A Symbol of Trust Security and Progress

Tausi Assurance Company Limited

2021

ANNUAL REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER

A Symbol of Trust Security and Progress

Tausi Assurance Company Limited

Vision

To be the insurance provider of first choice

Mission

To create better value for our customers and stakeholders through workable solutions in general insurance.

Core Values

- Integrity
- Innovation
- Accountability
- Professionalism
- Customer focus
- Team spirit
- Fairness

Contents

COMPANY INFORMATION

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

COMPANY SECRETARY : Adili Corporate Services Kenya
: Certified Public Secretaries
: P.O. Box 764, 00606
: NAIROBI

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS : L.R. No. 209/2259/1
: Tausi Court, Tausi Road
: Off Muthithi Road, Westlands
: P.O. Box 28889, 00200
: NAIROBI
: Mobile: 0729145888/0735145020

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

ACTUARIES : Zamara Actuaries Administrators & Consultants Ltd
: P.O. Box 52439, 00200
: NAIROBI

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

LEGAL ADVISORS

: Mandla & Sehmi Advocates LLP
: P.O. Box 48642, 00100
: NAIROBI

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

: Wanja & Kibe Advocates
: P.O. Box 1382, 80100
: MOMBASA

: Mahida & Maina Company Advocates
: P.O. Box 42508, 00100
: NAIROBI

: Muchui & Company Advocates
: P.O. Box 61901, 00200
: NAIROBI

: Mucheru Law LLP Advocates
: P.O. Box 7769, 00200
: NAIROBI

BOARD OF DIRECTORS

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

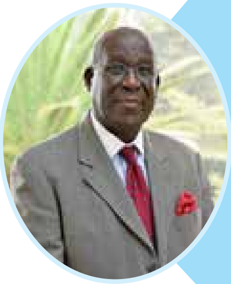
Mrs. Rita Thatthi
Mrs. Rita Thatthi joined the Tausi Board in 2007 as the CEO and Principal Officer. She holds a Bachelors degree in Commerce (Accounting Option) from the University of Nairobi and is an Associate member of the Chartered Insurance Institute of England. She has worked in the Insurance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

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

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

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

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



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

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

MANAGEMENT TEAM

Mrs. Rita Thatthi
Managing Director & Principal Officer
Bachelor of Commerce; Associate of the Chartered Insurance Institute (UK)

Ms Winnie Muoki
Assistant General Manager
Bachelor Of Law; Bachelor of Social Legislation; Certified Public Secretary

Mr. Steve Ogunde
Reinsurance Manager
Proficiency in Insurance

Ms Lilian Wandungi
Claims Manager
Bachelor Of Business Management; AIIK Insurance Diploma

Mr. Mohamed Fayaz
Finance Controller
Association of Chartered Certified Accountant; Certified Public Accountant (K)

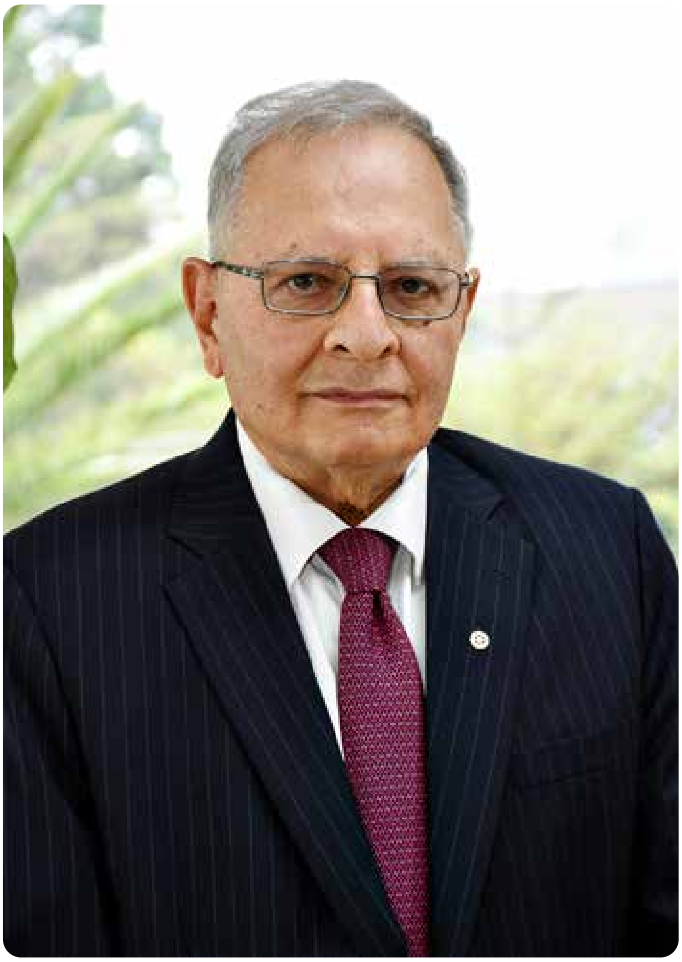
Mr. Sammy Muriuki
Head of Risk and Compliance
BSc. Actuarial Science; MSc Finance

Ms Mercy Okemwa
Internal Actuary
BSc. Actuarial Science

Mr. Samuel Wanjiku
Head of Internal Audit
Bachelor of Business Administration; Certified Public Accountant (K)

Mr. Antony Kariuki
ICT Manager
Master of Science in Computing & Information Systems; BSc. Information Technology

CHAIRMAN'S STATEMENT



It is my pleasure to present the Annual Report and Financial Statements for Tausi Assurance Company Limited for the year 2021.

The Company continued to generate profits in the core underwriting business, and overall this performance is in line with the Strategic objective of attaining "growth with profit". The Kenyan economy demonstrated resilience against the Covid pandemic obstacles and is on the recovery path. Every entity has had to evolve and adopt new ways of working in order to stay relevant in the current business environment. Tausi has successfully embraced technology and created a highly automated work environment, which has enabled a leaner and more efficient operation. The Company is committed to providing seamless service to its clients and a great customer experience. We present ourselves as trusted partners to our stakeholders and will always strive to be a model corporate citizen.

The year 2021 was the last year of our 5 year Strategic Plan that ran from 2012 to 2021. The Company performance against the Strategic plan was very encouraging with key milestones having been achieved despite the pandemic and other challenges. The profit before tax stood at Ksh 361m as at the end of 2021 compared to Ksh 392m at the end of 2020. The claims ratio increased from 30% in 2020 to 34% in the year 2021, which primarily lead to the lower profitability. The health of the Company improved in the year 2021, and the Risk Based Capital ratio increased from 304% as at 2020 to 331% as at the end of 2021. The shareholders fund increased from Ksh 1.906B to Ksh 2.16B, representing a 10% growth. In the year 2021, an interim dividend was declared and paid of Ksh 102m.

We have embarked on a fresh Strategic Plan for the next 3 years for the period 2022 to 2024. The strategy is underpinned by sustained profitability through prudent underwriting practices, a sound investment plan and adoption of best business practices.

