b>(45,092,399)</b>  | <b>160,206,298</b>  |
| <b>Movement in cash and cash equivalents</b>                                      |           |                      |                     |
| At start of year                                                                  |           | 385,816,205          | 225,609,907         |
| (Decrease)/increase                                                               |           | (45,092,399)         | 160,206,298         |
| <b>At end of year</b>                                                             | <b>21</b> | <b>340,723,806</b>   | <b>385,816,205</b>  |

The notes on pages 19 to 56 form an integral part of these financial statements.  
Report of the independent auditor - pages 12 to 14.

# NOTES

## 1. Significant Accounting Policies

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

### a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

### Going concern

The financial performance of the company is set out in the report of the directors and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 3.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

### New and amended standards adopted by the company

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2018 have been adopted by the company. Of those, the following has had an effect on the company's financial statements:

### International Financial Reporting Standards 9 (IFRS 9): Financial Instruments

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



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### a) Basis of preparation (continued)

##### **New and amended standards adopted by the company (continued)**

##### **International Financial Reporting Standards 9 (IFRS 9): Financial Instruments (continued)**

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

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

The company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the company elected not to restate comparative figures.

Therefore the adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening retained earnings.

Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes and disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 ‘Financial Instruments: Disclosures’.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the company. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 1(a) (i) and note 3.

#### **(i) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### a) Basis of preparation (continued)

##### New and amended standards adopted by the company (continued)

##### IFRS 9: Financial instruments (continued)

|                                                                 |                          | IAS 39                  |                      | IFRS 9                  |
|-----------------------------------------------------------------|--------------------------|-------------------------|----------------------|-------------------------|
|                                                                 | Measurement category     | Carrying amount<br>Shs. | Measurement category | Carrying amount<br>Shs. |
| <b>Financial assets</b>                                         |                          |                         |                      |                         |
| Cash and bank balances                                          | Loans and receivables    | 22,535,629              | Amortised cost       | 21,875,335              |
| Deposits with financial institutions                            | Loans and receivables    | 363,280,576             | Amortised cost       | 352,636,455             |
| Mortgage and other loans                                        | Loans and receivables    | 148,204,697             | Amortised cost       | 148,204,697             |
| Receivable out of direct insurance and reinsurance arrangements | Loans and receivables    | 88,599,438              | Amortised cost       | 82,894,351              |
| Other financial assets;                                         |                          |                         |                      |                         |
| - Commercial paper                                              | Amortised cost           | 14,446,411              | Amortised cost       | 14,020,242              |
| - Held for trading                                              | FVTPL (Held for trading) | 141,221,916             | FVTPL                | 141,221,916             |
| - Available for sale (non-equity)                               | FVTOCI                   | 99,060,672              | FVTOCI               | 99,050,674              |
| - Available for sale (equity)                                   | FVTOCI                   | 95,632,945              | FVTOCI               | 95,632,945              |
| - Held to maturity                                              | Amortised cost           | 878,821,933             | Amortised cost       | 878,699,782             |
|                                                                 |                          | <b>1,851,804,217</b>    |                      | <b>1,834,236,397</b>    |

#### (ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. For more detailed information regarding the new classification requirements of IFRS 9, refer to note 1(a) (i).

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### a) Basis of preparation (continued)

#### (ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

|                                                                              | IAS 39<br>Carrying<br>amount<br>31-Dec-17<br>Shs. | Re-measurement<br>Shs. | IFRS 9<br>Carrying<br>amount<br>1-Jan-18<br>Shs. |
|------------------------------------------------------------------------------|---------------------------------------------------|------------------------|--------------------------------------------------|
| <b>Amortised cost:</b>                                                       |                                                   |                        |                                                  |
| <b>Cash and cash equivalents</b>                                             |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 22,535,629                                        | -                      | 22,535,629                                       |
| Remeasurement: ECL allowance                                                 | -                                                 | (660,294)              | (660,294)                                        |
|                                                                              | <b>22,535,629</b>                                 | <b>(660,294)</b>       | <b>21,875,335</b>                                |
| <b>Deposits with financial institutions</b>                                  |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 363,280,576                                       | -                      | 363,280,576                                      |
| Remeasurement: ECL allowance                                                 | -                                                 | (10,644,121)           | (10,644,121)                                     |
|                                                                              | <b>363,280,576</b>                                | <b>(10,644,121)</b>    | <b>352,636,455</b>                               |
| <b>Trade and other receivables</b>                                           |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 88,599,438                                        | -                      | 88,599,438                                       |
| Remeasurement: ECL allowance                                                 | -                                                 | (5,705,087)            | (5,705,087)                                      |
|                                                                              | <b>88,599,438</b>                                 | <b>(5,705,087)</b>     | <b>82,894,351</b>                                |
| <b>Commercial paper</b>                                                      |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 14,446,411                                        | -                      | 14,446,411                                       |
| Remeasurement: ECL allowance                                                 | -                                                 | (426,169)              | (426,169)                                        |
|                                                                              | <b>14,446,411</b>                                 | <b>(426,169)</b>       | <b>14,020,242</b>                                |
| <b>Mortgage and other loans</b>                                              |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 148,204,697                                       | -                      | 148,204,697                                      |
| Remeasurement: ECL allowance                                                 | -                                                 | -                      | -                                                |
|                                                                              | <b>148,204,697</b>                                | <b>-</b>               | <b>148,204,697</b>                               |
| <b>Government securities - 'Amortised cost'</b>                              |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 878,821,933                                       | -                      | 878,821,933                                      |
| Remeasurement: ECL allowance                                                 | -                                                 | (122,151)              | (122,151)                                        |
|                                                                              | <b>878,821,933</b>                                | <b>(122,151)</b>       | <b>878,699,782</b>                               |
| <b>Government securities - Fair value through other comprehensive income</b> |                                                   |                        |                                                  |
| Balance under IAS 39                                                         | 99,060,672                                        | -                      | 99,060,672                                       |
| Remeasurement: ECL allowance                                                 | -                                                 | (9,998)                | (9,998)                                          |
|                                                                              | <b>99,060,672</b>                                 | <b>(9,998)</b>         | <b>99,050,674</b>                                |
| <b>Balance under IFRS 9 - carrying amount</b>                                | <b>1,614,949,356</b>                              | <b>(17,567,820)</b>    | <b>1,597,381,536</b>                             |

## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### a) Basis of preparation (continued)

##### New and amended standards adopted by the company (continued)

##### IFRS 9: Financial Instruments (continued)

##### (iii) Significant and material impacts

- Total provision for impairment of trade and receivables amounted to Shs. 5,705,087 as at 1 January 2018.
- Total provision for impairment of cash and cash equivalents amounted to Shs. 660,294.
- Total provision for impairment of government securities amounted to Shs. 132,149.
- Total provision for impairment of commercial paper amounted to Shs. 426,169.
- Total provision for impairment of bank amounted to Shs. 10,644,121.
- Overall decrease in equity due to adoption of IFRS 9 is Shs. 17,567,820.

##### New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### a) Basis of preparation (continued)

##### New standards, amendments and interpretations issued but not effective (continued)

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2022 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

In May 2017, the IASB issued IFRS 17 'Insurance Contracts', a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfillment cash flows).
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfillment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e. coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.

Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### a) Basis of preparation (continued)

##### New standards, amendments and interpretations issued but not effective (continued)

The company plans to adopt the new standard on the required effective date. The company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

The directors expect that the future adoption of IFRS 16 and IFRS 17 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other standards and interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates.

#### b) Insurance contracts

##### Recognition and measurement

The company issues contracts that transfer insurance risk. As a general guideline, the company defines a significant insurance risk as the possibility of having to pay claims on the occurrence of an insured event.

##### Premium income

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 premium.

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Unearned premiums are computed based on the 1/365th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

##### Claims

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 reporting date, but not settled at that date.



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### b) Insurance contracts (continued)

##### Claims (continued)

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.

##### Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used.

##### Commissions

Commissions payable are recognised in the period in which the related premiums are written. Commissions receivable are recognised in income in the period in which the related premiums ceded.

##### Reinsurance contracts held

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company 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 company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets (Note 1 (e)).

##### Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivables are impaired, the company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### b) Insurance contracts (continued)

##### Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled.

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

#### c) Other income

##### Interest income and expenses

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

##### Dividend income

Dividend income for financial instruments measured at fair value through other comprehensive income and fair value through profit or loss equities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

##### Rental income

Rental income is accounted for on an accrual basis, on a straight line basis.

##### Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Buildings and leasehold land are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve in equity through the statement of other comprehensive income. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### d) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a reducing balance basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

|                        | Rate %                  |
|------------------------|-------------------------|
| Buildings              | 2 (Straight line basis) |
| Motor vehicles         | 25                      |
| Furniture and fittings | 12.5                    |
| Computer equipment     | 30                      |

Leasehold land is depreciated over its remaining life, on a straight line basis.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

#### e) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

##### - **Financial assets**

The company classifies its financial assets into the following categories:

##### i) **Amortised cost:**

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### e) Financial instruments (continued)

##### - *Financial assets (continued)*

#### ii) Fair Value Through Other Comprehensive Income (FVTOCI):

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

#### iii) Fair Value Through Profit or Loss (FVTPL):

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the company may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the company has not identified a change in its business models.

#### Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### e) Financial instruments (continued)

##### - *Financial assets (continued)*

##### **Impairment**

The company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Receivables arising out of direct insurance arrangements
- Receivables arising out of reinsurance arrangements
- Mortgage and other loans
- Government securities
- Commercial paper
- Deposits with financial institutions
- Cash and bank balances
- Quoted shares
- Other receivables

No impairment loss is recognised on investments measured at fair value through profit and loss (FVTPL).

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

##### - *Financial liabilities*

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### e) Financial instruments (continued)

- *Financial liabilities (continued)*
- All other financial liabilities are classified and measured at amortised cost.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

#### Offsetting financial instruments

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

#### f) Intangible assets - Computer software

Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is amortised over its estimated useful life which is estimated to be at five years.

#### g) Impairment of non-financial assets and intangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### h) Cash and cash equivalents

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



## NOTES (Continued)

### 1. Significant Accounting Policies (Continued)

#### i) Accounting for leases

##### The company as lessee

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

#### j) Employee benefits

##### i) Retirement benefit obligations

The company 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 company and employees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act.

The company's contributions to the defined contribution scheme and NSSF are charged to profit or loss in the year to which they relate.

##### ii) Other entitlements

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

#### k) Taxation

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

##### Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

##### Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

#### l) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

#### m) Share capital

Ordinary shares are classified as equity.

#### n) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## NOTES (Continued)

### 2. Critical Accounting Estimates and Judgments

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and based on historical experience and other factors, expectations of future events that are believed to be reasonable under the circumstances.

#### a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

Judgement is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not yet reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Note 22 contains further details on this process.

#### b) Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing companies of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.



## NOTES (Continued)

### 2. Critical Accounting Estimates and Judgments (Continued)

#### b) Measurement of expected credit losses (ECL): (continued)

**Assessment of significant increase in credit risk:** The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions.

For trade receivables, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

#### c) Impairment of 'Available-for-sale' quoted shares

The company determines that 'Available-for-sale' quoted shares are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

### 3. Management of Insurance and Financial risk

#### 3.1 Insurance risk

The company's activities expose it to a variety of risks, including insurance and financial risks (credit risk, and the effect of changes in debt and equity market prices and interest rates). The company'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 company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the company manages them.

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 company 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.

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.

## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.1 Insurance risk (continued)

##### i) 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 exposure to asbestos, and the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The company 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.

##### ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Claims on casualty contracts/general risks are payable on a claims-occurrence basis. The company 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, liability claims are settled over a long period of time, and a larger 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 adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

#### 3.2 Financial risk

The company is exposed to financial risk through its financial assets and financial liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk, equity price risk and other price 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 company primarily faces due to the nature of its investments and liabilities are interest rate risk and credit risk.

The company manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

##### a) Market risk

##### i) Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar on cash and bank balances.

The assets denominated in US dollar at year end totalled Shs. 810,809 (2017: Shs. 2,108,025) representing 0.03% (2017: 0.08%) of total assets. At 31 December 2018, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the effect on the post tax profit for the year would be Shs. 56,757 (2017: Shs. 210,803).



## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### a) Market risk (continued)

##### ii) Price risk

The company is exposed to equity securities price risk because of investments in quoted shares and treasury bonds classified either as at fair value through profit or loss. The company is not exposed to commodity price risk. To manage its price risk arising from investments in equity the company diversifies its portfolio on several counters. Diversification of the portfolio is done in accordance with limits set by the company and guidelines per the Kenyan Insurance Act. All quoted shares and treasury bonds held by the company are traded on the Nairobi Securities Exchange (NSE).

The table below summarises the impact of increases/decreases of the NSE index on the company's post-tax profit for the year and on other comprehensive income. The analysis is based on the assumption that the equity indexes had increased by 5% with all other variables held constant and all the company's equity instruments moved according to the historical correlation with the index:

| Index    | Impact on profit |             | Impact on other comprehensive income |             |
|----------|------------------|-------------|--------------------------------------|-------------|
|          | 2018<br>Shs      | 2017<br>Shs | 2018<br>Shs                          | 2017<br>Shs |
| Increase | 5,844,130        | 7,061,096   | 4,190,246                            | 4,781,647   |

##### iii) Cash flow and interest rate risk

Fixed interest rate financial instruments expose the company to fair value interest rate risk. Variable interest rate financial instruments expose the company to cash flow interest rate risk.

The company's fixed interest rate financial instruments are government securities, deposits with financial institutions and commercial papers.

No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. 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.

The government securities, deposits with financial institutions, commercial paper and loans at year end totalled Shs. 1,680,742,668 (2017: Shs. 1,503,814,289) representing a significant portion of total assets. At the reporting date, if the interest rates had been 5 basis points higher/lower with all other variables held constant, the effect on the post tax profit for the year would have been an increase/decrease by Shs. 58,825,993 (2017: Shs. 52,633,500).

##### b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### b) Credit risk (continued)

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the company's financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the debtor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

| Basis for measurement of loss allowance                  | 12-month expected credit losses | Lifetime expected credit losses<br>(see note below) | Total                |
|----------------------------------------------------------|---------------------------------|-----------------------------------------------------|----------------------|
| As at 31 December 2018                                   | Shs                             | Shs                                                 | Shs                  |
| Receivables arising out of direct insurance arrangements | -                               | 85,197,555                                          | 85,197,555           |
| Receivables arising out of reinsurance arrangements      | -                               | 7,432,526                                           | 7,432,526            |
| Mortgage and other loans                                 | 133,700,668                     | -                                                   | 133,700,668          |
| Government securities - 'Amortised Cost'                 | 856,927,622                     | -                                                   | 856,927,622          |
| Government securities - FVTOCI                           | 299,803,702                     | -                                                   | 299,803,702          |
| Commercial paper                                         | 7,225,635                       | -                                                   | 7,225,635            |
| Deposits with financial institutions                     | 383,085,041                     | -                                                   | 383,085,041          |
| Cash and bank balances                                   | 43,068,792                      | -                                                   | 43,068,792           |
| Gross carrying amount                                    | 1,723,811,460                   | 92,630,081                                          | 1,816,441,541        |
| Loss allowance                                           | 12,835,502                      | 9,902,353                                           | 22,737,855           |
| <b>Exposure to credit risk</b>                           | <b>1,736,646,962</b>            | <b>102,532,434</b>                                  | <b>1,839,179,396</b> |



## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### (b) Credit risk (continued)

| Basis for measurement of loss allowance                  | 12-month expected credit losses | Lifetime expected credit losses<br>(see note below) | Total                |
|----------------------------------------------------------|---------------------------------|-----------------------------------------------------|----------------------|
| As at 31 December 2017                                   | Shs                             | Shs                                                 | Shs                  |
| Receivables arising out of direct insurance arrangements | -                               | 84,752,133                                          | 84,752,133           |
| Receivables arising out of reinsurance arrangements      | -                               | 3,847,305                                           | 3,847,305            |
| Mortgage and other loans                                 | 148,204,697                     | -                                                   | 148,204,697          |
| Government securities - 'Amortised Cost'                 | 878,821,933                     | -                                                   | 878,821,933          |
| Government securities - FVTOCI                           | 99,060,672                      | -                                                   | 99,060,672           |
| Commercial paper                                         | 14,446,411                      | -                                                   | 14,446,411           |
| Deposits with financial institutions                     | 363,280,576                     | -                                                   | 363,280,576          |
| Cash and bank balances                                   | 22,535,629                      | -                                                   | 22,535,629           |
| Gross carrying amount                                    | 1,526,349,918                   | 88,599,438                                          | 1,614,949,356        |
| Loss allowance                                           | -                               | -                                                   | -                    |
| <b>Exposure to credit risk</b>                           | <b>1,526,349,918</b>            | <b>88,599,438</b>                                   | <b>1,614,949,356</b> |

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

- financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
- financial assets that are credit impaired at the balance sheet date;
- trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The age analysis of receivables arising out of direct insurance arrangements and out of reinsurance arrangements at the end of each year was as follows:

|                    | Receivables arising out of direct Insurance arrangements |                   | Receivables arising out of reinsurance arrangements |                  |
|--------------------|----------------------------------------------------------|-------------------|-----------------------------------------------------|------------------|
|                    | 2018<br>Shs                                              | 2017<br>Shs       | 2018<br>Shs                                         | 2017<br>Shs      |
| 0 to 30 days past  | 18,739,689                                               | 35,639,884        | 1,534,910                                           | 1,340,689        |
| 31 to 60 days past | 29,107,482                                               | 20,119,677        | 487,951                                             | -                |
| 61 to 90 days past | 17,409,728                                               | 16,353,961        | 595,674                                             | 225,599          |
| Over 90 days past  | 19,940,656                                               | 12,638,611        | 4,813,991                                           | 2,281,017        |
| IFRS 9 Provision   | (7,766,361)                                              | -                 | (2,135,992)                                         | -                |
|                    | <b>77,431,194</b>                                        | <b>84,752,133</b> | <b>5,296,534</b>                                    | <b>3,847,305</b> |

## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### (b) Credit risk (continued)

The changes in the loss allowance during the year were as follows:

| Basis for measurement of loss allowance                                                                                       | 12-month expected credit losses | Lifetime expected credit losses (see note below) | Total             |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------|-------------------|
|                                                                                                                               | Shs                             | Shs                                              | Shs               |
| <b>As at 31 December 2018</b>                                                                                                 |                                 |                                                  |                   |
| At start of year                                                                                                              | -                               | -                                                | -                 |
| IFRS 9 transition adjustment                                                                                                  | 11,862,733                      | 5,705,087                                        | 17,567,820        |
| At start of year - as restated                                                                                                | 11,862,733                      | 5,705,087                                        | 17,567,820        |
| Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses | 972,769                         | 4,197,266                                        | 5,170,035         |
| <b>At end of year</b>                                                                                                         | <b>12,835,502</b>               | <b>9,902,353</b>                                 | <b>22,737,855</b> |

The loss allowances at the end of each year relate to the following:

| Basis for measurement of loss allowance                  | 12-month expected credit losses | Lifetime expected credit losses (see note below) | Total             |
|----------------------------------------------------------|---------------------------------|--------------------------------------------------|-------------------|
|                                                          | Shs                             | Shs                                              | Shs               |
| <b>As at 31 December 2018</b>                            |                                 |                                                  |                   |
| Receivables arising out of direct insurance arrangements | -                               | 7,766,361                                        | 7,766,361         |
| Receivables arising out of reinsurance arrangements      | -                               | 2,135,992                                        | 2,135,992         |
| Government securities - 'Amortised Cost'                 | 107,195                         | -                                                | 107,195           |
| Government securities - FVTOCI                           | 26,623                          | -                                                | 26,623            |
| Commercial paper                                         | 213,156                         | -                                                | 213,156           |
| Deposits with financial institutions                     | 11,224,392                      | -                                                | 11,224,392        |
| Cash and bank balances                                   | 1,264,136                       | -                                                | 1,264,136         |
| <b>Total</b>                                             | <b>12,835,502</b>               | <b>9,902,353</b>                                 | <b>22,737,855</b> |

| Basis for measurement of loss allowance                  | 12-month expected credit losses | Lifetime expected credit losses (see note below) | Total             |
|----------------------------------------------------------|---------------------------------|--------------------------------------------------|-------------------|
|                                                          | Shs                             | Shs                                              | Shs               |
| <b>As at 31 January 2018</b>                             |                                 |                                                  |                   |
| Receivables arising out of direct insurance arrangements | -                               | 4,425,710                                        | 4,425,710         |
| Receivables arising out of reinsurance arrangement       | -                               | 1,279,377                                        | 1,279,377         |
| Government securities - 'Amortised Cost'                 | 122,151                         | -                                                | 122,151           |
| Government securities - FVTOCI                           | 9,998                           | -                                                | 9,998             |
| Commercial paper                                         | 426,169                         | -                                                | 426,169           |
| Deposits with financial institutions                     | 10,644,121                      | -                                                | 10,644,121        |
| Cash and bank balances                                   | 660,294                         | -                                                | 660,294           |
| <b>Total</b>                                             | <b>11,862,733</b>               | <b>5,705,087</b>                                 | <b>17,567,820</b> |

The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables



## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The company is exposed to daily calls on its available cash for claims settlement and other expenses. The company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. On large claims arrangements are in place to obtain cash calls from reinsurers.

The table below presents the undiscounted cash flows payable by the company under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the reporting date. All figures are in Kenya Shillings.

| As at 31 December 2018                             | Up to 3<br>months<br>Shs | 4 - 12<br>months<br>Shs | 1 - 5<br>years<br>Shs | Total<br>Shs       |
|----------------------------------------------------|--------------------------|-------------------------|-----------------------|--------------------|
| <b>Liabilities</b>                                 |                          |                         |                       |                    |
| Insurance contract liabilities                     | 62,544,273               | 131,342,974             | 431,555,485           | 625,442,732        |
| Creditors arising from<br>reinsurance arrangements | 95,342,084               | -                       | -                     | 95,342,084         |
| Other payables                                     | 35,392,095               | -                       | -                     | 35,392,095         |
| <b>Total financial liabilities</b>                 | <b>193,278,452</b>       | <b>131,342,974</b>      | <b>431,555,485</b>    | <b>756,176,911</b> |
| As at 31 December 2017                             | Up to 3<br>months<br>Shs | 4 - 12<br>months<br>Shs | 1 - 5<br>years<br>Shs | Total<br>Shs       |
| <b>Liabilities</b>                                 |                          |                         |                       |                    |
| Insurance contract liabilities                     | 76,462,096               | 160,570,402             | 527,588,462           | 764,620,960        |
| Creditors arising from<br>reinsurance arrangements | 57,350,001               | -                       | -                     | 57,350,001         |
| Other payables                                     | 56,744,820               | -                       | -                     | 56,744,820         |
| <b>Total financial liabilities</b>                 | <b>190,556,917</b>       | <b>160,570,402</b>      | <b>527,588,462</b>    | <b>878,715,781</b> |

## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### d) Financial assets measured at fair value

The following table presents the company's assets that are measured at fair value at 31 December 2018 and 31 December 2017:

| As at 31 December 2018                                                | Level 1<br>Shs         | Level 2<br>Shs         | Level 3<br>Shs         | Total<br>Shs         |
|-----------------------------------------------------------------------|------------------------|------------------------|------------------------|----------------------|
| <b>Assets</b>                                                         |                        |                        |                        |                      |
| <b>Financial assets</b>                                               |                        |                        |                        |                      |
| Quoted shares at fair value through profit or loss                    | 116,882,605            | -                      | -                      | 116,882,605          |
| Quoted shares - Fair value through other comprehensive income         | 83,804,928             | -                      | -                      | 83,804,928           |
| Government securities - Fair value through other comprehensive income | 299,777,079            | -                      | -                      | 299,777,079          |
|                                                                       | <b>500,464,612</b>     | -                      | -                      | <b>500,464,612</b>   |
| <b>As at 31 December 2017</b>                                         | <b>Level 1<br/>Shs</b> | <b>Level 2<br/>Shs</b> | <b>Level 3<br/>Shs</b> | <b>Total<br/>Shs</b> |
| <b>Assets</b>                                                         |                        |                        |                        |                      |
| <b>Financial assets</b>                                               |                        |                        |                        |                      |
| Quoted shares at fair value through profit or loss                    | 141,221,916            | -                      | -                      | 141,221,916          |
| Quoted shares - Fair value through other comprehensive income         | 95,632,945             | -                      | -                      | 95,632,945           |
| Government securities - Fair value through other comprehensive income | 99,060,672             | -                      | -                      | 99,060,672           |
|                                                                       | <b>335,915,533</b>     | -                      | -                      | <b>335,915,533</b>   |



## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### e) Financial risk assets by category

|                                                             | Loans and<br>receivables<br>Shs | Financial<br>assets at fair<br>value through<br>profit or loss<br>upon initial<br>recognition<br>Shs | Amortised<br>cost<br>Shs | Fair Value<br>through other<br>comprehensive<br>income<br>Shs | Total<br>Shs         |
|-------------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------|----------------------|
| <b>As at 31 December 2018</b>                               |                                 |                                                                                                      |                          |                                                               |                      |
| Quoted shares                                               | -                               | 116,882,605                                                                                          | -                        | 83,804,928                                                    | 200,687,533          |
| Government securities                                       | -                               | -                                                                                                    | 856,820,427              | 299,777,079                                                   | 1,156,597,506        |
| Commercial paper                                            | -                               | -                                                                                                    | 7,012,479                | -                                                             | 7,012,479            |
| Mortgage and other loans                                    | 133,700,668                     | -                                                                                                    | -                        | -                                                             | 133,700,668          |
| Receivables arising out of<br>reinsurance arrangements      | 5,296,534                       | -                                                                                                    | -                        | -                                                             | 5,296,534            |
| Reinsurers share of insurance<br>contract liabilities       | 258,762,569                     | -                                                                                                    | -                        | -                                                             | 258,762,569          |
| Receivables arising out of direct<br>insurance arrangements | 77,431,194                      | -                                                                                                    | -                        | -                                                             | 77,431,194           |
| Other receivables                                           | 75,794,058                      | -                                                                                                    | -                        | -                                                             | 75,794,058           |
| Deposits with financial institutions                        | 371,860,649                     | -                                                                                                    | -                        | -                                                             | 371,860,649          |
| Cash and cash equivalents                                   | 41,804,656                      | -                                                                                                    | -                        | -                                                             | 41,804,656           |
|                                                             | <b>964,650,328</b>              | <b>116,882,605</b>                                                                                   | <b>863,832,906</b>       | <b>383,582,007</b>                                            | <b>2,328,947,846</b> |
| <b>As at 31 December 2017</b>                               |                                 |                                                                                                      |                          |                                                               |                      |
| Quoted shares                                               | -                               | 141,221,916                                                                                          | -                        | 95,632,945                                                    | 236,854,861          |
| Government securities                                       | -                               | -                                                                                                    | 878,821,933              | 99,060,672                                                    | 977,882,605          |
| Commercial paper                                            | -                               | -                                                                                                    | 14,446,411               | -                                                             | 14,446,411           |
| Mortgage and other loans                                    | 148,204,697                     | -                                                                                                    | -                        | -                                                             | 148,204,697          |
| Receivables arising out of<br>reinsurance arrangements      | 3,847,305                       | -                                                                                                    | -                        | -                                                             | 3,847,305            |
| Reinsurers share of insurance<br>contract liabilities       | 326,953,506                     | -                                                                                                    | -                        | -                                                             | 326,953,506          |
| Receivables arising out of direct<br>insurance arrangements | 84,752,133                      | -                                                                                                    | -                        | -                                                             | 84,752,133           |
| Other receivables                                           | 59,226,194                      | -                                                                                                    | -                        | -                                                             | 59,226,194           |
| Deposits with financial institutions                        | 363,280,576                     | -                                                                                                    | -                        | -                                                             | 363,280,576          |
| Tax recoverable                                             | 13,378,437                      | -                                                                                                    | -                        | -                                                             | 13,378,437           |
| Cash and cash equivalents                                   | 22,535,629                      | -                                                                                                    | -                        | -                                                             | 22,535,629           |
|                                                             | <b>1,022,178,477</b>            | <b>141,221,916</b>                                                                                   | <b>893,268,344</b>       | <b>194,693,617</b>                                            | <b>2,251,362,354</b> |

