



Annual Report &
**FINANCIAL
STATEMENT**
2022



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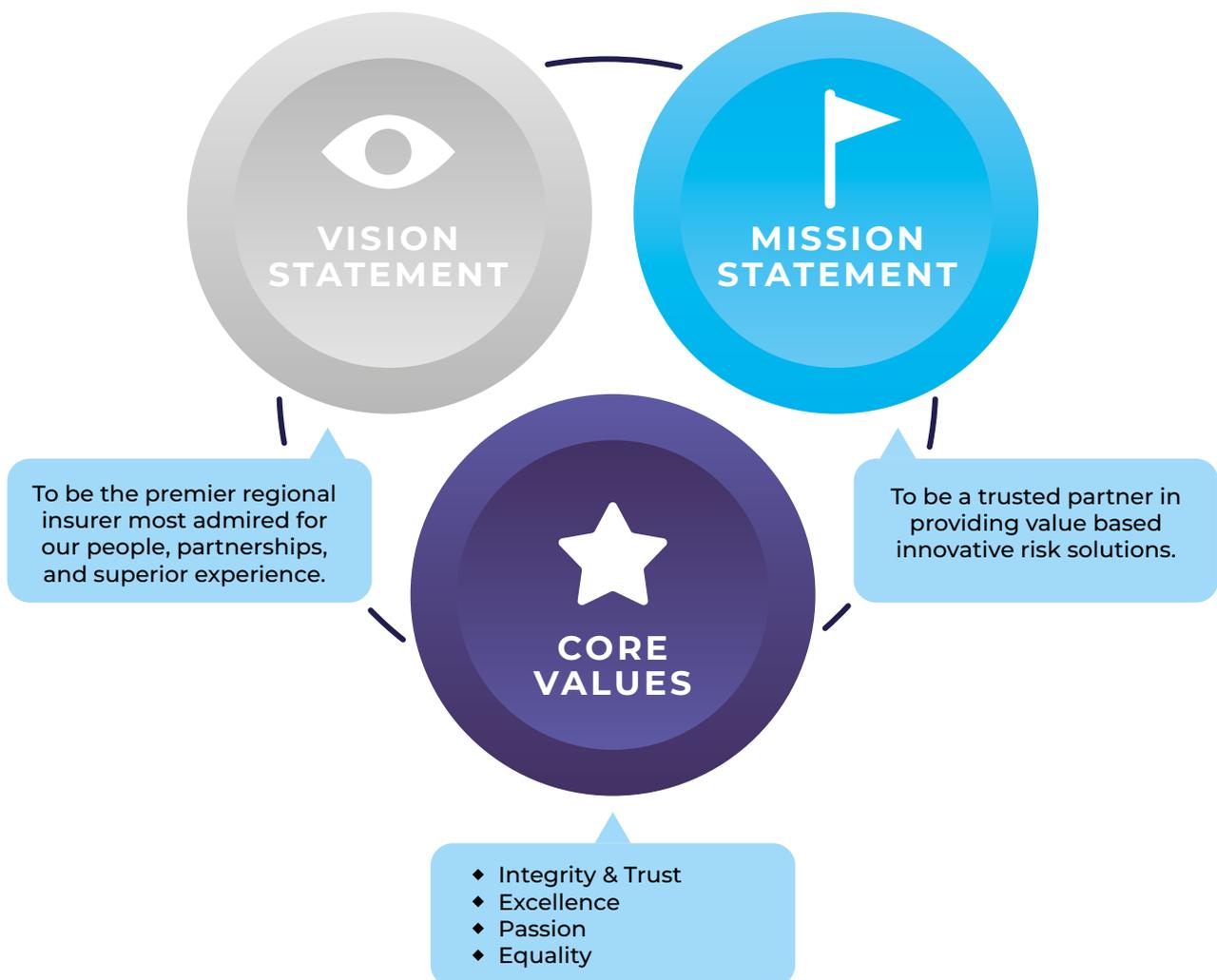
COMPANY INFORMATION

About Geminia Insurance Company

Geminia Insurance Company Limited is a fully locally-owned insurance company providing innovative products and services in general insurance. The Company has a strong heritage dating back to 1981, when it started its operations.

Throughout our long history, we have been committed to helping our clients preserve and protect what they earn, build, own, and cherish. As a Company with a long-term perspective, we have established a track record in the market for rendering exemplary and efficient services to all our clients.

The Company which has an asset base of over Kshs. 8 billion as at 31st December 2022, has distinguished itself in the market for its intimacy with the clients, especially through delivery of personalized services for over 40 years.



COMPANY INFORMATION (Cont.)

BOARD OF DIRECTORS:

T.N. Kimani	
B.J. Ndegwa	
H.D. Vaya	
L.N. Githunguri	
P.N. Gathuri	
K.M. Muoki	(Appointed on 15 March 2022)
A.M. Njoroge	(Appointed on 06 October 2022)
S.J. Njoroge	(Resigned on 01 November 2022)

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. Wahome	Finance Manager
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. Munyiri	Legal Manager
J. Tama	Head of Internal Audit

REGISTERED OFFICE:

Plot No. L.R. 1870/V/271
Le'Mac Building, 5th Floor
Church Road, Westlands
P.O. Box 61316, 00200
NAIROBI

PRINCIPAL PLACE OF BUSINESS:

Le'Mac Building, 5th Floor
Church Road, Westlands
P.O. Box 61316, 00200
NAIROBI

COMPANY INFORMATION (Cont.)

INDEPENDENT AUDITOR:

Grant Thornton LLP
Certified Public Accountants
Avocado Towers
75 Muthithi Road, Westlands
P.O. Box 46986, 00100
NAIROBI

COMPANY SECRETARY:

Commercial Registrars
Certified Public Secretary
P.O. Box 49925, 00100
NAIROBI

PRINCIPAL BANKERS:

I&M Bank Limited
NAIROBI

Victoria Commercial Bank Limited
NAIROBI

Prime Bank Limited
NAIROBI

Diamond Trust Bank Kenya Limited
NAIROBI

Kenya Commercial Bank Limited
NAIROBI

CHAIRPERSONS STATEMENT



On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements for Geminia Insurance Company for the year ended 31 December 2022.

The year 2022 presented a constrained operating business environment due to the tough macro-economic conditions. However, the Company was able to improve its performance from 2021 and turn in positive results with a notable increase in revenue and profitability. Further, the Global Crediting Rating Company (GCR) confirmed Geminia's national financial strength rating of BBB(KE), with a stable outlook. With this rating our stakeholders can rest assured of our ability to meet all our obligations.

Financial Performance

The Company registered a Gross Earned Premium of Kshs. 5.6 Billion, up from Kshs. 4.8 Billion in 2021 which represented a 17% growth. The increase was a result of the Company's pursuit of profitable lines of business, focus on portfolio diversification and strong intermediary partnerships.

The profit before tax increased to Kshs. 109 million, up from Kshs. 75 million in 2021 which represented a 46% growth and 10% return on investment on the shareholders' capital. The total assets grew by 5% to close at Kshs. 8 Billion and the Capital Adequacy Ratio increased to 162% 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 the financial year 2022 amounting to Kshs. 50,312,000.

Future Outlook 2023

Our outlook for 2023 is optimistic despite the challenges stemming from the slow economic growth in the country. We are geared to the implementation of our Strategic plan: 2022 – 2026 which focuses on delivery of customer driven innovative solutions, sustainable business models, cultivating loyal relationships with stakeholders and operational excellence in line with global best practices which we envision will propel the Company to greater heights.

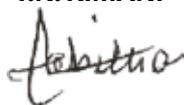
Appreciation

On behalf of the Board, I wish to take this opportunity to thank our shareholders, clients, intermediaries, reinsurers, service providers and the regulatory authorities. We are indebted to all our business partners for their invaluable support throughout the year.

I would also like to thank the management and staff for their steadfast loyalty and diligent service to enable the Company to achieve its strategic objectives.

Finally, I want to express gratitude to my fellow Directors for their instrumental visionary leadership, commitment, and support that has enabled the Company to be a leading insurer in the Kenyan market.