One of the ethos of Tausi Assurance Company Limited is to support the community in which the Organization operates by supporting the great efforts of Jaipur Foot Trust, Eco Vineyard in giving piped water to remote communities, Faraja Cancer support and several others.

I take this opportunity to thank the Insurance Regulatory Authority and all other business partners for their guidance and assistance throughout the year. On behalf of the Board of Directors, I thank the Management and Staff for their dedication and hard work in the year.

I thank my fellow Board members for their wise counsel and support throughout the year. Finally, I record my gratitude to our esteemed clients, agents and brokers for their loyal support and the confidence shown in us.

Dr. Rasik Kantaria

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

RESULTS

	2021 Shs	2020 Shs
Profit before tax	361,049,167	392,286,956
Tax (charge)	(49,605,839)	(63,502,477)
Profit for the year	311,443,328	328,784,479

BUSINESS REVIEW

During the year, the company's net earned premiums increased from Shs. 806,996,641 to Shs. 834,598,007.This was mainly attributed to increase in overall gross written premiums which was as a result of improved performance of various products offered by the company.

The profit before tax reduced from Shs. 392,286,956 to Shs. 361,049,167. This was as a result of increase in net claims ratio from 30% to 34%. This ratio increased mainly due to high claims in the Motor portfolio. As a result of this,the combined ratio increased from 80% to 87% as compared to the previous financial year. There was an improvement of Shs 27 million in investment income mainly as a result of improved fair value of shares held at the NSE.

As at 31 December 2021, the net asset position of the company was Shs. 2,164,219,908 compared to Shs. 1,960,808,779 as at 31 December 2020.

Key performance indicators	**2021 Shs**	**2020 Shs**
Gross premiums written	1,322,352,651	1,180,206,630
Gross earned premiums	1,309,104,902	1,191,410,871
Less: reinsurance premium ceded	(474,506, 895)	(384,414,230)
Net earned premiums	834,598,007	806,996,641
Investment and other income	260,335,056	256,419,115
Fair value (loss)/gain on quoted shares	7,040,209	(16,358,522)
Commissions earned	146,520,980	133,120,417
Net income	1,248,494,252	1,180,177,651
Profit for the year	**311,443,328**	**328,784,479**

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

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

REPORT OF THE DIRECTORS (cont'd)

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

DIVIDENDS

The directors recommend payment of final dividend of Shs 200,000,000 (2020: NIL).

During the year, an interim dividend of Shs. 17 per share (2020: Shs. 13 per share), amounting to a total of Shs. 102,000,000 (2020: Shs. 78,000,000) was paid. Therefore total dividend for the year ended 31 December 2021 was Shs. 50.33 per share (2020: Shs . 13 per share) amounting to a total of Shs. 302,000,000 (2020: Shs. 78,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 3.

DIRECTORS INDEMNITIES

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

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

APPOINTMENT OF THE AUDITOR

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

The Report of Directors was approved by the Board of Directors on 23rd March 2022 and signed on its behalf by the Secretary.

ADILI COPORATE SERVICES KENYA
COMPANY SECRETARY
NAIROBI

23rd March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Company's ability to continue as a going concern, the Directors are not aware of any material uncertainities related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

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

Approved by the board of directors on 23rd March 2022 and signed on its behalf by:

Mr. Shantilal Shah **(Director)**	**Dr. Rasik Kantaria** **(Director)**	**Mrs. Rita Thatthi** **(Managing Director &** **Principal Officer)**

REPORT OF THE INDEPENDENT AUDITOR

To the Members of Tausi Assurance Company Limited

Grant Thornton

Opinion

We have audited the financial statements of Tausi Assurance Company Limited set out on pages 14 to 59, which comprise the statement of financial position as at 31 December 2021, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of Tausi Assurance Company Limited financial position as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act 2015.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Estimation of insurance contract liabilities	
As disclosed in note 25 in the financial statements, insurance contract liabilities amounted to Ksh 708 Million as at 31 December 2021. Valuation of these liabilities is highly judgmental because it requires several assumptions to be made with high estimation uncertainty such as loss ratios and estimates of the frequency and severity of claims. The significant accounting judgements and assumptions are further described in note 2(a). Small changes in the assumptions used to value the liabilities particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities. The valuation of insurance liabilities depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of insurance liabilities may arise. Consequently, we have determined the valuation of insurance contract liabilities to be a key audit matter.	We performed the following procedures: • Review of sensitivity analysis over key judgments and assumptions. • Review of completeness of data used in the determination of the actuarial reserves. • Evaluation of the key controls designed to ensure the integrity of the data used in the actuarial reserving process (including both current and prior year case reserve data). • Review of the reasonableness and appropriateness of the assumptions and methodology used actuarial valuation based on the review of the valuation report prepared by the independent actuary. • We also compared samples of claims case reserves to appropriate documentation and controls over individual claims reserves.

REPORT OF THE INDEPENDENT AUDITOR (Cont'd)

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses	
The expected credit losses on financial assets carried at amortised cost are determined under application of IFRS 9 Financial Instruments. This was a key audit matter because significant judgement was involved in determining the credit losses on insurance and reinsurance receivables, mortgages and other loans, deposits with financial institutions, investments in government securities and cash and bank balances as disclosed in note 3(b) Credit risk. Key areas of judgement included: • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors; and • the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	Our audit procedures included the following: • We assessed and tested the design and operating effectiveness of the controls over the: i. data used to determine the expected credit losses on financial assets carried at amortised cost. ii. expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. • We assessed the modelling techniques/ methodology against the requirements of IFRS 9 - Financial Instruments. • We assessed and tested the material modelling assumptions as well as overlays with a focus on the: i. key modelling assumptions adopted by the Company; ii. basis for and data used to determine overlays; and iii. sensitivity of the collective provisions to changes in modelling assumptions. • In addition, we assessed the adequacy of the disclosures in the financial statement

Other information

The directors are responsible for the other information. The other information comprises the report of the rectorsstatement of directors' responsibilities and the general insurance business revenue account but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If.based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of directors for the financial statements

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

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

REPORT OF THE INDEPENDENT AUDITOR (Cont'd)

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate. They could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based or the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015
In our opinion the information given in the report of the directors on pages 6 and 7 is consistent with the financial statements. The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Elizabeth Muhindi Practicing Certificate No. 2123.