##### f) Financial liabilities by category

|                                                     | As at 31 December 2018                                                           |                                                         |                    | As at 31 December 2017                                                           |                                                         |                    |
|-----------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|----------------------------------------------------------------------------------|---------------------------------------------------------|--------------------|
|                                                     | Financial<br>liabilities<br>at fair<br>value<br>through<br>profit or loss<br>Shs | Financial<br>liabilities<br>at amortised<br>cost<br>Shs | Total<br>Shs       | Financial<br>liabilities<br>at fair<br>value<br>through<br>profit or loss<br>Shs | Financial<br>liabilities<br>at amortised<br>cost<br>Shs | Total<br>Shs       |
| Insurance contract liabilities                      | -                                                                                | 625,442,732                                             | 625,442,732        | -                                                                                | 764,620,960                                             | 764,620,960        |
| Payables arising out of<br>reinsurance arrangements | -                                                                                | 95,342,084                                              | 95,342,084         | -                                                                                | 57,350,001                                              | 57,350,001         |
| Other payables                                      | -                                                                                | 52,829,889                                              | 52,829,889         | -                                                                                | 70,188,885                                              | 70,188,885         |
|                                                     | -                                                                                | <b>773,614,705</b>                                      | <b>773,614,705</b> | -                                                                                | <b>892,159,846</b>                                      | <b>892,159,846</b> |

## NOTES (Continued)

### 3. Management of Insurance and Financial risk (Continued)

#### 3.2 Financial risk (continued)

##### g) Capital management

##### Internally imposed capital requirements

The Company's objectives when managing capital, which is a broader concept than the 'shareholders' funds' on the financial position are to:

- to comply with the capital requirements as set out in the Kenyan Insurance Act;
- to comply with regulatory solvency requirements as set out in the Kenyan Insurance Act;
- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The insurance capital requirements regulations 2015 under Section 180 of the Insurance Act require that a company, should maintain risk based capital determined by its size and risk profile. Such a Company should achieve the prescribed capital requirement and maintain a capital adequacy ratio which shall at all times be atleast 100%. The capital adequacy status of the company as at the reporting date is as follows:

|                                      | 2018<br>Shs          | 2017<br>Shs          |
|--------------------------------------|----------------------|----------------------|
| Tier-1 Capital                       | 1,318,609,397        | 1,152,348,149        |
| Tier-2 Capital                       | 170,245,099          | 181,618,637          |
| Deductions                           | 100,568,939          | 78,707,886           |
| <b>Total Capital Available (TCA)</b> | <b>1,388,285,557</b> | <b>1,255,258,900</b> |
| Absolute Amount Minimum 1            | 600,000,000          | 600,000,000          |
| Volume of Business Minimum 2         | 148,797,115          | 125,965,765          |
| Risk Based Capital Minimum           | 260,870,009          | 369,107,792          |
| <b>Minimum Required Capital</b>      | <b>600,000,000</b>   | <b>600,000,000</b>   |
| <b>Capital Adequacy Ratio</b>        | <b>231%</b>          | <b>209%</b>          |

### 4. Gross Earned Premiums

The gross earned premium of the company can be analysed between the principal classes of business as shown below:

| Year ended 31 December 2018 | Gross<br>Shs         | Reinsurance<br>Shs   | Net<br>Shs         |
|-----------------------------|----------------------|----------------------|--------------------|
| Fire                        | 325,371,660          | (234,939,347)        | 90,432,313         |
| Motor                       | 264,226,498          | (2,618,968)          | 261,607,530        |
| Workmen's compensation      | 175,164,214          | (3,919,173)          | 171,245,041        |
| Marine                      | 147,642,201          | (42,130,058)         | 105,512,143        |
| Theft                       | 114,905,031          | (8,163,102)          | 106,741,929        |
| Engineering                 | 65,044,023           | (47,884,164)         | 17,159,859         |
| Public liability            | 17,623,203           | (1,526,120)          | 16,097,083         |
| Personal accident           | 14,003,443           | (1,470,442)          | 12,533,001         |
| Others                      | 34,686,576           | (14,214,829)         | 20,471,747         |
|                             | <b>1,158,666,849</b> | <b>(356,866,203)</b> | <b>801,800,646</b> |



## NOTES (Continued)

### 4. Gross Earned Premiums (Continued)

| Year ended 31 December 2017 | Gross<br>Shs         | Reinsurance<br>Shs   | Net<br>Shs         |
|-----------------------------|----------------------|----------------------|--------------------|
| Fire                        | 303,138,848          | (225,847,205)        | 77,291,643         |
| Motor                       | 252,101,703          | (3,146,778)          | 248,954,925        |
| Workmen's compensation      | 178,427,363          | (3,051,127)          | 175,376,236        |
| Marine                      | 129,091,113          | (40,861,296)         | 88,229,817         |
| Theft                       | 108,678,751          | (11,717,892)         | 96,960,859         |
| Engineering                 | 45,936,095           | (33,615,861)         | 12,320,234         |
| Public liability            | 14,070,298           | (929,297)            | 13,141,001         |
| Personal accident           | 13,752,882           | (1,397,050)          | 12,355,832         |
| Others                      | 28,343,662           | (8,988,634)          | 19,355,028         |
|                             | <b>1,073,540,715</b> | <b>(329,555,140)</b> | <b>743,985,575</b> |

### 5. Investment and other income

|                                                                                           | 2018<br>Shs        | 2017<br>Shs        |
|-------------------------------------------------------------------------------------------|--------------------|--------------------|
| Interest from Government securities                                                       | 133,308,608        | 132,330,447        |
| Interest from corporate bond                                                              | 1,395,806          | 2,280,181          |
| Interest from bank deposits and current accounts                                          | 23,092,680         | 33,690,434         |
| Interest on staff and mortgage loans                                                      | 17,362,511         | 17,895,691         |
| Foreign exchange (loss)                                                                   | (278,928)          | (2,338)            |
| Rental income                                                                             | 5,130,096          | 5,020,149          |
| Gain on sale of quoted shares                                                             | 44,540             | 5,911              |
| Dividend income                                                                           | 9,900,708          | 9,127,231          |
| Miscellaneous income                                                                      | 1,428,907          | 401,658            |
| Gain on disposal of property, plant and equipment                                         | 194,414            | -                  |
| Fair value (loss)/gain on quoted shares at fair value through profit or loss (Note 19(a)) | (24,239,441)       | 23,299,457         |
|                                                                                           | <b>167,339,901</b> | <b>224,048,821</b> |

### 6. Claims payable

The claims of the company can be analysed between the principal classes of business as follows:

| Year ended 31 December 2018 | Gross<br>Shs       | Reinsurance<br>Shs   | Net<br>Shs         |
|-----------------------------|--------------------|----------------------|--------------------|
| Motor                       | 92,525,549         | (204,634)            | 92,320,915         |
| Fire                        | 94,284,767         | (56,456,139)         | 37,828,628         |
| Workmen's compensation      | 41,061,002         | (5,051,727)          | 36,009,275         |
| Marine                      | 28,078,029         | (18,821,824)         | 9,256,205          |
| Theft                       | 32,348,510         | (227,480)            | 32,121,030         |
| Engineering                 | 35,167,654         | (28,058,823)         | 7,108,831          |
| Public liability            | (907,670)          | -                    | (907,670)          |
| Personal accident           | 94,535             | -                    | 94,535             |
| Others                      | 5,709,362          | (415,923)            | 5,293,439          |
|                             | <b>328,361,738</b> | <b>(109,236,550)</b> | <b>219,125,188</b> |

