Geminia Insurance Company Limited

Annual Report & Financial Statements

2021

Think Insurance... Think Geminia

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	:	B.J. Ndegwa	
	:	T. N. Kimani	
	:	S.J. Njoroge	
	:	H.D. Vaya	
	:	L.N. Githunguri	
	:	P.N. Gathuri	
	:	D.M. Maina	(Retired on 01 January 2021)
	:	A.J. Boinett	(Retired on 01 January 2021)
	:	M.A. Onyonyi	(Retired on 01 January 2021)
	:	B.P. Shah	(Retired on 01 January 2021)
	:	T. Kariuki	(Retired on 01 January 2021)

KEY MANAGEMENT	:	B.J. Ndegwa	Managing Director
	:	J. Muketha	General Manager
	:	S. Reel	Head of Finance
	:	N. Mwathi	Head of Legal and Corporate Affairs
	:	E. Muhungi	Head of Underwriting
	:	M. Waweru	Head of Marketing & Business Development
	:	M. Mbuciri	Head of Reinsurance
	:	L. Kamura	Head of Claims
	:	J. Ngida	Actuarial Manager
	:	R. Mwangi	Risk & Compliance Manager
	:	W. Kibet	I.C.T. Manager
	:	A. Kosgey	Investment Manager
	:	J. Njoroge	Human Resources Manager
	:	L. Machanga	Head of Internal Audit

REGISTERED OFFICE	:	Plot No. L.R. 209/6523
	:	Geminia Insurance Plaza
	:	Kilimanjaro Avenue, Upper Hill
	:	P.O. Box 61316,00200
	:	NAIROBI

PRINCIPAL PLACE OF BUSINESS:

	:	Le'mac Building
	:	Fifth Floor
	:	Church Road
	:	P.O. Box 61316,00200
	:	NAIROBI

INDEPENDENT AUDITOR	:	PKF Kenya LLP
	:	Certified Public Accountants
	:	P.O. Box 14077, 00800
	:	NAIROBI

COMPANY INFORMATION *(CONT)*

COMPANY SECRETARY	:	Commercial Registrars
	:	Certified Public Secretary
	:	P.O. Box 49925,00100
	:	NAIROBI
PRINCIPAL BANKERS	:	Victoria Commercial Bank Limited
	:	NAIROBI
	:	I&M Bank Limited
	:	NAIROBI
	:	Prime Bank Limited
	:	NAIROBI
	:	Gulf African Bank Limited
	:	NAIROBI
	:	Diamond Trust Bank Kenya Limited
	:	NAIROBI
SUBSIDIARY	:	Geminia Life Insurance Company Limited
	:	NAIROBI

CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements for Geminia Insurance Company Limited for the year ended 31st December 2021.

2021 was a tough year for our business in many respects and tested our Company's resilience and resourcefulness. The operating environment was very volatile against a backdrop of rising inflation and slow growth as the Kenyan economy grappled with the after effects of the Covid-19 pandemic which drastically affected revenue generation for key sectors such as transport, hospitality, and aviation. However, we adopted to the changes in the environment and re-engaged our business partners to preserve our market share as well as achieve sustainable and profitable growth.

Demerger of Life insurance business

One of the key milestones for the Company was the successful completion of the demerger of its short-term and long-term businesses following the transfer its Life business (including assets and liabilities) to Geminia Life Insurance Company. The two companies are now geared to deliver on their strategic objectives and increase shareholder value in the long term.

Financial Performance

The Company attained a Gross Earned Premium of Kshs. 4.8 Billion, down from Kshs. 5.1 Billion in 2020. The main reasons for the decline in revenue was the aftershock of the Covid -19 pandemic as well as a deliberate shift by the business to focus on growing a sustainable and profitable customer base.

Despite the challenging operating environment, the Company posted a Profit before tax of Kshs. 75 Million, which represented a 7% return on investment on the shareholders' capital. The total assets grew by 4% to close at Kshs. 7.7 Billion and the Capital Adequacy Ratio increased to 134% with fully paid-up share capital of Kshs. 1 Billion.

I am pleased to report that the Board of Directors has recommended a final dividend of Shs. 1 per share for financial year 2021 amounting to Kshs. 50,312,000.

Strategy plan 2022-2026

The year 2022 is a special one for the Company as it marks the beginning of a new five-year strategic period. There is focus on the progressive and sustained realization of value to our customers and stakeholders. Our Strategic plan seeks to consolidate the acquired growth and build on the momentum already established to ensure the Company maintains the upward trajectory of gross written premiums, as well as proactively build a sustainable business model that ensures reasonable bottom line.

The Board will continue monitoring the Company's delivery of the new strategy. There will be increased attention on sustainably growing the business and investment in technology to enhance the customer value proposition by ensuring efficiency, effectiveness, adaptability and simplification of interactions by leveraging on the emerging technologies applicable to insurance.

CHAIRPERSON'S STATEMENT *(CONT)*

Future Outlook 2022

Our outlook is bright despite an uncertain environment. Whilst uncertainties persist in relation to COVID-19 pandemic, and the geopolitical landscape, we see plenty of opportunities that are compelling. The momentum in our business is strong and with new strategic priorities, there is energy and drive to build a stronger and more sustainable business that we can continue to be proud of. I am confident that the Company's robust and diversified strategy will deliver above-market returns to the shareholders.

Appreciation

On behalf of the Board, I wish to extend my sincere gratitude to all our customers, business partners, service providers, shareholders and regulatory authorities for their trust and steadfast support throughout the year.

I would like to recognize and appreciate the management and staff of the Company for their hard work and loyalty which has been instrumental in reinforcing Geminia's position as a leading insurer within the Kenyan insurance market.

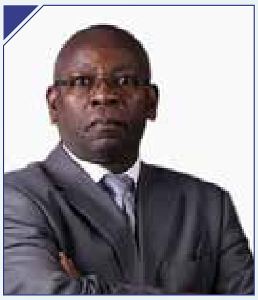
Lastly, I thank my fellow directors for their contribution, dedication, and wise counsel as we work together to propel this great organization to higher heights.

T.N. KIMANI

CHAIRPERSON

BOARD OF DIRECTORS

T.N. KIMANI
Chairperson



B.J. NDEGWA
Managing Director

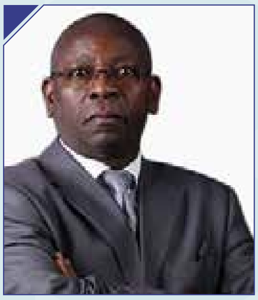
H.D. VAYA
Director

S.J. NJOROGE
Director

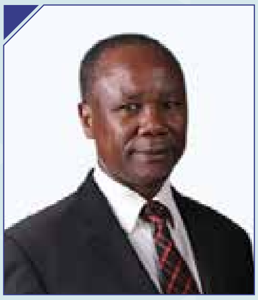
L.N. GITHUNGURI
Director

P.N. GATHURI
Director

KEY MANAGEMENT TEAM



B.J. NDEGWA
Managing Director



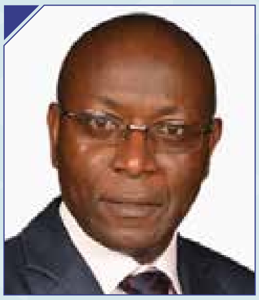
J. MUKETHA
General Manager

S. REEL
Head of Finance

N. MWATHI
Head of Legal & Corporate Affairs

E. MUHUNGI
Head of Underwriting

M. WAWERU
Head of Marketing & Business Development



M. MBUCIRI
Head of Reinsurance

L. KAMURA
Head of Claims

J. NGIDA
Actuarial Manager

R. MWANGI
Risk & Compliance Manager

W. KIBET
Head of I.C.T.

L. MACHANGA
Head of Internal Audit

A. KOSGEY
Investment Manager

J. NJOROGE
Human Resources Manager

CORPORATE GOVERNANCE STATEMENT

Geminia insurance limited is committed to the best principles of corporate governance. The Company is a responsible corporate citizen, with a Board of Directors that is committed to the principles of integrity and accountability. Geminia complies with the law and accepted corporate practices.

BOARD OF DIRECTORS

The Board of Directors meets at least once every quarter. The Board has delegated the authority for day-to-day management of the company to the Principal Officer. However, the Board retains overall responsibility for performance in financial, compliance, monitoring, and operations areas.

BOARD COMMITTES

To assist the Board in the discharge of its responsibilities four sub-committees have been established.

HR COMMITTEE

The Human Resource committee meets as frequently as required but at least once every quarter. The committee is responsible for reviewing and assessing the company's human resources and procedures in the context of the regulatory environment and the enhancement of corporate and individual performance.

The members of the committee are:

No.	Name	Role
1.	Mr. S. J. Njoroge	Chairperson
2.	Ms. L. N. Githunguri	Member
3.	Mr. H. D. Vaya	Member
4.	Mr. B.J. Ndegwa	Member

FINANCE & INVESTMENT COMMITTEE

The Finance and investment Committee meets as frequently as required but at least once every quarter. They are responsible for overseeing matters related to the financial affairs of the company, reviewing the company's investment policy, as well as monitor the performance of its investment portfolio.

The members of the committee are:

No.	Name	Role
1.	Ms. P. N. Gathuri	Acting Chairperson
2.	Ms. T. N. Kimani	Member
3.	Mr. B.J. Ndegwa	Member

CORPORATE GOVERNANCE STATEMENT *(CONT)*

RISK MANAGEMENT COMMITTEE

Risk Management Committee meets as frequently as required but at least once every quarter and looks at the risk exposures of the organization vis-a-vis the operating and external environment and advises necessary steps to mitigate and manage those risks.

The members of the committee are:

No.	Name	Role
1.	Mr. H. D. Vaya	Chairperson
2.	Mr. S. J. Njoroge	Member
3.	Ms. L. N. Githunguri	Member
4.	Mr. B. J. Ndegwa	Member

AUDIT COMMITTEE

Audit Committee meets as frequently as required but at least once a quarter and is chaired by a non-executive director. One of its main responsibilities is to strengthen the effectiveness of internal and external audit functions, as well as managing information and internal control systems.

The members of the committee are:

No.	Name	Role
1.	Ms. P. N. Gathuri	Chairperson
2.	Ms. T. N. Kimani	Member
3.	Mr. B.J. Ndegwa	Member

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the company and the company.

COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act 2015, as a private limited liability company and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The company conducts all classes of general insurance as defined by the Kenyan Insurance Act.