Grant Thornton
Certified Public Accountants

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

23rd March 2022

T/166/1221 /047/0322/AUD

TAUSI ASSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 Shs	2020 Shs
Gross premiums written		1,322,352,651	1,180,206,630
Gross earned premiums	4	1,309,104,902	1,191,410,871
Less: reinsurance premium ceded	4	(474,506,895)	(384,414,230)
Net earned premiums	**4**	**834,598,007**	**806,996,641**
Investment and other income	5	260,335,056	256,419,115
Fair value adjustments	5	7,040,209	(16,358,522)
Commissions earned		146,520,980	133,120,417
Net income		**1,248,494,252**	**1,180,177,651**
Claims incurred	6	(380,044,164)	(328,428,828)
Less: amounts recoverable from reinsurers	6	94,908,353	89,525,450
Net claims payable	**6**	**(285,135,811)**	**(238,903,378)**
Operating and other expenses	7	(376,248,819)	(339,347,301)
Commissions payable		(226,060,455)	(209,640,016)
Total operating and commission expenses		**(602,309,274)**	**(548,987,317)**
Profit before tax		**361,049,167**	**392,286,956**
Income tax charge	9	(49,605,839)	(63,502,477)
Profit for the year		**311,443,328**	**328,784,479**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss when specific conditions are met:			
Changes in fair value of Government securities - Fair value through other comprehensive income	18(b)	(16,357,591)	10,301,910
Changes in fair value of quoted shares - Fair value through other comprehensive income	20(b)	10,325,392	(22,817,465)
Total other comprehensive loss		**(6,032,199)**	**(12,515,555)**
Total comprehensive income for the year attributable to shareholders of the company		**305,411,129**	**316,268,924**

The notes on pages 16 to 57 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021 Shs	2020 Shs
CAPITAL EMPLOYED			
Share capital	10	600,000,000	600,000,000
Revaluation reserves	11(a)	178,793,586	182,091,428
Fair value reserve - Fair value through other comprehensive income	11(b)	2,273,368	8,305,567
Retained earnings	11(c)	1,183,152,954	1,170,411,784
Proposed dividend	33	200,000,000	
Shareholders' funds		**2,164,219,908**	**1,960,808,779**
REPRESENTED BY			
Assets			
Property and equipment	12	239,546,782	246,207,929
Intangible assets	13	16,056,049	14,931,100
Prepaid lease rentals	14	89,965,754	91,232,877
Mortgage and other loans	15	56,926,365	68,262,309
Government securities - Amortised cost	21(a)	961,450,600	940,229,474
Receivables arising out of reinsurance arrangements	16	17,351,533	12,083,424
Receivables arising out of direct insurance arrangements	17	124,259,912	70,686,325
Reinsurers' share of insurance contract liabilities	18	272,642,057	256,291,451
Deferred acquisition costs	19	35,435,387	34,557,253
Other receivables	20	21,050,886	15,077,826
Government securities - Fair value through other comprehensive income	21(b)	891,796,814	734,142,304
Quoted shares - Fair value through other comprehensive income	22(b)	104,187,168	93,861,775
Quoted shares - Fair value through profit or loss	22(a)	99,496,646	92,456,437
Deposits with financial institutions	24(b)	318,250,633	363,084,378
Cash and cash equivalents	24(a)	75,498,027	47,079,955
Tax recoverable	9	59,228,168	31,404,117
Total assets		**3,383,142,781**	**3,111,588,934**
Liabilities			
Insurance contract liabilities	25	707,730,200	699,468,170
Payables arising out of reinsurance arrangements	27	68,180,321	46,884,194
Unearned premium reserve	28	339,167,240	300,195,391
Deferred tax	29	66,060,315	66,926,629
Other payables	30	37,784,797	37,305,771
Total liabilities		**1,218,922,873**	**1,150,780,155**
Net assets		**2,164,219,908**	**1,960,808,779**

The financial statements on pages 12 to 57 were approved and authorised for issue by the Board of Directors on 23rd March 2022 and were signed on its behalf by:

Mr. Shantilal Shah
(Director)

Dr. Rasik Kantaria
(Director)

Mrs. Rita Thatthi
(Managing Director & Principal Officer)

The notes on pages 16 to 57 for an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs	Fair value reserve Shs	Revaluation reserve Shs	Retained earnings Shs	Proposed divided Shs	Total Shs
2020							
1 January		600,000,000	20,821,121	185,389,270	916,329,463	30,000,000	1,752,539,854
Profit for the year		-	-	-	328,784,479	-	328,784,479
Other comprehensive income:							
Change in fair value of Government securities - Fair value through other comprehensive income	18(b)	-	10,301,910	-	-	-	10,301,910
Change in fair value of quoted shares - Fair value through other comprehensive income	20(b)	-	(22,817,464)	-	-	-	(22,817,464),
Transfer of excess depreciation	11	-	-	(4,711,203)	-	-	4,711,203
Deferred income tax on transfer of excess depreciation	11	-	-	1,413,361	-	-	1,413,361
Total comprehensive income for the year		**-**	**(12,51 5,554)**	**(3,297,842)**	**332,082,321**	**-**	**316,268,925**
Transactions with owners:							
- Interim for 2020		-	-	-	(78,000,000)	-	(78,000,000)
- Final for 2020	31	-	-	-	-	(30,000,000)	(30,000,000)
31 December		600,000,000	8,305,567	182,091,428	1,170,411,784	-	1,960,808,779
2021							
1 January		600,000,000	8,305,567	182,091,428	1,170,411,784	-	1,960,808,779
Profit for the year		-	-	-	311,443,328	-	311,443,328
Other comprehensive income:							
Change in fair value of Government securities - Fair value through other comprehensive income	18(b)	-	(16,357,591)	-	-	-	(16,357,591)
Change in fair value of quoted shares - Fair value through other comprehensive income	20(b)	-	10,325,392	-	-	-	10,325,392
Surplus on revaluation of property plant and equipment	11	-	-	-	-	-	-
Deferred tax on Surplus on revaluation of property plant and equipment	11	-	-	-	-	-	-
Transfer of excess depreciation	11	-	-	(4,711,203)	4,711,203	-	-
Deferred income tax on transfer of excess depreciation	11	-	-	1,413,361	(1,413,361)	-	-
Total comprehensive income for the year		**-**	**(6,032,199)**	**(3,297,842)**	**314,741,170**	**-**	**305,411,129**
Transactions with owners:							
Dividend:							
- Interim dividend for 2021 (paid)		-	-	-	(102,000,000)	-	(102,000,000)
- Proposed final dividend for 2021	31	-	-	-	(200,000,000)	200,000,000	-
31 December		**600,000,000**	**2,273,368**	**178,793,586**	**1,183,152,954**	**200,000,000**	**2,164,219,908**

STATEMENT OF CASH FLOW

	Note	2021 Shs	2020 Shs
		As at 31 December	
Cash flows from operating activities			
Cash generated from operations	31	353,755,700	383,056,444
Tax paid	9	(78,296,204)	(68,111,542)
Net cash generated from operations		**275,459,496**	**314,944,902**
Investing activities			
Purchase of property and equipment	12	(4,067,707)	(6,091,313)
Purchase of intangible assets	13	(6,787,493)	(14,527,509)
Proceeds from disposal of property and equipment		-	92,399
Repayment of mortgage and other loans		9,450,259	11,457,310
Sale of government securities at amortised cost		(36,972,987)	(61,331,302)
Purchase of government securities at fair value through other comprehensive income	21(b)	(203,868,915)	(139,214,069)
Sale of government securities at fair value through other comprehensive income	21(b)	36,215,546	-
Placement of fixed deposits maturing in over 90 days	24(b)	46,844,138	27,723,520
Net cash used in investing activities		**(159,187,159)**	**(181,890,964)**
Financing activities			
Dividend paid	33	(102,000,000)	(108,000,000)
Net cash used in financing activities		**(102,000,000)**	**(108,000,000)**
Increase in cash and cash equivalents		**14,272,337**	**25,053,938**
Movement in cash and cash equivalents			
1 January		151,407,013	126,353,075
Increase during the year		14,272,337	25,053,938
31 December	**24**	**165,679,350**	**151,407,013**

NOTES

1. Significant Accounting Policies

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

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

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

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 participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

Going concern

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

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

New standards, amendments and interpretations adopted by the company

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the company (continued)
Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4
An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The effective date of the company is for years beginning on or after January 1, 2021.
The company has adopted the amendment for the first time in the 2021 annual report and financial statements.
The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16
If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the company is for years beginning on or after January 1, 2021.
The company has adopted the amendment for the first time in the 2021 annual report and financial statements.
The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39
Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after January 1, 2021.
The company has adopted the amendment for the first time in the 2021 annual report and financial statements.
The impact of the amendment is not material.

