



A Symbol of Trust Security and Progress

Tausi Assurance
Company Limited



2023

ANNUAL REPORT

AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER

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COMPANY INFORMATION

BOARD OF DIRECTORS

Dr. R.C. Kantaria - Chairman (Alternate Mr. Vijay Kantaria)
 Mrs. R. Thatthi - Managing Director/Principal Officer
 Mr. S.K. Shah
 Mr. A.R. Kantaria
 Mr. S.O.J. Mainda
 Mr. P.T. Warutere
 Mr. S. Oueslati - Alternate Mr. F. Jiwa
 Mr. B. Yohannes - Alternate Mr. V.S.P Shah
 (Resigned 20.11.2023)

COMPANY SECRETARY

Winfred Mwikali Muoki
 Certified Public Secretary
 P.O. Box 15840-00100
 NAIROBI

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

L.R. No. 209/2259/1
 Tausi Court, Tausi Road
 Off Muthithi Road, Westlands
 P. O. Box 28889-00200 NAIROBI
 Mobile: 0729145888/0735145020

INDEPENDENT AUDITOR

Grant Thornton LLP
 Certified Public Accountants (Kenya)
 5th Floor, Avocado Towers, Muthithi Road, Westlands
 P. O. Box 46986-00100 NAIROBI

ACTUARIES

Zamara Actuaries Administrators & Consultants Ltd
 P. O. Box 52439-00200 NAIROBI

PRINCIPAL BANKER

Prime Bank Limited
 Westlands, Sarit Centre Branch
 P. O. Box 43825-00100 : NAIROBI

LEGAL ADVISORS

Macharia, Mwangi & Njeru Advocates
 P.O. Box 10627-00100 NAIROBI

Wanja & Kibe Advocates
 P.O. Box 1382-80100 MOMBASA

Daly & Inamdar Advocates
 P.O. Box 80483-80100 MOMBASA

Muchui & Company Advocates
 P.O. Box 61901-00200 NAIROBI

Mucheru Law LLP Advocates
 P.O. Box 7769-00200 NAIROBI

Mahida & Maina, Victor House, 5th Floor
 Kimanthi Street Street
 P.O Box 42508 - 00100 NAIROBI



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BOARD OF DIRECTORS



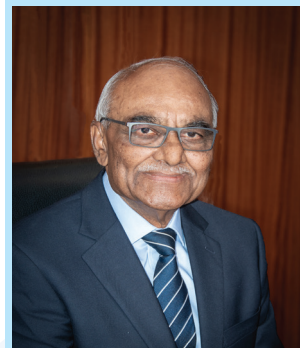
Dr. Rasik Kantaria (Chairman)



Mrs Rita Thatthi
(MD and Principal Officer)



Mr. Amar Kantaria



Mr. Shantilal Shah



Dr. Steve Mainda



Mr. Skander Khalil



Mr. Peter Warutere

MANAGEMENT TEAM



Mrs. Rita Thatthi

Managing Director and Principal Officer



Ms Winnie Muoki

Company Secretary



Mr. Steve Ogunde

Reinsurance Manager



Ms Lilian Wandungi

Claims Manager



Mr. Sammy Muriuki

Head of Risk and Compliance



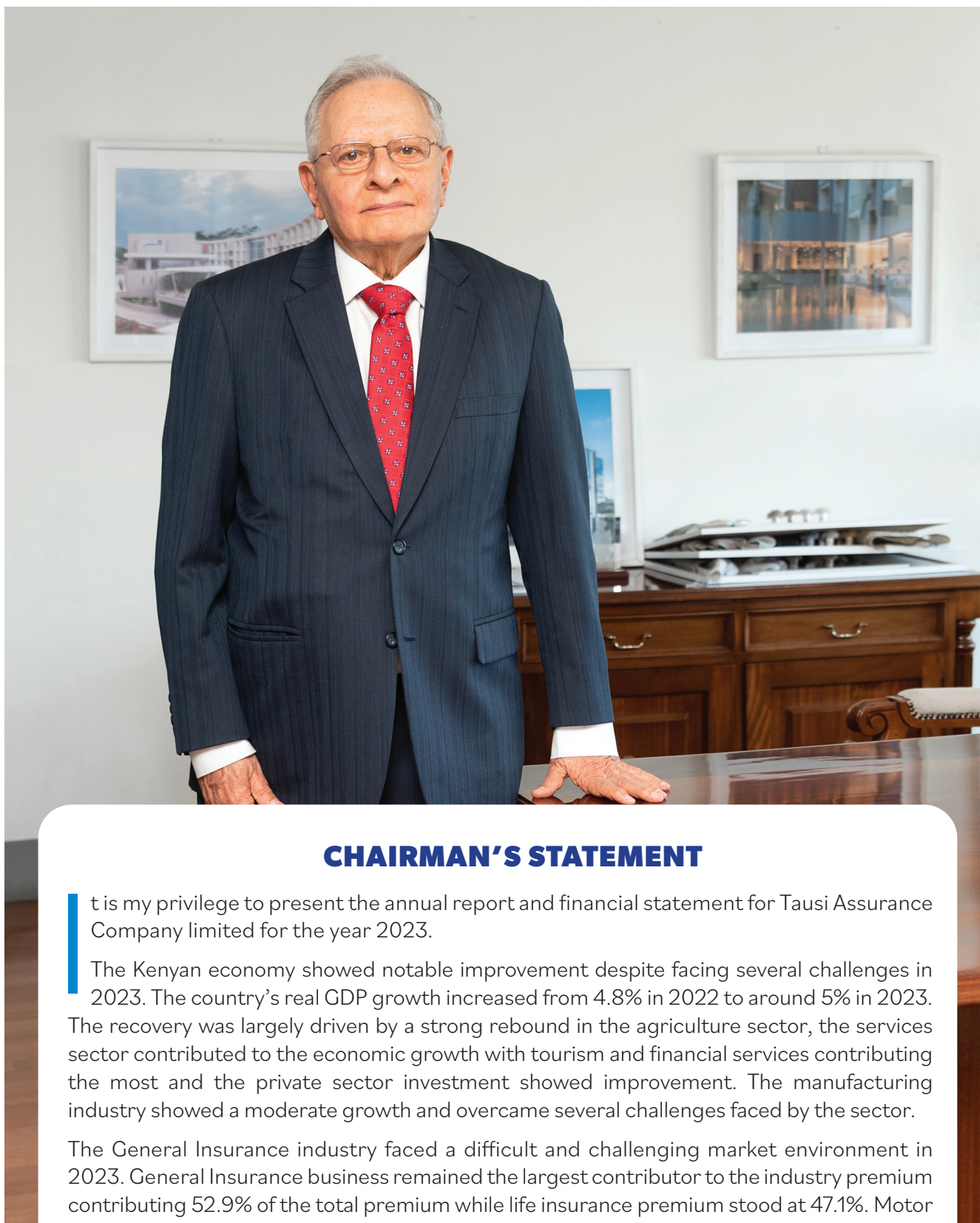
Mr. Samuel Wanjiku

Head of Internal Audit



Mr. Antony Kariuki

ICT Manager



CHAIRMAN'S STATEMENT

It is my privilege to present the annual report and financial statement for Tausi Assurance Company limited for the year 2023.

The Kenyan economy showed notable improvement despite facing several challenges in 2023. The country's real GDP growth increased from 4.8% in 2022 to around 5% in 2023. The recovery was largely driven by a strong rebound in the agriculture sector, the services sector contributed to the economic growth with tourism and financial services contributing the most and the private sector investment showed improvement. The manufacturing industry showed a moderate growth and overcame several challenges faced by the sector.

The General Insurance industry faced a difficult and challenging market environment in 2023. General Insurance business remained the largest contributor to the industry premium contributing 52.9% of the total premium while life insurance premium stood at 47.1%. Motor and Medical insurance amounted to 63.5% of the overall premium income of Ksh 191.34 Billion. These portfolios generated underwriting losses of 5.9 Billion in motor and medical 1.79 Billion. Overall the General Insurance industry made an underwriting loss of Ksh 4.9 Billion in 2023

Performance Highlights

I am pleased to report that against this backdrop, Tausi surpassed its strategic ambitions and met all its 2024 targets in the year 2023. Our financial statements were prepared using the new IFRS 17 reporting standards which assure consistent measurement models at a more granular level. The new standard allows Tausi and its stakeholders to review the business performance in a more detailed and transparent manner.

The performance of the Company was more than satisfactory. There was a growth of 28% in its Insurance Revenue closing at Ksh 2.04 Billion in 2023 against an insurance revenue of Ksh 1.59B the previous year. The profit before tax also grew at 28% from Ksh 436 Million in 2022 to Ksh 556 Million in 2023. The Shareholders fund grew by 8% from 2.279 Billion in 2022 to Ksh 2.457 Billion in 2023. The Risk Based Capital ratio increased to 383% from 357% in 2022. Expenses and incurred claims were well controlled and the combined ratio for the Company stood at 83% in 2023 against a market average of 103%

As usual Tausi made an underwriting profit of Ksh 233M in 2023 recording a 31% increase over the previous year which stood at Ksh 178M.

Looking ahead, Tausi is committed to further strengthening its market presence and enhancing customer value through innovative solutions and digital transformation. We have invested heavily in technology and created a highly automated work environment that has enabled efficiencies and optimization of resource allocation. Tausi has a well-developed Business Continuity Policy that ensures resilience and sustainability of the Company operations.