COMPANY'S BUSINESS REVIEW

During the year, the company's gross premiums earned decreased from Shs. 5,084,176,000 to Shs. 4,823,954,000 representing a 5% decline in growth. The decline follows effects of the impending COVID-19 pandemic which adversely affected businesses mainly in transport, hospitality and aviation sectors, downward review of salaries, retrenchment of employees and job losses leading to reduced purchasing power as well as imposition of the curfew by the Government in a bid to contain the spread of the pandemic.

Total assets fell by 4% from Shs. 7,376,248,000 to Shs 7,667,142,000. The profit before tax decreased from Shs 475,780,000 to Shs 75,258,000 reflecting the effects of decrease in investment income, increase in claims and increase in operating expenses.

	Short term business 2021 Shs'000	Short term business 2020 Shs'000	Long term business 2020 Shs'000	Total 2020 Shs'000
Key performance indicators				
Gross earned premiums	4,823,954	5,084,176	990,304	6,074,480
Net claims payable	(2,819,368)	(2,772,777)	(377,737)	(3,150,514)
Investment and other income	292,772	302,763	140,741	443,504
Profit before tax	75,258	475,780	75,948	551,728
Total assets	7,667,142	7,376,248	2,292,753	9,669,001
Net assets	2,049,360	2,237,892	542,613	2,780,505
Claims ratio (%)	73%	68%	87%	69%
Commission payable ratio (%)	16%	15%	21%	16%
Expense ratio (%)	27%	24%	40%	26%

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, marketing strategies and innovativeness to obtain market share and other factors such as the impact of coronavirus outbreak. The directors continue to monitor this situation closely with a view to assessing and mitigating its impact on the company.

In addition to the business risks discussed above, the company's activities expose it to a number of financial risks which are described in detail in Note 4 to the financial statements.

REPORT OF THE DIRECTORS *(CONT)*

TRANSFER OF LIFE BUSINESS

At start of the year on 1 January 2021 the company transferred its Life business (including all the assets and liabilities) to Geminia Life Insurance Company Limited. The company has discontinued operating the Life business. The Insurance Regulatory Authority approved the transfer on 30 October 2020. The two companies are under common control.

DIVIDEND

The directors propose a final dividend of Shs. 1 per share (2020: Shs. 2.50 per share) amounting to total of Shs. 50,312,000 (2020: Shs. 125,781,000).

During the year, an interim dividend of Shs. 13.7 per share (2020: Nil) amounting to a total of Shs. 662,559,000 was paid. The total dividend for the year is therefore Shs. 14.7 per share amounting to a total of Shs. 712,871,000 (Shs. 125,781,000).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 4.

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

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 person is aware, no relevant audit information of which the company's auditor is unaware; and
(b) the person has taken all the steps that the person 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.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya LLP, continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

CHAIRPERSON
NAIROBI

28th April 2022

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 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 International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

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

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2021 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements, the directors have assessed the company's ability to continue as a going concern as disclosed in Note 2(a). Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

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 28th April 2022 and signed on its behalf by:

DIRECTOR **DIRECTOR**

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of Geminia Insurance Company Limited as at 31 December 2021.

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

In completing the actuarial valuation, I have relied upon the audited financial statements of the company.

In my opinion, the non-life business was financially sound and the value of actuarial liabilities did not exceed the claims and premium reserves held by the Company.

Ezekiel Macharia Mburu
Kenbright Actuarial and Financial Services Ltd

KENBRIGHT ACTUARIAL AND FINANCIAL SERVICES

28th April 2022

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GEMINIA INSURANCE COMPANY LIMITED

Opinion

We have audited the financial statements of Geminia Insurance Company Limited set out on pages 20 to 74, which comprise the statement of financial position as at 31 December 2021, and 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 Geminia Insurance Company Limited's financial position as at 31 December 2021 and it's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Insurance contract liabilities

The directors exercise significant judgement in estimation of outstanding reported claims and Incurred But Not Reported (IBNR) claims. Accounting policy (b), included in Note 2 to the financial statements describes the basis for such provisions and Note 32 to the financial statements sets out the disclosures in respect of these provisions. Such provisions are based on multiple sources of information including models developed that rely on historical experience of claims. Because of the complexity of such models, the degree of judgement and estimation involved and the quantum of these provisions, the audit of insurance contract liabilities is a key audit matter.

Our audit procedures included testing the key controls over the claims recording procedures, including controls over the completeness and accuracy of the data that supports the models used in estimating the insurance contract liabilities. In testing the reasonability of the estimates and assumptions used by management, we reviewed the historical experience of claims incurred against provisions recognised.

We also reviewed the trend in claims over the recent past, including our knowledge of the industry to determine overall reasonability of the provisions recognised.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF GEMINIA INSURANCE COMPANY LIMITED
(Continued)

Expected credit loss provision on receivables

The directors exercise significant judgement in making provisions for receivables arising out of direct insurance arrangements and reinsurance arrangements based on various risk categories and classifications in Note 2(a) to the financial statements as well as the level of expected credit loss necessary for each category of receivables which is based on the company's past experience and relevant consideration of forward looking factors. Because of the significance of these judgements and the quantum of the receivables from direct insurance arrangements and reinsurance arrangements, the audit of the expected credit loss provisions is a key audit matter.

Our audit procedures included evaluating the design and implementation of key controls over the underwriting process and testing of the ageing of the outstanding receivables. We reviewed the actual history of a sample of past due receivables in order to understand the collection trends of previously aged debtors, as well as the adequacy of the allowance for doubtful accounts, including the appropriateness of the methodology used and assumptions made in- computing the allowance. We also assessed the adequacy of the credit risk disclosures as included under Note 4(b) to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises all information included in the annual report and financial statements but excludes the financial statements and report of the independent auditor.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
When we read the other reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Directors for the Financial Statements

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GEMINIA INSURANCE COMPANY LIMITED *(Continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of 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 '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.

GEMINIA INSURANCE CO.LTD.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF GEMINIA INSURANCE COMPANY LIMITED *(Continued)*

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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

In our opinion the information given in the report of the directors on pages 12 and 13 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's eport is CPA Mehul Bhavsar, Practising certificate No. 1818.

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For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya

28th April 2022

394/22

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Short term business 2021 Shs'000	Short term business 2020 Shs'000	Long term business 2020 Shs'000	Total 2020 Shs'000
Gross earned premium	5	4,823,954	5,084,176	990,304	6,074,480
Less: premium ceded to reinsurers		(986,648)	(985,134)	(554,836)	(1,539,970)
Net earned premiums		**3,837,306**	**4,099,042**	**435,469**	**4,534,510**
Investment and other income	6	292,772	302,763	140,741	443,504
Commissions earned		361,174	388,624	137,327	525,951
Total income		**4,491,252**	**4,790,429**	**713,537**	**5,503,966**
Claims and policy holder benefits payable	7	3,248,467	3,263,034	887,107	4,150,141
Less: amounts recoverable from reinsurers		(429,099)	(490,257)	(475,084)	(965,342)
Increase in insurance contract liability		-	-	(34,286)	(34,286)
Net claims payable		**2,819,368**	**2,772,777**	**377,737**	**3,150,514**
Operating and other expenses	8(a)	1,052,083	989,438	175,476	1,164,914
Commissions payable		615,306	628,224	92,748	720,972
Impairement losses on financial assets	8(c)	(70,763)	(75,790)	(8,372)	(84,163)
Total management expenses		**1,596,626**	**1,541,872**	**259,852**	**1,801,724**
Profit before tax for the year		**75,258**	**475,780**	**75,948**	**551,728**
Tax	9	(27,252)	(119,841)	(28,611)	(148,452)
Profit for the year		**48,006**	**355,939**	**47,337**	**403,276**
Other comprehensive income					
Changes in fair value of financial assets (Note 26)		9,189	(32,154)	-	(32,154)
Other comprehensive income for the year		9,189	(32,154)	-	(32,154)
Total comprehensive income for the year		**57,195**	**323,785**	**47,337**	**371,122**

The notes on pages 24 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 16 to 19.

STATEMENT OF FINANCIAL POSITION

	Notes	Short term business 2021 Shs'000	Short term business 2020 Shs'000	Long term business 2020 Shs'000	Total 2020 Shs'000
CAPITAL EMPLOYED					
Share capital	10	1,006,250	606,250	400,000	1,006,250
Retained earnings	11 (a)	956,569	1,478,822	-	1,478,822
Statutory reserve	11 (b)	-	-	142,613	142,613
Proposed dividends	42	50,312	125,781	-	125,781
Fair value reserve		36,228	27,039	-	27,039
Shareholders' funds		2,049,360	2,237,892	542,613	2,780,505
REPRESENTED BY:					
Assets					
Property, plant and equipment	13	590,170	604,779	75	604,854
Investment properties	14	1,035,000	1,020,000	-	1,020,000
Right-of-use assets	15 (a)	41,440	51,620	-	51,620
Intangible assets	17	83,840	101,854	-	101,854
Receivables arising out of reinsurance arrangements	18	1,114,559	803,765	61,595	865,360
Receivables arising out of direct insurance arrangements	19	545,393	905,378	170,959	1,076,336
Other receivables and prepayments	20	67,030	170,662	437,733	608,395
Deferred acquisition costs	21	255,136	285,873	-	285,873
Government securities	22	1,056,274	849,902	753,040	1,602,942
Deposits with financial institutions	23	1,306,502	1,427,951	590,605	2,018,556
Loans receivables	24	101,178	102,649	7,837	110,486
Quoted shares at fair value through other comprehensive income	26	152,422	141,935	-	141,935
Unquoted investments	27	7,681	7,612	-	7,612
Investment in subsidiaries	28	86,571	86,571	-	86,571
Reinsurers' share of insurance liabilities	29	788,088	632,318	249,758	882,076
Cash and cash equivalents	31	239,813	56,783	21,152	77,935
Deferred income tax	30	-	22,723	-	22,723
Tax recoverable		196,044	103,873	-	103,873
Total assets		7,667,142	7,376,248	2,292,753	9,669,000
Liabilities					
Tax payable		-	-	7,860	7,860
Borrowings	11 (c)	70,550	13,958	-	13,958
Lease liabilities	15 (b)	35,808	46,339	-	46,339
Deferred income tax	30	4,529	-	64,373	64,373
Insurance contract liabilities	32	2,134,575	2,085,433	1,241,592	3,327,025
Un-earned premium reserves	33	2,285,840	2,317,394	-	2,317,394
Creditors arising from reinsurance arrangements	34	68,170	268,968	70,884	339,852
Payable under deposit administration contracts	38	-	-	307,580	307,580
Other payables	35	1,018,311	406,264	57,852	464,116
Total liabilities		5,617,782	5,138,356	1,750,140	6,888,495
Net assets		2,049,360	2,237,892	542,613	2,780,505