COVID-19 - Related Rent Concessions - Amendment to IFRS 16
The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2022 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the company is for years beginning on or after January 1, 2021.
The company has adopted the amendment for the first time in the 2021 annual report and financial statements.
The impact of the amendment is not material.

Standards and interpretations not yet effective
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, 2022 or later periods:

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations adopted by the company (continued)
The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

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

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

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1
The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

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

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

The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1
A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

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

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

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

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

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

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

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

The directors expect that the future adoption of IFRS17 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

Reference to the Conceptual Framework: Amendments to IFRS 3
The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Continent Liabilities and Contingent. Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date.
The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.
The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9
The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.
The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16
The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

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

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

b) Insurance contracts

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

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance contracts (Continued)

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.
A number of insurance and investment contracts contain a discretionary participation feature (DPF).

This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:
- That are likely to be a significant portion of the total contractual benefits
- Whose amount or timing is contractually at the discretion of the company; and

That are contractually based on:
- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the company; or
- the profit or loss of the company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the basis for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the relevant local appointed actuary.

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

Premium income
Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium.
Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Unearned premiums are computed based on the 1/365th method.
Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

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

Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance contracts (continued)

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

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

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

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

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

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

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

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

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Other income

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

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

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

d) Property and equipment

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

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

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income. All other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Property and equipment (continued)

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

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

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

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

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

e) Financial instruments

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

- **Financial assets**

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

The company classifies its financial assets into the following categories:

i) Amortised cost:

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

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.

NOTES (Continued)

e) Financial instruments (continued)

- Financial assets (continued)

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

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

Notwithstanding the above, the company may:

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

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

Derecognition/write off

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

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

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

Impairment

Debt instruments that are subsequently measured at amortised cost or at impairment assessment.

No impairment loss is recognised on investments measured at FVTPL.

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

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

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

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

- Financial assets (continued)

Impairment (continued)
The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:
- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

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

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

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

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

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

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

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

Derecognition
All financial liabilities are derecognised when the obligation under the liability is discharged or canceled 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.

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

- Financial liabilities (continued)

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

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

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of non-financial assets and intangible assets (continued)

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

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

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

h) Cash and cash equivalents

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

i) Accounting for leases

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

The company as lessee

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

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

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Accounting for leases (continued)

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

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

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

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

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

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

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

j) Employee benefits

i) Retirement benefit obligations
The company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the company and employees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company and its employees also contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

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

NOTES (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Employee benefits (continued)

ii) Other entitlements

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

k) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

l) Dividends

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

m) Share capital

Ordinary shares are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

n) Comparatives

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

NOTES (Continued)

2. Significant accounting judgements, estimates and assumptions

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

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

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

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

Judgement is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not yet reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.
Note 25 contains further details on this process.

b) Measurement of expected credit losses (ECL):

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

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

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

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

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

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

- **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.

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

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

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

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

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

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

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

Management reviews the useful lives, depreciation methods and residual values of the items of property, plant and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment, intangible assets and right-of-use assets are disclosed in notes 12, 13 and 14, respectively.

d) Accounting for leases under IFRS 16

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

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

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

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

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

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

NOTES (Continued)

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

d) Accounting for leases under IFRS 16 (continued)

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company 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.

3. Management of insurance and financial risk

3.1 Insurance risk

The company's activities expose it to a variety of risks, including insurance and financial risks (credit risk, and the effect of changes in debt and equity market prices and interest rates). The company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the company manages them.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of exposure to asbestos, and the increase in the number of cases coming to court that have been inactive or latent for a long period of time.

Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

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.

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.1 Insurance risk (continued)

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

Claims on casualty contracts/general risks are payable on a claims-occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

3.2 Financial risk

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

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

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

a) Market risk

i) Foreign exchange risk

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

The assets denominated in US dollar at year end totalled Shs. 4,666,491 (2020: Shs. 4,361,322) representing 0.13% (2020: 0.14%) of total assets. At 31 December 2021, if the Kenya Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, the effect on the post tax profit for the year would be Shs. 326,654 (2020: Shs. 305,293).

ii) Price risk

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

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

a) Market risk (continued)
ii) Price risk (continued)

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

	Impact on other		Impact on profit comprehensive income	
Index	**2021 Shs**	**2020 Shs**	**2021 Shs**	**2020 Shs**
Increase	**4,974,832**	**4,622,822**	**5,209,358**	**4,693,089**

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

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

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

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

The government securities, deposits with financial institutions, commercial paper and loans at year end totalled Shs. 2,239,181,605 (2020: Shs. 2,117,634,972) representing a significant portion of total assets.

At the reporting date, if the interest rates had been 5 basis points higher/lower with all other variables held constant, the effect on the post tax profit for the year would have been an increase/decrease by Shs.78,371,356 (2020: Shs. 74,117,254).

b) Credit risk
Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

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

Individual limits are set based on internal information in accordance with limits set by the management.

The utilisation of credit limits is regularly monitored.

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

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

b) Credit risk (continued)

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

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

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

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

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

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

Basis for measurement of loss allowance	**12-month expected credit losses Shs**	**Lifetime expected credit losses (see note below) Shs**	**Total Shs**
Liabilities			
As at 31 December 2021			
Receivables arising out of direct insurance arrangements	-	128,316,035	128,316,035
Receivables arising out of reinsurance arrangements	-	21,646,353	21,646,353
Mortgage and other loans	60,429,296	-	60,429,296
Government securities - Amortised Cost	962,331,825	-	962,331,825
Government securities - Fair value through other comprehensive income	892,587,630	-	892,587,630
Other receivables	77,221,339	-	77,221,339
Deposits with financial institutions	316,170,287	11,165,498	327,335,785
Cash and cash equivalents balances	77,734,090	-	77,734,090
Gross carrying amount	2,386,474,467	161,127,886	2,547,602,353
Loss allowance	(16,499,939)	(19,516,441)	(36,016,380)
Exposure to credit risk	**2,369,974,528**	**141,611,445**	**2,511,585,973**

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

b) Credit risk (continued)