## NOTES (Continued)

### 6. Claims payable (continued)

| Year ended 31 December 2017 | Gross<br>Shs       | Reinsurance<br>Shs  | Net<br>Shs         |
|-----------------------------|--------------------|---------------------|--------------------|
| Fire                        | 104,469,334        | (2,691,604)         | 101,777,730        |
| Motor                       | 27,393,579         | (10,819,935)        | 16,573,644         |
| Workmen's compensation      | 72,857,578         | (2,004,426)         | 70,853,152         |
| Marine                      | 35,701,979         | (7,740,420)         | 27,961,559         |
| Theft                       | 23,574,717         | (2,384,230)         | 21,190,487         |
| Engineering                 | 17,399,341         | (15,037,909)        | 2,361,432          |
| Public liability            | 1,862,359          | -                   | 1,862,359          |
| Personal accident           | 5,483,992          | (4,408,310)         | 1,075,682          |
| Others                      | 911,616            | (1,640,007)         | (728,391)          |
|                             | <b>289,654,495</b> | <b>(46,726,841)</b> | <b>242,927,654</b> |

### 7. Operating and other expenses

|                                                         | 2018<br>Shs        | 2017<br>Shs        |
|---------------------------------------------------------|--------------------|--------------------|
| Depreciation on property, plant and equipment (Note 12) | 11,025,454         | 9,565,180          |
| Amortisation of intangible assets (Note 13)             | 620,070            | 620,070            |
| Auditors' remuneration                                  | 2,307,934          | 2,400,000          |
| Directors' remuneration                                 |                    |                    |
| - Fees to executives                                    | 3,330,740          | 3,300,000          |
| - Other fees                                            | 2,560,000          | 3,392,000          |
| Repairs and maintenance                                 | 2,147,006          | 5,976,034          |
| Other operating expenses                                | 157,882,470        | 160,502,602        |
| Staff costs (Note 8)                                    | 158,843,894        | 138,717,667        |
|                                                         | <b>338,717,568</b> | <b>324,473,553</b> |

### 8. Staff costs

|                                                        |                    |                    |
|--------------------------------------------------------|--------------------|--------------------|
| Salaries and wages                                     | 141,466,306        | 118,285,850        |
| National Social Security Fund                          | 150,600            | 138,400            |
| Retirement benefit costs - defined contribution scheme | 6,706,099          | 6,025,863          |
| Other staff costs                                      | 10,520,889         | 14,267,554         |
|                                                        | <b>158,843,894</b> | <b>138,717,667</b> |

The average number of persons employed during the year, by category, were:

|                                          |    |    |
|------------------------------------------|----|----|
| - Underwriting                           | 19 | 18 |
| - Claims                                 | 12 | 14 |
| - Management, administration and finance | 33 | 26 |

|              |           |           |
|--------------|-----------|-----------|
| <b>Total</b> | <b>64</b> | <b>58</b> |
|--------------|-----------|-----------|

### 9. Tax

|                                 | 2018<br>Shs       | 2017<br>Shs       |
|---------------------------------|-------------------|-------------------|
| Current tax                     | 77,964,548        | 63,665,738        |
| Deferred tax (credit) (Note 25) | (110,610)         | 296,558           |
| <b>Tax charge</b>               | <b>77,853,938</b> | <b>63,962,296</b> |



## NOTES (Continued)

### 9. Tax (Continued)

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

|                                                        | 2018<br>Shs       | 2017<br>Shs       |
|--------------------------------------------------------|-------------------|-------------------|
| Profit before tax                                      | 330,581,164       | 312,897,995       |
| Tax calculated at the rate of 30% (2017: 30%)          | 99,174,349        | 93,869,399        |
| Tax effect of:                                         |                   |                   |
| - expenses not deductible for tax purposes             | 3,269,783         | 3,252,225         |
| - Impairment provisions - IFRS 9 transition adjustment | 1,551,011         | -                 |
| - income not subject to tax                            | (26,141,205)      | (33,159,328)      |
| <b>Tax charge</b>                                      | <b>77,853,938</b> | <b>63,962,296</b> |

### 10. Authorised, issued and fully paid:

|                                                              |                    |                    |
|--------------------------------------------------------------|--------------------|--------------------|
| 6,000,000 (2017: 6,000,000) ordinary shares of Shs. 100 each | <b>600,000,000</b> | <b>600,000,000</b> |
|--------------------------------------------------------------|--------------------|--------------------|

### 11. Revaluation reserve

|                |                    |                    |
|----------------|--------------------|--------------------|
| Leasehold land | 61,004,275         | 61,852,117         |
| Buildings      | 110,004,865        | 112,258,865        |
|                | <b>171,009,140</b> | <b>174,110,982</b> |

The movement on the reserve is as follows:

#### Leasehold land

|                                              |             |             |
|----------------------------------------------|-------------|-------------|
| At start of year                             | 61,852,117  | 52,314,644  |
| Revaluation surplus                          | -           | 14,805,122  |
| Deferred tax on revaluation surplus          | -           | (4,441,537) |
| Transfer of excess depreciation              | (1,211,203) | (1,180,160) |
| Deferred tax on excess depreciation transfer | 363,361     | 354,048     |

#### At end of year

|                   |                   |
|-------------------|-------------------|
| <b>61,004,275</b> | <b>61,852,117</b> |
|-------------------|-------------------|

#### Buildings

|                                              |             |             |
|----------------------------------------------|-------------|-------------|
| At start of year                             | 112,258,865 | 97,628,865  |
| Revaluation surplus                          | -           | 24,120,000  |
| Deferred tax on revaluation surplus          | -           | (7,236,000) |
| Transfer of excess depreciation              | (3,220,000) | (3,220,000) |
| Deferred tax on excess depreciation transfer | 966,000     | 966,000     |

#### At end of year

|                    |                    |
|--------------------|--------------------|
| <b>110,004,865</b> | <b>112,258,865</b> |
|--------------------|--------------------|

The revaluation reserve is not distributable.

## NOTES (Continued)

### 12. Property, plant and equipment

| Year ended 31 December 2018 | Leasehold<br>land<br>Shs | Buildings<br>Shs   | Motor<br>vehicles<br>Shs | Furniture<br>and fittings<br>Shs | Computer<br>equipment<br>Shs | Total<br>Shs       |
|-----------------------------|--------------------------|--------------------|--------------------------|----------------------------------|------------------------------|--------------------|
| <b>Cost/valuation</b>       |                          |                    |                          |                                  |                              |                    |
| At start of year            | 92,500,000               | 211,000,000        | 3,737,434                | 34,357,889                       | 35,479,784                   | 377,075,107        |
| Additions                   | -                        | -                  | 2,772,090                | 5,881,009                        | 3,708,743                    | 12,361,842         |
| Disposal                    | -                        | -                  | (2,230,000)              | -                                | -                            | (2,230,000)        |
| <b>At end of year</b>       | <b>92,500,000</b>        | <b>211,000,000</b> | <b>4,279,524</b>         | <b>40,238,898</b>                | <b>39,188,527</b>            | <b>387,206,949</b> |
| <b>Depreciation</b>         |                          |                    |                          |                                  |                              |                    |
| At start of year            | -                        | -                  | 2,775,612                | 23,095,688                       | 30,394,034                   | 56,265,334         |
| Disposal                    | -                        | -                  | (1,524,414)              | -                                | -                            | (1,524,414)        |
| Charge for the year         | 1,267,123                | 4,220,000          | 757,082                  | 2,142,901                        | 2,638,348                    | 11,025,454         |
| <b>At end of year</b>       | <b>1,267,123</b>         | <b>4,220,000</b>   | <b>2,008,280</b>         | <b>25,238,589</b>                | <b>33,032,382</b>            | <b>65,766,374</b>  |
| <b>Net book value</b>       | <b>91,232,877</b>        | <b>206,780,000</b> | <b>2,271,244</b>         | <b>15,000,309</b>                | <b>6,156,145</b>             | <b>321,440,575</b> |

## NOTES (Continued)

### 12. Property, plant and equipment (continued)

| Year ended 31 December 2017 | Leasehold land Shs | Buildings Shs      | Motor vehicles Shs | Furniture and fittings Shs | Computer equipment Shs | Total Shs          |
|-----------------------------|--------------------|--------------------|--------------------|----------------------------|------------------------|--------------------|
| <b>Cost/valuation</b>       |                    |                    |                    |                            |                        |                    |
| At start of year            | 80,000,000         | 195,000,000        | 3,737,434          | 33,459,231                 | 34,006,990             | 346,203,655        |
| Additions                   | -                  | -                  | -                  | 898,658                    | 1,472,794              | 2,371,452          |
| Surplus on revaluation      | 12,500,000         | 16,000,000         | -                  | -                          | -                      | 28,500,000         |
| <b>At end of year</b>       | <b>92,500,000</b>  | <b>211,000,000</b> | <b>3,737,434</b>   | <b>34,357,889</b>          | <b>35,479,784</b>      | <b>377,075,107</b> |
| <b>Depreciation</b>         |                    |                    |                    |                            |                        |                    |
| At start of year            | 1,069,042          | 3,900,000          | 2,455,005          | 21,486,802                 | 28,214,427             | 57,125,276         |
| Charge for the year         | 1,236,080          | 4,220,000          | 320,607            | 1,608,886                  | 2,179,607              | 9,565,180          |
| Reversal on revaluation     | (2,305,122)        | (8,120,000)        | -                  | -                          | -                      | (10,425,122)       |
| <b>At end of year</b>       | <b>-</b>           | <b>-</b>           | <b>2,775,612</b>   | <b>23,095,688</b>          | <b>30,394,034</b>      | <b>56,265,334</b>  |
| <b>Net book value</b>       | <b>92,500,000</b>  | <b>211,000,000</b> | <b>961,822</b>     | <b>11,262,201</b>          | <b>5,085,750</b>       | <b>320,809,773</b> |

Leasehold land and buildings were professionally valued by R.R. Oswald & Company Limited on the basis of current open market value on 19 December 2017. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to the revaluation reserve in shareholder's equity, through the statement of comprehensive income.