T.N. KIMANI



CHAIRPERSON

BOARD OF DIRECTORS



T.N. KIMANI
Chairperson



B.J. NDEGWA
Managing Director



L.N. GITHUNGURI
Director



P.N. GATHURI
Director



H.D. VAYA
Director



K.M. MUOKI
Director



A.M. NJOROGE
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



M. WAWERU
Head of Marketing &
Business Development



E. MUHUNGI
Head of Underwriting



M. MBUCIRI
Head of Reinsurance



M. WAHOME
Finance Manager



L. KAMURA
Head of Claims



L. MUNYIRI
Legal Manager



J. NGIDA
Actuarial Manager



R. MWANGI
Risk & Compliance Manager



J. TAMA
Head of Internal Audit



W. KIBET
Head of I.C.T.



A. KOSGEY
Investment Manager



J. NJORGE
Human Resources
Manager

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2022, 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 gross premiums earned increased from Shs. 4,823,954,000 to Shs. 5,635,640,000 representing a 17% rise in growth. The rise follows the control of spread of COVID-19 pandemic which adversely affected businesses in the prior years. The rise was also due to the resurgence of the economy, new business and better support from intermediaries, better debt collections and reduced expenses.

Total assets increased by 5% from Shs. 7,693,877,000 to Shs 8,087,485,000. The profit before tax increased from loss of Shs 6,335,000 to a profit of Shs 88,743,000 reflecting the effects of increase in investment income and better underwriting performance.

	2022 Shs'000	2021 Shs'000
Key performance indicators		
Gross earned premiums	5,635,640	4,823,954
Net claims payable	(2,897,540)	(2,819,368)
Investment and other income	313,235	313,360
Profit/(loss) before tax	88,744	(6,335)
Total assets	8,087,485	7,693,877
Net assets	2,079,793	2,095,151
Claims ratio (%)	74%	73%
Commission payable ratio (%)	17%	16%
Expense ratio (%)	30%	30%

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.)

DIVIDEND

The directors propose a final dividend of Shs. 1 per share (2021: Shs. 1 per share) amounting to total of Shs. 50,312,000 (2021: Shs. 50,312,000).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 5.

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

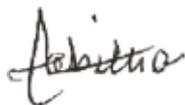
With respect to each director at the time this report was approved:

- (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

Grant Thornton LLP was appointed during the year and are willing to continue in office in accordance with the Company's Articles of Association and Section 717 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



T.N. Kimani
Chairperson
NAIROBI

29th March 2023

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:

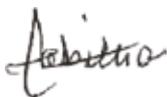
- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making 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 2022 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 29th March 2023 and signed on its behalf by:



T. N. Kimani
Chairperson



P.N. Gathuri
Director



B.J. Ndegwa
Principal Officer

CORPORATE GOVERNANCE STATEMENT

Geminia Insurance Company 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 COMMITTEES

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

HUMAN RESOURCES, RESEARCH & DEVELOPMENT COMMITTEE

The Human Resource committee meets as frequently as required but at least once every quarter. The Committee is responsible for strengthening the efficiency and effectiveness of the Company's Human Resources strategy, policies, and practices in alignment with the business needs. It also provides oversight on the Company's strategy and opportunities related to research and development.

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. The Committee is responsible for overseeing matters related to the financial affairs of the Company including balance sheet management, capital structure, capital sourcing and liquidity management. It also oversees the implementation of 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	Chairperson
2.	Ms. T. N. Kimani	Member
3.	Mr. K.N. Muoki	Member
4.	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. The Committee lays down the Company's risk management framework for prudent management of the risks within the risk appetite limit and development of strong risk management systems. It also sets and monitors strategies related to management of assets and liabilities in order to achieve the Company's financial objectives including solvency and capital adequacy requirements.

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 every quarter. The Committee is responsible for strengthening the effectiveness of internal and external audit functions, as well as ensuring implementation of the internal control framework and audit strategy in a systematic, timely and effective manner.

The members of the committee are:

NO.	NAME	ROLE
1.	Mr. K.M. Muoki	Chairperson
2.	Ms. P. N. Gathuri	Member
3.	Ms. T. N. Kimani	Member
4.	Mr. B.J. Ndegwa	Member

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of Geminia Insurance Company Limited as at 31 December 2022.

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

28th March, 2023

REPORT OF THE INDEPENDENT AUDITOR

Opinion

We have audited the financial statements of Geminia Insurance Company Limited set out on pages 20 to 75, which comprise the statement of financial position as at 31 December 2022, 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 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

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

Other Matter

The financials for the year ended 31 December 2021 were audited by another auditor, who expressed an unqualified opinion on those financials on 28 April 2022.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Estimation of 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 31 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.	We performed the following procedures: <ul style="list-style-type: none">• Review of sensitivity analysis over key judgements and assumptions.• Review of completeness of data used in the determination of the actuarial reserves• Evaluation of the key controls designed to ensure the integrity of the data used in the actuarial reserving process (including both current and prior year case reserve data).• Review of the reasonableness and appropriateness of the assumptions and methodology used actuarial valuation based on the review of the valuation report prepared by the independent actuary.

REPORT OF THE INDEPENDENT AUDITOR (Cont.)

Key Audit Matter	How the matter was addressed in the audit
Estimation of Insurance contract liabilities	
<p>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.</p>	<ul style="list-style-type: none"> • We also compared samples of claims case reserves to appropriate documentation and controls over individual claims reserves. • Assessed the adequacy of the Company's disclosures in respect of the assumptions used in valuation. <p>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.</p>
Expected credit loss provision on financial assets carried at amortised cost	
<p>The directors exercise significant judgement in making provisions on all financial assets carried at amortised costs including receivables arising out of direct insurance arrangements, reinsurance arrangements, cash and bank balances, other receivables, government securities 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.</p>	<p>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 reviewed the completeness of other financial assets with their credit risk ratings. We also assessed the adequacy of the credit risk disclosures as included under Note 4(b) to the financial statements.</p>
Disposal of subsidiary	
<p>The Company had an invested in a subsidiary- Geminia Life Insurance Company Limited during the year 31 December 2021. However, as at 31 December 2021, the shareholding structure of the subsidiary changed and as a result, the Company lost control of through transfer of shares to the various shareholders. Thus, the investments in subsidiary has been derecognised at the effective date of the share transfer deeds which was 31 December 2021. Due to the significance of the transaction, we have considered this as a key audit matter.</p>	<p>Our audit procedures included assessing reviewing the transfer deed to confirm the effective date of the transfer. We also confirmed the consideration of transfer was nil and as a result, the Company recorded a loss on disposal which was equal to the carrying value of the investment in the subsidiary as of the effective date of transfer. In addition, we ascertained that the loss on derecognition of the subsidiary has been properly accounted for in the books of accounted and also considered the adequacy of the disclosures in these financial statements.</p>

REPORT OF THE INDEPENDENT AUDITOR (Cont.)

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.

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.

REPORT OF THE INDEPENDENT AUDITOR (Cont.)

- 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 to cease to continue as a going concern.
- 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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 10 - 11 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Elizabeth Muhindi, Practising certificate No. 2123

 Grant Thornton LLP
Certified Public Accountants

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

29th MARCH, 2023

G/1222/069/0323/AUD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

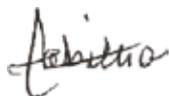
		2022	Restated
	Notes	Shs'000	2021
		Shs'000	Shs'000
Gross earned premium	5	5,635,640	4,823,954
Less: premium ceded to reinsurers	5	(1,722,225)	(986,648)
Net earned premiums		3,913,415	3,837,306
Investment and other income	6(a)	313,235	313,360
Commissions earned	6(b)	525,329	361,174
Total income		4,751,979	4,511,840
Claims and policy holder benefits payable	7	3,725,985	3,248,467
Less: amounts recoverable from reinsurers	7(b)	(828,445)	(429,099)
Net claims payable		2,897,540	2,819,368
Commissions payable	7(c)	666,830	615,306
Operating and other expenses	8(a)	1,168,523	1,141,101
Movement in expected credit loss allowance	8(c)	(90,657)	(71,214)
Finance costs	8(d)	21,000	13,613
Total management expenses		1,765,695	1,698,807
Profit (loss) before tax		88,744	(6,335)
Tax (expense)/credit	9	(31,943)	90,583
Profit for the year		56,801	84,248
Other comprehensive income/(loss)			
Other comprehensive Income that will not be reclassified to profit or loss in subsequent year net of tax			
Revaluation gain on property and equipment (note 14)		14,809	10,000
Fair value(loss)/ gain on equity instruments designated at fair value through other comprehensive income		(36,655)	8,738
Other comprehensive (loss) income for the year		(21,846)	18,738
Total comprehensive income for the year		34,955	102,987