The financial statements on pages 20 to 74 were approved and authorised for issue by the Board of Directors on 28th April 2022 and were signed on its behalf by:

Director

Director

Principal Officer

Company Secretary

The notes on pages 24 to 74 form an integral part of these financial statements.
Report of the independent auditor - pages 16 to 19.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs'000	Retained earnings Shs'000	Fair value reserve Shs'000	Proposed dividends Shs'000	Statutory reserve Shs'000	Total Shs'000
Year ended 31 December 2021							
At start of year		1,006,250	1,478,822	27,039	125,781	142,613	2,780,505
Total comprehensive income for the year:							
- Profit for the year		-	48,006	-	-	-	48,006
- Other comprehensive income	41	-	-	9,189	-	-	9,189
Transfer of Geminia Life business reserves		-	142,613	-	-	(142,613)	-
Transactions with owners:							
Dividends:							
- Final for 2020 (paid)	42	-	-	-	(125,781)	-	(125,781)
- Interim for 2021 (paid)		-	(662,559)	-	-	-	(662,559)
- Final for 2021 (proposed)	42	-	(50,312)	-	50,312	-	-
At end of year		1,006,250	956,569	36,228	50,312	-	2,049,360
Year ended 31 December 2020							
At start of year		805,000	1,449,914	59,193	161,000	95,276	2,570,383
Total comprehensive income for the year:							-
- Profit for the year		-	355,939	-	-	47,337	403,276
- Other comprehensive income		-	-	(32,154)	-	-	(32,154)
Transactions with owners:							
Issue of ordinary share capital	10	201,250	(201,250)	-	-	-	-
Dividends:							
- Final for 2019 (paid)	42	-	-	-	(161,000)	-	(161,000)
- Final for 2020 (paid)	42	-	(125,781)	-	125,781	-	-
At end of year		1,006,250	1,478,822	27,039	125,781	142,613	2,780,505

The notes on pages 24 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 16 to 19.

STATEMENT OF CASH FLOWS

	Notes	2021 Shs'000	2020 Shs'000
Operating activities			
Cash (used in) operations	36	(456,552)	(198,043)
Tax paid		(100,031)	(246,241)
Net cash (used in) operations		(556,583)	(444,284)
Investing activities			
Purchase of property, plant and equipment	13	(14,078)	(11,405)
Purchase of intangible assets	17	(2,946)	(900)
Net purchase of government securities		526,905	(91,566)
Net purchase of unquoted investments		(10,418)	-
Net movement in quoted shares at fair value through other comprehensive income		9,051	-
Interest income received		204,288	350,914
Dividend received	6	5,591	10,667
Net cash from investing activities		718,392	257,710
Financing activities			
Dividends paid to ordinary shareholders	42	(788,340)	(161,000)
Net cash (used in) financing activities		(788,340)	(161,000)
(Decrease) in cash and cash equivalents		(626,531)	(347,574)
Movement in cash and cash equivalents			
At start of year		2,102,296	2,449,870
(Decrease)		(626,531)	(347,574)
At end of year	31	1,475,765	2,102,296

The notes on pages 24 to 74 form an integral part of these financial statements.

Report of the independent auditor - pages 16 to 19.

NOTES

1. General information

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 as private limited liability Companies and are domiciled in Kenya. The address of their registered offices are:

Plot No. L.R. 209/6523
Geminia Insurance Plaza
Kilimanjaro Avenue, Upper Hill
P.O. Box 61316, 00200
NAIROBI

The company conducts all classes of general insurance as defined by the Kenyan Insurance Act.

2. Summary of significant accounting policies below.

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

a) Basis of preparation

The financial statements do not incorporate the results of the subsidiary and thus should be treated as separate financial statements. Consolidated financial statement are available separately.

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 value in use in IAS 36 - Impairment of Assets.

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

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

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

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 4.

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)
a) Basis of preparation (continued)

Going concern

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

New 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 2021. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the company. The company intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021)

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.

- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards 'Subsidiary as a first-time adopter' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

- Amendments to IFRS 3 Business Combinations - The amendments added an exception to the the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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

- Amendment to IFRS 9 Financial Instruments 'Fees in the'10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss "should be recognized fully when the transaction involves a business, and partially if it involves" assets that do not constitute a business.

- IFRS 17 'Insurance Contracts' (issued in May 2017), effective for annual periods beginning on or after 1 January 2023, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

The directors expect that the future adoption of IFRS17 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards

The directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The company plans to apply the changes above, if applicable, from their effective dates.

b) Insurance contracts

The company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

· That are likely to be a significant portion of the total contractual benefits;
· Whose amount or timing is contractually at the discretion of the company; and

That are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract;

- realised and/or unrealised investment returns on a specified pool of assets held by the company; or

- the profit or loss of the company, fund or other entity that issues the contract.
  Local statutory regulations and the terms and conditions of these contracts set out the basis for th

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

b) Insurance contracts (continued)

determination of the amounts on which the additional discretionary benefits are based (the DPF-discretionary participation feature eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a Company (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the relevant local appointed actuary.

Recognition and measurement

Insurance contracts and investment contracts are classified into various categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Premium income

For general insurance business, premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium.

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

Claims and policy benefits payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims.

Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date.

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

Commissions

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

b) Insurance contracts (continued)

Reinsurance contracts held

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

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

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

The company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets (Note 2 (i)).

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivables are impaired, the company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the income statement. The company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets (Note 2 (i)).

Salvage and subrogation reimbursements

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

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

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

c) Other income

Interest income

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

Dividend income

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

Rental income

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

d) Investment in subsidiaries/Consolidation

Subsidiaries are all entities (including special purpose entities) over which the company has the power to govern the financial and operating policies. Control is achieved when the company; has power over the trustee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The company also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the company's voting rights relative to the size and dispersion of holdings of other shareholders give the company the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Assets, liabilities, income and expenses liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

e) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and any accumulated impairment lossses (except as stated below).

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

Leasehold land and 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.

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

	Rate %
Land and buildings	Over the period of the lease
Furniture and fittings	12.5
Office equipment	12.5
Computer equipment	20
Motor vehicles	25
Generator	12.5

Capital work in progress is not depreciated
Assets are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

e) Property, plant and equipment

An item of property, plant 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, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

f) Investment properties

Investment properties are properties held to earn rentals and for capital appreciation. Investment property, which can include right-of-use assets, is initially recognized at cost including the transaction costs. Subsequently, investment properties are carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external registered values. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognised as an expense in the year which it is incurred.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

g) Intangible assets

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

h) Impairment of non-financial assets and intangible assets other than goodwill

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.

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

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

i) 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.

i) Amortised cost:

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

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.

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

- Financial assets (continued)

Derecognition/write off (continued)

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 FVTOCI are subject to impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

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 profit or loss (FVTPL):

- Receivables arising out of direct reinsurance arrangements
- Receivables arising out of direct insurance arrangements
- Amounts due from bodies engaged in insurance business
- Other receivables and prepayments
- Government securities
- Unquoted investment
- Loan receivables
- Deposits with financial institutions
- Cash and cash equivalents

The loss allowance is measured at an amount equal to the lifetime expected credit losses for receivables arising out of direct insurance arrangements 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 receivables arising out of direct insurance arrangements has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

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

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

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

- Financial assets (continued)

Impairment (continued)

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

Financial liabilities

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

- All other financial liabilities are classified and measured at amortised cost.

- All financial liabilities are recognised initially at fair value and, in the case of loans and and borrowings and payables, net of directly attributable transaction costs.

- All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the 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.

Derecognition

A financial liability is 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 presented in the statement of financial position when there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at 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.

k) Employee entitlements

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

NOTES *(Continued)*

2. *Summary of significant accounting policies (continued)*

l) 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 employees of the Company are also members of the National Social Security Fund ("NSSF").

The Company's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate. The Company has no further obligation once the contributions have been paid.

m) Accounting for leases

The Company as lessee

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.

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 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.

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.

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.

NOTES *(Continued)*

2. Summary of significant accounting policies (continued)

m) Accounting for leases (continued)

The Company as lessor (continued)

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 investment property in the statement of financial position.

n) Taxation

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

In this 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.

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.

o) Dividends

Proposed dividends are disclosed as a separate component of equity until declared.
Dividends are recognised as a liability in the year in which they are approved by the shareholders.

p) Share capital

Ordinary shares are classified as equity.

q) Comparatives

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

NOTES *(Continued)*

3. 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 assumptions and judgements set-out below do not consider the full potential impact of the recent coronavirus outbreak as it is diffucult at this stage to predict the full potential impact of this on the financial statements of the Company.

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) 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 groups of similar financial assets for the purposes of measuring ECL.

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

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

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

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

NOTES *(Continued)*

3. Critical accounting estimates and judgments (continued)

(a) Measurement of expected credit losses (ECL) (continued)

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that 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 financial 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 note 4.

(b) Useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property 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 and depreciation methods of property and equipment, right-of-use assets and intangible assets are disclosed in notes 13, 15(a) and 17 respectively.

c) Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

NOTES *(Continued)*

3. Critical accounting estimates and judgments (continued)

(c) Accounting for leases under IFRS 16 (continued)

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in notes 15(a) and 15 (b) respectively.

(d) The ultimate liability arising from claims made under insurance contracts

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

Judgement is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not yet reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Note 32 contains further details on this process.

(e) Valuation of investment property

The company carries investment properties at fair value, with changes in fair value being recognised through profit or loss. The investment properties were valued based on open market value by independent valuers. The valuation methodologies used refered to properties of similar nature, location and condition among other factors which are highly judgemental.

4. Management of insurance and financial risk

Insurance risk

The company's activities expose it to a variety of risks, including insurance risk and financial risk (credit risk, and the effect changes in debt and equity market prices, foreign currency exchange rates 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.