Corporate Governance

The Company embraces good corporate governance practices which are a core part of our ethos. We uphold the highest standards of integrity, accountability and transparency in our operations through our board committees; which are Board Audit committee responsible for accuracy of financial reporting, Board Risk and Management Committee responsible for identifying and mitigating business risks, Board Asset, Liability and Investment Committee that ensures viable investment of company assets and Board Nomination, Remuneration, Corporate Governance and Human resource Committee that ensures transparency and fairness in our operations.

Tausi supports various charity projects which include Jaipur Foot trust, Faraja Cancer support, Famine Relief funds, Rhino Charitable Trust, David Sheldrick Wildlife Trust and Lions Sight First for eye surgeries. Our commitment is to make a positive impact on the communities we serve.

DR. RASIK KANTARIA

STATEMENT OF CORPORATE GOVERNANCE

Tausi remain committed to the corporate governance, ethics and accountability. Good corporate governance practices enhance openness and integrity, and are essential to the delivery of long term and sustainable stakeholder and shareholders` value. The Board of Directors is accountable to the shareholders for ensuring that the company complies with the law and effective corporate governance for achieving long term goal and sustainability.

Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- Maintain and increase Shareholder value;
- Ensure there is transparency and accountability to the shareholders;
- Ensure compliance with the laws and regulations of the country;

The Board is responsible for;

- Establishing long-term goals of the company
- Ensuring strategic objectives and plans are established to achieve the company goals
- To ensure management structures are in place to achieve the company objectives
- To guide the implementation of strategic decisions and actions in addition to advising the management appropriately
- The Board is also responsible for policy decisions, review and adoption of annual budgets, review of financial performance of the company and monitoring of the company`s performance periodically
- The Board is also responsible for risk management, overseeing the implementation of adequate control systems and relevance compliance with the laws and regulations

Board committees

The company has constituted the following committees that act as oversight for the Board of Directors;

- Board Audit Committee responsible for accuracy of financial reporting and compliance with the laid down operational frameworks within the company and compliance with the relevant regulations.
- Board Risk Management Committee whose key responsibility is to identify, assess and mitigate risk that could affect our business. The committee is established to ensure effective operation and implementation of the risk management framework within the company. It also monitors implementation of the strategic plan and operation of the budget.
- Board Asset, Liability and Investment Committee ensures that the investments are done in accordance with the approved investment policy. The committee ensures that assets of the company are invested in viable investments that optimizes the company`s investment income.
- Board Nomination, Remuneration, Corporate Governance and Human Resource Committee established to ensure there is transparency and fairness in remuneration of the board of directors, senior management and other members of staff. It also ensures succession planning of all levels of Management for continuity and smooth operations of the company. It is responsible for recruitment of persons in senior management positions.

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 the funds that have been donated to various worthy causes. The company's staff have also participated in CSR activities. Some of the activities that the company supported in 2023 are as listed below;

- Donation to the Jaipur foot trust to fit artificial limbs to amputees
- The David and Shedrick Wildlife Trust
- Funds to Faraja Cancer Support Trust
- Sponsorship to the needy for eye operations at Lions Sight First Hospital
- Famine relief Fund
- Donating Amara Charitable Trust by sponsoring bowling event



Tausi Staff attending the Charity Bowling event through sponsorship to Amara Charitable Trust

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2023, 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.

RESULTS

	2023 Shs	2022 Restated Shs
Profit before tax	555,823,109	436,084,459
Tax (charge)	(81,101,986)	(71,659,118)
Profit for the year	474,721,123	364,425,341

BUSINESS REVIEW

During the year, the company's net earned premiums increased from Shs. 1,001,156,797 to Shs. 1,214,596,073. This was mainly attributed to increase in overall gross written premiums which was as a result of improved performance of various products offered by the company.

The profit before tax improved from Shs. 436,084,459 to Shs. 555,823,109. This was as a result of reduction in net claims ratio from 32% to 31%. Our Net Earned Premiums increased at the rate of 21%. Combined ratio slightly increased from 82% to 83%. The improvement in Investment income also contributed to improved profitability which increased by 24%.

As at 31 December 2023, the net asset position of the company was Shs. 2,457,338,806 compared to Shs. 2,279,345,251 as at 31 December 2022.

Key performance indicators	2023 Shs	2022 Restated Shs
Insurance revenue	2,042,049,313	1,593,714,771
Insurance service result before reinsurance contracts held	624,696,622	490,925,480
Net expense from reinsurance contracts held	(362,301,178)	(276,399,323)
Insurance service result	262,395,444	214,526,157
Net insurance finance income	(28,611,479)	(36,099,431)
Investment and other income	351,132,577	283,242,435
Fair value loss on quoted shares	(17,562,427)	(15,801,142)
Other operating expenses	(11,531,006)	(9,783,560)
Net income	555,823,109	436,084,459
Profit for the year	474,721,123	364,425,341

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.

REPORT OF THE DIRECTORS (continued)

The Company pays particular attention to the credit risk and free cash flows. These are always material and key consideration throughout the financial year and are closely monitored.

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

The directors recommend payment of final dividend of Shs 198,000,000 for the year. (2022: Shs 252,000,000). During the year, no interim dividend was declared (2022: NIL). Therefore total dividend for the year ended 31 December 2023 was Shs 33 per share (2022: Shs 42 per share) amounting to a total of Shs. 198,000,000 (2022: Shs 252,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

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

Grant Thornton was appointed during the year and expressed willingness to continue in office in accordance with the company's Articles of Association and Section 717 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

The Report of Directors was approved by the Board of Directors on 15th March 2024 and signed on its behalf by the Secretary.

BY ORDER OF THE BOARD



WINFRED MWIKALI MUOKI

COMPANY SECRETARY

NAIROBI

15th March 2024 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the 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 suitable accounting policies and then applying them consistently; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstance

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 15th March 2024 and signed on its behalf by:



Mr. Shantilal Shah
(Director)



Dr. Rasik Kantaria
(Director)



Mrs. Rita Thatthi
(Director & principal officer)

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED

Opinion

We have audited the financial statements of Tausi Assurance Company Limited set out on pages 17 to 72, which comprise the statement of financial position as at 31 December 2023, 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 financial position as at 31 December 2023 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.

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses The expected credit losses on financial assets carried at amortised cost are determined under application of IFRS 9 Financial Instruments. This was a key audit matter because significant judgement was involved in determining the credit losses on mortgages and other loans, deposits with financial institutions, investments in government securities and bank balances as disclosed in note 3(b) Credit risk. Key areas of judgement included: - the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; - the identification of exposures with a significant deterioration in credit quality;	Our audit procedures included the following: - We assessed and tested the design and operating effectiveness of the controls over the: i. data used to determine the expected credit losses on financial assets carried at amortised cost. ii. expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. - We assessed the modelling techniques / methodology against the requirements of IFRS 9 - Financial Instruments.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED (continued)

Key Audit Matters (Continued)

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses (continued) - assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors; and - the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	- We assessed and tested the material modelling assumptions as well as overlays with a focus on the: i. key modelling assumptions adopted by the Company; ii. basis for and data used to determine overlays; and iii. sensitivity of the collective provisions to changes in modelling assumptions. - In addition, we assessed the adequacy of the disclosures in the financial statements.
Insurance contract liabilities Valuation of the insurance contract liabilities is highly judgemental and requires significant estimation by management. IFRS 17 which became effective for the company on 01 January 2023 presents a profound change to accounting and presentation in financial statements of insurance companies. The complexity of IFRS 17 is such that achieving compliance requires a transformation of accounting standards, systems and redefining the actuarial processes. The valuation of non-life insurance contract liabilities or assets has a significant risk of misstatement due to the complexity associated with the underlying assumptions and the sensitivity to assumption and actuarial judgement applied. Most of the actuarial assumptions relates to the calculation of the Liability for Incurred Claims (LIC), Liability for Remaining Coverage (LRC), Reinsurance Assets and the Risk Adjustment (RA). The valuation of outstanding claims relies on the quality of the underlying data. It involves complex and subjective judgements about future events both internal and external to the business for which small changes in assumptions can result in material impacts to the estimates. We identified this as a key audit matter due to the significance of the balances to the financial statements and the high degree of estimation uncertainty and significant judgement applied by management in the determination of the value of these liabilities. We also considered that the disclosures on contract liabilities are critical to the understanding of the financial statements.	Our audit procedures included but we are not limited to: - Gaining and documenting our understanding of the IFRS 17 implementation process and gaining an understanding of any changes in the reserving models (IFRS 4 to IFRS 17). - Tested the appropriateness of the underlying data by: a) Reconciling UPR and DAC policy data to IFRS4 data and IFRS 4 to 17 reconciliations performed by the company. b) Testing contracts and relevant reserving attributes to verify whether the data has been appropriately interpreted concerning contractual terms. c) Assessing judgements made in selecting data - Involving our actuarial specialists to evaluate the actuarial valuation process, reasonableness of assumptions applied, and appropriateness of the methodologies used. a) Reviewed the model results to determine if they are compliant with the IFRS 17 requirements b) Recomputed the risk adjustment, UPR and DAC reserves. - Evaluating the key controls around the claims handling and reserve setting process and performing a walkthrough of the process. - Tested a sample of claims reserves, by comparing the estimated amount of the reserve to appropriate documentation and where relevant, the correspondence with lawyers and reinsurers where the claims are under investigation. - We evaluated the overall adequacy of the Company's disclosures in terms of IFRS 17 Insurance Contracts.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED (continued)

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 and those charged with governance 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.