The notes on pages 24 to 75 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	Restated 2021 Shs'000
CAPITAL EMPLOYED			
Share capital	11	1,006,250	1,006,250
Retained earnings	12 (a)	999,300	992,811
Revaluation reserve	12 (c)	14,809	10,000
Fair value reserve	12 (c)	9,122	35,777
Proposed dividends	13	50,312	50,312
Shareholders' funds		2,079,793	2,095,151
REPRESENTED BY:			
Assets			
Property, plant and equipment	14	574,223	590,170
Investment properties	15	1,020,000	1,035,000
Right-of-use assets	16 (a)	24,966	41,440
Intangible assets	17	76,335	83,840
Deferred tax	18	81,363	113,306
Loans receivables	19	1,733	101,178
Government securities measured at amortised cost	20	1,235,393	1,056,274
Unquoted Equity Investments at fair value through other comprehensive income	21	7,798	7,681
Quoted equity investments at fair value through other comprehensive income	22	116,175	152,422
Receivables arising out of reinsurance arrangements	23	1,226,057	1,114,559
Receivables arising out of direct insurance arrangements	24	614,329	545,393
Reinsurers' share of insurance liabilities	25	1,295,482	788,088
Deferred acquisition costs	26	325,718	255,136
Tax recoverable	10	210,214	196,044
Other receivables and prepayments	27	59,040	67,030
Deposits with financial institutions	29	1,030,154	1,306,502
Cash and cash equivalents	30	188,505	239,813
Total assets		8,087,485	7,693,877
Liabilities			
Insurance contract liabilities	31	2,421,861	2,134,575
Un-earned premium reserves	32	2,739,368	2,285,840
Creditors arising from reinsurance arrangements	33	343,883	68,170
Other payables	34	468,610	1,003,783
Lease liabilities	16 (b)	33,970	35,808
Borrowings	34	-	70,550
Total liabilities		6,007,692	5,598,726
Net assets		2,079,793	2,095,151

The financial statements were approved and authorised for issue by the Board of Directors on 29th March 2023 and were signed on its behalf by:



T. N. Kimani
Chairperson



P.N. Gathuri
Director



B. J. Ndegwa
Principal Officer

The notes on pages 24 to 75 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022	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
1 January - as restated		1,006,250	992,811	45,777	50,312	-	2,095,151
Total comprehensive income for the year:							
- Profit for the year		-	56,801	-	-	-	56,801
- Other comprehensive income		-	-	(21,846)	-	-	(21,846)
Transactions with owners:							
Dividends:							
- Final for 2021 (paid)	13	-	-	-	(50,312)	-	(50,312)
- Final for 2022 (proposed)	13	-	(50,312)	-	50,312	-	-
31 December		<u>1,006,250</u>	<u>999,300</u>	<u>23,931</u>	<u>50,312</u>	<u>-</u>	<u>2,079,793</u>
Year ended 31 December 2021							
1 January		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		-	84,248	-	-	-	84,248
- Other comprehensive income		-	-	18,738	-	-	18,738
Transfer of Geminia Life business reserves		-	142,613	-	-	(142,613)	-
Transactions with owners:							
Dividends:							
- Final for 2020 (paid)	13	-	-	-	(125,781)	-	(125,781)
- Interim for 2021 (paid)		-	(662,559)	-	-	-	(662,559)
- Final for 2021 (proposed)	13	-	(50,312)	-	50,312	-	-
31 December		<u>1,006,250</u>	<u>992,811</u>	<u>45,777</u>	<u>50,312</u>	<u>-</u>	<u>2,095,151</u>

The notes on pages 24 to 75 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2022 Shs'000	Restated 2021 Shs'000
Cashflows from operating activities			
Cash used in operations	36	(216,284)	(464,412)
Tax paid	10	(14,170)	(92,171)
Net cash used in operations		(230,454)	(556,583)
Cashflows from investing activities			
Purchase of property, plant and equipment	14	(3,716)	(14,078)
Purchase of intangible assets	17	(11,578)	(2,946)
Net movement in Rights of Use asset	16	226	-
Net movement in government securities carried at amortised cost	20	(179,119)	526,905
Net movement in unquoted equity investments	21	-	(10,418)
Net movement in quoted investment at fair value through other comprehensive income	22	(525)	9,051
Interest income received		210,114	204,288
Placement of fixed deposits maturing in over 90 days		126,848	(734,889)
Dividend received		8,257	5,591
Net cash generated from/(used in) investing activities		150,507	(16,497)
Cashflows from financing activities			
Dividends paid to ordinary shareholders	13	(50,312)	(788,340)
Net cash used in financing activities		(50,312)	(788,340)
Decrease in cash and cash equivalents		(130,258)	(1,361,420)
Movement in cash and cash equivalents			
1 January	30	740,876	2,102,296
Decrease during the year		(130,258)	(1,361,420)
31 December	30	610,618	740,876

The notes on pages 24 to 75 form an integral part of these financial statements.

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. 1870/V/271
Le'Mac Building, 5th Floor
Church Road, Westlands
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

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

a) Basis of preparation

The financial statements 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 (Cont.)

This audit opinion only covers the Company financial statements. Separate consolidated financial statements will be prepared for the group which will include the audit opinion of the group.

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.

i) New standards, amendments and interpretations adopted by the Company

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the Company is for years beginning on or after January 1, 2022.

The Company has adopted the amendment for the first time in the 2022 annual report and financial statements.

The impact of the amendment is not material.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the Company is for years beginning on or after January 1, 2022.

The Company has adopted the amendment for the first time in the 2022 annual report and financial statements.

The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the Company is for years beginning on or after January 1, 2022.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

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

The Company has adopted the amendment for the first time in the 2022 annual report and financial statements.

The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts is now specifically required.

The effective date of the Company is for years beginning on or after January 1, 2022.

The Company has adopted the amendment for the first time in the 2022 annual report and financial statements.

The impact of the amendment is not material.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the Company is for years beginning on or after January 1, 2022.

The Company has adopted the amendment for the first time in the 2022 annual report and financial statements.

The impact of the amendment is not material.

ii) Standards and interpretations not yet effective

The bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the bank's accounting periods beginning on or after 01 January 2023 or later periods:

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after January 1, 2024.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Initial application of IFRS 17 and IFRS 9 - Comparative information

A narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

ii) Standards and interpretations not yet effective (continued)

information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9.

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023.

It is unlikely that the amendment will have a material impact on the Company's annual report and financial statements.

IFRS 17 Insurance Contracts

A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).

Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice. The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense. Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

ii) Standards and interpretations not yet effective (continued)

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted; provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Both the Company's audit committee and the Board Risk from a IFRS 17 Steering committee that provide oversight and governance over the implementation of the IFRS 17 project. The committee is comprised of executive management as well as senior management from various functions including finance, Actuarial, risk information technology and operations. Accounting policy papers, actuarial methodologies and disclosure requirements have been defined and are being implemented. The IFRS 17 project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments. Where applicable, the policy and methodology papers are updated to requirements. The Company has made significant progress in the implementation of IFRS 17.

However, the following still need to be finalised to complete the transition to IFRS 17;

- Completing any remaining system development and key controls required to implement IFRS 17
- Produce and request business sign-off, as well as external audit sign-off of transition balances.
- Finalise the layout and disclosure of the IFRS 17 compliant annual financial statements.
- Finalise the management reporting and key performance measures.
- Continue engaging with the executive committee and business through various training initiatives.
- Finalise and implement future financial and data governance processes and accountabilities.

On the transition date, 1 January 2023, the Company will identify, recognize and measure each group of insurance contracts as if IFRS 17 had always applied.

- It will identify, recognise and measure assets for insurance acquisition cash flows as if IFRS 17 has always been applied. However, no recoverability assessment will be performed before the transition date.
- It will derecognise any existing balances that would not exist had IFRS 17 always applied
- It will recognised any resulting net difference in equity

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;

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

b) Insurance contracts (continued)

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

b) Insurance contracts (continued)

Commissions

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

Reinsurance contracts held

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

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

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

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) 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 losses (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.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

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. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

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.

e) 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.

f) Intangible assets

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

f) Intangible assets (continued)

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.

g) 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.

h) 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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

h) Financial instruments (continued)

in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

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

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

Notwithstanding the above, the Company may:

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

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

Derecognition/write off

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

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

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

Impairment

Debt instruments that are subsequently measured at amortised cost or at 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:

- Receivables arising out of direct reinsurance arrangements
- Receivables arising out of direct insurance arrangements
- Other receivables and prepayments
- Government securities measured at amortised cost
- Loan receivables
- Deposits with financial institutions
- Cash and cash equivalents

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

h) Financial instruments (continued)

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

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.