The fair valuation of property, plant and equipment is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets and replacement costs. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.

If leasehold land and buildings were stated on the historical cost basis, the carrying values would be as follows:

| Year ended 31 December 2018        | Leasehold land Shs | Buildings Shs     | Total Shs         |
|------------------------------------|--------------------|-------------------|-------------------|
| Cost                               | 5,000,000          | 50,000,000        | 55,000,000        |
| Accumulated depreciation           | (983,260)          | (17,000,000)      | (17,983,260)      |
| <b>Year ended 31 December 2017</b> | <b>4,016,740</b>   | <b>33,000,000</b> | <b>37,016,740</b> |
| Cost                               | 5,000,000          | 50,000,000        | 55,000,000        |
| Accumulated depreciation           | (927,340)          | (16,000,000)      | (16,927,340)      |
| <b>Year ended 31 December 2017</b> | <b>4,072,660</b>   | <b>34,000,000</b> | <b>38,072,660</b> |

## NOTES (Continued)

## 13. Intangible asset - software

**Cost**

|                  | 2018<br>Shs | 2017<br>Shs |
|------------------|-------------|-------------|
| At start of year | 24,766,790  | 22,542,942  |
| Additions        | -           | 2,223,848   |

**At end of year**

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>24,766,790</b> | <b>24,766,790</b> |
|--|-------------------|-------------------|

**Amortisation**

|                     |            |            |
|---------------------|------------|------------|
| At start of year    | 22,799,537 | 22,179,467 |
| Charge for the year | 620,070    | 620,070    |
| At end of year      | 23,419,607 | 22,799,537 |

**Net book value**

|  |                  |                  |
|--|------------------|------------------|
|  | <b>1,347,183</b> | <b>1,967,253</b> |
|--|------------------|------------------|

## 14. Mortgage and other loans

**Mortgage loans**

|                  |              |              |
|------------------|--------------|--------------|
| At start of year | 139,354,334  | 94,115,396   |
| Amount advanced  | 17,500,000   | 83,350,000   |
| Repayment        | (30,102,522) | (38,111,062) |

**At end of year**

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>126,751,812</b> | <b>139,354,334</b> |
|--|--------------------|--------------------|

**Other loans**

|                  |             |             |
|------------------|-------------|-------------|
| At start of year | 8,850,363   | 4,118,231   |
| Amount advanced  | 2,157,500   | 7,242,000   |
| Repayment        | (4,059,007) | (2,509,868) |

**At end of year**

|  |                  |                  |
|--|------------------|------------------|
|  | <b>6,948,856</b> | <b>8,850,363</b> |
|--|------------------|------------------|

**Total mortgage and other loans**

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>133,700,668</b> | <b>148,204,697</b> |
|--|--------------------|--------------------|

## 15. Reinsurers' share of insurance contract liabilities

## Reinsurers' share of:

|                                              |             |             |
|----------------------------------------------|-------------|-------------|
| - unearned premium (Note 24)                 | 83,452,410  | 65,358,543  |
| - notified claims outstanding (Note 23)      | 141,270,670 | 226,235,758 |
| - claims incurred but not reported (Note 23) | 34,039,489  | 35,359,205  |

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>258,762,569</b> | <b>326,953,506</b> |
|--|--------------------|--------------------|

## 16. Other receivables

|                     |            |            |
|---------------------|------------|------------|
| Deposits            | 9,987,775  | 9,987,775  |
| Sundry debtors      | 1,865,101  | 419,330    |
| Deferred commission | 53,297,402 | 47,705,437 |
| Prepayments         | 10,643,780 | 1,113,652  |

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>75,794,058</b> | <b>59,226,194</b> |
|--|-------------------|-------------------|

## NOTES (Continued)

### 17. Government securities

#### a) Held-to-maturity financial assets

##### Treasury bills and bonds maturing:

Less than 90 days from the reporting date (Note 21)

Between 1 and 5 years of the reporting date

After 5 years of the reporting date

IFRS 9 Provision

2018  
Shs

2017  
Shs

|             |             |
|-------------|-------------|
| -           | -           |
| 159,248,663 | 162,772,160 |
| 697,678,959 | 716,049,773 |
| (107,195)   | -           |

**856,820,427** **878,821,933**

Treasury bonds whose face value is Shs.144,000,000 (2017: Shs. 118,000,000) are held under lien in favour of the Commissioner of Insurance in accordance with Section 32 of the Kenyan Insurance Act.

#### b) Available for sale

##### Treasury bills and bonds maturing:

Between 1 and 5 years of the reporting date

After 5 years of the reporting date

IFRS 9 Provision

2018  
Shs

2017  
Shs

|             |            |
|-------------|------------|
| 12,603,975  | 20,472,725 |
| 287,199,727 | 78,587,947 |
| (26,623)    | -          |

**299,777,079** **99,060,672**

The movement in government securities - 'Fair value through other comprehensive income' is analysed as follows:

|                           | 2018<br>Shs        | 2017<br>Shs       |
|---------------------------|--------------------|-------------------|
| At start of year          | 99,060,672         | 89,428,900        |
| Matured during the year   | (11,400,000)       | -                 |
| Additions                 | 206,296,152        | -                 |
| Accrued interest movement | 2,293,557          | 30,519            |
| IFRS 9 Provision          | (26,623)           | -                 |
| Fair value (loss)         | 3,553,321          | 9,601,253         |
| At end of year            | <b>299,777,079</b> | <b>99,060,672</b> |

### 18. Commercial paper

|                           |                  |                   |
|---------------------------|------------------|-------------------|
| At start of year          | 14,446,411       | 21,684,195        |
| Matured during the year   | (7,075,000)      | (7,075,000)       |
| Accrued interest movement | (145,776)        | (162,784)         |
| IFRS 9 Provision          | (213,156)        | -                 |
| At end of year            | <b>7,012,479</b> | <b>14,446,411</b> |

### 19. Quoted shares

#### a) At fair value through profit or loss

|                        |                    |                    |
|------------------------|--------------------|--------------------|
| At start of year       | 141,221,916        | 117,946,259        |
| Disposals              | (99,870)           | (23,800)           |
| Fair value /(loss)gain | (24,239,441)       | 23,299,457         |
| At end of year         | <b>116,882,605</b> | <b>141,221,916</b> |

#### b) Available for sale

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| At start of year       | 95,632,945        | 72,691,761        |
| Fair value (loss)/gain | (11,828,017)      | 22,941,184        |
| At end of year         | <b>83,804,928</b> | <b>95,632,945</b> |

## NOTES (Continued)

### 20. Weighted average effective interest rates

The following table summarises the weighted average effective interest rates at the year end on the principal interest-bearing investments:

|                                      | 2018<br>% | 2017<br>% |
|--------------------------------------|-----------|-----------|
| Government securities                | 11.53     | 13.53     |
| Deposits with financial institutions | 6.21      | 9.27      |
| Commercial paper                     | 19.90     | 15.78     |
| Mortgage and other loans             | 12.99     | 12.07     |

### 21. Cash and bank balances

#### a) Cash at bank and in hand

|                          | 2018<br>Shs | 2017<br>Shs |
|--------------------------|-------------|-------------|
| Cash at bank and in hand | 43,068,792  | 22,535,629  |
| IFRS 9 Provision         | (1,264,136) | -           |

|  |                   |                   |
|--|-------------------|-------------------|
|  | <b>41,804,656</b> | <b>22,535,629</b> |
|--|-------------------|-------------------|

#### b) Deposits with financial institutions maturing:

|                                            |              |             |
|--------------------------------------------|--------------|-------------|
| Below three months from the reporting date | 297,655,014  | 363,280,576 |
| After three months from the reporting date | 85,430,027   | -           |
| IFRS 9 Provision                           | (11,224,392) | -           |

|  |                    |                    |
|--|--------------------|--------------------|
|  | <b>371,860,649</b> | <b>363,280,576</b> |
|--|--------------------|--------------------|

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

|                                                                                             |                    |                    |
|---------------------------------------------------------------------------------------------|--------------------|--------------------|
| Deposits with financial institutions maturing in below three months from the reporting date | 297,655,014        | 363,280,576        |
| Cash at bank and in hand                                                                    | 43,068,792         | 22,535,629         |
|                                                                                             | <b>340,723,806</b> | <b>385,816,205</b> |

### 22. Insurance contract liabilities

Short term non-life insurance contracts:

|                                                |             |             |
|------------------------------------------------|-------------|-------------|
| - claims reported and claims handling expenses | 501,577,986 | 638,272,699 |
| - claims incurred but not reported (IBNR)      | 123,864,746 | 126,348,261 |

|                                                    |                    |                    |
|----------------------------------------------------|--------------------|--------------------|
| <b>Total gross insurance liabilities (Note 23)</b> | <b>625,442,732</b> | <b>764,620,960</b> |
|----------------------------------------------------|--------------------|--------------------|

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2018 and 2017 are not material.