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Insurance risk (continued)

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.

a) Short term insurance contracts

i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

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

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The concentration of insurance risk before and after reinsurance by class in relation to the type of casualty insurance risk accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts:

NOTES *(Continued)*

4. *Management of insurance and financial risk (continued)*
Insurance risk (continued)

a) Short term insurance contracts (continued)
i) Frequency and severity of claims (continued)

Concentration by class of business and maximum insured loss

Year ended 31 December 2021

		Maximum insured loss			
		Shs 3 - Shs 15m - Shs'000	Shs 15- Shs 255m Shs'000	Shs 250- Shs 1000m Shs'000	Total Shs'000
Motor	Gross	143,120,849	529,198,254	-	672,319,103
	Net	143,943,149	526,905,712	-	670,848,861
Fire	Gross	16,198,317	194,691,354	142,045,731	352,935,402
	Net	16,402,228	169,831,555	17,479,909	203,713,693
Personal	Gross	3,897,118	8,953,081	4,666,841	17,517,040
	Net	4,075,352	2,978,215	-	7,053,567
Other	Gross	60,763,158	203,937,641	93,897,290	358,598,089
	Net	60,906,760	168,229,485	28,746,454	257,882,699
Total	**Gross**	**223,979,442**	**936,780,330**	**240,609,861**	**1,401,369,634**
	Net	**225,327,489**	**867,944,968**	**46,226,363**	**1,139,498,819**

Year ended 31 December 2020

		Maximum insured loss			
		Shs 3 - Shs 15m - Shs'000	Shs 15- Shs 255m Shs'000	Shs 250- Shs 1000m Shs'000	Total Shs'000
Motor	Gross	123,414,595	510,469,067	-	633,883,662
	Net	123,164,284	509,191,631	-	632,355,915
Fire	Gross	19,205,728	188,234,448	155,716,096	363,156,272
	Net	18,857,691	165,150,070	21,415,514	205,423,275
Personal	Gross	4,023,610	12,280,879	10,241,105	26,545,594
	Net	3,965,971	4,414,450	-	8,380,421
Other	Gross	58,682,450	194,045,166	109,895,331	362,622,947
	Net	57,410,995	164,525,136	30,810,495	252,746,626
Total	**Gross**	**205,326,382**	**905,029,561**	**275,852,533**	**1,386,208,476**
	Net	**203,398,940**	**843,281,286**	**52,226,010**	**1,098,906,236**

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Insurance risk (continued)

a) Short term insurance contracts (continued)
i) Frequency and severity of claims (continued)
Concentration by territory

Year ended 31 December 2021

		Type of Risks		
Territory		**Employers' liability Shs'000**	**Public liability Shs'000**	**Total Shs'000**
Nairobi	Gross	72,016,947	25,171,300	97,188,247
	Net	71,406,947	23,330,939	94,737,886
Mombasa	Gross	12,471,689	3,661,650	16,133,339
	Net	12,471,689	3,661,650	16,133,339
Kisumu	Gross	2,608,136	946,500	3,554,636
	Net	2,608,136	946,500	3,554,636
Eldoret	Gross	7,464,856	1,806,838	9,271,695
	Net	7,464,856	1,800,088	9,264,945
Kisii	Gross	90,720	41,000	131,720
	Net	90,720	41,000	131,720
Nyeri	Gross	212,822	25,770	238,592
	Net	212,822	25,770	238,592
Meru	Gross	148,533	56,500	205,033
	Net	148,533	56,500	205,033
Nakuru	Gross	1,633,337	351,550	1,984,887
	Net	1,633,337	351,550	1,984,887
Thika	Gross	180,543	71,260	251,803
	Net	180,543	71,260	251,803
Total	**Gross**	**96,827,583**	**32,132,368**	**128,959,951**
Total	**Net**	**96,217,583**	**30,285,257**	**126,502,840**

Year ended 31 December 2020

		Type of Risks		
Territory		**Employers' liability Shs'000**	**Public liability Shs'000**	**Total Shs'000**
Nairobi	Gross	83,624,911	26,228,800	109,853,711
	Net	82,551,947	22,939,697	105,491,644
Mombasa	Gross	13,557,535	3,778,650	17,336,185
	Net	13,557,535	3,778,650	17,336,185
Kisumu	Gross	2,134,397	980,500	3,114,897
	Net	2,134,397	973,750	3,108,147
Eldoret	Gross	7,702,762	1,110,420	8,813,182
	Net	7,702,762	1,110,420	8,813,182
Kisii	Gross	211,107	60,000	271,107
	Net	211,107	60,000	271,107
Nyeri	Gross	191,896	37,250	229,146
	Net	191,896	37,250	229,146
Meru	Gross	83,471	65,000	148,471
	Net	83,471	65,000	148,471
Nakuru	Gross	1,669,880	190,500	1,860,380
	Net	1,669,880	190,500	1,860,380
Thika	Gross	123,976	(186,500)	(62,524)
	Net	123,976	(186,500)	(62,524)
Total	**Gross**	**109,299,935**	**32,264,620**	**141,564,555**
Total	**Net**	**108,226,971**	**28,968,767**	**137,195,738**

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)

Insurance risk (continued)

a) Short term insurance contracts (continued)

i) Frequency and severity of claims (continued)

The following tables disclose the concentration of casualty insurance liabilities by the industry sector in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts.

Year ended 31 December 2021

		Maximum sum insured loss (in Shs'000)		
Industry Sector		**10m - 20m**	**20m - 40m**	**Total**
Government	Gross	-	16,859,202	16,859,202
	Net	-	16,824,202	16,824,202
Others	Gross	290,400,000	163,400,000	453,800,000
	Net	100,000,000	25,000,000	125,000,000
Total	**Gross**	**290,400,000**	**180,259,202**	**470,659,202**
Total	**Net**	**100,000,000**	**41,824,202**	**141,824,202**

Year ended 31 December 2020

		Maximum sum insured loss (in Shs'000)		
Industry Sector		**10m - 20m**	**20m - 40m**	**Total**
Government	Gross	7,724,631	-	24,962,902
	Net	7,158,237	-	23,567,883
Others	Gross	-	20,236,231	29,304,277
	Net	-	19,263,498	27,666,645
Total	**Gross**	**16,792,677**	**37,474,502**	**54,267,179**
Total	**Net**	**15,561,384**	**35,673,144**	**51,234,529**

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.

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)

Financial risk

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

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

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

a) Market risk

(i) Price risk

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

The table below summarises the impact of increases/decreases of the NSE on the company's post-tax profit for the year. 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 for the year**	
	2021 Shs'000	**2020 Shs'000**
Increase	5,335	4,968

(ii) Cash flow and fair value 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. The company has no variable interest rate instruments.

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.

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Financial risk

(ii) Cash flow and fair value interest rate risk

The government securities, cash and equivalents, deposits and loans at year end totalled Shs. 2,175,264,000 (2020: Shs. 2,437,285,000) representing a significant portion of total assets. As at 31st December 2021, if the interest rates had been 5 percentage points higher/lower with all other variables held constant, the effect on the post tax profit for the year would have been an increase by Shs. 76,134,000 (2020: Shs. 85,305,000).

b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, government securities, as well as credit exposures to customers relating to outstanding receivables arising out of direct insurance arrangements.

If customers arising from direct insurance arrangements 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 90 days past due.

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

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

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

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

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

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Financial risk

b) Credit risk

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk relating to receivables arising out of direct insurance arrangements is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a regular basis.

Short term business

Year ended 31 December 2021

Financial assets	**Lifetime expected credit losses Shs '000**	**12 month expected credit losses Shs '000**	**2021 Shs '000**
Receivables arising out of reinsurance arrangements	1,123,343	-	1,123,343
Receivables arising out of direct insurance arrangements	729,283	-	729,283
Government securities	-	1,063,292	1,063,292
Loan receivables outstanding	-	101,548	101,548
Deposits with financial institutions	-	1,358,437	1,358,437
Cash and cash equivalents	-	242,601	242,601
Gross carrying amount	1,852,626	2,765,878	4,618,504
Loss allowance	(192,674)	(61,740)	(254,414)
Exposure to credit risk	1,659,952	2,704,137	4,364,090

Year ended 31 December 2020

Financial assets	**Lifetime expected credit losses Shs '000**	**12 month expected credit losses Shs '000**	**2020 Shs '000**
Receivables arising out of reinsurance arrangements	803,765	-	803,765
Receivables arising out of direct insurance arrangements	1,117,730	-	1,117,730
Government securities	-	849,902	849,902
Loan receivables outstanding	-	102,649	102,649
Deposits with financial institutions	-	1,525,897	1,525,897
Cash and cash equivalents	-	80,201	80,201
Gross carrying amount	1,921,495	2,558,648	4,480,143
Loss allowance	(385,525)	-	(385,525)
Exposure to credit risk	1,535,970	2,558,648	4,094,619

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Financial risk (continued)

b) Credit risk (continued)

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:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
b) financial assets that are credit impaired at the reporting 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, on provision matrices.

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

Receivables arising out direct insurance arrangements

	2021	2020	
	Short term business Shs '000	**Short term business Shs '000**	**Long term business Shs '000**
0 to 30 days past	139,255	153,369	108,010
31 to 60 days past	202,051	167,970	27,156
61 to 90 days past	67,982	174,368	5,174
Over 90 days past	319,994	495,402	36,297
IFRS 9 Provision	(183,890)	(212,353)	(5,678)
	545,393	778,757	170,959

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

Basis for measurement of loss allowance

Year ended 31 December 2021	**12-month expected credit losses Shs**	**Lifetime expected credit losses Shs**	**Total Shs**
At start of year	106,199	102,658	208,857
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	(26,684)	(43,969)	(70,653)
At end of year	79,515	58,689	138,204
Year ended 31 December 2020			
At start of year	157,681	162,189	319,870
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	(51,482)	(59,531)	(111,013)
At end of year	106,199	102,658	208,857

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Financial risk (continued)

c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. On large claims arrangements are in place to obtain cash calls from reinsurers. The Board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

The table on the following page 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.

	Interest rate	0 - 12 months	1 - 5 years	Over 5 years	Total
At 31 December 2021	**%**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Non - Interest bearing liabilities					
- Insurance contract liabilities	0%	762,182	845,526	526,867	2,134,575
- Creditors arising from reinsurance arrangements		-	68,170	-	68,170
- Other payables	0%	1,018,311	-	-	1,018,311
Total financial liabilities		**1,780,493**	**913,696**	**526,867**	**3,221,056**
At 31 December 2020					
Non - Interest bearing liabilities					
- Insurance contract liabilities	0%	744,635	826,061	514,737	2,085,433
- Creditors arising from reinsurance arrangements	0%	-	268,968	-	268,968
- Other payables	0%	406,264	-	-	406,264
Total financial liabilities		**1,150,899**	**1,095,029**	**514,737**	**2,760,665**

d) Fair value estimation

The following table presents the company's assets and liabilities that are measured at fair value at 31 December 2021 and 31 December 2020.