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 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.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

h) Financial instruments (continued)

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.

i) 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.

j) Employee entitlements

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

k) 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.

l) 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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

l) Accounting for leases (continued)

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.

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.

m) 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)

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

m) Taxation (continued)

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.

n) 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.

o) Share capital

Ordinary shares are classified as equity.

P) Comparatives

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

3. Significant accounting judgement, 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 difficult at this stage to predict the full potential impact of this on the financial statements of the Company.

NOTES (Cont.)

3. Significant accounting judgement, estimates and assumptions (continued)

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.

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.

NOTES (Cont.)

3. Significant accounting judgement, estimates and assumptions (continued)

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 14, 16(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.

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 16 (a) and 16 (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.

NOTES (Cont.)

3. Significant accounting judgement, estimates and assumptions (continued)

Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Note 31 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 referred 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.

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 (Cont.)

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 2022

		<u>Maximum insured loss</u>			
		Shs 3 - Shs 15m - Shs'000	Shs 15- Shs 255m Shs'000	Shs 250- Shs 1000m Shs'000	Total Shs'000
Motor	Gross	135,269,565	451,750,946	-	587,020,511
	Net	135,865,375	450,433,038	-	586,298,413
Fire	Gross	14,961,955	194,279,411	485,863,612	695,104,977
	Net	15,128,604	167,215,054	21,770,005	204,113,663
Personal	Gross	6,155,548	10,658,345	8,532,066	25,345,959
	Net	3,511,558	4,138,330	-	7,649,887
Other	Gross	55,579,744	183,600,374	208,887,179	448,067,298
	Net	55,990,602	141,175,959	22,134,540	219,301,101
Total	Gross	211,966,812	840,289,075	703,282,858	1,755,538,745
	Net	210,496,138	762,962,381	43,904,545	1,017,363,064

Year ended 31 December 2021

		<u>Maximum insured loss</u>			
		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

NOTES (Cont.)

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 2022

Territory		Employers' liability Shs'000	Type of Risks	Total Shs'000
			Public liability Shs'000	
Nairobi	Gross	71,050,098	28,589,884	99,639,982
	Net	57,578,443	27,016,625	84,595,069
Mombasa	Gross	12,458,593	3,814,450	16,273,043
	Net	12,011,706	3,814,450	15,826,156
Kisumu	Gross	2,198,640	1,024,100	3,222,740
	Net	2,198,640	1,024,100	3,222,740
Eldoret	Gross	4,057,332	1,410,300	5,467,632
	Net	4,012,332	1,365,300	5,377,632
Nyeri	Gross	228,771	85,770	314,541
	Net	228,771	85,770	314,541
Meru	Gross	87,368	22,000	109,368
	Net	87,368	22,000	109,368
Nakuru	Gross	1,212,148	414,500	1,626,648
	Net	1,202,148	414,500	1,616,648
Thika	Gross	39,508	16,260	55,768
	Net	39,508	16,260	55,768
Total	Gross	91,332,457	35,377,264	126,709,720
Total	Net	77,358,916	33,759,005	111,117,921

Year ended 31 December 2021

Territory		Employers' liability Shs'000	Type of Risks	Total Shs'000
			Public liability 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

NOTES (Cont.)

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 2022

Industry Sector		Maximum Insured Loss (in Shs'000)		
		10m - 20m	20m - 40m	Total
Others	Gross	314,930,460	487,557,840	802,488,300
	Net	100,000,000	100,000,000	200,000,000
Total	Gross	314,930,460	487,557,840	802,488,300
Total	Net	100,000,000	100,000,000	200,000,000

Year ended 31 December 2021

Industry Sector		Maximum Insured Loss (in Shs'000)		
		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

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 (Cont.)

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	
	2022 Shs'000	2021 Shs'000
Decrease	4,066	5,335

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

Market risk (continued)

(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.

The government securities, cash and equivalents, deposits and loans at year end totalled Shs. 2,455,785,000 (2021: Shs. 2,703,767,000) representing a significant portion of total assets. As at 31st December 2022, 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. 85,952,000 (2021: Shs. 94,632,000).

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.

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

Credit risk (continued)

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.

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.

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

(b) Credit risk (continued)

Year ended 31 December 2022

Financial assets	Lifetime expected credit losses Shs '000	12 month expected credit losses Shs '000	2022 Shs '000
Receivables arising out of reinsurance arrangements	1,274,774	-	1,274,774
Receivables arising out of direct insurance arrangements	642,200	-	642,200
Government securities	-	1,255,863	1,255,863
Loan receivables outstanding	-	1,739	1,739
Deposits with financial institutions	-	1,092,759	1,092,759
Cash and cash equivalents	-	192,971	192,971
Gross carrying amount	1,916,974	2,543,333	4,460,308
Loss allowance	(76,588)	(87,548)	(164,137)
Exposure to credit risk	1,840,386	2,455,785	4,296,171

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

NOTES (Cont.)

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:

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

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

Receivables arising out direct insurance arrangements

	2022 Shs '000	2021 Shs '000
0 to 30 days past	320,181	139,255
31 to 60 days past	185,129	202,051
61 to 90 days past	65,771	67,982
Over 90 days past	71,120	319,994
Expected credit loss	(27,871)	(183,890)
	614,329	545,393

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

Basis for measurement of loss allowance

Year ended 31 December 2022	12-month expected credit losses Shs	Lifetime expected credit losses Shs	Total Shs
At start of year	79,515	58,689	138,204
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	(55,885)	(99,088)	(156,019)
At end of year	23,630	(40,399)	(17,815)

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

b) Credit risk (continued)

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

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.

At 31 December 2022	Interest rate %	0 - 12 months Shs '000	1 - 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Non - Interest bearing liabilities					
- Insurance contract liabilities	0%	1,047,734	1,250,674	123,453	2,421,861
- Creditors arising from reinsurance arrangements		-	343,883	-	343,883
- Other payables	0%	468,610	-	-	468,610
Total financial liabilities		1,516,344	1,594,557	123,453	3,234,354

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

c) Liquidity risk (continued)

At 31 December 2021

	Interest rate %	0 - 12 months Shs '000	1 - 5 years Shs '000	Over 5 years Shs '000	Total 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%	1,003,783	-	-	1,003,783
Total financial liabilities		<u>1,765,965</u>	<u>913,696</u>	<u>526,867</u>	<u>3,206,528</u>

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

d) 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 2022			
Receivables arising out of reinsurance arrangements	1,226,057	-	1,226,057
Receivables arising out of direct insurance arrangements	614,329	-	614,329
Government securities	1,235,393	-	1,235,393
Deposits with financial institutions	1,030,154	-	1,030,154
Loan receivables	1,733	-	1,733
Quoted equity investments at fair value through other comprehensive income	-	116,175	116,175
Unquoted equity investments at fair value through other comprehensive income	-	7,798	7,798
Bank balances	188,505	-	188,505
	<u>4,296,171</u>	<u>123,972</u>	<u>4,420,143</u>
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 equity investments at fair value through other comprehensive income	-	152,422	152,422
Unquoted investments at fair value through other comprehensive income	-	7,681	7,681
Bank balances	239,813	-	239,813
	<u>4,363,719</u>	<u>160,103</u>	<u>4,523,822</u>

e) Financial liabilities

	2022 Shs '000	2021 Shs '000
Lease liabilities	33,970	35,808
Insurance contract liabilities	2,421,861	2,134,575
Creditors arising from reinsurance arrangements	343,883	68,170
Other payables	468,610	1,003,783
	<u>3,268,324</u>	<u>3,242,336</u>

NOTES (Cont.)

4. Management of insurance and financial risk (continued)

Financial risk (continued)

f) 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 Insurance Act Cap 487;
- to comply with regulatory solvency requirements as set out in the Insurance Act Cap 487;
- 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:

	2022	2021
	Shs '000	Shs '000
Tier-1 Capital	2,055,862	2,034,982
Tier-2 Capital	23,931	45,777
Deductions	(529,840)	(526,909)
Total Capital Available (TCA)	1,549,953	1,553,851
Absolute Amount Minimum 1	600,000	600,000
Volume of Business Minimum 2	767,461	819,808
Risk Based Capital Minimum	958,072	1,419,808
Minimum Required Capital (Absolute)	958,072	1,419,808
Capital Adequacy Ratio	162%	109%

NOTES (Cont.)