The company 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.



## NOTES (Continued)

### 22. Insurance contract liabilities (continued)

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims.

The table below illustrates how the company's estimate of total claims outstanding for each accident year has changed at successive year ends:

| Accident year                                                                | 2014 and Prior years | 2015        | 2016        | 2017         | 2018        | Total         |
|------------------------------------------------------------------------------|----------------------|-------------|-------------|--------------|-------------|---------------|
|                                                                              | Shs                  | Shs         | Shs         | Shs          | Shs         | Shs           |
| Estimate of ultimate claims costs:                                           |                      |             |             |              |             |               |
| At end of accident year                                                      | 2,722,468,246        | 365,740,761 | 324,529,719 | 419,077,350  | 340,262,914 | 4,172,078,990 |
| One year later                                                               | (96,753,361)         | 8,858,182   | 27,158,743  | (58,867,618) | -           | (119,604,054) |
| Two years later                                                              | (2,403,938)          | (9,820,717) | 5,265,037   | -            | -           | (6,959,618)   |
| Three years later                                                            | (17,434,212)         | (2,599,516) | -           | -            | -           | (20,033,728)  |
| Four years later                                                             | (8,408,658)          | -           | -           | -            | -           | (8,408,658)   |
| Current estimate of cumulative claims                                        | 2,597,468,077        | 362,178,710 | 356,953,499 | 360,209,732  | 340,262,914 | 4,017,072,932 |
| Less: cumulative payments to date                                            | 2,413,797,892        | 321,889,138 | 316,615,171 | 282,365,910  | 180,826,835 | 3,515,494,946 |
| Liability                                                                    | 183,670,185          | 40,289,572  | 40,338,328  | 77,843,822   | 159,436,079 | 501,577,986   |
| Provision for incurred but not yet reported claims (IBNR)                    |                      |             |             |              |             | 123,864,746   |
| Total gross claims liability included in the statement of financial position |                      |             |             |              |             | 625,442,732   |

## NOTES (Continued)

### 23. Movements in reinsurance liabilities and assets

|                                      | 2018               |                    | 2017               |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | Gross Shs          | Reinsurance Shs    | Reinsurance Shs    | Net Shs            |
| Notified claims                      | 638,272,699        | 226,235,758        | 541,638,801        | 412,036,941        |
| Incurred But Not Reported            | 126,348,261        | 35,359,205         | 114,848,208        | 90,989,056         |
| <b>At start of year</b>              | <b>764,620,960</b> | <b>261,594,963</b> | <b>656,487,009</b> | <b>503,025,997</b> |
| Cash paid for claims settled in year | (381,255,162)      | (109,236,550)      | (289,282,591)      | (242,555,750)      |
| Increase in liabilities:             |                    |                    |                    |                    |
| - arising from current year claims   | 339,759,794        | 83,245,556         | 397,512,728        | 256,514,238        |
| - arising from prior year claims     | (97,682,860)       | (60,293,810)       | (96,186)           | (37,389,050)       |
| <b>At end of year</b>                | <b>625,442,732</b> | <b>175,310,159</b> | <b>764,620,960</b> | <b>503,025,997</b> |
| Notified claims                      | 501,577,986        | 141,270,670        | 638,272,699        | 412,036,941        |
| Incurred but not reported            | 123,864,746        | 34,039,489         | 126,348,261        | 90,989,056         |
| <b>At end of year</b>                | <b>625,442,732</b> | <b>175,310,159</b> | <b>764,620,960</b> | <b>503,025,997</b> |

### 24. Unearned premium reserves

|                       | 2018               |                   | 2017               |                    |
|-----------------------|--------------------|-------------------|--------------------|--------------------|
|                       | Gross Shs          | Reinsurance Shs   | Reinsurance Shs    | Net Shs            |
| At start of year      | 285,356,749        | 65,358,543        | 300,729,328        | 232,469,485        |
| Increase/(decrease)   | 33,604,341         | 18,093,867        | (15,372,579)       | (12,471,279)       |
| <b>At end of year</b> | <b>318,961,090</b> | <b>83,452,410</b> | <b>285,356,749</b> | <b>219,998,206</b> |



## NOTES (Continued)

### 25. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2017: 30%). The movement on the deferred tax account is as follows:

|                                      | 2018<br>Shs       | 2017<br>Shs       |
|--------------------------------------|-------------------|-------------------|
| At start of year                     | 62,655,999        | 50,681,904        |
| Charge to other comprehensive income | -                 | 11,677,537        |
| (Credit)charge to profit or loss     | (110,610)         | 296,558           |
| <b>At end of year</b>                | <b>62,545,389</b> | <b>62,655,999</b> |

Deferred tax liability in the statement of financial position and deferred tax charge to profit or loss and other comprehensive income are attributable to the following items:

|                                   | At<br>start of<br>year<br>Shs | Charge<br>to profit<br>or loss<br>Shs | At<br>end of<br>year<br>Shs |
|-----------------------------------|-------------------------------|---------------------------------------|-----------------------------|
| <b>Deferred tax liability</b>     |                               |                                       |                             |
| Property, plant and equipment     |                               |                                       |                             |
| - historical cost                 | 11,942                        | 18,449                                | 30,391                      |
| - revaluation                     | 71,528,135                    | -                                     | 71,528,135                  |
| Provisions                        | (8,884,078)                   | (129,059)                             | (9,013,137)                 |
| <b>Net deferred tax liability</b> | <b>62,655,999</b>             | <b>(110,610)</b>                      | <b>62,545,389</b>           |

### 26. Other payables

|                           | 2018<br>Shs       | 2017<br>Shs       |
|---------------------------|-------------------|-------------------|
| Accrued expenses          | 9,424,498         | 12,507,076        |
| Ordinary dividend payable | -                 | 1,169,587         |
| Other liabilities         | 25,967,597        | 43,068,157        |
| Deferred commissions      | 17,437,794        | 13,444,065        |
|                           | <b>52,829,889</b> | <b>70,188,885</b> |

### 27. Contingent liabilities

As is common with the insurance industry in general, the company is subject to litigation arising in the normal course of insurance business.

The directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the company.

## NOTES (Continued)

### 28. Cash from operations

Reconciliation of profit before tax to cash from operations:

|                                                                               | 2018<br>Shs        | 2017<br>Shs        |
|-------------------------------------------------------------------------------|--------------------|--------------------|
| Profit before tax                                                             | 330,581,164        | 312,897,995        |
| <b>Adjustments for:</b>                                                       |                    |                    |
| Depreciation on property, plant and equipment (Note 12)                       | 11,025,454         | 9,565,180          |
| Amortisation of intangible assets (Note 13)                                   | 620,070            | 620,070            |
| (Gain) on disposal of property, plant and equipment                           | (194,414)          | -                  |
| IFRS 9 Provisions                                                             | 5,170,035          | -                  |
| Fair value loss/(gain) on quoted shares through profit or loss (Note (19)(a)) | 24,239,441         | (23,299,457)       |
| Accrued Interest movement on Government securities - FVTOCI                   | (2,293,557)        | (30,519)           |
| Accrued Interest movement on Corporate Bond                                   | 145,776            | 162,784            |
| Changes in working capital:                                                   |                    |                    |
| - increase in receivables arising out of direct insurance arrangements        | (445,422)          | (12,724,153)       |
| - increase/(decrease) in receivables arising out of reinsurance arrangements  | (3,585,221)        | 4,792,674          |
| - (decrease)/increase in reinsurers share of insurance contract liabilities   | 68,190,937         | (104,860,747)      |
| - increase/(decrease) in other receivables                                    | (16,567,864)       | 6,530,649          |
| - (decrease)/increase in insurance contract liabilities                       | (139,178,228)      | 108,133,951        |
| - increase in payables arising out of reinsurance arrangements                | 37,992,083         | 20,572,489         |
| - increase/(decrease) in unearned premium reserves                            | 33,604,341         | (15,372,579)       |
| - (decrease)/increase in other payables                                       | (17,358,996)       | 5,920,199          |
| Cash from operations                                                          | <b>331,945,599</b> | <b>312,908,536</b> |

