



**GEMINIA
INSURANCE
CO.LTD.**



Annual Report &
FINANCIAL STATEMENT 2023

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COMPANY INFORMATION

About Geminia Insurance Company

Geminia Insurance Company Limited is a fully local-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. 5 billion as at 31st December 2023, has distinguished itself in the market for its intimacy with the clients, especially through delivery of personalized services for over 40 years.



VISION STATEMENT

To be the premier regional insurer most admired for our people, partnerships, and superior experience.



MISSION STATEMENT

To be a trusted partner in providing value based innovative risk solutions.



CORE VALUES

- ◆ Integrity & Trust
- ◆ Excellence
- ◆ Passion
- ◆ Equality

COMPANY INFORMATION (Cont.)

BOARD OF DIRECTORS

T. N. Kimani
B.J. Ndegwa
L.N. Githunguri
P.N. Gathuri
H.D. Vaya
K.M. Muoki
A.M. Njoroge

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

SUBSIDIARY

Geminia Life Insurance Company 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

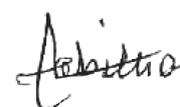
On behalf of the Board, I wish to take this opportunity to thank our shareholders, clients, intermediaries, reinsurers, service providers and the regulatory authorities. We are indebted to all our business partners for their invaluable support throughout the year.

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



CHAIRPERSONS STATEMENT *(Cont.)*

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. NJORGE
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

CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS

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

BOARD 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.	Ms. A. M. 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.	Ms. A. M. Njoroge	Member
3.	Ms. L. N. Githunguri	Member
4.	Mr. B. J. Ndegwa	Member

AUDIT COMMITTEE

Audit Committee meets as frequently as required but at least once a quarter and is chaired by a non-executive director. 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 DIRECTORS

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the company and the company.

COUNTRY OF INCORPORATION

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

PRINCIPAL ACTIVITIES

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

COMPANY'S BUSINESS REVIEW

During the year, the company's insurance revenue increased from Shs. 5,461,962,000 to Shs. 6,433,271,000 representing a 18% rise in growth. 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 decreased slightly by 1.12% from Shs. 5,545,094,000 to Shs 5,482,972,000. The profit before tax decreased from Shs 244,393,000 to Shs 110,984,000 reflecting the effects of increase in investment income and better underwriting performance. The decrease in profit before tax is due to increased reinsurance expenses given the nature of risks taken in 2023 compared 2022.

	2023 Shs'000	Restated 2022 Shs'000
Key performance indicators		
Insurance revenue	6,433,271	5,461,962
Insurance service expenses	(5,241,074)	(5,038,333)
Investment return	327,186	296,024
Profit before tax	81,938	244,393
Total assets	5,482,972	5,545,093
Net assets	2,253,246	2,239,720
Claims ratio (%)	68%	74%
Expense ratio (%)	29%	28%

REPORT OF THE DIRECTORS (Cont.)

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. 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 5 to the financial statements.

DIVIDEND

The directors propose a final dividend of Shs. 1 per share (2022: Shs. 1 per share) amounting to total of Shs. 50,312,000 (2022: Shs. 50,312,000).

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

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

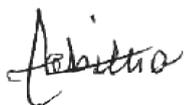
With respect to each director at the time this report was approved:

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

TERMS OF APPOINTMENT OF THE AUDITOR

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

BY ORDER OF THE BOARD



TABITHA N. KIMANI
CHAIRPERSON
NAIROBI

28th March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company that disclose, with reasonable accuracy, the financial position of the company 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.

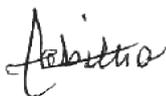
The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- 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.

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

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 28th March 2024 and signed on its behalf by:



Tabitha N. Kimani
Chairperson



Patricia Gathuri
Director



Ben Joel Ndegwa
Principal Officer

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of Geminia Insurance Company Limited as at 31 December 2023.

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 2024

REPORT OF THE INDEPENDENT AUDITOR

Opinion

We have audited the financial statements of Geminia Insurance Company Limited set out on pages 11 to 70, which comprise the statement of financial position as at 31 December 2023, 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 2023, its financial performance and its 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.

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
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 cash and bank balances, other receivables, government securities based on various risk categories and classifications 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 financial assets carried at amortised costs, the audit of the expected credit loss provisions is a key audit matter. Key areas of judgement included:</p> <ul style="list-style-type: none"> the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; the identification of exposures with a significant deterioration in credit quality; 	<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>

REPORT OF THE INDEPENDENT AUDITOR (Cont.)