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
As at 31 December 2020			
Receivables arising out of direct insurance arrangements	-	78,263,005	78,263,005
Receivables arising out of reinsurance arrangements	-	12,999,988	12,999,988
Mortgage and other loans	69,879,555	-	69,879,555
Government securities - Amortised Cost	941,095,445	-	941,095,445
Government securities - Fair value through other comprehensive income	734,778,048	-	734,778,048
Other receivables	65,871,424	-	65,871,424
Deposits with financial institutions	362,333,672	11,165,498	373,499,170
Cash and cash equivalents	48,405,899	-	48,405,899
Gross carrying amount	2,222,364,043	102,428,491	2,324,792,534
Loss allowance	(14,863,100)	(19,658,742)	(34,521,842)
Exposure to credit risk	**2,207,500,943**	**82,769,750**	**2,290,270,693**

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

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

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

	Receivables arising out of direct insurance arrangements		Receivables arising out of reinsurance arrangements	
	2021 Shs	2020 Shs	2021 Shs	2020 Shs
0 to 30 days past	54,970,859	15,534,409	3,420,079	10,272,684
31 to 60 days past	49,543,444	22,433,900	41	-
61 to 90 days past	17,179,733	21,663,878	407,144	-
Over 90 days past	6,621,999	18,630,818	17,819,089	2,727,303
Expected credit loss	(4,056,123)	(7,576,680)	(4,294,820)	(916,563)
	124,259,912	**70,686,325**	**17,351,533**	**12,083,424**

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

b) Credit risk (continued)

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

Basis for measurement of loss allowance	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
As at 31 December 2021			
At start of year	14,863,100	19,658,742	34,521,842
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	1,636,841	(142,300)	1,494,541
At end of year	**16,499,941**	**19,516,442**	**36,016,383**

	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
As at 31 December 2020			
At start of year	14,700,400	16,035,453	30,735,853
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	162,700	3,623,289	3,785,989
Total	**14,863,100**	**19,658,742**	**34,521,842**

	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
As at 31 December 2021			
Receivables arising out of direct insurance arrangements	-	4,056,123	4,056,123
Receivables arising out of reinsurance arrangements	-	4,294,820	4,294,820
Mortgage and other loans	3,502,931	-	3,502,931
Government securities - Amortised Cost	881,225	-	881,225
Government securities - fair value through other comprehensive income	790,816	-	790,816
Other receivables	3,752	-	3,752
Deposits with financial institutions	9,085,152	11,165,498	20,250,650
Cash and cash equivalents	2,236,063	-	2,236,063
Total	**16,499,939**	**19,516,441**	**36,016,380**

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

b) Credit risk (continued)

	12-month expected credit losses Shs	Lifetime expected credit losses (see note below) Shs	Total Shs
As at 31 December 2020			
Receivables arising out of direct insurance arrangements	-	7,576,680	7,576,680
Receivables arising out of reinsurance arrangements	-	916,563	916,563
Mortgage and other loans	1,617,246	-	1,617,246
Government securities - Amortised Cost	865,971	-	865,971
Government securities - fair value through other comprehensive income	635,744	-	635,744
Other receivables	3,402	-	3,402
Deposits with financial institutions	10,414,792	11,165,498	21,580,290
Cash and cash equivalents	1,325,944	-	1,325,944
Total	**14,863,099**	**19,658,741**	**34,521,840**

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

c) Liquidity risk

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

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

As at 31 December 2021	Up to 3 months Shs	4 - 12 months Shs	1 - 5 years Shs	Total Shs
Liabilities				
Insurance contract liabilities	70,773,020	148,623,342	488,333,838	707,730,200
Creditors arising from reinsurance arrangements	68,180,321	-	-	68,180,321
Other payables	37,784,797	-	-	37,784,797
Total financial liabilities	**176,738,138**	**148,623,342**	**488,333,838**	**813,695,318**

As at 31 December 2020	Up to 3 months Shs	4 - 12 months Shs	1 - 5 years Shs	Total Shs
Liabilities				
Insurance contract liabilities	69,946,817	146,888,316	482,633,037	699,468,170
Creditors arising from reinsurance arrangements	46,884,194	-	-	46,884,194
Other payables	37,305,771	-	-	37,305,771
Total financial liabilities	**154,136,782**	**146,888,316**	**482,633,037**	**783,658,135**

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

d) Financial assets measured at fair value

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

As at 31 December 2021	**Level 1 Shs**	**Level 2 Shs**	**Level 3 Shs**	**Total Shs**
Assets				
Financial assets				
Quoted shares - Fair value through profit or loss	99,496,646	-	-	99,496,646
Quoted shares - Fair value through other comprehensive income	104,187,168	-	-	104,187,168
Government securities - Fair value through other comprehensive income	891,796,814	-	-	891,796,814
	1,095,480,628	**-**	**-**	**1,095,480,628**

As at 31 December 2020	**Level 1 Shs**	**Level 2 Shs**	**Level 3 Shs**	**Total Shs**
Assets				
Financial assets				
Quoted shares - Fair value through profit or loss	92,456,437	-	-	92,456,437
Quoted shares - Fair value through other comprehensive income	93,861,775	-	-	93,861,775
Government securities - Fair value through other comprehensive income	734,142,304	-	-	734,142,304
	920,460,516	**-**	**-**	**920,460,516**

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)

e) Financial risk assets by category

	Fair value through profit or loss upon initial recognition Shs	Amortised cost Shs	Fair value through other comprehensive income Shs	Total Shs
As at 31 December 2021				
Quoted shares	99,496,646	-	104,187,168	203,683,814
Government securities	-	961,450,600	891,796,814	1,853,247,414
Mortgage and other loans	-	56,926,365	-	56,926,365
Receivables arising out of reinsurance arrangements	-	17,351,533	-	17,351,533
Reinsurers share of insurance contract liabilities	-	272,642,057	-	272,642,057
Receivables arising out of direct insurance arrangements	-	124,259,912	-	124,259,912
Other receivables	-	21,050,886	-	21,050,886
Deposits with financial institutions	-	318,250,633	-	318,250,633
Tax recoverable	-	59,228,168	-	59,228,168
Cash and cash equivalents	-	75,498,027	-	75,498,027
	99,496,646	**1,906,658,181**	**995,983,982**	**3,002,138,809**
As at 31 December 2020				
Quoted shares	92,456,437	-	93,861,775	186,318,212
Government securities	-	940,229,474	734,142,304	1,674,371,778
Mortgage and other loans	-	68,262,309	-	68,262,309
Receivables arising out of reinsurance arrangements	-	12,083,424	-	12,083,424
Reinsurers share of insurance contract liabilities	-	256,291,451	-	256,291,451
Receivables arising out of direct insurance arrangements	-	70,686,325	-	70,686,325
Other receivables	-	65,868,022	-	65,868,022
Deposits with financial institutions	-	363,084,378	-	363,084,378
Tax recoverable	-	31,404,117	-	31,404,117
Cash and cash equivalents	-	47,079,955	-	47,079,955
	92,456,437	**1,854,989,455**	**828,004,079**	**2,775,449,971**

f) Financial liabilities by category

	As at 31 December 2021			As at 31 December 2020		
	Fair value through profit or loss Shs	Amortised cost Shs	Total Shs	Fair value through profit or loss Shs	Amortised cost Shs	Total Shs
Insurance contract liabilities	-	707,730,200	707,730,200	-	699,468,170	699,468,170
Payables arising out of reinsurance arrangements	-	68,180,321	68,180,321	-	46,884,194	46,884,194
Other payables	-	37,784,797	37,784,797	-	53,538,714	53,538,714
	-	**813,695,318**	**813,695,318**	**-**	**799,891,078**	**799,891,078**