Those charged with governance are responsible for overseeing the company's financial reporting process.

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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED (continued)

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

- 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.

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 year 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 2 - 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Elizabeth Muhindi, Practicing Certificate No. 2123. "CPA Elizabeth Muhindi, Practicing Certificate No. 2123."




Grant Thornton LLP
Certified Public Accountants

25TH MARCH, 2024

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya), Nairobi

T/1205/1223/AUD

Tausi Assurance Company Limited Annual Report

FINANCIAL STATEMENTS



A Symbol of Trust Security and Progress

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 Shs	2022 Restated Shs
Insurance revenue	6	2,042,049,313	1,593,714,771
Insurance service expenses	6	(1,417,352,691)	(1,102,789,291)
Insurance service result before reinsurance contracts held		624,696,622	490,925,480
Allocation of reinsurance premiums	6	(827,453,240)	(592,557,973)
Amounts recoverable from reinsurers for incurred claims	6	465,152,062	316,158,650
Net expense from reinsurance contracts held		(362,301,178)	(276,399,323)
Insurance service result		262,395,444	214,526,157
Insurance finance expenses from insurance contracts issued	6	(38,765,800)	(48,133,314)
Reinsurance finance income from reinsurance contracts held	6	10,154,321	12,033,883
Net Insurance finance Expenses / Income		(28,611,479)	(36,099,431)
Investment Income	7 (a)	328,263,732	270,180,816
Other Income	7 (b)	22,868,845	13,061,619
Fair value adjustments	7 (c)	(17,562,427)	(15,801,142)
Net Investment income		333,570,150	267,441,293
Net Insurance and Investment Result		304,958,671	231,341,862
Other Operating Expenses	8	(11,531,006)	(9,783,560)
Profit before tax		555,823,109	436,084,459
Income tax charge	9	(81,101,986)	(71,659,118)
Profit for the year		474,721,123	364,425,341
Other comprehensive income:			
Items that shall not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property, plant and equipment	11	-	19,034,246
Deferred income tax on surplus on revaluation of property, plant and equipment	11	-	(5,710,274)
Changes in fair value of quoted shares - Fair value through other comprehensive income	19 (b)	(17,423,515)	(15,320,187)
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Changes in fair value of Government securities - Fair value through other comprehensive income	18 (b)	(27,304,052)	(40,572,190)
Total other comprehensive loss		(44,727,567)	(42,568,405)
Total comprehensive income for the year attributable to shareholders of the company		429,993,556	321,856,936
Dividend - final proposed for the year	26	198,000,000	252,000,000
		198,000,000	252,000,000

The notes on pages 15 to 59 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

As at 31st December		2023	2022 Restated	As at 1st January
	Notes	Shs	Shs	2022 Restated Shs
CAPITAL EMPLOYED				
Share capital	10	600,000,000	600,000,000	600,000,000
Revaluation reserves	11(a)	185,311,874	188,714,716	178,793,586
Fair value reserve - Fair value through other comprehensive income	11(b)	(95,965,169)	(51,237,602)	2,273,368
Retained earnings	11(c)	1,569,992,101	1,289,868,137	1,172,039,954
Proposed dividend	26	198,000,000	252,000,000	200,000,000
Shareholders' funds		2,457,338,806	2,279,345,251	2,153,106,908
REPRESENTED BY				
Assets				
Property and equipment	12	252,168,087	251,889,125	239,546,782
Intangible assets	13	22,008,622	16,366,684	16,056,049
Prepaid lease rentals	14	89,965,754	91,232,877	89,965,754
Mortgage and other loans	15	22,865,607	26,716,589	56,926,365
Government securities - Amortised cost	18(a)	1,766,506,555	1,391,050,051	961,450,600
Reinsurance Contract Assets	16	289,331,006	217,508,428	203,686,955
Other receivables	17	16,977,711	33,811,428	21,050,886
Tax recoverable	9 (b)	35,831,124	43,363,044	59,228,168
Government securities-Fair value through other comprehensive income	18(b)	702,127,520	730,368,907	891,796,814
Quoted shares - Fair value through profit or loss	19(a)	60,095,801	76,832,329	92,394,025
Quoted shares - Fair value through other comprehensive income	19(b)	71,443,466	88,866,981	104,187,168
Collective investment scheme	19(c)	6,037,276	6,863,175	7,102,621
Cash and cash equivalents	20(a)	71,859,226	53,992,414	75,498,027
Deposits with financial institutions	20(b)	351,539,607	370,905,130	318,250,633
Total assets		3,758,757,362	3,399,767,162	3,137,140,847

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023 (continued)

Liabilities				
Insurance contract liabilities	16	1,160,195,514	975,076,799	880,188,827
Deferred tax	21	65,872,834	72,049,855	66,060,315
Other payables	22	75,350,208	73,295,258	37,784,797
Total liabilities		1,301,418,556	1,120,421,912	984,033,939
Net assets		2,457,338,806	2,279,345,251	2,153,106,908

The financial statements on pages 10 to 59 were approved and authorised for issue by the Board of Directors on 15th March 2024 and were signed on its behalf by:



Mr. Shantilal Shah
(Director)



Dr. Rasik Kantaria
(Director)



Mrs. Rita Thatthi
(Director & Principal officer)

The notes on pages 15 to 59 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

2022	Share capital		Fair value reserve		Revaluation reserve		Retained earnings		Proposed Dividend		Total	
	Shs		Shs		Shs		Shs		Shs		Shs	
Balance as at December 31, 2021 (Audited)	600,000,000		2,273,368		178,793,586		1,183,152,954		200,000,000		2,164,219,908	
Transition adjustment on initial application of IFRS 17							(11,113,000)				(11,113,000)	
Balance as at January 1st, 2022 (Restated)	600,000,000		2,273,368		178,793,586		1,172,039,954		200,000,000		2,153,106,908	
Profit for the year	-		-		-		364,425,341		-		364,425,341	
Other comprehensive income:												
Change in fair value of Government securities - Fair value through other comprehensive income	-		(40,572,190)		-		-		-		(40,572,190)	
Change in fair value of quoted shares - Fair value through other comprehensive income	-		(15,320,187)		-		-		-		(15,320,187)	
Surplus on revaluation of property plant and equipment	-		-		19,034,246		-		-		19,034,246	
Deferred tax on Surplus on revaluation of property plant and equipment	-		-		(5,710,274)		-		-		(5,710,274)	
Transfer of excess depreciation	-		-		(4,861,203)		4,861,203		-		-	
Deferred income tax on transfer of excess depreciation	-		-		1,458,361		(1,458,361)		-		-	
Loss/gain on maturity of government securities AVS	-		2,381,407						-		2,381,407	
Total comprehensive income for the year	-		(53,510,970)		9,921,130		367,828,183		-		324,238,343	
Transactions with owners:												
Dividend:												
Proposed final dividend for 2022	-		-		-		(250,000,000)		52,000,000		(198,000,000)	
31st December	600,000,000		(51,237,602)		188,714,716		1,289,868,137		252,000,000		2,279,345,251	

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

2023	Share capital		Fair value reserve		Revaluation reserve		Retained earnings		Proposed Dividend		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Balance as at January 1st (Restated)	600,000,000	(51,237,602)	188,714,716	1,289,868,137	252,000,000	2,279,345,251						
Profit for the year	-	-	-	474,721,123	-	474,721,123					474,721,123	
Other comprehensive income:												
Change in fair value of Government securities - Fair value through other comprehensive income	-	(27,304,052)	-	-	-	-					(27,304,052)	
Change in fair value of quoted shares - Fair value through other comprehensive income	-	(17,423,515)	-	-	-	-					(17,423,515)	
Transfer of excess depreciation	-	-	(4,861,203)	4,861,203	-	-					-	
Deferred income tax on transfer of excess depreciation	-	-	1,458,361	(1,458,361)	-	-					-	
Total comprehensive income for the year	-	(44,727,567)	(3,402,842)	478,123,965	-	429,993,556						
Transactions with owners:												
Dividend:												
Final dividend for 2022 (paid)	-	-	-	-	(252,000,000)	(252,000,000)						
Proposed final dividend for 2023	-	-	-	(198,000,000)	198,000,000	-						
31st December	600,000,000	(95,965,169)	185,311,874	1,569,992,101	198,000,000	2,457,338,806						

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023	Restated 2022
		Shs	Shs
Cash flows from operating activities			
Cash generated from operations	23	733,179,881	579,060,145
Tax paid		(79,747,087)	(55,514,728)
Net cash generated from operations		653,432,794	523,545,417
Cash flows from investing activities			
Purchase of property and equipment	12	(12,875,861)	(9,365,243)
Purchase of intangible assets	13	(15,302,271)	(6,910,514)
Proceeds from disposal of property and equipment	12	-	2,870,000
Repayment of mortgage and other loans	15	4,102,779	29,896,432
Purchase of government securities at amortised cost	18(a)	(378,540,117)	(429,981,808)
Purchase of government securities at fair value through other comprehensive income	18(b)	-	(50,502,500)
Sale of government securities at fair value through other comprehensive income	18(b)	-	170,523,915
Placement of fixed deposits maturing in over 90 days	20	(109,693,376)	38,092,062
Net cash used in investing activities		(512,308,846)	(255,377,656)
Cash flows from financing activities			
Dividend paid		(252,000,000)	(198,000,000)
Net cash used in financing activities		(252,000,000)	(198,000,000)
Increase in cash and cash equivalents		(110,876,052)	70,167,761
Movement in cash and cash equivalents			
1 January	20	235,847,111	165,679,350
(Decrease)/increase during the year		(110,876,052)	70,167,761
31 December	20	124,971,059	235,847,111

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.