Key audit matters (continued)

Key Audit Matter	How the matter was addressed in the audit
Expected credit loss provision on financial assets carried at amortised cost	
<p>Valuation of the insurance contract liabilities is highly judgemental and requires significant estimation by management. IFRS 17 which became effective for the company on 01 January 2023 presents a profound change to accounting and presentation in financial statements of insurance companies. The complexity of IFRS 17 is such that achieving compliance requires a transformation of accounting standards, systems and redefining the actuarial processes. The valuation of non-life insurance contract liabilities or assets has a significant risk of misstatement due to the complexity associated with the underlying assumptions and the sensitivity to assumption and actuarial judgement applied. Most of the actuarial assumptions relates to the calculation of the Liability for Incurred Claims (LIC), Liability for Remaining Coverage (LRC), Reinsurance Assets and the Risk Adjustment (RA).</p> <p>The valuation of outstanding claims relies on the quality of the underlying data. It involves complex and subjective judgements about future events both internal and external to the business for which small changes in assumptions can result in material impacts to the estimates.</p> <p>We identified this as a key audit matter due to the significance of the balances to the financial statements and the high degree of estimation uncertainty and significant judgement applied by management in the determination of the value of these liabilities.</p> <p>We also considered that the disclosures on contract liabilities are critical to the understanding of the financial statements.</p>	<p>Our audit procedures included but we are not limited to:</p> <ul style="list-style-type: none"> • Gaining and documenting our understanding of the IFRS 17 implementation process and gaining an understanding of any changes in the reserving models (IFRS 4 to IFRS 17). <ul style="list-style-type: none"> • Tested the appropriateness of the underlying date by: <ol style="list-style-type: none"> a. Reconciling UPR and DAC policy data to IFRS4 data and IFRS 4 to 17 reconciliations performed by the company. b. Testing contracts and relevant reserving attributes to verify whether the data has been appropriately interpreted concerning contractual terms. c. Assessing judgements made in selecting data <ul style="list-style-type: none"> • Involving our actuarial specialists to evaluate the actuarial valuation process, reasonableness of assumptions applied, and appropriateness of the methodologies used. • Reviewed the model results to determine if they are compliant with the IFRS 17 requirements • Recomputed the risk adjustment, UPR and DAC reserves. <ul style="list-style-type: none"> • Evaluating the key controls around the claims handling and reserve setting process and performing a walkthrough of the process. • Tested a sample of claims reserves, by comparing the estimated amount of the reserve to appropriate documentation and where relevant, the correspondence with lawyers and reinsurers where the claims are under investigation. • We evaluated the overall adequacy of the Company's disclosures in terms of IFRS 17 Insurance Contracts.

REPORT OF THE INDEPENDENT AUDITOR (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.

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.

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.
- 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

REPORT OF THE INDEPENDENT AUDITOR (Cont.)

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 3 - 4 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.



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

28th March 2024

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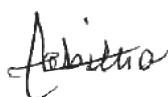
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 Shs'000	"Restated 2022 Shs'000
Insurance revenue	8(a)	6,433,271	5,461,962
Insurance service expenses	8(b)	(5,241,074)	(5,038,333)
Net expenses from reinsurance contracts	8(c)	(859,978)	85,556
Insurance service result		332,218	509,185
Net finance income from reinsurance contracts	8(e)	24,031	32,739
Net finance expenses from insurance contracts	8(d)	(124,945)	(199,622)
Net insurance finance expenses		(100,914)	(166,883)
Interest revenue calculated using the effective interest method	9(a)	243,328	209,863
Other investment revenue	9(b)	83,858	86,161
Investment return		327,186	296,024
Other gains/(losses)	9(c)	(3,259)	4,320
Other operating expenses	10(a)	(463,256)	(377,253)
Other finance costs	11(b)	(10,036)	(21,000)
Profit before tax		81,938	244,393
Income tax expense	12	(27,454)	(31,943)
Profit for the year		54,484	212,450
Other comprehensive income items that shall not be reclassified subsequently to profit or loss:			
Revaluation (loss)/gain on buildings	15(b)	(1,633)	14,809
Fair value loss on equity instruments designated at fair value through other comprehensive income	15(b)	(18,846)	(36,655)
Total other comprehensive loss		(20,479)	(21,846)
Total comprehensive income for the year		34,005	190,604