NOTES (Continued)

3. Management of insurance and financial risk (continued)

3.2 Financial risk (continued)
g) Capital management

Internally imposed capital requirements

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

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

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

	2021 Shs	2020 Shs
Tier-1 Capital	1,783,152,954	1,770,411,784
Tier-2 Capital	381,066,954	190,396,995
Deductions	176,048,586	137,911,168
Total capital available (TCA)	**1,988,171,322**	**1,822,897,611**
Absolute amount minimum 1	600,000,000	600,000,000
Volume of business minimum 2	161,399,328	168,133,384
Risk based capital minimum	273,818,332	259,013,179
Minimum required capital	**600,000,000**	**600,000,000**
Capital adequacy ratio	**331%**	**304%**

4. Gross earned premiums

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

Year ended 31 December 2021	Gross Shs	Reinsurance Shs	Net Shs
Fire	392,538,280	(299,193,554)	93,344,726
Motor	315,756,549	(6,309,981)	309,446,568
Workmen's compensation	169,644,629	(7,923,691)	161,720,938
Marine	164,604,888	(59,472,350)	105,132,538
Theft	102,313,768	(10,317,506)	91,996,262
Engineering	86,716,948	(71,540,271)	15,176,677
Public liability	27,203,067	(4,820,932)	22,382,135
Personal accident	11,988,487	(1,387,109)	10,601,378
Others	38,338,286	(13,541,501)	24,796,785
	1,309,104,902	**(474,506,895)**	**834,598,007**

NOTES (Continued)

4. Gross earned premiums (continued)

Year ended 31 December 2020	Gross Shs	Reinsurance Shs	Net Shs
Fire	351,465,390	(254,262,409)	97,202,981
Motor	300,976,802	(6,679,264)	294,297,538
Workmen's compensation	178,507,266	(8,730,238)	169,777,028
Marine	123,426,579	(34,752,767)	88,673,812
Theft	98,329,491	(8,465,872)	89,863,619
Engineering	67,117,311	(54,464,341)	12,652,970
Public liability	13,903,977	(5,134,356)	8,769,621
Personal accident	11,928,596	(1,359,796)	10,568,800
Others	45,755,459	(10,565,187)	35,190,272
	1,191,410,871	**(384,414,230)**	**806,996,641**

5. Investment and other income

	2021 Shs	2020 Shs
Interest from Government securities	219,337,526	191,310,288
Interest from bank deposits and current accounts	23,790,481	35,576,713
Interest on staff and mortgage loans	5,622,129	7,066,428
Rental income	4,397,466	5,080,928
Dividend income	6,893,857	8,474,063
Miscellaneous income	293,597	8,891,291
Gain on disposal of property and equipment	-	19,404
Fair value gain/(loss) on quoted shares at fair value through profit or loss (Note 22(a))	7,040,209	(16,358,522)
	267,375,265	**240,060,593**

6. Claims payable

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

Year ended 31 December 2021	Gross Shs	Reinsurance Shs	Net Shs
Motor	206,301,842	(25,947,117)	180,354,725
Fire	37,578,820	(25,716,130)	11,862,690
Workmen's compensation	8,282,582	(376,367)	7,906,215
Marine	62,039,917	(17,662,959)	44,376,958
Theft	20,376,166	-	20,376,166
Engineering	36,239,366	(25,205,780)	11,033,586
Public liability	1,797,046	-	1,797,046
Personal accident	973,014	-	973,014
Others	6,455,411	-	6,455,411
	380,044,164	**(94,908,353)**	**285,135,811**

NOTES (Continued)

6. Claims payable (continued)

Year ended 31 December 2020	Gross Shs	Reinsurance Shs	Net Shs
Motor	94,251,871	(204,443)	94,047,428
Fire	61,086,733	(37,578,854)	23,507,879
Workmen's compensation	65,971,112	(5,803,326)	60,167,786
Marine	43,815,954	(10,338,204)	33,477,750
Theft	17,954,529	(5,640)	17,948,889
Engineering	36,189,425	(35,241,127)	948,298
Public liability	(289,375)	(353,856)	(643,231)
Personal accident	746,274	-	746,274
Others	8,702,305	-	8,702,305
	328,428,828	**(89,525,450)**	**238,903,378**

7. Operating and other expenses

	2021 Shs	2020 Shs
Depreciation of property and equipment (Note 12)	10,728,854	11,171,666
Amortisation of intangible assets (Note 13)	5,662,544	4,305,047
Amortisation of leasehold land (Note 14)	1,267,123	1,267,123
Auditors' remuneration	2,500,000	2,250,000
Directors' remuneration	-	-
- Fees to executives	4,620,000	4,620,000
- Other fees	4,300,000	5,160,000
Repairs and maintenance	4,549,122	2,094,689
Other operating expenses	177,849,643	157,045,208
Staff costs (Note 8)	164,771,534	151,433,568
	376,248,820	**339,347,301**

8. Staff costs

	2021 Shs	2020 Shs
Salaries and wages	146,521,443	134,958,141
Contribution to National Social Security Fund	166,891	157,800
Retirement benefit costs - defined contribution scheme	6,800,287	6,327,419
Other staff costs	11,282,913	9,990,208
	164,771,534	**151,433,568**

The average number of persons employed during the year, by category, were:	2021 Number	2020 Number
- Underwriting	21	17
- Claims	12	13
- Management, administration and finance	40	35
Total	**73**	**65**

9. Tax

	2021 Shs	2020 Shs
Current tax	50,472,153	64,805,734
Deferred tax (credit) (Note 29)	(866,314)	(1,303,257)
Tax charge	**49,605,839**	**63,502,477**

NOTES (Continued)

9. Tax (continued)

	2021 Shs	2020 Shs
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit before tax	361,049,167	392,286,956
Tax calculated at the rate of 30% (2020: 25%)	108,314,750	98,071,739
Tax effect of:		
- Expenses not deductible for tax purposes	1,398,827	6,616,713
- Effect of change of tax rate	-	(217,209)
- Income not subject to tax	(60,107,738)	(40,968,766)
Tax charge	**49,605,839**	**63,502,477**

10. Share capital: Authorised, issued and fully paid

	2021 Shs	2020 Shs
6,000,000 (2020: 6,000,000) ordinary shares of Shs. 100 each	**600,000,000**	**600,000,000**

11. (a) Revaluation reserve

	2021 Shs	2020 Shs
Leasehold land	60,234,721	61,082,563
Buildings	118,558,865	121,008,865
	178,793,586	**182,091,428**
The movement on the reserve is as follows:		
Leasehold land		
At start of year	61,082,563	61,930,405
Transfer of excess depreciation	(1,211,203)	(1,211,203)
Deferred tax on transfer of excess depreciation	363,361	363,361
At end of year	**60,234,721**	**61,082,563**
Buildings		
At start of year	121,008,865	123,458,865
Transfer of excess depreciation	(3,500,000)	(3,500,000)
Deferred tax on transfer of excess depreciation	1,050,000	1,050,000
At end of year	**118,558,865**	**121,008,865**

The revaluation reserve is not distributable.