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

of profit or loss and other comprehensive income represent the profit and loss account referred to in the Act.

The statement of financial position represents the balance sheet referred to in the Act.

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 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.

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.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company*

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.

The Company has restated comparative information for 2022 applying the transitional provisions in IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company. Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.
- The Company capitalises insurance acquisition cash flows for all its product lines.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**Changes to classification and measurement (continued)*

- For product lines where insurance acquisition cash flows are not immediately expensed, the Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group.

Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

IFRS 17 Insurance Contracts***Changes to presentation and disclosure***

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Changes to presentation and disclosure (continued)*

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied.

However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.

- Derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity

The Company applied a full retrospective approach for transition to IFRS 17

Insurance and reinsurance contracts accounting treatment***Separating components from insurance and reinsurance contracts***

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels, which were significantly higher than the level of aggregation required by IFRS 17.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Insurance and reinsurance contracts accounting treatment (continued)**Level of aggregation (continued)*

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Insurance and reinsurance contracts accounting treatment (continued)***Recognition**

- The Company recognises groups of insurance contracts it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

- Both of the following criteria are satisfied:
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Insurance and reinsurance contracts accounting treatment (continued)**Contract boundary (continued)**Insurance and reinsurance contracts classification*

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include Engineering, Fire, marine, motor, medical and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

Unit of account and measurement model

The Company operates as a General insurer, writing multiple lines of businesses like motor, fire, engineering and other lines.

All insurance contracts within line represent a portfolio of contracts.

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibilities of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The General Measurement Model (GMM) is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. The liability for remaining coverage includes:

- Fulfilment cash flows which are comprised of:
- Discounted estimates of future cash flows; and

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Insurance and reinsurance contracts accounting treatment (continued)**Contract boundary (continued)**Insurance and reinsurance contracts classification (continued)**Unit of account and measurement model (continued)*

- A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

The premium allocation approach ("PAA") is a simplified approach for the measurement of the liability for remaining coverage, that an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less.

Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The Company uses the PAA for measuring contracts with a coverage period of one year or less. The company is adopting the PAA measurement model for the measurement of LRC for the various insurance contracts issued. This is principally based on the eligibility test for fulfilment cash flows and those coverage periods for most contracts are one year or less. Some contracts have coverage period more than one year, but passed the eligibility test.

Initial and subsequent measurement

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- The beginning of the coverage period;
- The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- When the Company determines that a group of contracts becomes onerous.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid.

The carrying value of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. The Liability for Remaining Coverage; and
- b. The Liability of Incurred Claim, comprising the fulfilment cash flows ("FCF") related to past service allocated to the group at the reporting date.

NOTES (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Standards and Interpretations

New standards, amendments and interpretations adopted by the company (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Contract boundary (continued)

Insurance and reinsurance contracts classification (continued)

Initial and subsequent measurement (continued)

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a) Increased for premiums received in the period;
- b) Decreased for insurance acquisition cash flows paid in the period;
- c) Decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- d) Increased for the amortization of insurance acquisition cash flows in the period recognised as insurance service expenses.

An insurance contract may contain one or more components that would be within the scope of another standard if they were separate contracts. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. For example, an insurance contract may include an investment component or a service component (or both).

The non-insurance components may need to be separated for the purposes of reporting under IFRS 17 if they are deemed to be distinct. Based on Company's assessment, there are no investment components within insurance contracts issued by the Company.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restrictions. Composition of the groups is not reassessed in subsequent periods.

The Company holds proportional and non-proportional reinsurance contracts that provide coverage on the insurance contracts for claims incurred during an accident year and are accounted for under the PAA since the Company does not expect significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage under general measurement model. For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, minus reinsurance commission received from the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The Company is presenting income/ expense from reinsurance as a net line item in the condensed statement of income.

The Company has elected not to adjust the LRC for the effect of time value of money, as it expects the time between providing each part of the coverage and the related premium due date to be one year or less.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Insurance and reinsurance contracts accounting treatment (continued)**Contract boundary (continued)**Insurance and reinsurance contracts classification (continued)***Insurance Revenue**

The insurance revenue for the period is the amount of expected premium receipts allocated to the period

The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

Insurance service expenses include the following:

- Incurred claims for the period.
- Other incurred directly attributable expenses.
- Insurance acquisition cash flows amortized.
- Changes that relate to past service – changes in the FCF relating to the LIC.
- Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses.

Onerous contract

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the condensed statement of income in insurance service expense. The loss component is then amortized to condensed statement of income over the coverage period to offset incurred claims in insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New Standards and Interpretations***New standards, amendments and interpretations adopted by the company (continued)**IFRS 17 Insurance Contracts (continued)**Insurance and reinsurance contracts accounting treatment (continued)**Contract boundary (continued)**Insurance and reinsurance contracts classification (continued)**Insurance finance income and expense (continued)*

The Company disaggregates insurance finance income or expenses on insurance contracts issued for its personal accident product line between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the personal accident insurance portfolios are predominantly measured FVOCI. For all other business the Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Loss-recovery components

The Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(c) Other income

Interest income and expenses

Interest income and expenses for all interest-bearing 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.

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 from operating leases is recognized on a straight-line basis over the period of the lease.

(d) Property and equipment

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

accumulated depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Buildings are subsequently measured at fair value, based on periodic valuations, less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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 recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income. 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.

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 year in which they are incurred.

NOTES (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment (continued)

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, 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

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit. On disposal of revalued amounts in the revaluation reserve relating to the particular assets being disposed of are transferred to retained earnings in the statement of changes in equity.

(e) Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

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 measured and recognised.

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 measured 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 statement of profit or loss and other comprehensive income.

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.

Impairment

Debt instruments that are subsequently measured at amortised cost or at impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Financial instruments (continued)*****Impairment (continued)***

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
- 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.

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.

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 month of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

NOTES (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Derecognition

All financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal 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

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Impairment of non-financial assets and intangible assets (continued)**

An impairment loss is recognised for the amount by which the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, management determines the recoverable amount of the CGU to which the asset belongs. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of cash inflows from other assets or groups of assets.

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(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.

(i) Accounting for leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company as lessee

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

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the company is reasonably certain to exercise that option. The lease payments

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(i) Accounting for leases (continued)***The company as lessee (continued)*

are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the company's incremental borrowing rate is used. For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

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

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

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

Leasehold land is subsequently carried at revalued amounts, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

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

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are recognised in profit or loss. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset recognised in profit or loss and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation reserves to retained earnings.

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

The company as lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit or loss on a straight-line basis over the lease term.

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

Assets leased to third parties under operating leases are included in property and equipment in the statement of financial position.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(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 also 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 are charged to profit or loss in the year to which they relate.

The company's contributions to the defined contribution scheme and NSSF are charged to of 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 or in equity, in which case, the tax is also recognised in other comprehensive income or equity.

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 amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

NOTES (continued)**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Taxation (continued)****Deferred tax (continued)**

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

The company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

(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. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

(n) Comparatives

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

NOTES (continued)**2. Significant accounting judgements, estimates and assumptions**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

NOTES (continued)**2. Significant accounting judgements, estimates and assumptions (continued)****(a) Insurance and reinsurance contracts (continued)***Liability for remaining coverage***Insurance acquisition cash flows**

For policies that have a coverage of one year or less, the Company is eligible and chooses to recognise insurance acquisition cash flows as an expense immediately as incurred. Where groups are not eligible to recognise an expense immediately, insurance acquisition cash flows are allocated to related groups of insurance contracts recognised in the statement of financial position (including those groups that will include insurance contracts expected to arise from renewals).

An asset for insurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of insurance contracts has been recognised. The effect of electing to recognise insurance acquisition cash flows as an expense when incurred for a group of insurance contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by Underwriting year, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities.

NOTES (continued)**2. Significant accounting judgements, estimates and assumptions (continued)****(a) Insurance and reinsurance contracts (continued)****Liability for incurred claims (continued)***Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Assets for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period. At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

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 is 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.

NOTES (continued)

2. Significant accounting judgements, estimates and assumptions (continued)

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

- **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.
- **Stage 3** - 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.

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 receivables arising out of direct insurance arrangements, 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.

The carrying amounts of the company's financial assets that are subject to impairment assessment are disclosed in notes 3.2(b).

(c) Useful lives, depreciation methods and residual values of property and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment, intangible assets and prepaid lease rentals are disclosed in notes 14, 15 and 16, respectively.

d) Income Taxes

Income taxes the Company is subject to income taxes in Kenya. Significant judgement is required in determining the Company's provision for income taxes and to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The Company uses judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision is based on which approach provides better predictions of the resolution of the uncertainty. The Company assumes that the taxation authority will examine amounts reported to it

NOTES (continued)**2. Significant accounting judgements, estimates and assumptions (continued)****d) Income Taxes (continued)**

and will have full knowledge of all relevant information when doing so. Where the Company concludes that it is probable that a particular tax treatment will be accepted, it determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Company concludes that it is not probable that a particular tax treatment will be accepted, it uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss)

e) Revaluation of property

The fair value measurements as of September 2022 were performed by R.R. Oswald & Company Limited Valuers, independent valuers not related to the company. R.R. Oswald & Company Limited Valuers are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

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.