	Level 1	
	2021	**2020**
	Shs '000	**Shs '000**
Assets		
Financial assets		
Quoted shares at fair value through profit or loss	152,422	141,935

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Financial risk (continued)

e) Financial assets by category

Financial assets	Amortised cost Shs '000	Financial assets at fair value through other comprehensive income (FVTOCI) Shs '000	Total Shs '000
As at 31 December 2021			
Receivables arising out of reinsurance arrangements	1,114,559	-	1,114,559
Receivables arising out of direct insurance arrangements	545,393	-	545,393
Government securities	1,056,274	-	1,056,274
Deposits with financial institutions	1,306,502	-	1,306,502
Loan receivables	101,178	-	101,178
Quoted shares at fair value through profit and loss	-	152,422	152,422
Unquoted investments	-	7,681	7,681
Cash and cash equivalents	239,813	-	239,813
	4,363,719	160,103	4,523,822
As at 31 December 2020			
Receivables arising out of reinsurance arrangements	803,765	-	803,765
Receivables arising out of direct insurance arrangements	905,378	-	905,378
Government securities	849,902	-	849,902
Deposits with financial institutions	1,427,951	-	1,427,951
Loan receivables	102,649	-	102,649
Quoted shares at fair value through profit and loss	-	141,935	141,935
Unquoted investments	-	7,612	7,612
Cash and cash equivalents	56,783	-	56,783
	4,146,427	149,547	4,295,974

NOTES *(Continued)*

4. Management of insurance and financial risk (continued)
Financial risk (continued)

f) Financial liabilities by category

Financial liabilities	2021 Shs '000	2020 Shs '000
Lease liabilities	35,808	46,339
Insurance contract liabilities	2,134,575	2,085,433
Creditors arising from reinsurance arrangements	68,170	268,968
Other payables	1,018,311	406,264
	3,256,864	2,807,004

g) Capital management

Internally imposed capital requirements

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

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

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

The capital adequacy status of the company as at the reporting date is as follows:

	2021 Shs '000	2020 Shs '000
Tier-1 Capital	1,962,819	2,210,853
Tier-2 Capital	36,228	27,039
Total Capital Available (TCA)	**1,999,047**	**2,237,892**
Absolute Amount Minimum 1	600,000	600,000
Volume of Business Minimum 2	819,808	821,455
Risk Based Capital Minimum	1,196,088	1,412,825
Minimum Required Capital (Absolute)	**600,000**	**600,000**
Capital Adequacy Ratio	**134%**	**120%**

NOTES *(Continued)*

5. Insurance premium revenue

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

	2021 Shs'000	2020 Shs'000
Aviation	49,637	51,276
Motor	2,724,606	2,891,954
Fire and engineering	785,074	704,217
Personal accident	64,259	63,696
Theft	201,652	209,324
Work'smen compensation	557,672	693,673
Marine	210,616	175,726
Others	230,437	294,309
Total short term business	4,823,954	5,084,176
Life assurance business:		
Ordinary life	-	74,823
Group life	-	915,482
Total life business	-	990,304
Gross earned premiums	4,823,954	6,074,480
Investment and other income		
Interest from government securities	124,429	175,861
Interest from financial institutions	79,248	168,466
Interest on policy loans	611	6,586
Rental income from investment properties	57,282	65,847
Dividend received	5,591	10,667
Other income	611	5,076
Fair value gains on property, plant and equioment (Note 13)	10,000	-
Fair value gains on investment properties (Note 14)	15,000	11,000
	292,772	443,504
Investment and other income can be split as follows:		
Short term business	292,772	302,763
Long term business	-	140,741
	292,772	443,504

NOTES *(Continued)*

7. Claims and policyholder benefits payable

	2021 Shs'000	2020 Shs'000
Net claims payable by principal class of business:		
Motor	2,682,483	2,612,463
Fire and engineering	216,626	268,550
Aviation	(1,112)	4,178
Liability	31,532	35,323
Marine	66,766	49,354
Theft	120,225	65,218
Workmen's compensation	97,849	173,168
Personal accident	11,843	(12,196)
Others	22,255	66,976
Net incurred claims	**3,248,467**	**3,263,034**
Long term insurance business		
Insurance contracts with fixed and guaranteed terms:		
- Death, maturity and surrender benefits payable		
- Group life	-	750,329
- Ordinary life	-	136,778
Adjustments in actuarial liabilities		
- Group life	-	12,314
- Ordinary life	-	(37,787)
- Pension life	-	(8,813)
Total claims and policyholder benefits payable	-	852,821

8 (a). Operating and other expenses

	2021 Shs'000	2020 Shs'000
Directors' remuneration	68,276	83,657
Staff costs	382,184	451,996
Auditors remuneration	7,500	6,000
Depreciation on property, plant and equipment (Note 13)	38,763	37,007
Depreciation on right-of-use assets (Note 15(a))	10,180	9,837
Interest on lease liabilities (Note 13(b))	5,530	6,726
Amortisation on intangible assets (Note 17)	20,960	36,021
Repairs and maintenance	13,851	13,538
Other expenses	502,193	520,132
Bad debts written off	2,645	-
	1,052,083	1,164,914

Operating and other expenses can be split as follows:

	2021 Shs'000	2020 Shs'000
Short term business	1,052,083	989,438
Long term business	-	175,476
	1,052,083	1,164,914

NOTES *(Continued)*

8(b). Staff expense

	2021 Shs'000	2020 Shs'000
Salaries and wages	423,954	423,019
Pension costs:		
- National Social Security Fund	392	370
- defined contribution scheme	26,114	28,607
	450,460	451,996

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

	2021 No.	2020 No.
- Underwriting	59	47
- Claims	22	17
- Life	29	18
- Others	74	90
	184	172

8(c). Impairment of financial assets

	2021 Shs'000	2020 Shs'000
Receivables arising out of reinsurance arrangements	7,843	353
Receivables arising out of direct insurance arrangements	(28,463)	(111,013)
Other receivables	989	-
Loans receivable	371	-
Government securities	(7,149)	246
Deposits with financial institutions	(46,011)	28,869
Quoted and unquoted shares	451	-
Cash and cash equivalents	1,206	(2,618)
	(70,763)	(84,163)

NOTES *(Continued)*

9. Tax

	2021 Shs'000	General insurance business 2020 Shs'000	Life assurance business 2020 Shs'000	Total 2020 2020 Shs'000
Current income tax	-	106,587	7,860	114,447
Deferred income tax (Note 30)	27,252	13,254	20,751	34,005
Income tax charge	27,252	119,841	28,611	148,452

The company's current income tax charge is computed in accordance with income tax rules applicable to composite insurance companies. A reconciliation of the tax charge is shown below:

	2021 Shs'000	2020 Shs'000
Profit before tax	75,258	551,728
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	22,577	137,932
Tax effect of:		
- expenses not allowable for tax purposes	13,738	12,263
- income not subject to tax	(9,063)	(3,902)
- deferred tax on provisions for life	-	13,160
- difference in corporate tax rate - 25% instead of 30%	-	4,697
- excempt income for life business	-	(13,352)
- overprovision in prior year	-	(2,345)
Income tax charge	27,252	148,452

10. Share capital

	2021 Shs'000	2020 Shs'000
Authorised:		
50,312,500 (2020: 50,312,500) ordinary shares of Shs. 20 each	1,006,250	1,006,250
Issued and fully paid share capital:		
50,312,500 (2019: 27,500,0000) ordinary shares of Shs. 20 each	1,006,250	1,006,250
Authorised share capital has been split as follows:		
Short term business		
50,312,500 (2020: 30,312,500) ordinary shares of Shs. 20 each	1,006,250	606,250
Long term business		
Nil (2020: 20,000,000) ordinary shares of Shs. 20 each	-	400,000

NOTES *(Continued)*

10. Share capital (continued)

Issued and fully paid share capital has been split as follows:	2021 Shs'000	2020 Shs'000
Short term business		
50,312,500 (2020: 30,312,500) ordinary shares of Shs. 20 each	1,006,250	606,250
Long term business		
Nil (2020: 20,000,000) ordinary shares of Shs. 20 each	-	400,000

11 (a). Retained earnings

Included within retained earnings are gains arising from the revaluation of investment properties whose distribution is subject to restrictions imposed by the Kenya Insurance Act.

11 (b). Statutory reserve

The statutory reserve represents the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Kenyan Insurance Act, 2015.

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings.

The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated surplus of the long-term business.

11 (c). Funds pending allotment	2021 Shs'000	2020 Shs'000
Amounts received from related parties (Note 37)	-	-

The amount relates to receipt of cash into the subsidiary company by the shareholders of the Group in lieu of allotment of shares to be made in the future.

12. Borrowings

The borrowings are made up as follows:	2021 Shs'000	2020 Shs'000
Bank overdrafts (Note 31)	70,550	13,958

The borrowings are secured by the following:

a) Lien on fixed deposits.
b) Counter guarantee and indemnity for bank guarantees.
c) Joint several and personal guarantees of the directors of Geminia Insurance Company.

In the opinion of the directors, the carrying amount of borrowings approximate to their fair value.

The carrying amounts of the company's borrowwings are denominated in Kenya shillings.

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	2021 Shs'000	2020 Shs'000
6 months or less	35,275	6,979
6 - 12 months	35,275	6,979
	70,550	13,958

Weighted average effective interest rates at the year-end was 11.25% (2020: 11%). In the opinion of the directors, the carrying amount of borrowings approximate to their fair value.

The carrying amounts of the company's borrowwings are denominated in Kenya shillings.

GEMINIA INSURANCE CO.LTD.