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

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

(c) Retained earnings

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

NOTES (Continued)

12. Property and equipment

Friday, 31 December 2021	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost/valuation					
Cost/valuation					
1 January	225,000,000	7,424,924	43,229,344	47,683,866	323,338,134
Additions	-	-	413,540	3,654,167	4,067,707
31 December	**225,000,000**	**7,424,924**	**43,642,884**	**51,338,033**	**327,405,841**
Accumulated depreciation					
1 January	4,500,000	3,768,793	29,236,992	39,624,420	77,130,205
Charge for the year	4,500,000	914,033	1,800,737	3,514,084	10,728,854
31 December	9,000,000	4,682,826	31,037,729	43,138,504	87,859,059
Net book value	**216,000,000**	**2,742,098**	**12,605,155**	**8,199,529**	**239,546,782**

Leasehold land and buildings were professionally valued by R.R. Oswald & Company Limited on the basis of current open market value on 28 December 2019. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to the revaluation reserve in shareholder's equity, through the statement of comprehensive income.

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

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

NOTES (Continued)

12. Property and equipment

Year ended 31 December 2020	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost/valuation					
At start of year	225,000,000	7,424,924	41,274,557	43,682,329	317,381,810
Additions	-	-	1,994,786	4,096,527	6,091,313
Disposal	-	-	(39,999)	(94,990)	(134,989)
At end of year	**225,000,000**	**7,424,924**	**43,229,344**	**47,683,866**	**323,338,134**
Accumulated depreciation					
At start of year	-	2,550,082	27,243,085	36,227,366	66,020,533
Disposal	-	-	(5,000)	(56,994)	(61,994)
Charge for the year	4,500,000	1,218,711	1,998,907	3,454,048	11,171,666
At end of year	4,500,000	3,768,793	29,236,992	39,624,420	77,130,205
Net book value	**220,500,000**	**3,656,131**	**13,992,352**	**8,059,446**	**246,207,929**

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

	Leasehold land Shs	Buildings Shs	Total Shs
Year ended 31 December 2021			
Cost	5,000,000	50,000,000	55,000,000
Accumulated depreciation	(1,151,020)	(20,000,000)	(21,151,020)
	3,848,980	30,000,000	33,848,980
Year ended 31 December 2020			
Cost	5,000,000	50,000,000	55,000,000
Accumulated depreciation	(1,095,100)	(19,000,000)	(20,095,100)
	3,904,900	**31,000,000**	**34,904,900**

13. Intangible asset - software

	2021 Shs	2020 Shs
Cost		
1 January	44,068,175	29,540,666
Additions	6,787,493	14,527,509
31 December	**50,855,668**	**44,068,175**
Amortisation		
1 January	29,137,075	24,832,028
Charge for the year	5,662,544	4,305,047
31 December	34,799,619	29,137,075
Net book value	**16,056,049**	**14,931,100**

14. Prepaid lease rentals

		Leasehold land
	2021	2020
Cost	Shs	Shs
1 January	92,500,000	92,500,000
31 December	**92,500,000**	**92,500,000**
Accumulated depreciation		
1 January	1,267,123	-
Charge for the year	1,267,123	1,267,123
31 December	2,534,246	1,267,123
Carrying amount	**89,965,754**	**91,232,877**

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

15. Mortgage and other loans

	2021 Shs	2020 Shs
Mortgage loans		
1 January	65,223,662	76,382,607
Repayment	(5,413,757)	(9,541,699)
Expected credit loss	(3,502,931)	(1,617,246)
31 December	**56,306,974**	**65,223,662**
Other loans		
1 January	3,038,647	4,915,220
Repayment	(2,419,256)	(1,876,573)
31 December	**619,391**	**3,038,647**
Total mortgage and other loans	**56,926,365**	**68,262,309**

NOTES (Continued)

16. Receivables arising out of reinsurance arrangements

	2021 Shs	2020 Shs
Receivables arising out of reinsurance arrangements	21,646,353	12,999,98
Expected credit loss	(4,294,820)	(916,563)
	17,351,533	**12,083,424**

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

	2021 Shs	2020 Shs
1 January	916,563	460,267
Charge for the year	3,378,257	456,296
31 December	**4,294,820**	**916,563**

17. Receivables arising out of direct insurance arrangements

	2021 Shs	2020 Shs
Receivables arising out of direct insurance arrangements	128,316,035	78,263,005
Expected credit loss	(4,056,123)	(7,576,680)
	124,259,912	**70,686,325**

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

	2021 Shs	2020 Shs
1 January	7,576,680	4,409,688
(Write back)/charge for the year	(3,520,557)	3,166,992
31 December	**4,056,123**	**7,576,680**

18. Reinsurers' share of insurance contract liabilities

	2021 Shs	2020 Shs
Reinsurers' share of:		
- unearned premium (Note 28)	102,117,244	76,393,144
- notified claims outstanding (Note 26)	153,104,135	164,679,947
- claims incurred but not reported (Note 26)	17,420,678	15,218,360
	272,642,057	**256,291,451**

19. Deferred acquisition costs

	2021			2020		
	Gross Shs	Re-insurance Shs	Net Shs	Gross Shs	Re-insurance Shs	Net Shs
At 1 January	50,790,196	16,232,943	34,557,253	53,293,141	17,449,181	35,843,960
Increase/(decrease) during the year	5,376,505	4,498,371	878,134	(2,502,945)	(1,216,238)	(1,286,707)
At 31 December	**56,166,701**	**20,731,314**	**35,435,387**	**50,790,196**	**16,232,943**	**34,557,253**

Commissions and other acquisition costs that vary with and are related to securing new insurance contracts and renewing existing contracts are capitalized as an intangible asset. All other costs are recognized as expenses when incurred. The deferred policy acquisition costs are subsequently amortized over the term of the insurance contracts.