5. Insurance premium revenue

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

Year ended 31 December 2022	Gross Shs	Reinsurance Shs	Net Shs'000
Aviation	63,024	(67,245)	(4,220)
Motor	2,829,452	(6,075)	2,823,377
Fire and engineering	1,395,736	(1,141,937)	253,799
Personal accident	70,078	(45,689)	24,389
Theft	204,722	(59,336)	145,386
Workmen's compensation	620,904	(206,859)	414,045
Marine	208,696	(67,115)	141,581
Liability	90,577	(13,568)	77,009
Miscellaneous	152,451	(114,402)	38,049
	<u>5,635,640</u>	<u>(1,722,225)</u>	<u>3,913,415</u>
Year ended 31 December 2021			
Aviation	49,637	(49,664)	(27)
Motor	2,724,606	(12,052)	2,712,555
Fire and engineering	785,074	(562,356)	222,718
Personal accident	64,259	(41,921)	22,337
Theft	201,652	(57,303)	144,350
Workmen's compensation	557,672	(57,127)	500,545
Marine	210,616	(65,613)	145,003
Liability	70,161	(6,364)	63,797
Miscellaneous	160,276	(134,249)	26,027
	<u>4,823,954</u>	<u>(986,648)</u>	<u>3,837,306</u>

6 (a). Investment income

(i) Interest Income determined using the effective interest rate method

	2022 Shs'000	2021 Shs'000
Interest from government securities at amortised cost	146,957	124,429
Interest from deposits with financial institutions	62,906	79,248
Interest on loans	251	611
(ii) Other income		
Rental income	77,653	57,282
Dividend income	8,257	5,591
Miscellaneous Income	32,211	31,200
Fair value (loss)/gains on investment properties (Note 15)	(15,000)	15,000
	<u>313,235</u>	<u>313,360</u>

6 (b). Commissions earned

Motor	903	1,762
Fire and engineering	378,787	230,680
Aviation	9,115	4,761
Liability	3,405	2,432
Marine	20,664	26,511
Theft	17,267	20,241
Workmen's compensation	61,488	38,950
Personal accident	14,069	30,909
Miscellaneous	19,630	4,928
	<u>525,329</u>	<u>361,174</u>

NOTES (Cont.)

7. (a) Claims and policyholder benefits payable

	2022 Shs'000	2021 Shs'000
Net claims payable by principal class of business:		
Motor	2,733,646	2,682,483
Fire and engineering	221,632	216,626
Aviation	2,866	(1,112)
Liability	46,690	31,532
Marine	66,383	66,766
Theft	118,443	120,225
Workmen's compensation	329,561	97,849
Personal accident	6,764	11,843
Miscellaneous	199,999	22,255
Net incurred claims	3,725,985	3,248,467

7 (b). Amounts recoverable from reinsurers

Motor	315,525	292,597
Fire and engineering	126,020	95,536
Aviation	2,189	-
Liability	4,179	315
Marine	32,729	15,965
Theft	18,941	4,252
Workmen's compensation	123,862	811
Personal accident	4,674	1,674
Miscellaneous	200,325	17,950
	828,445	429,099

7 (c). Commissions payable

Motor	264,363	261,136
Fire and engineering	212,569	132,663
Aviation	4,387	2,979
Liability	15,756	12,386
Marine	36,678	35,879
Theft	18,578	19,261
Workmen's compensation	91,638	120,959
Personal accident	8,349	8,184
Miscellaneous	14,512	21,861
	666,830	615,306

NOTES (Cont.)

8 (a). Operating and other expenses	2022 Shs'000	2021 Shs'000
Directors' remuneration	80,000	68,276
Staff costs	396,998	382,184
Auditors remuneration	4,733	7,500
Depreciation on property, plant and equipment (Note 14)	34,472	38,763
Depreciation on right-of-use assets (Note 16(a))	16,249	10,180
Amortisation on intangible assets (Note 17)	19,084	20,960
Repairs and maintenance	21,333	13,851
Management expense	148,608	210,645
Policyholders compensation	13,947	11,327
Insurance expenses	50,138	66,417
Premium tax	55,810	46,798
Subscriptions	12,389	14,380
Tax arrears and penalties	239	58
Donations and sponsorships	6,333	2,448
Legal fees	2,196	183
Software support contract and licenses	5,474	11,108
Professional fees	144,780	198,193
Administration fees	47,733	-
Commission fees	35,468	-
Consultancies	33,518	-
Write off	10,751	3,315
Coinsurance fees	-	4,430
Vat on commission	-	1,184
Administration fees	22,972	18,816
Bad debts written off	-	2,645
Bank Charges Gnl	5,266	7,434
Bank Charges Gnl-Excise Duty	33	6
	1,168,523	1,141,101

8 (b). Staff expense	2022 Shs'000	2021 Shs'000
Salaries and wages	369,661	423,954
Pension costs:		
- National Social Security Fund	364	392
- defined contribution scheme	26,973	26,114
	396,998	450,460

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

- Underwriting	63	59
- Claims	22	22
- Life	-	29
- Others	71	74
	156	184

NOTES (Cont.)

8 (c). Movement in expected credit loss allowance

	2022 Shs'000	2021 Shs'000
Receivables arising out of reinsurance arrangements	39,933	47,867
Receivables arising out of direct insurance arrangements	(156,019)	(70,653)
Other receivables	(10)	989
Loans receivable	(364)	371
Government securities	13,453	(7,150)
Deposits with financial institutions	10,671	(46,011)
Cash and cash equivalents	1,678	3,373

	(90,657)	(71,214)
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8 (d). Finance costs

Interest on lease liabilities (Note 16(b))	6,940	5,530
Interest on bank overdraft	9,364	6,539
Bond Guarantee Charges	4,696	1,544

	21,000	13,613
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9. Tax

Current income tax	-	-
Deferred income tax (Note 18)	31,943	(90,718)
Income tax expense	31,943	(90,718)

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:

Profit before tax	88,744	(6,335)
Tax calculated at the statutory income		
tax rate of 30% (2021: 30%)	26,623	(1,901)
Tax effect of:		
- expenses not allowable for tax purposes	5,320	(88,817)
Income tax charge	31,943	(90,718)

10. Tax recoverable

The movement in tax receivable is as follows:

At the beginning of the year	196,044	103,873
Taxes paid	14,170	92,171
At the end of the year	210,214	196,044

NOTES (Cont.)

11. Share capital

	2022 Shs'000	2021 Shs'000
50,312,500 (2021: 50,312,500) ordinary shares of Shs. 20 each	1,006,250	1,006,250
Issued and fully paid share capital:		
50,312,500 (2021: 27,500,000) ordinary shares of Shs. 20 each	1,006,250	1,006,250
Issued and fully paid share capital has been split as follows:		
Short term business		
50,312,500 (2021: 30,312,500) ordinary shares of Shs. 20 each	1,006,250	1,006,250

12 (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.

12 (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.

12 (c). Fair value reserve

	2022 Shs'000	2021 Shs'000
1 January	45,777	27,039
Revaluation gain on property and equipment (note 14)	14,809	10,000
Fair value (loss)/gain on equity instruments designated at fair value through other comprehensive income	(36,655)	8,738
31 December	23,931	45,777

13. Dividend

The directors propose a final dividend of Shs. 1 per share (2021: Shs. 1 per share) amounting to total of Shs. 50,312,000 (2021: Shs. 50,312,000).

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.

14. Property, plant and equipment

Year ended 31 December 2022

Cost/valuation	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
1 January	385,095	289,571	9,833	113,231	1,503	4,358	803,591
Additions	-	-	-	3,716	-	-	3,716
Revaluation surplus	14,809	-	-	-	-	-	14,809
Reversal of accumulated depreciation on revaluation	(4,905)	-	-	-	-	-	(4,905)
31 December	395,000	289,571	9,833	116,947	1,503	4,358	817,212
Accumulated Depreciation							
1 January	-	129,827	7,374	71,321	1,128	3,770	213,421
Charge for the year	4,905	19,968	307	9,125	94	74	34,472
Reversal of accumulated depreciation on revaluation	(4,905)	-	-	-	-	-	(4,905)
31 December	-	149,795	7,682	80,447	1,222	3,844	242,989
Carrying amount	395,000	139,776	2,151	36,501	281	515	574,223

Buildings were professionally valued on 31 December 2022 by Axis Real Estate Limited on the basis of open market. 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.

NOTES (Cont.)