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.

NOTES (continued)

3. Management of insurance and financial risk (continued)

i) *Frequency and severity of claims (continued)*

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.

Sensitivities

The liability for incurred claims' sensitivity is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as uncertainty in the estimation process. The analysis is performed for possible movements in all assumptions, showing the impact on Net income. Movements in these assumptions may be non-linear and may be correlated with one another.

NOTES (continued)**3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****Sensitivities (continued)**

Sensitivity analysis (liability for incurred claims) – Impact on Net income

December 31, 2023						
	Insurance Contracts			Reinsurance Contracts		
	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves
	+1%	-1%	+1%	-1%	+1%	-1%
Impact on net income	(8,673,600)	8,673,600	(2,893,310)	2,893,310	(5,780,290)	5,780,290

December 31, 2022						
	Insurance Contracts			Reinsurance Contracts		
	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves
	+1%	-1%	+1%	-1%	+1%	-1%
Impact on net income	(8,089,063)	8,089,063	(2,066,486)	2,066,486	(6,022,577)	6,022,577

b) 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. 11,793,265 (2022: Shs. 6,063,320) representing 0.31 % (2022: 0.18%) of total assets. At 31 December 2023, 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. 1,179,327 (2022: Shs. 326,654).

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 or fair value through other comprehensive income. 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	
	2023	2022	2023	2022
	Shs	Shs	Shs	Shs
Increase	3,004,790	3,841,616	3,572,173	4,443,349

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 and deposits with financial institutions.

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, and loans at year end totalled Shs. 2,892,032,908 (2022: Shs. 2,519,040,677) 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. 101,221,152 (2022: Shs. 88,607,347)

c) *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.

For these purposes 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 reporting date was as follows:

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
As at 31 December 2023			
Receivables arising out of direct insurance arrangements	-	77,434,402	77,434,402
Receivables arising out of reinsurance arrangements	-	78,638,755	78,638,755
Mortgage and other loans	23,013,374	-	23,013,374
Government securities - Amortised Cost	1,770,853,750	-	1,770,853,750
Government securities - Fair value through other comprehensive income	703,999,218	-	703,999,218
Other receivables	92,818,141	-	92,818,141
Deposits with financial institutions	350,798,671	11,165,498	361,964,169
Cash and cash equivalents balances	73,998,730	-	73,998,730
Gross carrying amount	3,015,481,884	167,238,655	3,182,720,539
Loss allowance	(22,355,650)	(23,684,046)	(46,039,696)
Exposure to credit risk	2,993,126,234	143,554,609	3,136,680,843

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
Receivables arising out of direct insurance arrangements	-	162,316,514	162,316,514
Receivables arising out of reinsurance arrangements	-	22,348,604	22,348,604
Mortgage and other loans	30,532,864	-	30,532,864
Government securities - Amortised Cost	1,392,313,633	-	1,392,313,633
Government securities - Fair value through other comprehensive income	731,056,247	-	731,056,247
Other receivables	99,965,401	-	99,965,401
Deposits with financial institutions	370,386,514	11,165,498	381,552,012
Cash and cash equivalents	55,593,563	-	55,593,563
Gross carrying amount	2,679,848,222	195,830,616	2,875,678,838
Loss allowance	(18,018,987)	(15,001,145)	(33,020,132)
Exposure to credit risk	2,661,829,235	180,829,472	2,842,658,707

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;

NOTES (continued)**3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****c) Credit risk (continued)**

- b) financial assets that are credit impaired at the statement of financial position date;
- c) 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.

The age analysis of receivables arising out of direct insurance arrangements and out of reinsurance

	Receivables arising out of direct insurance arrangements		Receivables arising out of reinsurance arrangements	
	2023	2022	2023	2022
	Shs	Shs	Shs	Shs
0 to 30 days past	6,573,930	33,975,445	50,033,960	17,379,348
31 to 60 days past	38,586,755	99,397,928	6,305,903	245,355
61 to 90 days past	21,054,503	20,625,669	6,746,153	561,491
Over 90 days past	11,219,214	8,317,472	15,552,740	4,162,410
Expected credit loss	(5,015,306)	(3,079,143)	(7,503,242)	(756,504)
	72,419,096	159,237,371	71,135,514	21,592,100

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
As at 31 December 2023			
At start of year	18,018,989	15,001,146	33,020,135
Changes arising from whether the loss allowance is measured at an amount equal to;			
12-month or lifetime expected credit losses	4,336,660	8,682,901	13,019,561
At end of year	22,355,649	23,684,047	46,039,696

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)	Total
	Shs	Shs	Shs
As at 31 December 2022			
At start of year	16,499,941	19,516,442	36,016,383
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	1,519,048	(4,515,296)	(2,996,248)
Total	18,018,989	15,001,146	33,020,135

NOTES (continued)**3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****c) Credit risk (continued)**

	12-month expected credit losses	Lifetime expected credit losses (see note below)	Total
As at 31 December 2023	Shs	Shs	Shs
Receivables arising out of direct insurance arrangements	-	5,015,306	5,015,306
Receivables arising out of reinsurance arrangements	-	7,503,242	7,503,242
Mortgage and other loans	3,564,478	-	3,564,478
Government securities - Amortised Cost	4,347,195	-	4,347,195
Government securities - fair value through other comprehensive income	1,871,698	-	1,871,698
Other receivables	8,213	-	8,213
Deposits with financial institutions	10,424,562	11,165,498	21,590,060
Cash and cash equivalents	2,139,504	-	2,139,504
Total	22,355,650	23,684,046	46,039,696

	12-month expected credit losses	Lifetime expected credit losses (see note below)	Total
As at 31 December 2022	Shs	Shs	Shs
Receivables arising out of direct insurance arrangements	-	3,079,143	3,079,143
Receivables arising out of reinsurance arrangements	-	756,504	756,504
Mortgage and other loans	3,816,275	-	3,816,275
Government securities - Amortised Cost	1,263,582	-	1,263,582
Government securities - fair value through other comprehensive income	687,340	-	687,340
Other receivables	3,759	-	3,759
Deposits with financial institutions	10,646,882	11,165,498	21,812,380
Cash and cash equivalents	1,601,149	-	1,601,149
Total	18,018,987	15,001,145	33,020,132

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

(d) Liquidity risk

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.

NOTES (continued)**3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****(d) Liquidity risk (continued)**

As at 31 December 2023	Up to 3 months	4 - 12 months	1 - 5 years	Total
	Shs	Shs	Shs	Shs
Liabilities				
Insurance contract liabilities	116,019,551	243,641,058	800,534,905	1,160,195,514
Other payables	75,350,208	-	-	75,350,208
Total financial liabilities	191,369,759	243,641,058	800,534,905	1,235,545,722
As at 31 December 2022				
Liabilities				
Insurance contract liabilities	97,507,680	204,766,128	672,802,991	975,076,799
Other payables	73,295,258	-	-	73,295,258
Total financial liabilities	170,802,938	204,766,128	672,802,991	1,048,372,057

NOTES (continued)**3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****(e) Financial assets by category**

	Fair value through profit or loss upon initial recognition	Amortised cost	Fair value through other comprehensive income	Total
	Shs	Shs	Shs	Shs
As at 31 December 2023				
Quoted shares	60,095,801	-	71,443,466	131,539,267
Collective investment scheme	6,037,276			6,037,276
Government securities	-	1,766,506,555	702,127,520	2,468,634,075
Reinsurance contract assets		289,331,006	-	289,331,006
Mortgage and other loans	-	22,865,607	-	22,865,607
Other receivables	-	16,977,711	-	16,977,711
Deposits with financial institutions	-	351,539,607	-	351,539,607
Cash and cash equivalents	-	71,859,226	-	71,859,226
	66,133,077	2,519,079,712	773,570,986	3,358,783,775

NOTES (continued)**3. Management of insurance and financial risk (continued)****3.2 Financial risk (continued)****(e) Financial assets by category (continued)**

As at 31 December 2022				
Quoted shares	76,832,329	-	88,866,981	165,699,310
Collective investment scheme	6,863,175			6,863,175
Government securities	-	1,391,050,051	730,368,907	2,121,418,958
Reinsurance contract assets		217,508,428	-	217,508,428
Mortgage and other loans	-	26,716,589	-	26,716,589
Other receivables	-	33,811,428	-	33,811,428
Deposits with financial institutions	-	370,905,130	-	370,905,130
Cash and cash equivalents	-	53,992,414	-	53,992,414
	83,695,504	2,093,984,040	819,235,888	2,996,915,432

(f) Financial liabilities by category

	As at 31 December 2023		As at 31 December 2022	
	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Amortised cost
	Shs		Shs	Shs
Other payables	-	75,350,208	-	73,295,258

3.3 Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

4. Fair Value Measurement

The company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy.

Level 1: - Quoted market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi securities exchange limited.