STATEMENT OF FINANCIAL POSITION

	Notes	2023 Shs'000	Restated 2022 Shs'000	Restated 2021 Shs'000
CAPITAL EMPLOYED				
Share capital	14	1,006,250	1,006,250	1,006,250
Retained earnings	15 (a)	1,193,232	1,159,227	1,092,776
Proposed dividends	37	50,312	50,312	50,312
Revaluation reserve	15 (b)	23,176	24,809	10,000
Fair value reserve	15 (b)	(19,724)	(878)	35,777
Shareholders' funds		2,253,246	2,239,720	2,195,115
REPRESENTED BY:				
Assets				
Property, plant and equipment	16	573,008	574,223	590,170
Investment properties	17	1,016,700	1,020,000	1,035,000
Right-of-use assets	18 (a)	37,248	24,966	41,440
Intangible assets	19	66,469	76,335	83,840
Deferred tax	25	53,909	81,363	113,306
Loans receivables	24	-	1,733	101,178
Government securities measured at amortised cost	22	1,256,391	1,235,393	1,056,274
Unquoted equity investments at fair value through other comprehensive income	29	8,388	7,798	7,681
Quoted equity investments at fair value through other comprehensive income	28	58,620	116,175	152,422
Reinsurance contract assets	20 (b)	1,039,132	919,194	647,013
Tax recoverable	13	127,990	210,214	196,044
Other receivables and prepayments	21	58,829	59,040	67,030
Deposits with financial institutions	23	1,122,519	1,030,154	1,306,502
Cash and cash equivalents	30	63,771	188,505	239,813
Total assets		5,482,972	5,545,093	5,637,713
Liabilities				
Insurance contract liabilities	20 (a)	3,034,691	2,865,467	2,332,456
Other payables	31	148,970	405,936	1,003,784
Lease liabilities	18 (b)	46,065	33,970	35,808
Borrowings		-	-	70,550
Total liabilities		3,229,726	3,305,373	3,442,598
Net assets		2,253,246	2,239,720	2,195,115

The financial statements were approved and authorised for issue by the Board of Directors on 28th March 2024 and were signed on its behalf by:



Tabitha N. Kimani
Chairperson



Patricia Gathuri
Director



Ben Joel Ndegwa
Principal Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs'000	Retained earnings Shs'000	Fair value reserve Shs'000	Revaluation reserve Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 2023							
1 January - as restated		1,006,250	1,159,227	(878)	24,809	50,312	2,239,720
Total comprehensive income for the year:							
- Profit for the year		-	34,005	-	-	-	34,005
- Other comprehensive income		-	-	(18,846)	(1,633)	-	(20,479)
Transactions with owners:							
Dividends:							
- Final for 2022 (paid)		-	-	-	-	(50,312)	(50,312)
- Final for 2023 (proposed)	37	-	-	-	-	50,312	50,312
31 December		<u>1,006,250</u>	<u>1,193,232</u>	<u>(19,724)</u>	<u>23,176</u>	<u>50,312</u>	<u>2,253,246</u>
Year ended 31 December 2022							
Balance as at December 31, 2021 (Audited)							
		1,006,250	992,812	35,777	10,000	50,312	2,095,151
Transition adjustment on initial application of IFRS 17							
		-	99,964	-	-	-	99,964
1 January - as restated		<u>1,006,250</u>	<u>1,092,776</u>	<u>35,777</u>	<u>10,000</u>	<u>50,312</u>	<u>2,195,115</u>
Total comprehensive income for the year:							
- Profit for the year		-	190,604	-	-	-	190,604
- Other comprehensive income		-	-	(36,655)	14,809	-	(21,846)
Transition adjustment on initial application of IFRS 17							
		-	(124,153)	-	-	-	(124,153)
Transactions with owners:							
Dividends:							
Final for 2021 (paid)	37	-	-	-	-	(50,312)	(50,312)
- Final for 2022 (proposed)	37	-	-	-	-	50,312	50,312
31 December		<u>1,006,250</u>	<u>1,159,227</u>	<u>(878)</u>	<u>24,809</u>	<u>50,312</u>	<u>2,239,720</u>