14. Property, plant and equipment

Year ended 31 December 2021

Cost/valuation	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
1 January	380,000	283,237	9,895	105,449	1,503	4,358	784,443
Additions	-	6,334	38	7,782	-	-	14,153
Revaluation surplus	10,000	-	-	-	-	-	10,000
Reversal of accumulated depreciation on revaluation	(4,905)	-	-	-	-	-	(4,905)
Transfer to Geminia Life Insurance Company Kenya Limited	-	-	(100)	-	-	-	(100)
31 December	385,095	289,571	9,833	113,231	1,503	4,358	803,591
Accumulated Depreciation							
1 January	-	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
Reversal of accumulated depreciation on revaluation	(4,905)	-	-	-	-	-	(4,905)
Transfer to Geminia Life Insurance Company Kenya Limited	-	-	(25)	-	-	-	(25)
31 December	-	129,827	7,374	71,321	1,128	3,770	213,421
Carrying Amount	385,095	159,744	2,458	41,910	375	588	590,170

15. Investment properties

1 January 2022
Fair value (loss)/gain (note 6)

31 December 2022

2022 Shs'000	2021 Shs'000
1,035,000	1,020,000
(15,000)	15,000
1,020,000	1,035,000

NOTES (Cont.)

15. Investment properties (continued)

	Capitol Hill- Plot# 209/9769	Eldoret Mun. Block 4/111	Upper Hill Development A/C	Total
1 January 2022	85,000	180,000	770,000	1,035,000
Fair value (loss)/gain	-	15,000	(30,000)	(15,000)
31 December 2022	85,000	195,000	740,000	1,020,000
At 31/12/2022	85,000	195,000	740,000	1,020,000
At 31/12/2021	85,000	180,000	770,000	1,035,000

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 2022 with recent experience in the location and category of the investment properties being valued.

These properties include; (i) Capitol Hill Towers - Plot L.R 209/9769 3rd Flr with a Leasehold interest for a term of 99 years, effective from 1/10/1978.

(ii) Eldoret Property- ELD/MUN/BLOCK 4/111 with a leasehold interest for a term of 99 years from 1/06/1992

(iii) Geminia Ins Plaza in upperhill L.R 209/6523 with a Leasehold Interest for a term of 99 years from 1/3/1987

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. Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by independent valuers i.e. Axis Real Estate Limited. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are de recognised when either they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of an item of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. Transfers are made to (or from) investment property only when there is a change in use.

NOTES (Cont.)

16 (a). Right of use assets

	2022 Shs'000	2021 Shs'000
Cost		
1 January/ 31 December	76,895	76,895
Additions	23,610	-
Disposal	(24,187)	-
At end of year	<u>76,318</u>	<u>76,895</u>
Accumulated Depreciation		
1 January	35,455	25,274
Charge for the year	16,249	10,180
Disposal	(351)	-
31 December	<u>51,352</u>	<u>35,455</u>
Carrying amount	<u>24,966</u>	<u>41,440</u>

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 leases for Thika and Meru was terminated in the year. 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.

16 (b). Lease liabilities

	2022 Shs'000	2021 Shs'000
1 January	35,808	46,339
Payment of interest	6,940	5,530
Payments of principal portion of lease liabilities	(8,779)	(16,061)
31 December	<u>33,970</u>	<u>35,808</u>

17. Intangible assets

	2022 Shs'000	2021 Shs'000
Cost		
1 January	183,051	180,105
Additions	11,578	2,946
31 December	<u>194,629</u>	<u>183,051</u>
Amortisation		
1 January	99,211	78,251
Charge for the year	19,084	20,960
31 December	<u>118,294</u>	<u>99,211</u>
Carrying amount	<u>76,335</u>	<u>83,840</u>

The intangible assets relates to costs incurred in acquisition of software in use by the Company. The costs are amortised on a straight line basis over their estimated useful lives of five years.

NOTES (Cont.)

18. Deferred income tax asset

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

	2022 Shs'000	2021 Shs'000
1 January	(113,306)	(22,723)
Deferred tax charge/(credit) for the year (Note 9)	31,943	(90,583)
31 December	<u>(81,363)</u>	<u>(113,306)</u>

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:

2022	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	(55,212)	9,851	(45,361)
Tax losses	(13,322)	6,055	(7,267)
Intangible assets	25,152	(2,252)	22,901
Right to use asset	12,432	(4,942)	7,490
Investment property fair value gains	1,500	-	1,500
Lease liabilities	(10,742)	551	(10,191)
Gain on revaluation of properties	2,250	(2,250)	-
Loss on revaluation of properties	-	(2,250)	(2,250)
Fair value loss on unquoted shares	1,368	(18)	1,351
Provision for ECL	(76,732)	27,197	(49,535)
Net deferred tax liability/(asset)	<u>(113,306)</u>	<u>31,943</u>	<u>(81,363)</u>
2021			
	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	(60,023)	4,811	(55,212)
Deferred tax on revaluation reserves	18,241	(18,241)	-
Tax losses	-	(13,322)	(13,322)
Intangible assets	20,959	4,193	25,152
Right to use asset	12,327	105	12,432
Investment property fair value gains	(3,000)	4,500	1,500
Lease liabilities	-	(10,742)	(10,742)
Deferred tax on provisions on expected credit losses	(23,071)	23,071	-
Unrealized exchange gains	797	(797)	-
Gain on revaluation of properties	-	2,250	2,250
Deferred tax on revaluation reserves	11,047	(11,047)	-
Fair value loss on unquoted shares	-	1,368	1,368
Provision for ECL	-	(76,732)	(76,732)
Net deferred tax asset	<u>(22,723)</u>	<u>(90,583)</u>	<u>(113,306)</u>

NOTES (Cont.)

19. Loans receivable

	2022 Shs'000	2021 Shs'000
Loan advances:	1,739	101,548
Less: expected credit losses	(6)	(371)
	1,733	101,178
The movement in the provisions for the expected credit losses is as below;		
1 January	(371)	-
(Write back)/charge for the year	364	(371)
31 December	(6)	(371)
a) Movement in Loans		
1 January	101,178	103,852
Loan repayments	(99,439)	4,330
Transfer to Geminia Life Insurance Company Kenya Limited	-	(6,634)
Less: expected credit losses	(6)	(371)
31 December	1,733	101,178
Maturity profile of mortgage loans:		
Loans maturing:		
Within 1 year	472	27,531
Between 1-5 years	525	30,658
Over 5 years	742	43,359
	1,739	101,548
Loans advanced	1,739	4,828
Loan advanced to related parties (Note 37)	-	96,720
	1,739	101,548

NOTES (Cont.)

20. Government securities measured at amortised cost

	2022 Shs'000	2021 Shs'000
Maturity analysis:		
Between 1 and 5 years of the reporting date	1,255,863	1,063,292
Less: expected credit loss allowance	(20,471)	(7,018)
	<u>1,235,393</u>	<u>1,056,274</u>
Breakdown for the government securities is as follows;		
1 January	1,056,274	1,629,587
Additions/(maturity)	146,532	(596,537)
Accrued interest	36,328	30,705
Discount Value	(23,234)	(22,975)
Premium Value	27,072	22,512
Amortisation	12,891	-
Less: expected credit loss allowance	(20,471)	(7,018)
31 December	<u>1,235,393</u>	<u>1,056,274</u>
The movement in the provisions for the expected credit losses is as below;		
1 January	(7,018)	(17,332)
(Charge)/write back for the year	(13,453)	10,314
31 December	<u>(20,471)</u>	<u>(7,018)</u>

Treasury bonds amounting to Shs 365,000,000 (2021: Shs 330,000,000) are held under lien in favour of the Insurance Regulatory Authority in accordance with Section 32 of the Kenyan Insurance Act.

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.

21. Unquoted equity Investments at fair value through other comprehensive income

	2022 Shs'000	2021 Shs'000
311,115 (2021: 311,115) Ordinary shares of Shs 25 (2021: 24.31) in M-Oriental Commercial Bank	7,798	7,681
Movement		
1 January	7,681	7,612
Fair value gain	117	69
31 December	<u>7,798</u>	<u>7,681</u>

The Company computes the fair value from of the above from the audited financial statements by dividing the results by the number of shares to get the value per share. The revaluation is then computed from this amount and the amount of shares invested

22. Quoted equity Investment at fair value through other comprehensive income

	2022 Shs'000	2021 Shs'000
1 January	152,873	141,935
Additions during the year	2,644	1,818
Disposals during the year	(2,570)	-
Fair value (loss)/ gain	(36,772)	9,120
31 December	<u>116,175</u>	<u>152,873</u>

NOTES (Cont.)