Level 2: - Inputs other than quoted prices included within level 1 that are observables for the asset or liability, either directly as prices or indirectly as derived from prices.

Level 3: - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments and debt instruments with significant unobservable components, property, equipment and investment property.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

NOTES (continued)

4. Fair Value Measurement (continued)

The following table presents the company's assets that are measured at fair value at 31 December 2023 and 31 December 2022:

As at 31 December 2023	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
Assets				
Financial assets				
Quoted shares - Fair value through profit or loss	60,095,801	-	-	60,095,801
Unquoted Shares	-	6,037,276	-	6,037,276
Quoted shares - Fair value through other comprehensive income	71,443,466	-	-	71,443,466
Government securities - Fair value through other comprehensive income	702,127,520	-	-	702,127,520
	833,666,787	6,037,276	-	839,704,063

As at 31 December 2022	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
Assets				
Financial assets				
Quoted shares - Fair value through profit or loss	76,832,329	-	-	76,832,329
Quoted shares - Fair value through other comprehensive income	88,866,981	-	-	88,866,981
Unquoted Shares	-	6,863,175	-	6,863,175
Government securities - Fair value through other comprehensive income	730,368,907	-	-	730,368,907
	896,068,217	6,863,175	-	902,931,392

5. 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.

NOTES (continued)**5. Capital management (continued)***Internally imposed capital requirements (continued)*

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 at least 100%. The capital adequacy status of the company as at the reporting date is as follows:

	Shs	Shs
Tier-1 Capital	2,169,992,101	1,902,309,045
Tier-2 Capital	287,346,705	389,477,114
Deductions	(160,554,849)	(149,379,627)
Total capital available (TCA)	2,296,783,957	2,142,406,532
Absolute amount minimum 1	600,000,000	600,000,000
Volume of business minimum 2	200,231,359	166,919,601
Risk based capital minimum	282,135,940	310,366,381
Minimum required capital	600,000,000	600,000,000
Capital adequacy ratio	383%	357%

6. Insurance revenue and expenses

	2023 Shs	2022 Shs
Insurance contract revenue		
Insurance revenue from contracts measured under PAA	2,042,049,313	1,593,714,771
Total	2,042,049,313	1,593,714,771
Insurance service expenses		
Actual claims and expenses over the period	(1,026,522,733)	(778,755,852)
Expected release of incurred claims over the period	693,829,511	554,125,460
Expected release of risk adjustment for incurred claims	76,002,709	61,439,756
New incurred claims over the period	(402,440,973)	(197,603,262)
Increase in incurred claims liability for past periods	-	(459,956,083)
Increase in Present Value and Risk Adjustment of incurred claim liability	(382,302,429)	-
Release of deferred acquisition cost	(371,374,717)	(284,475,758)
Increase in losses on onerous contracts	(4,544,059)	2,436,447
Total	(1,417,352,691)	(1,102,789,291)
Reinsurance Expenses		
PAA premium reserve release	(827,453,240)	(592,557,973)
Reinsurance Recoveries		
Actual claims recoveries	122,792,209	94,158,220
Expected release of incurred claims over the period	(174,361,042)	(120,770,301)

Expected release of risk adjustment for incurred claims	(19,092,433)	(13,421,117)
New incurred claims over the period	151,863,047	70,417,266
Increase in Present Value and Risk Adjustment of incurred claim liability	68,069,272	85,822,193
Release of deferred acquisition cost	312,421,472	200,501,914
Changes in loss recovery component	3,459,537	(549,525)
Total	465,152,062	316,158,650
Reinsurance Service Result		
Total insurance service result	262,395,444	214,526,157
Insurance finance expenses from insurance contracts issued		
Interest accreted to insurance contracts	(52,849,546)	(45,299,386)
Effect of changes in interest rates and other financial assumptions	14,083,745	(2,833,929)
	(38,765,800)	(48,133,314)
Reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts	13,637,864	11,393,699
Effect of changes in interest rates and other financial assumptions	(3,483,543)	640,184
	10,154,321	12,033,883

7. Investment income

	2023 Shs	2022 Shs
(a) Interest income determined using the effective interest rate method		
Interest from Government securities	294,218,649	234,453,735
Interest from bank deposits and current accounts	30,903,893	32,268,221
Interest on staff and mortgage loans	3,141,190	3,458,860
	328,263,732	270,180,816
(b) Other income		
Foreign exchange gain/(loss)	2,544,057	(1,189,545)
Rental income	2,383,521	2,163,604
Loss on disposal of government securities carried at fair value through other comprehensive income	-	(2,381,407)
Miscellaneous income	5,082,750	276,636
Gain on disposal of property and equipment	-	787,707
Dividend income	12,858,517	13,404,624
	22,868,845	13,061,619
(c) Fair value (loss) on quoted shares at fair value through profit or loss (Note 19(a & c))	(17,562,427)	(15,801,142)
	(17,562,427)	(15,801,142)
	333,570,150	267,441,293

NOTES (continued)**8. Other expenses**

Rent and rates	42,510	43,361
Electricity and water	2,331,607	1,679,921
Repairs and maintenance	1,871,215	753,170
Valuation fees	-	133,400
Security	1,368,552	1,256,586
Depreciation on property, plant and equipment	5,917,123	5,917,123
	11,531,006	9,783,560

9 (a) Tax

Current tax	87,279,007	71,379,852
Deferred tax (credit) (Note 21)	(6,177,021)	279,266
Tax charge	81,101,986	71,659,118

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

Profit before tax	555,823,109	436,084,459
Profit for tax purpose		
Tax calculated at the rate of 30% (2022: 30%)	166,746,933	130,825,338
Tax effect of:		
• Expenses not deductible for tax purpose underprovision in prior year	14,082,728	8,869,278
• Income not subject to tax	(99,727,675)	(68,035,498)
Tax charge	81,101,986	71,659,118

9 (b) Tax Recoverable

	2023 Shs	2022 Shs
	43,363,044	59,228,168
As at 1 January	(87,279,007)	(71,379,852)
Charge for the year	79,747,087	55,514,728
Tax paid	35,831,124	43,363,044
As at 31 December		

10. Share capital: Authorised, issued and fully paid

6,000,000 (2022: 6,000,000) ordinary shares of Shs. 100 each	600,000,000	600,000,000
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NOTES (continued)**11 (a) Revaluation reserve**

Leasehold land	60,313,009	61,160,851
Buildings	124,998,865	127,553,865
	185,311,874	188,714,716

The movement on the reserve is as follows:

Leasehold land

At start of year	61,160,851	60,234,721
Revaluation surplus	-	2,534,246
Deferred tax on revaluation surplus	-	(760,274)
Transfer of excess depreciation	(1,211,203)	(1,211,203)
Deferred tax on transfer of excess depreciation	363,361	363,361
At end of year	60,313,009	61,160,851

Buildings

At start of year	127,553,865	118,558,865
Revaluation surplus	-	16,500,000
Deferred tax on revaluation surplus	-	(4,950,000)
Transfer of excess depreciation	(3,650,000)	(3,650,000)
Deferred tax on transfer of excess depreciation	1,095,000	1,095,000
At end of year	124,998,865	127,553,865

The revaluation reserve is not distributable.

(b) Fair value reserve - Fair value through other comprehensive income

Fair value reserve - Fair value through other comprehensive income relates to valuation gains on valuation of financial instruments designated at fair value through other comprehensive income.

(c) Retained earnings

The retained earnings balance represents the amount available for distribution as dividend to the shareholders.

NOTES (continued)

12. Property and equipment

31 December 2023		Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost/Valuation						
1 January 2023		232,500,000	5,973,024	44,039,569	57,306,591	339,819,184
Additions		-	4,300,000	4,482,562	4,093,299	12,875,861
31 December 2023		232,500,000	10,273,024	48,522,131	61,399,890	352,695,045
Accumulated depreciation						
1 January 2023		4,650,000	3,228,170	32,662,959	47,388,930	87,930,059
Charge for the year		4,650,000	1,761,214	1,982,397	4,203,288	12,596,899
31 December 2023		9,300,000	4,989,384	34,645,356	51,592,218	100,526,958
Net book value		223,200,000	5,283,640	13,876,775	9,807,672	252,168,087
Year ended 31 December 2022						
Cost/Valuation						
At start of year		225,000,000	7,424,924	43,642,884	51,338,033	327,405,841
Additions		-	3,000,000	396,685	5,968,558	9,365,243
Disposal		-	(4,451,900)	-	-	(4,451,900)
Surplus on revaluation		16,500,000	-	-	-	16,500,000
Disposals		(9,000,000)	-	-	-	(9,000,000)
Transfer to Right to Use Asset						
At end of year		232,500,000	5,973,024	44,039,569	57,306,591	339,819,184

The company has rented out a portion of the building to third parties and is earning rent from it, however, in management's assessment, the portion that the company is using for administrative purposes is significant, hence the entire building has been classified as owner occupied property.

NOTES (continued)

12. Property and equipment (continued)

Year ended 31 December 2022 (continued)	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Accumulated depreciation					
At start of year	9,000,000	4,682,826	31,037,729	43,138,504	87,859,059
Disposal	-	(2,369,607)	-	-	(2,369,607)
Charge for the year	4,650,000	914,951	1,625,230	4,250,426	11,440,607
Reversal on revaluation	(9,000,000)	-	-	-	(9,000,000)
At end of year	4,650,000	3,228,170	32,662,959	47,388,930	87,930,059
Net book value	227,850,000	2,744,854	11,376,610	9,917,661	251,889,125

Leasehold land and buildings were professionally valued by R.R. Oswald & Company Limited on the basis of open market value in September 2022. 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.