STATEMENT OF CASH FLOWS

	Notes	2023 Shs'000	Restated 2022 Shs'000
Cashflows from operating activities			
Cash used in operations	32	(301,293)	(153,073)
Tax refunded/ (paid)	13	82,224	(14,170)
Net cash used in operations		(219,069)	(167,243)
Cashflows from investing activities			
Purchase of property, plant and equipment	16	(30,709)	(3,716)
Proceeds from disposal of property and equipment	16	1,393	-
Purchase of intangible assets	19	(6,751)	(11,578)
Net movement in Rights of Use asset	18 (a)	28,309	(577)
Net movement in government securities carried at amortised cost	22	(31,219)	(146,532)
Net movement in quoted investment at fair value through other comprehensive income	28	38,119	(525)
Interest income received	9(a)	243,328	210,114
Placement of fixed deposits maturing in over 90 days	23.	(248,472)	126,848
Dividend received	9(b)	4,911	8,257
Net cash generated from/(used in) investing activities		(1,091)	182,291
Cashflows from financing activities			
Repayment on borrowings		-	(70,550)
Payment of leases	18(b)	(22,064)	(24,443)
Dividends paid to ordinary shareholders	34	(50,312)	(50,312)
Net cash used in financing activities		(72,377)	(145,306)
Decrease in cash and cash equivalents		(292,538)	(130,258)
Movement in cash and cash equivalents			
1 January	27	610,618	740,876
Decrease during the year		(292,538)	(130,258)
31 December	27	318,081	610,618

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.)

2. Summary of significant accounting policies (continued)

Going concern

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

(b) New Standards and Interpretations

(i) IFRS 17 Insurance Contracts

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

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

Changes to classification and measurement

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

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

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

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision)
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.
- The Company expenses its insurance acquisition cash flows for its property insurance product line immediately upon payment and capitalises insurance acquisition cash flows for all other product lines.
- For product lines where insurance acquisition cash flows are not immediately expensed, the Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(b) New Standards and Interpretations (Continued)

(i) IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

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

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

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

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

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

- Gross written premiums
 - Net written premiums
 - Changes in premium reserves
 - Gross insurance claims
 - Net insurance claims
- Instead, IFRS 17 requires separate presentation of:
- Insurance revenue
 - Insurance service expenses
 - Insurance finance income or expenses
 - Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

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

Transition

On transition date, 1 January 2022, the Company:

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

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

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(b) New Standards and Interpretations (Continued)

(ii) International tax reform - Pillar two model rules - amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management are required to disclose known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

"The effective date of the amendment is for years beginning on or after January 1, 2024. The company has adopted the amendment for the first time in the 2023 annual report and financial statements."

The impact of the amendment is not material.

(iii) 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 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.

The company has adopted the amendment for the first time in the 2023 annual report and financial statements

The impact of the amendment is not material.

(iv) Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

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

The company has adopted the amendment for the first time in the 2023 annual report and financial statements.

The impact of the amendment is not material.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(b) New Standards and Interpretations (Continued)

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual report and financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

"The effective date of the amendment is for years beginning on or after January 1, 2023. The company has adopted the amendment for the first time in the 2023 annual report and financial statements."

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

"The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual report and financial statements that are subject to measurement uncertainty."

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

The company has adopted the amendment for the first time in the 2023 annual report and financial statements.

The impact of the amendment is not material.

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.

The company has adopted the amendment for the first time in the 2023 annual report and financial statements.

The impact of the amendment is not material.

Standards and interpretations not yet effective

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(b) New Standards and Interpretations (Continued)

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2024 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

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

Lack of exchangeability - amendments to IAS 21

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after January 1, 2025.

The company expects to adopt the amendment for the first time in the 2025 annual report and financial statements.

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

Supplier finance arrangements - amendments to IAS 7 and IFRS 7

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(b) New Standards and Interpretations (Continued)

Supplier finance arrangements - amendments to IAS 7 and IFRS 7 (continued)

Standards and interpretations not yet effective

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

The company expects to adopt the amendment for the first time in the 2024 annual report and financial statements.

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

Non-current liabilities with covenants - amendments to IAS 1

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

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

The company expects to adopt the amendment for the first time in the 2024 annual report and financial statements.

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

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.

The company expects to adopt the amendment for the first time in the 2024 annual report and financial statements.

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts

Separating components from insurance and reinsurance contracts

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

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

Level of aggregation

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

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

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts

Level of aggregation (continued)

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

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

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

Recognition

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

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

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

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

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

Contract boundary

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts (Continued)

Contract boundary (continued)

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

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

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

Insurance and reinsurance contracts classification

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

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

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

Unit of account and measurement model

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

All insurance contracts within line represent a portfolio of contracts.