13. Property, plant and equipment

Year ended 31 December 2021

	Land and buildings Shs'000	Furniture and fittings Shs'000	Office equipment Shs'000	Computer equipment Shs'000	Motor vehicle Shs'000	Generator Shs'000	Total Shs'000
Cost/valuation							
At start of year	380,000	283,237	9,895	105,449	1,503	4,358	784,443
Additions	-	6,334	38	7,782	-	-	14,153
Revaluation surplus	5,095	-	-	-	-	-	5,095
Transfer to Geminia Life Insurance Company Kenya Limited	-	-	(100)	-	-	-	(100)
At end of year	385,095	289,571	9,833	113,231	1,503	4,358	803,591
Depreciation							
At start of year	-	107,007	7,048	60,844	1,003	3,686	179,588
Charge for the year	4,905	22,820	351	10,477	125	84	38,763
Reveral on revaluation	(4,905)	-	-	-	-	-	(4,905)
Transfer to Geminia Life Insurance Company Kenya Limited	-	-	(25)	-	-	-	(25)
At end of year	-	129,827	7,374	71,321	1,128	3,770	213,421
Net book value	385,095	159,744	2,458	41,910	375	588	590,170

Freehold land, buildings and plant and machinery were professionally valued on 31 December 2021 by Axis Real Estate Limited on the basis of open market value for freehold land and buildings. The carrying amounts of the properties were adjusted to the revalued amounts and the resultant surplus net of deferred tax was credited to other comprehensive income.

The fair valuation of property, plant and equipment is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets and replacement costs for plant and machinery. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between level 1, 2 or 3 fair values during the year.

13. *Property, plant and equipment (continued)*

Year ended 31 December 2020

Company

	Land and buildings Shs'000	Furniture and fittings Shs'000	Office equipment Shs'000	Computer equipment Shs'000	Motor vehicle Shs'000	Generator Shs'000	Total Shs'000
Cost/valuation							
At start of year	380,000	275,141	9,882	102,153	1,503	4,358	773,037
Additions	-	8,096	13	3,296	-	-	11,405
At end of year	380,000	283,237	9,895	105,449	1,503	4,358	784,442
Depreciation							
At start of year	-	81,831	6,640	49,684	836	3,590	142,581
Charge for the year	-	25,176	408	11,160	167	96	37,007
At end of year	-	107,007	7,048	60,844	1,003	3,686	179,588
Net book value	380,000	176,230	2,847	44,605	500	672	604,854

Property and equipment has been allocated as follows:

	Land and buildings Shs'000	Furniture and fittings Shs'000	Office equipment Shs'000	Computer equipment Shs'000	Motor vehicle Shs'000	Generator Shs'000	Total Shs'000
Net book value							
Long term business	-	-	75	-	-	-	75
Short term business	380,000	176,230	2,772	44,605	500	672	604,779
Total	**380,000**	**176,230**	**2,847**	**44,605**	**500**	**672**	**604,854**

14. Investment properties

	Company	
	2021 Shs'000	**2020 Shs'000**
At start of year	1,020,000	1,009,000
Fair value gain (Note 6)	15,000	11,000
At end of year	1,035,000	1,020,000

NOTES *(Continued)*

14. Investment properties (continued)

The fair value of investment property was determined by reference to the market prices of similar properties of the type and in the area in which the properties are situated. The valuation was carried out by Axis Real Estate Limited an independent professional valuer on 31 December 2021 with recent experience in the location and category of the investment properties being valued.

The fair valuation of investment property is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the property, consistent with prior periods. Management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. There were no transfers between level 1, 2 or 3 fair values during the year.

15 (a). Right of use assets

Year ended 31 December 2021	**2021 Shs'000**
Cost	
At start and end of year	76,895
Depreciation	
At start of year	25,274
Charge for the year	10,180
At end of year	35,455
Carrying amount	41,440

Year ended 31 December 2020	**2020 Shs'000**
Cost	
At start and end of year	76,895
Depreciation	
At start of year	15,437
Charge for the year	9,837
At end of year	25,274
Carrying amount	51,620

The company has a number of lease contracts for office premises used in its operations. The leases have an average lease term of six years. The company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the company is not restricted from assigning and subleasing the leased assets.

15 (b). Lease liabilities

Year ended 31 December 2021	**2021 Shs'000**
At start of year	46,339
Interest	5,530
Payments	(16,061)
At end of year	35,808

Year ended 31 December 2020	**2021 Shs'000**
At start of year	54,667
Interest	6,726
Payments	(15,054)
At end of year	46,339

NOTES *(Continued)*

17. Intangible assets

Computer software

	2021 Shs'000	2020 Shs'000
Cost		
At start of year	180,105	179,205
Additions	2,946	900
At end of year	183,051	180,105
Amortisation		
At start of year	78,251	42,230
Charge for the year	20,960	36,021
At end of year	99,211	78,251
Net book value	83,840	101,854

18. Receivables arising out of reinsurance arrangements

	2021 Shs'000	2020 Shs'000
Receivables arising out of reinsurance arrangements	1,123,343	866,301
Less: expected credit losses	(8,784)	(941)
	1,114,559	865,360
Short term business	1,114,559	803,765
Long term business	-	61,595
	1,114,559	865,360

In the opinion of the directors, the carrying amount of receivables arising out of reinsurance arrangements approximate to their fair value.

The directors are of the opinion that the company's exposure is limited because the debt is widely held.

The carrying amounts of the company's receivables arising out of reinsurance arrangements are denominated in Kenya shillings.

The maximum exposure to credit risk at the reporting date is the fair value of receivables arising out of reinsurance arrangements mentioned above. The company does not hold any collateral as security.

Included in the receivables arising out of reinsurance arrangements is an amount due from Klapton Insurance Company Limited of Kshs. 308 Million. The company has an ongoing legal case which is coming up for hearing in July 2022. The directors have sought advice from their legal council and based on this advice, the directors have made a judgement that the company's case is strong and thus no provision with regards to this has been made.

19. Receivables arising out of direct insurance arrangements

	2021 Shs'000	2020 Shs'000
Receivables arising out of direct insurance arrangements	729,283	1,294,367
Less: expected credit losses	(183,890)	(218,031)
	545,393	1,076,336

Receivables arising out of direct insurance arrangements is split as follows:

	2021 Shs'000	2020 Shs'000
Short term business	545,393	905,378
Long term business	-	170,959
	545,393	1,076,336

	Short term business 2021 Shs'000	Short term business 2020 Shs'000	Long term business 2020 Shs'000	Total 2020 Shs'000
Receivables arising out of direct insurance arrangements	729,283	1,117,730	176,637	1,294,367
Less: expected credit losses	(183,890)	(212,353)	(5,678)	(218,031)
	545,393	905,378	170,959	1,076,336

In the opinion of the directors, the carrying amount of receivables arising out of direct insurance arrangements approximate to their fair value.

The directors are of the opinion that the company's exposure is limited because the debt is widely held.

The carrying amounts of the company's receivables arising out of direct insurance arrangements are denominated in Kenya shillings.

The maximum exposure to credit risk at the reporting date is the fair value of receivables arising out of direct insurance arrangements mentioned above. The company does not hold any collateral as security.

20. Other receivables and prepayments

	2021 Shs'000	2020 Shs'000
Prepayments	10,648	1,367
Rent receivables and deposits	31,995	24,174
Other receivables	25,376	582,854
	68,019	608,395

Other receivables and prepayments can be split as follows:

	2021 Shs'000	2020 Shs'000
Short term business	68,019	170,662
Long term business	-	437,733
Less: expected credit losses	(989)	-
	67,030	608,395

NOTES *(Continued)*

20. Other receivables and prepayments (continued)

In the opinion of the directors, the carrying amount of other receivables approximate to their fair value.

The directors are of the opinion that the company's exposure is limited because the debt is widely held.

The carrying amounts of the company's other receivables and prepayments are denominated in Kenya shillings.

The maximum exposure to credit risk at the reporting date is the fair value of other receivables mentioned above.

The company does not hold any collateral as security.

21. Deferred acquisition costs

	2021 Shs'000	2020 Shs'000
Deferred acquisition costs	255,136	285,873

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are recognized as deferred acquisition costs. All other costs are recognised as expenses when incurred. The deferred acquisition costs are subsequently amortised over the life of the contracts.

22. Government securities

	2021	2020
Treasury bills and bonds maturing:		
Within 91 days from the reporting date (Note 31)	-	19,763
Between 92 days and 1 year of the reporting date	-	140,114
Between 1 and 5 years of the reporting date	1,063,292	1,469,710
Less: expected credit losses	(7,018)	(26,645)
	1,056,274	**1,602,942**
Company government securities can be split as follows:		
Short term business	1,056,274	849,902
Long term business	-	753,040
	1,056,274	**1,602,942**

	Short term business 2021 Shs	Short term business 2020 Shs	Long term business 2020 Shs	Total 2020 Shs
Government securities	1,063,292	864,069	765,518	1,629,587
Less: expected credit losses	(7,018)	(14,167)	(12,478)	(26,645)
	1,056,274	**849,902**	**753,040**	**1,602,942**

Treasury bonds amounting to Shs 330,000,000 (2020: Shs 357,500,000) are held under lien in favour of the Insurance Regulatory Authority in accordance with Section 32 of the Kenyan Insurance Act.

22. Government securities (continued)

The carrying amounts of the company's government securities are denominated in Kenya Shillings.

In the opinion of the directors, the carrying amount of government securities approximate to their fair value.

23. Deposits with financial institutions

	Company 2021 Shs'000	Company 2020 Shs'000
Deposits with financial institutions maturity analysis		
Within 91 days from the reporting date (Note 25)	-	1,073,871
Between 92 days and 1 year of the reporting date	1,358,437	1,082,327
Less: provision for expected credit losses	(51,935)	(137,642)
	1,306,502	2,018,556
Company deposits with financial institutions has been split as follows:		
Short term business	1,306,502	1,427,951
Long term business	-	590,605
	1,306,502	2,018,556

	Short term business 2021 Shs	Short term business 2020 Shs	Long term business 2020 Shs	Total 2020 Shs
Fixed deposits	1,358,437	1,525,897	630,301	2,156,198
Less: expected credit losses	(51,935)	(97,945)	(39,696)	(137,642)
	1,306,502	1,427,951	590,605	2,018,556

The carrying amounts of the company's deposits with financial institutions are denominated in Kenya Shillings.

In the opinion of the directors, the carrying amount of deposits with financial institutions approximate to their fair value.