### 29. Related party transactions

Related parties are defined as entities which are related to the company through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

#### i) Transactions with related parties

|                        | 2018<br>Shs | 2017<br>Shs |
|------------------------|-------------|-------------|
| Gross premiums written | 74,413,120  | 57,997,363  |
| Gross claims incurred  | 8,161,257   | 4,737,967   |
| Commission paid        | 10,541,345  | 9,967,961   |

#### ii) Outstanding balances

|                                      | 2018<br>Shs | 2017<br>Shs |
|--------------------------------------|-------------|-------------|
| Outstanding premiums                 | 2,113,490   | 4,215,666   |
| Claims payable                       | 10,229,345  | 9,209,272   |
| Deposits with financial institutions | 308,473,671 | 257,448,438 |
| Current account balances             | 39,177,110  | 21,090,805  |
| Staff Mortgage loans                 | 22,838,687  | 8,207,921   |
| Staff motor vehicle loans            | 6,948,856   | 8,850,363   |



## NOTES (Continued)

### 29. Related party transactions (continued)

#### iii) Directors' remuneration

Fees for services as a director

2018  
Shs

2017  
Shs

2,560,000

3,392,000

Other emoluments

3,330,740

3,300,000

#### iv) Key management compensation

Remuneration of senior management

79,711,659

65,311,659

### 30. Dividend

During the year, an interim dividend of Shs. 72,000,000 (2017: Shs. 72,000,000) was paid. The directors do not propose the payment of a final dividend for the year.

In accordance with the Kenyan Companies Act 2015, these financial statements reflect this dividend payable, which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2018.

Payment of dividend is subject to withholding tax at a rate of 0%, 5% or 10% depending on the tax status or residency of the shareholder.

### 31. Earnings per share

Basic earnings per share is calculated on the profit attributable to the shareholders and on the weighted average number of shares outstanding during the year adjusted for the effect of the bonus shares issued if any.

Net profit for the year attributable to shareholders

252,727,226

248,935,699

Adjusted weighted average number of ordinary shares in issue

6,000,000

6,000,000

Earnings per share - basic and diluted (Shs.)

42.12

41.49

There were no potentially dilutive shares outstanding as at 31st December 2018 and 2017.

## NOTES (Continued)

### GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

| Class of insurance business           | Engineering        |             | Fire                |          | Public Liability    |         | Marine              |           | Motor               |                     | Personal Accident   |                    | Theft               |           | Workmen's Compensation |           | Medical            |         | Miscellaneous      |             | Dec 2018             |              | Dec 2017             |            |
|---------------------------------------|--------------------|-------------|---------------------|----------|---------------------|---------|---------------------|-----------|---------------------|---------------------|---------------------|--------------------|---------------------|-----------|------------------------|-----------|--------------------|---------|--------------------|-------------|----------------------|--------------|----------------------|------------|
|                                       | Shs                |             | Shs                 |          | Shs                 |         | Shs                 |           | Shs                 |                     | Shs                 |                    | Shs                 |           | Shs                    |           | Shs                |         | Shs                |             | Total                | Shs          | Total                | Shs        |
| <b>Gross premiums written</b>         |                    |             |                     |          |                     |         |                     |           |                     |                     |                     |                    |                     |           |                        |           |                    |         |                    |             |                      |              |                      |            |
| Change in net unearned premiums       | 67,469,931         | (2,425,908) | 43,786,047          | (22,718) | 281,134,725         | 473,606 | 18,572,077          | (948,874) | 147,475,939         | 168,882,037         | 107,904,951         | 13,983,386         | 110,762,446         | 4,142,585 | 175,334,505            | (170,291) | 7,975,234          | 403,838 | 30,896,045         | (4,588,541) | 1,174,177,323        | (15,510,474) | 1,061,069,436        | 12,471,279 |
| Gross earned premiums                 | 65,044,023         |             | 43,763,329          |          | 281,608,331         |         | 17,623,203          |           | 147,642,201         | 163,749,080         | 100,477,418         | 14,003,443         | 114,905,031         |           | 175,164,214            |           | 8,379,072          |         | 26,307,504         |             | 1,158,666,849        |              | 1,073,540,715        |            |
| Less: premiums ceded to reinsurers    | (47,884,164)       |             | (10,695,245)        |          | (224,244,102)       |         | (1,526,120)         |           | (42,130,058)        | (1,595,284)         | (1,023,684)         | (1,470,442)        | (8,163,102)         |           | (3,919,173)            |           | -                  |         | (14,214,829)       |             | (356,866,203)        |              | (329,555,140)        |            |
| <b>Net earned premiums</b>            | <b>17,159,859</b>  |             | <b>33,068,084</b>   |          | <b>57,364,229</b>   |         | <b>16,097,083</b>   |           | <b>105,512,143</b>  | <b>162,153,796</b>  | <b>99,453,734</b>   | <b>12,533,001</b>  | <b>106,741,929</b>  |           | <b>171,245,041</b>     |           | <b>8,379,072</b>   |         | <b>12,092,675</b>  |             | <b>801,800,646</b>   |              | <b>743,985,575</b>   |            |
| Gross claims paid                     | (33,195,846)       |             | (12,610,992)        |          | (79,799,009)        |         | (1,586,201)         |           | (48,601,439)        | (67,329,704)        | (37,988,917)        | (1,433,400)        | (29,203,601)        |           | (67,053,781)           |           | (2,435,897)        |         | (16,375)           |             | (381,255,162)        |              | (289,282,591)        |            |
| Changes in net outstanding claims     | (1,971,808)        |             | (7,348,092)         |          | 5,473,326           |         | 2,493,871           |           | 20,523,410          | (8,512,339)         | 21,305,411          | 1,338,865          | (3,144,909)         |           | 25,992,779             |           | (727,646)          |         | (2,529,444)        |             | 52,893,424           |              | (371,904)            |            |
| Less: reinsurance recoverable         | 28,058,823         |             | 2,265,836           |          | 54,190,303          |         | -                   |           | 18,821,824          | -                   | 204,634             | -                  | 227,480             |           | 5,051,727              |           | -                  |         | 415,923            |             | 109,236,550          |              | 46,726,841           |            |
| <b>Net claims incurred</b>            | <b>(7,108,831)</b> |             | <b>(17,693,248)</b> |          | <b>(20,135,380)</b> |         | <b>907,670</b>      |           | <b>(9,256,205)</b>  | <b>(75,842,043)</b> | <b>(16,478,872)</b> | <b>(94,535)</b>    | <b>(32,121,030)</b> |           | <b>(36,009,275)</b>    |           | <b>(3,163,543)</b> |         | <b>(2,129,896)</b> |             | <b>(219,125,188)</b> |              | <b>(242,927,654)</b> |            |
| Commissions receivable                | 14,794,887         |             | 2,510,026           |          | 87,274,222          |         | 188,495             |           | 12,117,263          | (50,462)            | (33,769)            | 68,860             | (354,543)           |           | (200,741)              |           | -                  |         | 3,945,759          |             | 120,259,997          |              | 102,765,448          |            |
| Commissions payable                   | (12,491,751)       |             | (8,514,411)         |          | (62,880,488)        |         | (3,470,001)         |           | (25,515,880)        | (16,047,440)        | (9,957,344)         | (2,693,057)        | (21,667,562)        |           | (34,729,557)           |           | (837,907)          |         | (2,171,226)        |             | (200,976,624)        |              | (190,500,642)        |            |
| Expenses of management                | (7,962,026)        |             | (6,039,079)         |          | (39,714,595)        |         | (8,844,374)         |           | (53,399,983)        | (45,251,505)        | (47,036,652)        | (6,325,112)        | (33,898,932)        |           | (64,644,986)           |           | (2,821,295)        |         | (7,564,477)        |             | (323,503,016)        |              | (307,223,346)        |            |
| <b>Total expenses and commissions</b> | <b>(5,658,890)</b> |             | <b>(12,043,464)</b> |          | <b>(15,320,861)</b> |         | <b>(12,125,880)</b> |           | <b>(66,798,600)</b> | <b>(61,349,407)</b> | <b>(57,027,765)</b> | <b>(8,949,309)</b> | <b>(55,921,037)</b> |           | <b>(99,575,284)</b>    |           | <b>(3,659,202)</b> |         | <b>(5,789,944)</b> |             | <b>(404,219,643)</b> |              | <b>(394,958,540)</b> |            |
| <b>Underwriting profit/(loss)</b>     | <b>4,392,138</b>   |             | <b>3,331,372</b>    |          | <b>21,907,988</b>   |         | <b>4,878,873</b>    |           | <b>29,457,338</b>   | <b>24,962,346</b>   | <b>25,947,097</b>   | <b>3,489,157</b>   | <b>18,699,862</b>   |           | <b>35,660,482</b>      |           | <b>1,556,327</b>   |         | <b>4,172,835</b>   |             | <b>178,455,815</b>   |              | <b>106,099,381</b>   |            |



## NOTES

## NOTES



## NOTES