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts (Continued)

Unit of account and measurement model (continued)

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

- Fulfilment cash flows which are comprised of:
- Discounted estimates of future cash flows; and
- A risk adjustment which is the compensation required for bearing uncertainty; and
- Contractual service margin which is the unearned profit that is recognized as services are provided.

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

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

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

Initial and subsequent measurement

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

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

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

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts (Continued)

Unit of account and measurement model (continued)

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

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

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

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

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

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

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

Insurance Revenue

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

The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts (Continued)

Insurance Revenue (continued)

period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

Insurance service expenses include the following:

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

Onerous contract

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

Insurance finance income and expense

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

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

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

Net income or expense from reinsurance contracts held

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(c) Insurance and reinsurance contracts (Continued)

Net income or expense from reinsurance contracts held (continued)

allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Loss components

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

Loss-recovery components

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

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

(d) Interest income and expenses

Interest income comprises amounts calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement. In its Interest income calculated using the effective interest method the Company only includes interest on financial instruments at amortised cost or FVOCI. Other interest income includes interest on all financial assets measured at FVPL, using the contractual interest rate. The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

(e) 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.

(f) Rental income

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(g) Property 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.

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:

Item	Depreciation method	Rate %
Land		Over the period of the lease
Buildings	Straight line	1.67
Furniture and fittings	Diminishing balance	12.5
Office equipment	Diminishing balance	12.5
Computer equipment	Diminishing balance	20
Motor vehicles	Diminishing balance	25
Generator	Diminishing balance	12.5

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(g) Property and equipment (Continued)

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.

(h) 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.

(i) Intangible assets

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(j) 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.

(k) Financial instruments

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

- Financial assets

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

i) Amortised cost:

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

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

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

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

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

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (Continued)

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss 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:

(FVTPL):

- 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)

(k) Financial instruments (Continued)

The loss allowance is measured at an amount equal to the lifetime expected credit losses for Insurance contract assets 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 Insurance contract assets 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.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

(k) Financial instruments (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in profit or loss.

- Offsetting financial instruments

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

l) 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.

m) Employee entitlements

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

n) 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.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

o) Accounting for leases

The Company as lessee

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

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

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

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

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

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

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

The Company as lessor

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

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.

NOTES (Cont.)

2. Summary of significant accounting policies (continued)

p) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

q) 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.

r) Share capital

Ordinary shares are classified as equity.

s) Comparatives

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

NOTES (Cont.)

3. Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

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

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

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

NOTES (Cont.)

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

(a) Measurement of expected credit losses (ECL): (Continued)

- 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.

For Insurance contract assets 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 and equipment, intangible assets and right-of-use assets

Management reviews the useful lives, depreciation methods and residual values of the items of property and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts and depreciation methods of property and equipment, right-of-use assets and intangible assets are disclosed in notes 13, 15(a) and 17 respectively.

(c) Accounting for leases under IFRS 16

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

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

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

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

NOTES (Cont.)

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

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

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 15(a) and 15 (b) respectively.

(d) Insurance and reinsurance contracts

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

(e) Insurance acquisition cash flows

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

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

NOTES (Cont.)

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

(f) Onerous groups

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

(g) Liability for incurred claims

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

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

(h) Discount rates

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

(i) 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.

NOTES (Cont.)

4. Management of 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 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 2023

		<u>Maximum insured loss</u>			
		Shs 3 - Shs 15m - Shs'000	Shs 15- Shs 255m Shs'000	Shs 1000m Shs'000	Shs 250- Total Shs'000
Motor	Gross	128,891,253	450,746,322	-	579,637,576
	Net	127,431,485	447,136,203	-	574,567,688
Fire	Gross	16,977,710	202,046,790	134,516,995	353,541,496
	Net	16,777,715	185,242,013	31,597,447	233,617,175
Personal	Gross	10,417,464	16,168,171	8,638,277	35,223,911
	Net	4,008,942	4,255,116	-	8,264,058
Other	Gross	57,441,900	185,446,419	65,089,579	307,977,898
	Net	57,178,455	145,702,085	21,052,209	223,932,748
Total	Gross	213,728,327	854,407,702	208,244,851	1,276,380,881
	Net	205,396,597	782,335,417	52,649,656	1,040,381,670

Year ended 31 December 2022

		<u>Maximum insured loss</u>			
		Shs 3 - Shs 15m - Shs'000	Shs 15- Shs 255m Shs'000	Shs 1000m Shs'000	Shs 250- 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

NOTES (Cont.)