NOTES *(Continued)*

24. Loans receivable

	2021 Shs'000	2020 Shs'000
Loan advances:	101,548	103,852
Policy loans	-	6,634
Less: expected credit losses	(371)	-
	101,178	110,486
a) Loan advances:		
At start of year	103,852	157,998
Loan repayments	4,330	(54,146)
Transfer to Geminia Life Insurance Company Kenya Limited	(6,634)	-
At end of year	101,548	103,852
Maturity profile of mortgage loans:		
Loans maturing:		
Within 1 year	27,531	28,155
Between 1-5 years	30,658	31,354
Over 5 years	43,359	44,343
	101,548	103,852
Loans advanced	4,828	9,353
Loan advanced to related parties (Note 37)	96,720	94,499
	101,548	103,852
b) Policy loans:		
At start of year	6,634	4,825
Loan repayments	-	1,809
Transfer to Geminia Life Insurance Company Kenya Limited	(6,634)	-
	-	6,634
Maturity profile of policy loans:		
Loans maturing:		
Between 1-5 years	-	6,634
Loans advances can be split as follows:		
Short term business	101,548	102,649
Long term business	-	7,837
Less: expected credit losses	(371)	-
	101,178	110,486

NOTES *(Continued)*

24. Loans receivable (continued)

b) Policy loans: (continued)

Maturity profile of policy loans: (continued)

The carrying amounts of the company's deposits with financial institutions are denominated in Kenya Shillings.

In the opinion of the directors, the carrying amount of deposits with financial institutions approximate to their fair value.

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:

	2021 %	2020 %
Treasury bills	-	9.15
Treasury bonds	12.32	12.13
Fixed deposits	7.18	8.53
Corporate bonds	-	8.00
Mortgage loans	6.00	7.00
Policy loans	-	15.00

26. Quoted shares - Level 1 valuation

	2021 Shs'000	2020 Shs'000
At fair value through profit and loss		
At start of year	141,935	174,054
Fair value gain/(loss)	9,120	(32,119)
Additions/disposals	1,818	-
Less: expected credit losses	(451)	-
At end of year	152,422	141,935

27. Unquoted investments - Level 3 valuation

	% Holding	2021 Shs'000	2020 Shs'000
311,115 (2018: 311,115) Ordinary shares of Shs 25 (2018: 24.31) in M-Oriental Commercial Bank	<1 % (2018: <1 %)	7,681	7,612
		7,681	7,612
Movement			
At start of year		7,612	7,647
Fair value gain/(loss)		69	(35)
		7,681	7,612

NOTES *(Continued)*

28. Investment in subsidiary

	% Holding	2021 Shs'000	2020 Shs'000
1,000 (2020: 1,000) ordinary shares of Shs. 86,571 (2020: 86,571) in Geminia Life Ins Co. Ltd. (previously Southwark)	100% (2020: 100 %)	86,571	86,571

The subsidiary company is a limited liability company incorporated in and domiciled in Kenya.

The principal activity of the subsidiary company is that of investments.

29. Reinsurers' share of insurance contract liabilities

	2021 Shs'000	2020 Shs'000
Reinsurer's share of:		
- claims outstanding	311,410	397,192
- IBNR	45,405	45,765
- unearned premium (Note 33)	431,273	439,119
	788,088	882,076
Company reinsurers' share of insurance contract liabilities can be split as follows:		
Short term insurance business		
Reinsurer's share of:		
- claims outstanding	311,410	147,434
- IBNR	45,405	45,765
- unearned premium (Note 33)	431,273	439,119
	788,088	632,318
Long term insurance business		
Reinsurer's share of:		
- claims outstanding	-	249,758
Total	788,088	882,076

NOTES *(Continued)*

30. Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020: 25%). The movement on the deferred income tax account is as follows:

	General insurance business Shs'000	Life assurance business Shs'000	Total 2020 Shs'000
At start of year	(22,723)	64,373	41,650
Statement of profit or loss			
Reversal on transfer		(64,373)	(64,373)
charge (Note 9)	27,252	-	27,252
At end of year	4,529	-	4,529

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

	At start of year Shs'000	(Charge)/ credit to profit or loss Shs'000	At end of year Shs'000
Deferred income tax (assets)/liabilities			
Property and equipment	1,209	4,811	6,021
Deferred tax on revaluation reserves	18,241	3,000	21,241
Tax losses	-	(13,322)	(13,322)
Intangible assets	(10,482)	4,193	(6,289)
Right to use asset	(4,011)	105	(3,906)
Investment property fair value gains	34,050	4,500	38,550
Deferred tax on provisions on expected credit losses	(73,575)	21,229	(52,346)
Unrealized exchange gains	797	-	797
Deferred tax on fair value gain reserves	11,047	2,736	13,783
Net deferred tax liability/(asset)	(22,723)	27,252	4,529

Long term insurance business	At start of year Shs'000	Reversal on transfer Shs'000	At end of year Shs'000
Deferred income tax (assets)/liabilities			
Statutory reserve	64,373	(64,373)	-

NOTES *(Continued)*

31. Cash and cash equivalents

	2021 Shs'000	2020 Shs'000
Cash at bank and in hand	242,601	80,201
Provision for expected credit losses:	(2,788)	(2,266)
	239,813	77,935

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

	2021 Shs'000	2020 Shs'000
Cash at bank and in hand	239,813	77,935
Deposits with financial institutions (Note 23)	1,306,502	2,018,556
Treasury bills maturing within 183 days (Note 22)	-	19,763
Bank overdrafts (Note 12)	(70,550)	(13,958)
	1,475,765	2,102,296

32. Insurance contract liabilities

	2021 Shs'000	2020 Shs'000
- claims reported and claims handling expenses	1,698,846	2,129,488
- claims incurred but not reported (IBNR)	435,729	410,046
- policy holder liabilities	-	787,491
	2,134,575	3,327,025

The company's insurance contract liabilities can be split as follows:

	2021 Shs'000	2020 Shs'000
Short term non-life insurance contracts:		
- claims reported and claims handling expenses	1,698,846	1,675,387
- claims incurred but not reported (IBNR)	435,729	410,046
Total – short term	2,134,575	2,085,433
Long term insurance contracts:		
- claims reported and claims handling expenses	-	454,101
- policy holder liabilities	-	787,491
Total – long term	-	1,241,592
Total	2,134,575	3,327,025

Gross claims reported, claims handling expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 31 December 2020 and 31 December 2021 are not material.

NOTES *(Continued)*

32. Insurance contract liabilities (continued)

Accident year	**2017 Shs'000**	**2018 Shs'000**	**2019 Shs'000**	**2020 Shs'000**	**2021 Shs'000**
Estimate of ultimate claims costs:					
At end of accident year	1,579,613	2,499,774	3,369,437	3,150,147	2,400,381
one year later	25,085	18,238	41,069	23,879	-
two years later	2,501	5,818	5,046	-	-
three years later	1,639	2,044	-	-	-
four years later	10	-	-	-	-
Current estimate of cumulative claims					
At end of accident year	1,579,613	2,499,774	3,369,437	3,150,147	2,400,381
one year later	1,604,698	2,518,012	3,410,506	3,174,026	-
two years later	1,607,199	2,523,830	3,415,552	-	-
three years later	1,608,838	2,525,873	-	-	-
four years later	1,608,848	-	-	-	-
Cumulative payments todate	1,608,848	2,525,873	3,415,552	3,174,026	2,400,381
Provision for Incurred But Not Reported (IBNR)	149,836	305,202	356,157	410,046	414,998
Insurance payables per the statement of financial position	3,484,082	4,236,924	4,330,317	4,402,827	4,420,415

Movement in insurance liabilities and reinsurance assets

	2021			**2020**		
	Gross Shs'000	**Reinsurance Shs'000**	**Net Shs'000**	**Gross Shs'000**	**Reinsurance Shs'000**	**Net Shs'000**
Notified claims	1,675,387	83,980	1,591,407	1,509,546	354,123	1,155,423
Incurred but not reported (IBNR)	410,046	109,219	300,827	614,273	26,915	587,358
Total at beginning of year	2,085,433	193,199	1,892,234	2,123,819	381,038	1,742,781
Claims settled in the year	3,362,941	490,257	2,872,684	3,116,350	490,257	2,626,093
Increase in liabilities	(3,313,799)	(326,641)	(2,987,158)	(3,154,737)	(678,097)	(2,476,640)
Total at end of year	2,134,575	356,815	1,777,760	2,085,433	193,199	1,892,234
Made up of:						
Notified claims	1,698,846	59,757	1,639,089	1,675,387	83,980	1,591,407
Incurred but not reported (IBNR)	435,729	297,058	138,670	410,046	109,219	300,827
Total at end of year	2,134,575	356,815	1,777,760	2,085,433	193,199	1,892,234

NOTES *(Continued)*

33. Unearned premium reserves

	2021 Gross Shs'000	2021 Reinsurance Shs'000	2021 Net Shs'000	2020 Gross Shs'000	2020 Reinsurance Shs'000	2020 Net Shs'000
At start of year	2,317,394	439,119	1,878,275	2,206,498	393,024	1,813,474
Increase in the year (net)	(31,554)	(7,846)	(23,708)	110,896	46,095	64,801
At end of year	2,285,840	431,273	1,854,567	2,317,394	439,119	1,878,275

34. Creditors arising from reinsurance arrangements

	2021 Shs'000	2020 Shs'000
Creditors arising from reinsurance arrangements	68,170	339,852
The company's creditors arising from reinsurance arrangements can be split as follows:		
Short term business	68,170	268,968
Long term business	-	70,884
	68,170	339,852

35. Trade and other payables

	2021 Shs'000	2020 Shs'000
Other accrued expenses	40,695	28,684
Other liabilities	164,508	435,432
Payable to related parties (Note 37)	813,108	-
	1,018,311	464,116
Company's other payables can be split as follows:		
Short term business	1,018,311	406,264
Long term business	-	57,852
	1,018,311	464,116

NOTES *(Continued)*

36. Cash from operations

	2021 Shs'000	2020 Shs'000
Reconciliation of profit before tax to cash from operations:		
Profit before tax	75,258	551,728
Adjustments for:		
Interest income	(204,288)	(350,914)
Dividend income	(5,591)	(10,667)
Depreciation on property, plant and equipments (Note 13)	38,763	37,007
Depreciation on right-of-use assets (Note 15)	10,180	9,837
Amortisation of intangible assets (Note 17)	20,960	36,021
Fair value (gain) on property, plant and equipment (Note 6)	(10,000)	-
Fair value (gain) on investment properties (Note 6)	(15,000)	(11,000)
Effect of deferred tax reversal on transfer of Life business	(64,373)	-
Changes in:		
- receivables arising out of reinsurance arrangements	(249,199)	(505,903)
- receivables arising out of direct insurance arrangements	530,943	3,618
- deferred acquisition costs	30,737	(28,494)
- other receivables and prepayments	541,365	(412,592)
- reinsurers' share of insurance contract liabilities	93,988	34,606
- loans receivables	9,308	52,337
- insurance contract liabilities	(1,192,450)	(10,516)
- unearned premium reserves	(31,554)	110,896
- creditors arising from reinsurance arrangements	(271,683)	15,926
- payables under deposit administration contracts	(307,580)	143,476
- other payables	543,664	136,592
Cash (used in) operations	(456,552)	(198,043)

37. Related party transactions

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

a) Key management compensation

	2021 Shs'000	2020 Shs'000
The remuneration of directors and other key management during the year were as follows:		
Salaries and other short term employment benefits	68,276	83,657

NOTES *(Continued)*

37. Related party transactions (continued)

b) Transactions and balances

	2021 Shs'000	2020 Shs'000
Disposal proceeds from transfer of assets to Gemina Life	542,613	-
Amount due to subsidiary (Note 35)	813,108	-
Expenses paid on behalf of related party	2,654	57,190

38. Payable under deposit administration contracts

Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to the reporting date.