23. Receivables arising out of reinsurance arrangements

	2022 Shs'000	2021 Shs'000
Receivables arising out of reinsurance arrangements	1,274,774	1,123,343
Less: Allowance for expected credit losses	(48,717)	(8,784)
	<u>1,226,057</u>	<u>1,114,559</u>
The movement in the allowance for the expected credit losses is as below;		
1 January	(8,784)	(1,599)
Charge for the year	(39,933)	(7,185)
31 December	<u>(48,717)</u>	<u>(8,784)</u>

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.

24. Receivables arising out of direct insurance arrangements

	2022 Shs'000	2021 Shs'000
Receivables arising out of direct insurance arrangements	642,200	729,283
Less: Credit loss allowance	(27,871)	(183,890)
	<u>614,329</u>	<u>545,393</u>
The movement in the provisions for the expected credit losses is as below;		
1 January	(183,890)	(212,353)
Write back during the year	156,019	28,463
31 December	<u>(27,871)</u>	<u>(183,890)</u>

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.

NOTES (Cont.)

25. Reinsurers' share of insurance contract liabilities

	2022 Shs'000	2021 Shs'000
Reinsurer's share of:		
- claims outstanding	422,954	311,410
- Incurred but not enough reported	83,077	45,405
- unearned premium (Note 32)	789,451	431,273
	<u>1,295,482</u>	<u>788,088</u>

26. Deferred acquisition costs

	2022 Shs'000	2021 Shs'000
Deferred acquisition costs	<u>325,718</u>	<u>255,136</u>

	2022			2021		
	Gross Shs	Re-insurance Shs	Net Shs	Gross Shs	Re-insurance Shs	Net Shs
1 January	255,136	-	255,136	285,873	-	285,873
Increase/during the year	70,582	-	70,582	(30,737)	-	(30,737)
31 December	<u>325,718</u>	<u>-</u>	<u>325,718</u>	<u>255,136</u>	<u>-</u>	<u>255,136</u>

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.

27. Other receivables and prepayments

	2022 Shs'000	2021 Shs'000
Prepayments	16,466	10,648
Rent receivables and deposits	33,128	31,995
Other receivables (see below)	10,080	25,061
Receivable from related parties (Note 37)	345	315
Less: expected credit losses	(979)	(989)
	<u>59,040</u>	<u>67,030</u>
Other receivables;		
Bond Deposit Guarantees (Sidian)	6,540	14,535
Dyer & Blair Investment Bank	39	132
Staff Advances A/C	75	1,745
Withholding Tax On Dividend	-	1,024
Comesa Card	3,427	2,353
Value Added Tax	-	5,271
	<u>10,080</u>	<u>25,061</u>

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.

NOTES (Cont.)

28. 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:

	2022 %	2021 %
Treasury bonds	12.66	12.32
Fixed deposits	7.79	7.18
Mortgage loans	6.00	6.00

29. Deposits with financial institutions

	2022 Shs'000	2021 Shs'000
Deposits with financial institutions maturity analysis		
Below three months from the reporting date	422,113	571,613
After three months from the reporting date	650,474	763,229
Accrued interest	20,173	23,594
Less: provision for expected credit losses	(62,606)	(51,935)
	<u>1,030,154</u>	<u>1,306,502</u>

Deposits with financial institutions have a maturity period of below 90 days for short term deposits and between 91days to 1 year for long term deposits from the acquisitions date

Movement of the Deposits with financial institutions

1 January	1,306,502	2,156,198
Increase	(233,915)	(821,356)
Accrued interest	20,173	23,594
Less: provision for expected credit losses	(62,606)	(51,935)
31 December	<u>1,030,154</u>	<u>1,306,502</u>

The movement in the provisions for the expected credit losses is as below;

1 January	(51,935)	(77,966)
(Charge)/write back for the year	(10,671)	26,031
31 December	<u>(62,606)</u>	<u>(51,935)</u>

The carrying amounts of the Company's deposits with. approximate to their fair value. Financial institutions are denominated in Kenya Shillings. In the opinion of the directors, the carrying amount of deposits with financial institutions

NOTES (Cont.)

30. Cash and cash equivalents

	2022 Shs'000	2021 Shs'000
Cash at bank and in hand	192,971	242,601
Provision for expected credit losses:	(4,466)	(2,788)
	<u>188,505</u>	<u>239,813</u>
The movement in the provisions for the expected credit losses is as below;		
1 January	(2,788)	(2,987)
(Charge)/write back for the year	(1,678)	200
31 December	<u>(4,466)</u>	<u>(2,788)</u>

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

a) Cash at bank and in hand

Cash at bank and in hand	188,505	239,813
Bank overdrafts (Note 35)	-	(70,550)

b) Deposits with financial institutions maturing:

Deposits with financial institutions maturing in below three months from the reporting date	422,113	571,613
	<u>610,618</u>	<u>740,876</u>

NOTES (Cont.)

31. Insurance contract liabilities

- claims reported and claims handling expenses
- claims incurred but not reported (IBNR)

	1,871,766	1,698,846
	550,095	435,729
	2,421,861	2,134,575

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 2021 and 31 December 2022 are not material.

31 December 2022

Accident year	2018 Shs'000	2019 Shs'000	2020 Shs'000	2021 Shs'000	2022 Shs'000
Estimate of ultimate claims costs:					
At end of accident year	2,499,774	3,369,437	3,150,147	2,400,381	2,053,444
one year later	18,238	41,069	23,879	284,234	-
two years later	5,818	5,046	26,792	-	-
three years later	2,044	12,444	-	-	-
four years later	5,243	-	-	-	-

Current estimate of cumulative claims

At end of accident year	2,499,774	3,369,437	3,150,147	2,400,381	2,053,444
one year later	2,518,012	3,410,506	3,174,026	2,684,615	-
two years later	2,523,830	3,415,552	3,200,818	-	-
three years later	2,525,873	3,427,996	-	-	-
four years later	2,531,116	-	-	-	-
Cumulative payments to date	2,525,873	3,415,552	3,174,026	2,400,381	2,053,444

Provision for Incurred But Not Reported (IBNR)

	305,202	356,157	410,046	414,998	550,095
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Insurance payables per the statement of financial position

	4,236,924	4,330,317	4,402,827	4,420,415	5,138,102
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NOTES (Cont.)

31. Insurance contract liabilities (continued)

31 December 2021

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 to date					
	1,608,848	2,525,873	3,415,552	3,174,026	2,400,381
	149,836	305,202	356,157	410,046	435,729
Provision for Incurred But Not Reported (IBNR)	3,484,082	4,236,924	4,330,317	4,402,827	4,420,415

Insurance payables per the statement of financial position

Movement in insurance liabilities and reinsurance assets

	2022 Rein- surance Shs'000	2021 Rein- surance Shs'000	Gross Shs'000	Net Shs'000	Net Shs'000
Notified claims	59,757	1,639,089	1,675,387	1,639,089	1,591,407
Incurred but not reported (IBNR)	297,058	138,670	410,046	138,670	300,827
1 January	356,815	1,777,760	2,085,433	1,93,199	1,892,234
Claims settled in the year	828,445	2,785,935	3,362,941	490,257	2,872,684
Increase in liabilities	(679,230)	(2,647,864)	(3,313,799)	(326,641)	(2,987,158)
31 December	506,031	1,915,830	2,134,575	356,815	1,777,760
Made up of:					
Notified claims	34,401	1,837,365	1,698,846	1,698,846	1,639,089
Incurred but not reported (IBNR)	471,630	78,465	435,729	435,729	138,670
31 December	506,031	1,915,830	2,134,575	356,815	1,777,760

NOTES (Cont.)

32. Unearned premium reserves

	2022		2021		
	Gross Shs'000	Re insurance Shs'000	Net Shs'000	Gross Shs'000	Re insurance Shs'000
1 January	2,285,840	431,273	1,854,567	2,317,394	439,119
Increase in the year (net)	453,529	358,179	95,350	(31,554)	(7,846)
31 December	2,739,368	789,451	1,949,917	2,285,840	431,273

33. Creditors arising from reinsurance arrangements

	2022 Shs'000	2021 Shs'000
Creditors arising from reinsurance arrangements	343,883	68,170

34. Other payables

	2022 Shs'000	2021 Shs'000
Other accrued expenses	48,656	40,695
Other liabilities	107,511	149,980
Payable to related parties (Note 37)	312,443	813,108
	468,610	1,003,784

35. Borrowings

	2022 Shs'000	2021 Shs'000
The borrowings are made up as follows:		
Bank overdrafts (Note 30)	-	70,550

All borrowings were fully repaid during the year. The entity did not have additional borrowings in the current year

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

The carrying amounts of the Company's borrowings 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:

	2022 Shs'000	2021 Shs'000
6 months or less	-	35,275
6 - 12 months	-	35,275
	-	70,550

The carrying amounts of the Company's borrowings are denominated in Kenya shillings.