Revaluation of property 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 2023	Leasehold land Shs	Buildings Shs	Total Shs
Cost	5,000,000	50,000,000	55,000,000
Elimination of accumulated depreciation	(1,262,860)	(22,000,000)	(23,262,860)
	3,737,140	28,000,000	31,737,140
Year ended 31 December 2022			
Cost	5,000,000	50,000,000	55,000,000
Elimination of accumulated depreciation	(1,206,940)	(21,000,000)	(22,206,940)
	3,793,060	29,000,000	32,793,060

NOTES (CONTINUED)**13. Intangible asset – software**

	2023 Shs	2022 Shs
Cost		
1 January 2023	57,766,182	50,855,668
Additions	15,302,271	6,910,514
31 December	73,068,453	57,766,182
Amortisation		
1 January 2023	41,399,498	34,799,619
Charge for the year	9,660,333	6,599,879
31 December 2023	51,059,831	41,399,498
Net book value	22,008,622	16,366,684

14. Prepaid lease rentals - Leasehold land

Cost		
1 January 2023	92,500,000	92,500,000
Reinstatement of cost before revaluation	-	2,534,246
Elimination of accumulated amortisation	-	(2,534,246)
31 December 2023	92,500,000	92,500,000
Accumulated depreciation		
1 January 2023	1,267,123	2,534,246
Charge for the year	1,267,123	1,267,123
Reversal for accumulated amortisation	-	(2,534,246)
31 December 2023	2,534,246	1,267,123
Carrying amount	89,965,754	91,232,877

The company lease on leasehold land is for a period of 99 years, with options to renew. The lease does not contain any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

15. Mortgage and other loans

	2023 Shs	2022 Shs
Mortgage loans		
1 January 2023	26,147,814	56,306,974
Repayment	(3,703,215)	(26,342,885)
Expected credit loss	(3,564,478)	(3,816,275)
31 December 2023	18,880,121	26,147,814
Other loans		
1 January 2023	568,775	619,391
Amount advanced	3,416,711	-
Repayment	-	(50,616)
31 December 2023	3,985,486	568,775
Total mortgage and other loans	22,865,607	26,716,589

The mortgage and other loans relates to staff mortgage loans given to staff at Fringe Rate and third party mortgage loans given at CBR Rate + 2.5%.

16. Insurance contract liabilities

	2023			2022		
	Remaining Coverage Shs	Incurred Claims Shs	Total Shs	Remaining Coverage Shs	Incurred Claims Shs	Total Shs
Insurance Contract liabilities	297,612,269	862,583,245	1,160,195,514	166,170,536	808,906,263	975,076,799
Reinsurance Contract assets	(46,049,271)	(243,281,735)	(289,331,006)	(10,859,859)	(206,648,569)	(217,508,428)
Net Closing Insurance Contract Liabilities	251,562,998	619,301,510	870,864,508	155,310,677	602,257,694	757,568,371

(a) Analysis by insurance remaining coverage and incurred claim

2023

Entries	Liability for remaining coverage		Liability for incurred claims		Total
	Excl Loss Component Shs	Loss Component Shs	Incl Risk Adjustment Shs		Shs
Opening insurance contract liabilities	165,937,997	232,539	808,906,263		975,076,799
Opening insurance contract assets	-	-	-		-
Net opening balance	165,937,997	232,539	808,906,263		975,076,799
Insurance revenue	2,042,049,313	-	-		2,042,049,313

Insurance Service expenses

Incurred claims and other directly attributable expenses	-	-	1,026,522,733		1,026,522,733
Changes that relate to past service - adjustments to the LIC	-	-	14,911,182		14,911,182
Losses on onerous contracts and reversal of those losses	-	4,544,059	-		4,544,059
Insurance acquisition cashflows amortisation	371,374,717	-	-		371,374,717
Insurance service expenses	371,374,717	4,544,059	1,041,433,915		1,417,352,692
Insurance service result	1,670,674,596	(4,544,059)	(1,041,433,915)		624,696,621

Finance income (expenses) from insurance contracts issued					294,804,350	294,804,350
Total amounts recognised in profit or loss				1,670,674,596	(4,544,059)	919,500,971
Investment components				-	-	333,570,150
Cash flows						-
Premiums received				2,178,628,989	-	2,178,628,989
Claims and other directly attributable expenses paid				-	(1,026,522,733)	(1,026,522,733)
Insurance acquisition cashflows deducted				(381,056,720)		(381,056,720)
Total cash flows				1,797,572,269	-	1,104,619,686
Net closing balance				292,835,671	4,776,598	1,160,195,514
Closing insurance contract liabilities				292,835,671	4,776,598	1,160,195,514
Closing insurance contract assets				-	-	-
Net closing balance				292,835,671	4,776,598	1,160,195,514

NOTES (continued)**16. Insurance contract liabilities (continued)**

<i>16 (b) Analysis by insurance remaining coverage and incurred claim</i>				<i>2022</i>
Entries	Liability for remaining coverage Excl Loss Component Shs	Loss Component Shs	Liability for incurred claims Incl Risk Adjustment Shs	Total Shs
Opening insurance contract liabilities	158,740,846	2,668,986	718,778,995	880,188,827
Opening insurance contract assets	-	-	-	-
Net opening balance	158,740,846	2,668,986	718,778,995	880,188,827
Insurance revenue	1,593,714,771	-	-	1,593,714,771
Insurance Service expenses				
Incurred claims and other directly attributable expenses	-	-	778,755,852	778,755,852
Changes that relate to past service - adjustments to the LIC	-	-	41,993,953	41,993,953
Losses on onerous contracts and reversal of those losses	-	(2,436,447)	-	(2,436,447)
Insurance acquisition cashflows amortisation	284,475,756	-	-	284,475,756
Insurance service expenses	284,475,756	(2,436,447)	820,749,805	1,102,789,114
Insurance service result	1,309,239,015	2,436,447	(820,749,805)	490,925,657
Finance income (expenses) from insurance contracts issued			219,307,979	219,307,979
Total amounts recognised in profit or loss	1,309,239,015	2,436,447	(601,441,826)	710,233,636
Investment components	-	-	267,441,293	267,441,293
Cash flows				-
Premiums received	1,610,895,437	-	-	1,610,895,437
Claims and other directly attributable expenses paid	-	-	(778,755,852)	(778,755,852)
Insurance acquisition cashflows deducted	(294,459,271)			(294,459,271)
Total cash flows	1,316,436,166	-	(511,314,559)	805,121,607
Net closing balance	165,937,997	232,539	808,906,263	975,076,799
Closing insurance contract liabilities	165,937,997	232,539	808,906,263	975,076,799
Closing insurance contract assets	-	-	-	-
Net closing balance	165,937,997	232,539	808,906,263	975,076,799

NOTES (continued)**16. Insurance contract liabilities (continued)***16 (c) Analysis by reinsurance remaining coverage and incurred claim***2023**

	Assets for remaining coverage Excl Loss Component Shs	Loss Component Shs	Assets for incurred claims Incl Risk Adjustment Shs	Total Shs
Opening reinsurance contract assets	10,845,966	13,893	206,648,569	217,508,428
Opening reinsurance contract liabilities	-	-	-	-
Net opening balance	10,845,966	13,893	206,648,569	217,508,428
Reinsurance Service expenses	827,453,240	-	-	827,453,240
Reinsurance Service expenses				
Incurred claims and other directly attributable expenses	-	-	122,792,209	122,792,209
Changes that relate to past service - adjustments to the LIC	-	-	26,478,845	26,478,845
Losses on onerous contracts and reversal of those losses	-	3,459,537	-	3,459,537
Insurance acquisition cashflows amortisation	312,421,472	-	-	312,421,472
Reinsurance service expenses	312,421,472	3,459,537	149,271,054	465,152,063
Reinsurance service result	515,031,768	(3,459,537)	(149,271,054)	362,301,177
Finance income (expenses) from insurance contracts issued			(10,154,321)	(10,154,321)
Total amounts recognised in profit or loss	515,031,768	(3,459,537)	(159,425,375)	352,146,856
Investment components	-	-	-	-
Cash flows				-
Reinsurance Premiums paid	862,765,088	-	-	862,765,088
Other charges				
Claims and other directly attributable expenses paid	-	-	(122,792,209)	(122,792,209)
Insurance acquisition cashflows deducted	(316,003,445)	-	-	(316,003,445)
Total cash flows	546,761,644	-	(122,792,209)	423,969,435
Net closing balance	42,575,841	3,473,430	243,281,735	289,331,006
Closing reinsurance contract liabilities	42,575,841	3,473,430	243,281,735	289,331,006
Closing reinsurance contract assets	-	-	-	-
Net closing balance	42,575,841	3,473,430	243,281,735	289,331,006

NOTES (continued)**16. Insurance contract liabilities (continued)***16 (d) Analysis by reinsurance remaining coverage and incurred claim*