4. Management of Insurance risk (continued)

a) Short term insurance contracts (continued)

i) Frequency and severity of claims (continued)

Concentration by territory

Year ended 31 December 2023

Territory		Type of Risks		Total Shs'000
		Employers' liability Shs'000	Public liability Shs'000	
Nairobi	Gross	68,063,819	29,293,305	97,357,123
	Net	66,736,353	25,532,304	92,268,657
Mombasa	Gross	11,791,316	6,130,950	17,922,266
	Net	11,791,316	5,680,950	17,472,266
Kisumu	Gross	2,769,569	1,346,500	4,116,069
	Net	2,769,569	1,346,500	4,116,069
Eldoret	Gross	5,167,848	1,330,800	6,498,648
	Net	5,167,848	1,231,800	6,399,648
Nyeri	Gross	674,918	465,510	1,140,428
	Net	674,918	465,510	1,140,428
Nakuru	Gross	1,142,322	268,500	1,410,822
	Net	1,142,322	268,500	1,410,822
Total	Gross	89,609,792	38,835,565	128,445,357
Total	Net	88,282,327	34,525,564	122,807,890

Year ended 31 December 2022

Territory		Type of Risks		Total Shs'000
		Employers' liability 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	1,202,248	414,500	1,616,748
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	77,359,016	33,759,005	111,118,021

NOTES (Cont.)

4. Management of 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 2023

Industry Sector		Maximum Insured Loss (in Shs'000)		Total
		10m - 20m	20m - 40m	
Others	Gross	535,172,590	99,220,976	634,393,566
	Net	527,316,855	92,050,021	619,366,876
Total	Gross	535,172,590	99,220,976	634,393,566
Total	Net	527,316,855	92,050,021	619,366,876

Year ended 31 December 2022

Industry Sector		Maximum Insured Loss (in Shs'000)		Total
		10m - 20m	20m - 40m	
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

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 risk (continued)

a) Short term insurance contracts (continued)

Claims development table

31 December 2023

Accident year	2019 Shs'000	2020 Shs'000	2021 Shs'000	2022 Shs'000	2023 Shs'000
Estimate of ultimate claims costs:					
At end of accident year	3,369,437	3,150,147	2,400,381	2,053,444	2,408,686
one year later	41,069	23,879	284,234	125,439	-
two years later	5,046	26,792	60,291	-	-
three years later	12,444	37,804	-	-	-
four years later	13,551	-	-	-	-
Current estimate of cumulative claims					
At end of accident year	3,369,437	3,150,147	2,400,381	2,053,444	2,408,686
one year later	3,410,506	3,174,026	2,684,615	2,178,883	-
two years later	3,415,552	3,200,818	2,744,906	-	-
three years later	3,427,996	3,238,622	-	-	-
four years later	3,441,547	-	-	-	-
Cumulative payments to date	3,441,547	3,238,622	2,744,906	2,178,883	2,408,686
Provision for Incurred But Not Reported (IBNR)	356,157	410,046	414,998	550,095	692,522
Insurance payables per the statement of financial position	4,330,317	4,402,827	4,420,415	2,914,033	3,144,883

The following tables show the undiscounted estimates of cumulative incurred claims, including both claims notified and incurred but not reported claims (IBNR) for each successive year at each reporting date, together with cumulative payments to date from the short-term insurance contracts.

NOTES (Cont.)

4. Management of Insurance risk (continued)

a) Short term insurance contracts (continued)

Claims development table

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
Insurance payables per the statement of financial position	4,236,924	4,330,317	4,402,827	4,420,415	2,914,033

The following tables show the undiscounted estimates of cumulative incurred claims, including both claims notified and incurred but not reported claims (IBNR) for each successive year at each reporting date, together with cumulative payments to date from the short-term insurance contracts.

NOTES (Cont.)

5. Management of 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	
	2023 Shs'000	2022 Shs'000
Decrease	2,052	4,066

(ii) Cash flow and fair value interest rate risk

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

The company's fixed interest rate financial instruments are government securities and deposits with financial institutions. The company has no variable interest rate instruments.

No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

NOTES (Cont.)

5. Management of financial risk (continued)

a) Market risk (continued)

The government securities, cash and equivalents, deposits and loans at year end totalled Shs. 2,442,681,000 (2022: Shs. 2,455,785,000) representing a significant portion of total assets. As at 31st December 2023, 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. 85,494,000 (2022: Shs. 85,952,000).