Interest was declared and credited to the customer accounts at a weighted average rate of 9.5% for the year (2020: 8%).

	2021 Shs'000	2020 Shs'000
At start of year as previously stated	307,580	164,104
Pension fund deposits received	-	134,551
Interest payable to policyholders	-	8,925
Transfer to Geminia Life Insurance Company Kenya Limited	(307,580)	-
At end of year	-	307,580

39. Contingent liabilities

As is common with the insurance industry, 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.

The company has issued various custom bonds. No material loss is anticipated from these.

40. Earnings per share

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

	2021 Shs'000	2020 Shs'000
Net profit for the year attributable to shareholders	48,006	403,276
Adjusted weighted average number of ordinary shares in issue (Note 10)	50,313	50,313
Earnings per share - basic and diluted (Shs.)	0.95	8.02

There were no potentially dilutive shares outstanding as at 31 December 2021 and 31 December 2020.

41. Transfer of business

In October 2020, the Insurance Regulatory Authority approved the transfer of the Life business of Geminia Insurance Company Limited to Geminia Life Insurance Company Limited (formerly Southwark Limited). The transfer involved transferring business along with the assets and liabilities of the Life business of Geminia Insurance Company Limited into Geminia Life Insurance Company Limited (formerly Southwark Limited) as at 1 January 2021.

The transfer was done at net book value as of 1 January 2021. The assets and liabilities transferred have been summarized below;

	2021 Shs'000
Assets	
Property, plant and equipment	75
Receivables arising out of reinsurance arrangements	61,595
Receivables arising out of direct insurance arrangements	170,959
Other receivables and prepayments	437,733
Government securities	753,040
Deposits with financial institutions	590,605
Loans receivables	7,837
Reinsurers' share of insurance liabilities	249,758
Cash and cash equivalents	21,152
Total Assets	2,292,753
Liabilities	
Tax payable	7,860
Deferred income tax	64,373
Insurance contract liabilities	1,241,592
Creditors arising from reinsurance arrangements	70,884
Payable under deposit administration contracts	307,580
Other payables	57,852
Total Liabilities	1,750,140
Net assets transferred	542,613

42. Dividend

The directors propose a final dividend of Shs. 1 per share (2020: Shs. 2.50 per share) amounting to total of Shs. 50,312,000 (2020: Shs. 125,781,000).

During the year, an interim dividend of Shs. 13.7 per share (2020: Nil) amounting to a total of Shs. 662,559,000 was paid. The total dividend for the year is therefore Shs. 14.7 per share amounting to a total of Shs. 712,871,000 (Shs. 125,781,000).

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.

Payment of dividend is subject to a withholding tax at the rate of 5% for residents and 10% for non-residents. Payment of dividends to shares held by resident limited entities in excess of 12.5% of the shareholding are exempt from withholding tax.

NOTES *(Continued)*

43. Country of incorporation

Geminia Insurance Company Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability company and is domiciled in Kenya.

44. Presentation currency

The financial statements are presented in Kenya Shillings (Shs'000').

SUPPLEMENTARY INFORMATION

General insurance business revenue account for the year ended 31 December 2021

Class of insurance business

	Aviation Shs'000	Engineering Shs'000	Fire domestic Shs'000	Fire industrial Shs'000	Liability Shs'000	Marine Shs'000	Motor private Shs'000	Motor commercial Shs'000	Personal accident Shs'000	Theft Shs'000	Workmen's compensation Shs'000	Miscellaneous Shs'000	2021 Total Shs'000
Gross Premium	49,913	160,937	66,848	572,233	68,119	210,113	1,296,570	1,472,993	66,697	200,947	475,356	159,520	4,800,246
Change in gross UPR	(276)	(4,237)	240	(10,947)	2,042	503	63,063	(108,019)	(2,439)	706	82,315	756	23,708
Gross earned premiums	49,637	156,701	67,088	561,286	70,161	210,616	1,359,633	1,364,973	64,259	201,652	557,672	160,276	4,823,954
Less: reinsurance payable	(49,664)	(110,466)	(14,900)	(436,990)	(6,364)	(65,613)	(4,831)	(7,220)	(41,921)	(57,303)	(57,127)	(134,249)	(986,648)
Net earned premiums	(27)	46,234	52,188	124,296	63,797	145,003	1,354,801	1,357,753	22,337	144,350	500,545	26,027	3,837,306
Gross claims paid	-	90,544	15,947	99,947	27,617	54,373	1,571,219	1,230,328	10,282	106,039	140,459	16,186	3,362,941
Change in O/S claims	(1,112)	8,468	(2,029)	3,748	3,915	12,393	(64,609)	(54,455)	1,561	14,186	(42,610)	6,068	(114,474)
Less: Reinsurance		(51,203)	(1,067)	(43,266)	(315)	(15,965)	(168,545)	(124,052)	(1,674)	(4,252)	(811)	(17,950)	(429,099)
Net claims incurred	(1,112)	47,810	12,851	60,430	31,217	50,801	1,338,065	1,051,821	10,170	115,973	97,038	4,304	2,819,368
Commissions receivable	(4,761)	(36,189)	(6,654)	(187,837)	(2,432)	(26,511)	(679)	(1,083)	(30,909)	(20,241)	(38,950)	(4,928)	(361,174)
Commissions payable	2,979	24,411	12,572	95,680	12,386	35,879	129,374	131,762	8,184	19,261	120,959	21,861	615,306
Expenses of management	10,204	32,901	13,666	116,982	13,926	42,954	265,060	301,126	13,635	41,080	97,178	32,611	981,320
Total expenses and commissions	8,421	21,122	19,584	24,825	23,879	52,322	393,754	431,804	(9,089)	40,100	179,187	49,544	1,235,452
Underwriting (loss)/profit	(7,336)	(22,697)	19,753	39,041	8,701	41,880	(377,018)	(125,872)	21,257	(11,723)	224,320	(27,821)	(217,514)
Investment income	3,044	9,816	4,077	34,901	4,155	12,815	79,079	89,839	4,068	12,256	28,992	9,729	292,772
Profit before tax	(4,292)	(12,881)	23,830	73,943	12,856	54,695	(297,939)	(36,033)	25,325	533	253,313	(18,092)	75,258

SUPPLEMENTARY INFORMATION *(Continued)*

General insurance business revenue account for the year ended 31 December 2021
Class of insurance business

Class of insurance business	Aviation Shs'000	Engineering Shs'000	Fire domestic Shs'000	Fire industrial Shs'000	Liability Shs'000	Marine Shs'000	Motor private Shs'000	Motor commercial Shs'000	Personal accident Shs'000	Theft Shs'000	Workmen's compensation Shs'000	Miscellaneous Shs'000	2020 Total Shs'000
Gross Premium	51,276	146,883	71,689	486,651	74,431	178,227	1,533,950	1,395,054	62,029	207,051	714,461	227,274	5,148,977
Change in gross UPR	(0)	(2,135)	(1,463)	2,590	(4,175)	(2,501)	(46,645)	9,595	1,667	2,273	(20,787)	(3,222)	(64,801)
Gross earned premiums	51,276	144,749	70,227	489,241	70,256	175,726	1,487,305	1,404,649	63,696	209,324	693,673	224,053	5,084,176
Less: reinsurance payable	(51,277)	(101,676)	(14,090)	(342,510)	(7,843)	(40,350)	(6,189)	(1,312)	(37,818)	(56,044)	(142,277)	(183,749)	(985,134)
Net earned premiums	(0)	43,073	56,137	146,731	62,413	135,376	1,481,116	1,403,337	25,878	153,280	551,396	40,304	4,099,042
Gross claims paid	4,178	85,905	31,074	133,553	26,599	85,804	1,324,135	1,099,396	8,916	95,656	151,353	69,780	3,116,350
Change in O/S claims	-	43,840	(15,626)	(10,196)	8,724	(36,450)	89,148	99,784	(21,112)	(30,438)	21,814	(2,805)	146,684
Less: Reinsurance	(4,178)	(48,986)	(2,804)	(60,117)	38	(15,944)	(262,254)	49,504	(5,565)	(54,796)	(21,980)	(63,174)	(490,257)
Net claims incurred	-	80,759	12,643	63,241	35,360	33,411	1,151,029	1,248,684	(17,761)	10,423	151,187	3,802	2,772,777
Commissions receivable	(4,645)	(65,844)	(6,318)	(135,209)	(1,870)	(23,842)	(814)	(197)	(37,245)	(18,516)	(78,609)	(15,516)	(388,624)
Commissions payable	3,318	26,394	12,989	96,078	12,432	29,566	140,697	137,240	8,108	19,551	119,816	22,036	628,224
Expenses of management	9,099	26,063	12,721	86,353	13,207	31,625	272,188	247,542	11,007	36,740	126,776	40,328	913,647
Total expenses and commissions	7,771	(13,386)	19,392	47,221	23,769	37,349	412,071	384,585	(18,130)	37,775	167,983	46,848	1,153,248
Underwriting profit/(loss)	(7,771)	(24,299)	24,101	36,270	3,284	64,617	(81,984)	(229,931)	61,769	105,083	232,226	(10,346)	173,017
Investment income	3,015	8,637	4,215	28,615	4,377	10,480	90,197	82,030	3,647	12,175	42,011	13,364	302,763
Profit before tax	(4,756)	(15,662)	28,317	64,885	7,660	75,097	8,213	(147,901)	65,417	117,257	274,237	3,018	475,780

GEMINIA INSURANCE CO.LTD.

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