NOTES (Cont.)

36. Cash from operations

	Note	2022 Shs'000	2021 Shs'000
Reconciliation of profit(loss) before tax to cash from operations:			
Profit (loss) before tax		88,744	(6,335)
Adjustments for:			
Interest income		(210,114)	(204,288)
Dividend income		(8,257)	(5,591)
Depreciation on property and equipments	13	34,472	38,763
Depreciation on right-of-use assets	15	16,249	10,180
Amortisation of intangible assets	15	19,084	20,960
Loss on disposal of subsidiary		-	86,571
Fair value (loss) /gain on investment properties (Note 6)	6	15,000	(15,000)
Effect of tax transfer of Life business		-	(72,233)
Changes in:			
- receivables arising out of reinsurance arrangements		(111,498)	(249,199)
- receivables arising out of direct insurance arrangements		(68,936)	530,943
- deferred acquisition costs		(70,582)	30,737
- other receivables and prepayments		7,990	541,365
- reinsurers' share of insurance contract liabilities		(507,394)	93,988
- loans receivables		99,445	9,308
- insurance contract liabilities		287,287	(1,192,450)
- unearned premium reserves		453,529	(31,554)
- creditors arising from reinsurance arrangements		275,713	(271,683)
- payables under deposit administration contracts		-	(307,580)
- other payables		(537,014)	528,687
Cash used in operations		(216,284)	(464,412)

37. Related party disclosures

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

a) Key management compensation

	2022 Shs'000	2021 Shs'000
The remuneration of directors and other key management during the year were as follows:		
Salaries and other short term employment benefits	80,000	68,276

b) Related party balances

Amount due from Geminia Holdings Limited (Note 27)	345	315
Amount due to Geminia Life Insurance Company Limited (Note 34)	312,443	813,108
Loans advanced to related party (Note 19)	-	96,720

c) Other transactions with related parties

Expenses paid on behalf of related party	30	2,653,651
Claims paid to Geminia Life Insurance Company Limited	161,502	-

NOTES (Cont.)

38. Contingent assets

On 1st June 2019, the Company provided a one year guarantee for Ksh.376,000,000 to Gulf African Bank Ltd in favor of United Pharma Limited for their loan facility. However, United Pharma defaulted on their loan repayments and Gulf African Bank recalled the guarantee and following a court order, they proceeded to withhold Ksh. 332,879,645 that was held in the Company's bank accounts. However, the guarantee was secured by an insurance policy while the directors of United Pharma had provided personal indemnity in case of default. In this regard, management has pursued the directors of United Pharma Limited for them to honor their obligation relating to the indemnity and security they provided on the guarantee. The directors have agreed to a repayment plan on grounds of personal indemnity.

This amount due from directors of United Pharma has been treated as a contingent asset in these financial assets due to the uncertainty that surrounding the full realisation of the asset per the terms of the agreement.

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.

	2022 Shs'000	2021 Shs'000
Net profit for the year attributable to shareholders	56,801	84,248
Adjusted weighted average number of ordinary shares in issue (Note 10)	50,313	50,313
Earnings per share - basic and diluted (Shs.)	1.13	1.67

There were no potentially dilutive shares outstanding as at 31 December 2022 and 31 December 2021.

41. Prior year adjustments

During the year ended 31 December 2022, adjustments were passed in the corresponding balances for the year ended 31 December 2021 to correct balances that were provided in error. In addition, an adjustment was made to write back value added tax amount that was accrued in error during the transfer of the life business. Further, the deferred tax liability was also adjusted to recognize temporary differences that had not been accounted for in the previous year. Finally, the shareholding structure of Geminia Life Insurance Company Limited changed on 31 December 2021 and as a result, Geminia Insurance Company Limited lost control of its subsidiary-Geminia Life Insurance Company Limited. As a result of this change, the investment in the subsidiary ought to have been derecognised from the books of account and in the financial statement as at that date. The adjusting entries that have been made are as follows;

NOTES (Cont.)

41. Prior year adjustments (Continued)

Statement of financial position	As previously stated	Reclassification	Adjustments	Restated Balance
Other liabilities	(164,507,627)	-	14,527,288	(149,980,339)
Deferred tax	(4,528,972)	-	117,835,106	113,306,135
Investment in subsidiary	86,571,027	-	(86,571,027)	-
	<u>(82,465,572)</u>	<u>-</u>	<u>45,791,367</u>	<u>(149,980,339)</u>
Statement of profit or loss	As previously stated	Reclassification	Adjustments	Restated Balance
Operating and other expenses	1,052,083,000	2,447,712	86,571,027	1,141,101,739
Miscellaneous income	(292,772,000)	-6,060,712	(14,527,288)	(313,360,000)
Finance costs	-	13,613,000	-	13,613,000
Tax charge P&L	27,251,972	-	(117,835,106)	(90,583,135)
	<u>786,562,972</u>	<u>10,000,000</u>	<u>(45,791,367)</u>	<u>750,771,604</u>
Statement of other comprehensive	As previously stated	Reclassification	Adjustments	Restated Balance
Revaluation loss property and equipment	-	(10,000,000)	-	(10,000,000)

42. 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.

43. Presentation currency

The financial statements are presented in Kenya Shillings and rounded off to the nearest thousand shilling(Shs'000').

SUPPLEMENTARY INFORMATION

General insurance business revenue account for the year ended 31 December 2022

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	2022 Total Shs'000
Gross Premium	68,874	536,327	63,856	787,368	94,563	203,005	1,415,414	1,411,543	68,569	198,538	734,866	148,681	5,731,604
Change in gross UPR	(5,849)	5,110	3,961	(886)	(3,985)	5,690	(77,027)	79,522	1,508	6,184	(113,962)	3,771	(95,964)
Gross earned premiums	63,024	541,437	67,817	786,482	90,577	208,696	1,338,387	1,491,065	70,078	204,722	620,904	152,451	5,635,640
Less: reinsurance payable	(67,245)	(493,479)	(16,327)	(632,130)	(13,568)	(67,115)	(4,433)	(1,642)	(45,689)	(59,336)	(206,859)	(114,402)	(1,722,225)
Net earned premiums	(4,220)	47,958	51,490	154,352	77,009	141,581	1,333,955	1,489,422	24,389	145,386	414,045	38,049	3,913,415
Gross claims paid	2,746	67,984	14,785	129,471	43,627	70,875	1,421,768	1,233,182	6,596	91,403	327,444	204,498	3,614,380
Change in O/S claims	120	16,873	943	(8,424)	3,064	(4,492)	(97,058)	175,753	168	27,039	2,117	(4,499)	111,605
Less: Reinsurance	(2,189)	(30,875)	(384)	(94,760)	(4,179)	(32,729)	(175,015)	(140,510)	(4,674)	(18,941)	(123,862)	(200,325)	(828,445)
Net claims incurred	676	53,982	15,343	26,287	42,511	33,654	1,149,696	1,268,426	2,090	99,501	205,699	(326)	2,897,540
Commissions receivable	(9,115)	(161,492)	(5,736)	(211,560)	(3,405)	(20,664)	(657)	(246)	(14,069)	(17,267)	(61,488)	(19,630)	(525,329)
Commissions payable	4,387	69,487	13,045	130,037	15,756	36,678	119,822	144,542	8,349	18,578	91,638	14,512	666,830
Expenses of management	12,952	100,860	12,009	148,070	17,783	38,176	266,178	265,450	12,895	37,336	138,196	27,960	1,077,865
Total expenses and commissions	8,225	8,855	19,318	66,547	30,134	54,191	385,343	409,745	7,174	38,647	168,346	22,842	1,219,366
Underwriting (loss)/profit	(13,122)	(14,880)	16,829	61,518	4,363	53,736	(201,084)	(188,749)	15,125	7,238	40,001	15,533	(203,491)
Investment income	3,764	29,311	3,490	43,030	5,168	11,094	77,353	77,142	3,747	10,850	40,161	8,125	313,235
(Loss)/Profit before tax	(9,358)	14,431	20,318	104,548	9,531	64,831	(123,731)	(111,607)	18,872	18,088	80,161	23,658	109,744

SUPPLEMENTARY INFORMATION

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

Class of insurance business

	Aviation		Engineering		Fire		Liability		Marine		Motor private commercial		Motor commercial		Personal accident		Theft compensation		Workmen's Miscellaneous		2021 Total	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	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									
(Loss)/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									

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