2022

	Assets for remaining coverage		Assets for incurred claims	Total
	Excl Loss Component	Loss Component	Incl Risk Adjustment	
	Shs	Shs	Shs	Shs
Opening reinsurance contract assets	30,556,891	563,419	172,566,645	203,686,955
Opening reinsurance contract liabilities	-	-	-	-
Net opening balance	30,556,891	563,419	172,566,645	203,686,955
Reinsurance Service expenses	592,557,973	-	-	592,557,973
Reinsurance Service expenses				
Incurred claims and other directly attributable expenses	-	-	94,158,220	94,158,220
Changes that relate to past service - adjustments to the LIC	-	-	22,048,041	22,048,041
Losses on onerous contracts and reversal of those losses	-	(549,525)	-	(549,525)
Insurance acquisition cashflows amortisation	200,501,914	-	-	200,501,914
Reinsurance service expenses	200,501,914	(549,525)	116,206,261	316,158,650
Reinsurance service result	392,056,058	549,525	(116,206,261)	276,399,323
Finance income (expenses) from insurance contracts issued			(12,033,883)	(12,033,883)
Total amounts recognised in profit or loss	392,056,058	549,525	(128,240,144)	264,365,440
Investment components	-	-	-	-
Cash flows				-
Reinsurance Premiums paid	580,660,672	-	-	580,660,672
Other charges				
Claims and other directly attributable expenses paid	-	-	(94,158,220)	(94,158,220)
Insurance acquisition cashflows deducted	(208,315,540)			(208,315,540)
Total cash flows	372,345,132	-	(94,158,220)	278,186,912
Net closing balance	10,845,965	13,893	206,648,569	217,508,428
Closing reinsurance contract liabilities	10,845,965	13,893	206,648,569	217,508,428
Closing reinsurance contract assets	-	-	-	-
Net closing balance	10,845,965	13,893	206,648,569	217,508,428

17. Other receivables

	2023	2022
	Shs	Shs
Deposits	3,259,275	3,258,266
Sundry debtors	1,294,822	247,995
Prepayments	12,431,827	30,308,926
Expected credit loss	(8,213)	(3,759)
	16,977,711	33,811,428

18. Government securities

a) Government Securities – At amortised cost

Treasury bills and bonds maturing:

Less than 90 days from the reporting date	21,117,615	-
Between 1 and 5 years of the reporting date	307,873,629	210,767,333
After 5 years of the reporting date	1,441,862,505	1,181,546,300
Expected credit loss	(4,347,195)	(1,263,582)
	1,766,506,555	1,391,050,051

Treasury bonds whose face value is Shs.180,000,000 (2021: Shs. 184,000,000) are held under lien in favour of the Commissioner of Insurance in accordance with Section 32 of the Kenyan Insurance Act.

b) Government Securities – At fair value through other comprehensive income

Treasury bills and bonds maturing:

Between 1 and 5 years of the reporting date	222,830,227	222,755,633
After 5 years of the reporting date	481,168,991	508,300,614
Expected credit loss	(1,871,698)	(687,340)
	702,127,520	730,368,907

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

As at 1st January	730,368,907	891,796,814
Sales during the year	-	(168,142,508)
Loss on maturity of investments	-	(2,381,407)
Purchase during the year	-	50,502,500
Accrued interest	247,023	(937,778)
Expected credit loss	(1,184,358)	103,476
Fair value (loss)	(27,304,052)	(40,572,190)
As at 31st December	702,127,520	730,368,907

19. Equity investments

a) Quoted Shares At fair value through profit or loss

	2023 Shs	2022 Shs
1 January	76,832,329	92,394,025
Fair value loss	(16,736,528)	(15,561,696)
31 December	60,095,801	76,832,329

NOTES (continued)**19. Equity investments (continued)***b) Quoted Shares At fair value through other comprehensive income*

1 January	88,866,981	104,187,168
Disposals		
Additions	-	-
Fair value loss	(17,423,515)	(15,320,187)
31 December	71,443,466	88,866,981

c) Collective investment scheme

1 January	6,863,175	7,102,621
Fair value loss	(825,899)	(239,446)
31 December	6,037,276	6,863,175

20. Cash and cash equivalents*a) Cash at bank and in hand*

Cash and cash equivalents	73,998,730	55,593,563
Expected credit loss Allowance	(2,139,504)	(1,601,149)
	71,859,226	53,992,414

b) Deposits with financial institutions maturing:

Below three months from the reporting date	50,972,329	180,253,548
After three months from the reporting date	310,991,840	201,298,464
Expected credit loss Allowance	(10,424,562)	(10,646,882)
	351,539,607	370,905,130

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	50,972,329	180,253,548
Cash at bank and in hand	73,998,730	55,593,563
	124,971,059	235,847,111

NOTES (continued)**21. Deferred tax**

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

	2023 Shs	2022 Shs
At start of year	72,049,855	66,060,315
Charge to other comprehensive income	-	5,710,274
(Credit) to profit or loss (Note 9)	(6,177,021)	279,266
At end of year	65,872,834	72,049,855

Deferred tax (asset)/liability in the statement of financial position and deferred tax credit to profit or loss and other comprehensive income are attributable to the following items:

2023	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Deferred tax liability			
Property and equipment			
- historical cost	(941,347)	(1,479,536)	(2,420,883)
- revaluation	84,730,683	-	84,730,683
Provisions	(11,739,483)	(4,697,485)	(16,436,967)
Net deferred tax liability	72,049,855	(6,177,021)	65,872,834

2022	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Deferred tax liability			
Property and equipment			
- historical cost	(443,016)	(498,331)	(941,347)
- revaluation	79,020,409	5,710,274	84,730,683
Provisions	(12,517,079)	777,596	(11,739,483)
Net deferred tax liability	66,060,314	5,989,540	72,049,855

22. Other payables

	2023 Shs	2022 Shs
Accrued expenses	6,481,305	9,257,128
Other liabilities	68,868,903	64,038,130
	75,350,208	73,295,258

NOTES (continued)**23. Cash from operations**

	2023 Shs	2022 Shs
Reconciliation of profit before tax to cash from operations:		
Profit before tax	555,823,109	436,084,459
Adjustments for:		
Depreciation on property and equipment (Note 12)	12,596,899	11,440,607
Amortisation of leasehold land (Note 14)	1,267,123	1,267,123
Amortisation of intangible assets (Note 13)	9,660,333	6,599,879
Gain on disposal of property and equipment (Note 7 (b))	-	(787,707)
Expected credit loss (Note 3.2(c))	13,019,564	(2,996,248)
Fair value loss on quoted shares through profit or loss (Note (19)(a))	16,736,528	15,561,696
Fair value loss on unquoted shares through profit or loss (Note (19)(c))	825,899	239,446
Accrued Interest movement on Government securities - Fair value through other comprehensive income (Note 18 (b))	(247,023)	937,778
Loss on maturity of - Available-for- sale assets(Note 7(b))	-	2,381,407
Changes in working capital:		
- Increase in reinsurance contract assets	(78,569,317)	(13,992,567)
-(decrease)/increase in other receivables	16,829,263	(12,760,549)
- Insurance contract liabilities	183,182,552	99,574,360
- increase in other payables	2,054,952	35,510,461
Cash from operations	733,179,881	579,060,145

24. Related party disclosures

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>i) Transactions with related parties</i>	2023 Shs	2022 Shs
Gross premiums written	131,193,853	117,656,976
Gross claims incurred	11,435,565	10,164,416
Commission paid	24,330,488	21,824,038
<i>ii) Outstanding balances</i>		
Outstanding premiums	(11,897,332)	(21,298,573)
Claims payable		
Prime Bank Limited	2,204,796	20,000
Prime Merchant Insurance Agency	11,278,282	12,201,091
	13,483,078	12,221,091
Deposits with Prime Bank Limited	337,166,087	340,776,066
Current account balances with Prime Bank Limited	74,288,323	55,595,720

NOTES (CONTINUED)**24. Related party transactions and balances (continued)***Claims payable (continued)*

	2023 Shs	2022 Shs
Staff mortgage loans	10,809,636	14,046,072
Staff motor vehicle loans	3,984,222	47
<i>iii) Directors' remuneration</i>		
Fees for services as a director	3,780,000	2,616,139
Other emoluments	3,960,000	4,620,000
<i>iv) Key management compensation</i>		
Remuneration of senior management	118,754,564	98,019,691

25. 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:

	2023 %	2022 %
Government securities	11.92	11.05
Deposits with financial institutions	8.79	8.70
Mortgage and other loans	13.74	12.95

26. Dividend

The directors recommend payment of final dividend of Shs 198,000,000 for the year. (2022: Shs 252,000,000). During the year, no interim dividend was declared (2022: NIL)

Therefore, total dividend for the year ended 31 December 2023 was Shs 33 per share (2022: Shs 42 per share) amounting to a total of Shs. 198,000,000 (2022: Shs 252,000,000)

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 2023.

Payment of dividend is subject to withholding tax at a rate of 0%, 5% or 15% depending on the tax status or residency of the shareholder.

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.

28. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of the Director's Report.



A Symbol of Trust Security and Progress

Tausi Assurance Company Limited

Tausi Court, Tausi Road, off Muthithi Road, Westlands

P. O. Box 28889, City Sq. Nairobi 00200

Telephone: 3746602/03/17, (020) 2312681/5/93

Cell: (+254) 0709914000/0729 145888/0735 145020

E-mail: clients@tausiassurance.com

Mbsa Office: 0727 914000 • Email: msaoffice@tausiassurance.com

Website: www.tausiassurance.com