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 Insurance contract assets arrangements

If customers arising from direct insurance arrangements are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

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

In assessing whether the credit risk on a financial asset has increased significantly, the company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due.

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

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

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

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

NOTES (Cont.)

5. Management of financial risk

b) Credit risk (continued)

- 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 Insurance contract assets 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.

Year ended 31 December 2023

Financial assets	Lifetime expected credit losses Shs '000	12 month expected credit losses Shs '000	2023 Shs '000
Reinsurance contract assets	1,039,132	-	1,039,132
Government securities	-	1,287,906	1,287,906
Deposits with financial institutions	-	1,178,603	1,178,603
Cash and cash equivalents	-	65,134	65,134
Gross carrying amount	1,039,132	2,531,642	3,570,774
Loss allowance	-	(88,962)	(88,962)
Exposure to credit risk	1,039,132	2,442,681	3,481,812

Year ended 31 December 2022

Financial assets	Lifetime expected credit losses Shs '000	12 month expected credit losses Shs '000	2023 Shs '000
Reinsurance contract assets	919,194	-	919,194
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	919,194	2,543,333	3,462,527
Loss allowance	-	(87,548)	(87,548)
Exposure to credit risk	919,194	2,455,785	3,374,979

NOTES (Cont.)

5. Management of 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 Insurance contract assets arrangements and out of reinsurance arrangements at the end of each year was as follows:

Receivables from direct insurance arrangements

	2023 Shs '000	2022 Shs '000
0 to 30 days past	729,253	919,194
31 to 60 days past	115,429	185,129
61 to 90 days past	51,695	65,771
Over 90 days past	152,132	71,120
Expected credit loss	(9,378)	(48,717)
	1,039,132	1,192,496

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

Basis for measurement of loss allowance

Year ended 31 December 2023	12-month expected credit losses Shs	Lifetime expected credit losses Shs	Total Shs
At start of year	23,630	(41,445)	(17,815)
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-	-	(4,965)
At end of year	23,630	(41,445)	(22,780)

NOTES (Cont.)

5. Management of financial risk

b) Credit risk (continued)

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)	(100,134)	(156,019)
At end of year	<u>23,630</u>	<u>(41,445)</u>	<u>(17,815)</u>

c) Liquidity risk

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

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

The table on the following page presents the undiscounted cash flows payable by the company under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the reporting date.

	Interest rate %	0 - 12 months Shs '000	1 - 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
At 31 December 2023					
<u>Non - Interest bearing liabilities</u>					
- Insurance contract liabilities	0%	1,047,734	1,250,674	736,283	3,034,691
- Other payables	0%	148,970	-	-	148,970
Total financial liabilities		<u>1,196,704</u>	<u>1,250,674</u>	<u>736,283</u>	<u>3,183,662</u>
At 31 December 2022					
<u>Non - Interest bearing liabilities</u>					
- Insurance contract liabilities	0%	762,182	845,526	1,257,759	2,865,467
- Other payables	0%	405,936	-	-	405,936
Total financial liabilities		<u>1,168,118</u>	<u>845,526</u>	<u>1,257,759</u>	<u>3,271,403</u>

NOTES (Cont.)

5. Management of 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 2023			
Government securities	1,256,391	-	1,256,391
Deposits with financial institutions	1,122,519	-	1,122,519
Quoted equity investments at fair value through other comprehensive income	-	58,620	58,620
Unquoted equity investments at fair value through other comprehensive income	-	8,388	8,388
Bank balances	63,771	-	63,771
	<u>2,442,681</u>	<u>67,007</u>	<u>2,509,688</u>
As at 31 December 2022			
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 investments at fair value through other comprehensive income	-	7,798	7,798
Bank balances	188,505	-	188,505
	<u>2,455,785</u>	<u>123,973</u>	<u>2,579,758</u>

e) Financial liabilities

Financial liabilities	2023 Shs '000	2022 Shs '000
Lease liabilities	46,065	33,970
Insurance contract liabilities	3,034,691	2,865,467
Other payables	148,970	405,936
	<u>3,229,726</u>	<u>3,305,373</u>

NOTES (Cont.)

6. Capital management objectives, policies and approach

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:

	2023 Shs '000	2022 Shs '000
Tier-1 Capital	2,255,394	2,165,477
Tier-2 Capital	3,452	23,931
Deductions	(510,159)	(603,675)
Total Capital Available (TCA)	1,748,686	1,585,733
Absolute Amount Minimum 1	600,000	600,000
Volume of Business Minimum 2	782,683	767,461
Risk Based Capital Minimum	891,264	952,254
Minimum Required Capital (Absolute)	891,264	952,254
Capital Adequacy Ratio	196%	167%

NOTES (Cont.)

7. Fair value measurements

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

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the organization can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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

There were no transfers between Level 1 and level 2 during the year.

“The table below shows an analysis of the fair value of assets by level in the fair value hierarchy, however, it does not include instruments whose fair value approximates the carrying amount;”

2023

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total amount Shs '000
Unquoted Equity Investments at fair value through other comprehensive income	-	8,388	-	8,388
Quoted shares at fair value through other comprehensive income	58,620	-	-	58,620
Investment properties	-	-	1,016,700	1,016,700
Buildings	-	-	397,500	397,500
	<u>58,620</u>	<u>8,388</u>	<u>1,414,200</u>	<u>1,481,207</u>

2022

Unquoted Equity Investments at fair value through other comprehensive income	-	7,798	-	7,798
Quoted Equity Investments at fair value through other comprehensive income	116,175	-	-	116,175
Investment properties	-	-	1,020,000	1,020,000
	<u>116,175</u>	<u>7,798</u>	<u>1,020,000</u>	<u>1,143,973</u>

NOTES (Cont.)

8. Insurance Revenue and Expenses

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

	2023	2022
	Shs'000	Shs'000
(a) Insurance contract revenue		
Insurance revenue from contracts measured under PAA	6,433,271	5,461,962
(b) Insurance service expenses		
Actual claims and expenses over the period	(4,457,392)	(4,314,993)
Expected release of risk adjustment for incurred claims	70,669	(49,213)
Amortisation of insurance acquisition flows	(833,938)	(686,575)
Increase in losses on onerous contracts	(20,413)	(444)
Total insurance expense	(5,241,074)	(5,051,224)
(c) Reinsurance Expenses		
PAA premium reserve release	(859,978)	85,556
Total insurance service result	332,218	496,294
(d) Insurance finance expenses from insurance contracts issued		
Interest accreted to insurance contracts	(124,945)	(199,622)
(e) Reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts	24,031	32,739
9. Investment income		
(a) Interest Income determined using the effective interest rate method		
Interest from government securities at amortised cost	161,563	146,957
Interest from deposits with financial institutions	81,626	62,906
Interest on loans	139	-
	243,328	209,863
(b) Other investment income		
Rental income	78,948	77,904
Dividend income	4,911	8,257
	83,858	86,161
(c) Other gains/(losses)		
Miscellaneous Income	28,553	32,211
Fair value loss on investment properties (Note 17)	(3,300)	(15,000)
Amortisation of Government bonds	(28,513)	(12,891)
	(3,260)	4,320

Miscellaneous income is majorly made up of sale of scrap metals

NOTES (Cont.)

10(a). Operating and other expenses

	2023 Shs'000	2022 Shs'000
Directors' remuneration	34,050	29,788
Staff costs	174,476	147,823
Auditors remuneration	2,078	1,178
Depreciation on property and equipment	11,201	12,836
Depreciation on right-of-use assets	6,212	6,050
Amortisation on intangible assets	6,441	7,106
Service Charge	6,513	7,944
Management expense	70,048	55,335
Subscriptions	4,897	4,613
Tax arrears and penalties	-	89
Donations and sponsorships	1,060	2,358
Legal fees	3,790	1,146
Software support contract and licenses	4,932	2,038
Professional fees	31,224	54,166
Administration fees	62,930	17,773
Commission fees	-	-
Consultancies	27,922	12,480
Write off	(0)	4,003
Value Added Taxes expensed	5,967	-
Administration fees	7,202	8,554
Retainer fees	358	-
Bank Charges Gnl	1,879	1,961
Bank Charges Gnl-Excise Duty	73	12
	463,256	377,253

The above expenses represents the non-insurance operating expenses which has been attributed for 2023 and 2022 to 35% and 32% respectively of the total expenses.

10(b). Staff expense

	2023 Shs'000	2022 Shs'000
Salaries and wages	163,970	138,997
Pension costs:		
- National Social Security Fund	655	118
- defined contribution scheme	9,852	8,708
	174,476	147,823
The average number of persons employed during the year, by category, were:		
- Underwriting	65	63
- Claims	20	22
- Others	73	71
	158	156

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