NOTES (Continued)

20. Other receivables

	2021 Shs	2020 Shs
Deposits	3,457,232	3,407,232
Sundry debtors	223,004	250,217
Prepayments	17,374,402	11,423,779
Expected credit loss	(3,752)	(3,402)
	21,050,886	**15,077,826**

21. Government securities

a) Government securities - At amortised cost

	2021 Shs	2020 Shs
Treasury bills and bonds maturing:		
Less than 90 days from the reporting date (Note 24)	-	15,736,607
Between 1 and 5 years of the reporting date	225,809,295	149,921,940
After 5 years of the reporting date	736,522,530	775,436,898
Expected credit loss	(881,225)	(865,971)
	961,450,600	**940,229,474**

Treasury bonds whose face value is Shs.164,000,000 (2020: Shs. 164,000,000) are held under lien in favour of the Commissioner of Insurance in accordance with Section 32 of the Kenyan Insurance Act.

b) Government securities - At fair value through other comprehensive income

	2021 Shs	2020 Shs
Treasury bills and bonds maturing:		
Between 1 and 5 years of the reporting date	304,017,857	303,914,835
After 5 years of the reporting date	588,569,773	430,863,213
Expected credit loss	(790,816)	(635,744)
	891,796,814	**734,142,304**

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

	2021 Shs	2020 Shs
At start of year	734,142,304	581,587,368
Sales during the year	(36,215,546)	-
Loss on maturity of investments	(537,791)	-
Purchase during the year	203,868,914	139,214,069
Accrued interest	7,051,596	3,167,808
Expected credit loss	(155,072)	(128,851)
Fair value (loss)/gain	(16,357,591)	10,301,910
At end of year	**891,796,814**	**734,142,304**

NOTES (Continued)

22. Equity investments

	2021 Shs	2020 Shs
a) At fair value through profit or loss		
1 January	92,456,437	108,814,959
Fair value gain/(loss)	7,040,209	(16,358,522)
31 December	**99,496,646**	**92,456,437**
b) At fair value through other comprehensive income		
1 January	93,861,775	116,679,240
Fair value gain/(loss)	10,325,392	(22,817,465)
31 December	**104,187,168**	**93,861,775**

23. Weighted average effective interest rates

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

	2021 %	2020 %
Government securities	11.84	11.43
Deposits with financial institutions	7.48	9.80
Mortgage and other loans	9.88	10.35

24. Cash and cash equivalents

	2021 Shs	2020 Shs
a) Cash at bank and in hand		
Cash and cash equivalents	77,734,090	48,405,899
Expected credit loss	(2,236,063)	(1,325,944)
	75,498,027	**47,079,955**
b) Deposits with financial institutions maturing:		
Below three months from the reporting date	87,945,260	87,264,507
After three months from the reporting date	239,390,525	286,234,663
Expected credit loss	(9,085,152)	(10,414,792)
	318,250,633	**363,084,378**

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

	2021	2020
Deposits with financial institutions maturing in below three months from the reporting date	87,945,260	87,264,507
Financial assets maturing within 91 days (Note 21)	-	15,736,607
Cash at bank and in hand	77,734,090	48,405,899
	165,679,350	**151,407,013**

25. Insurance contract liabilities

	2021	2020
Short term non-life insurance contracts:		
- claims reported and claims handling expenses	605,017,758	590,041,243
- claims incurred but not reported (IBNR)	102,712,442	109,426,927
Total gross insurance liabilities	**707,730,200**	**699,468,170**

NOTES (Continued)

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

The company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for accident year.

NOTES (Continued)

25. Insurance contract liabilities (continued)

The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims.
The table below illustrates how the company's estimate of total claims outstanding for each accident year has changed at successive year ends:

Accident year	2017 and Prior years Shs	2018 Shs	2019 Shs	2020 Shs	2021 Shs	Total Shs
Estimate of ultimate claims costs:						
At end of accident year	3,741,420,773	340,262,914	464,073,859	336,517,021	382,072,558	5,264,347,125
One year later	(64,834,646)	3,108,601	496,363	15,059,105	-	(46,170,577)
Two years later	(54,322,335)	1,361,176	(12,572,124)	-	-	(65,533,283)
Three years later	(16,693,180)	817,460	-	-	-	(15,875,720)
Four years later	2,351,872	-	-	-	-	2,351,872
Current estimate of cumulative claims	3,607,922,484	345,550,151	451,998,098	351,576,126	382,072,558	5,139,119,417
Less: cumulative payments to date	3,417,051,805	294,448,274	357,456,017	274,953,078	190,192,485	4,534,101,659
Liability	190,870,679	51,101,877	94,542,081	76,623,048	191,880,073	605,017,758
Provision for incurred but not reported claims (IBNR)						102,712,442
Total gross claims liability included in the statement of financial position						707,730,200

NOTES (Continued)

26. Movements in reinsurance liabilities and assets

	2021 Gross Shs	2021 Reinsurance Shs	2021 Net Shs	2020 Gross Shs	2020 Reinsurance Shs	2020 Net Shs
Notified claims	590,041,243	164,679,947	425,361,296	609,048,202	178,779,017	430,269,185
Incurred But Not Reported	109,426,927	15,218,361	94,208,566	110,074,145	19,892,881	90,181,264
At start of year	699,468,170	179,898,308	519,569,862	719,122,347	198,671,898	520,450,449
Cash paid for claims settled in year	(362,408,639)	94,908,353	(457,316,992)	(329,309,415)	89,525,450	(418,834,865)
Increase in liabilities:						
- arising from current year claims	382,072,558	103,159,591	278,912,967	336,517,021	90,859,596	245,657,425
- arising from prior year claims	(11,401,889)	(207,441,439)	196,039,550	(26,861,783)	(199,158,636)	172,296,853
At end of year	707,730,200	170,524,813	537,205,387	699,468,170	179,898,308	519,569,862
Notified claims	605,017,758	153,104,135	451,913,623	590,041,243	164,679,947	425,361,296
Incurred but not reported	102,712,442	17,420,678	85,291,764	109,426,927	15,218,361	94,208,566
	707,730,200	**170,524,813**	**537,205,387**	**699,468,170**	**179,898,308**	**519,569,862**

27. Payables arising out of reinsurance arrangements

	2021 Shs	2020 Shs
Payables arising out of reinsurance arrangements	68,180,321	46,884,194
	68,180,321	**46,884,194**

28. Unearned premium reserves

	2021 Gross Shs	2021 Reinsurance Shs	2021 Net Shs	2020 Gross Shs	2020 Reinsurance Shs	2020 Net Shs
At start of year	300,195,391	76,393,144	223,802,247	319,442,531	84,436,042	235,006,488
(Decrease)/increase	38,971,849	25,724,100	13,247,749	(19,247,139)	(8,042,898)	(11,204,241)
At end of year	**339,167,240**	**102,117,244**	**237,049,996**	**300,195,391**	**76,393,144**	**223,802,247**

NOTES (Continued)

29. Deferred tax

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

	2021 Shs	2020 Shs
At start of year	66,926,629	68,229,886
(Credit) to profit or loss (Note 9)	(866,314)	(1,303,257)
At end of year	**66,060,315**	**66,926,629**

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

2021	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Deferred tax liability			
Property and equipment			
- historical cost	(81,611)	(361,405)	(443,016)
- revaluation	79,020,409	-	79,020,409
Provisions	(12,012,169)	(504,909)	(12,517,079)
Net deferred tax liability	**66,926,629**	**(866,314)**	**66,060,314**

2020	At start of year Shs	Charge to profit or loss Shs	At end of year Shs
Deferred tax liability			
Property and equipment			
- historical cost	89,062	(170,673)	(81,611)
- revaluation	79,020,409	-	79,020,409
Provisions	(10,879,585)	(1,132,584)	(12,012,169)
Net deferred tax liability	**68,229,886**	**(1,303,257)**	**66,926,629**

30. Other payables

	2021 Shs	2020 Shs
Accrued expenses	7,381,437	7,342,525
Other liabilities	30,403,360	29,963,246
	37,784,797	**37,305,771**

NOTES (Continued)

31. Cash from operations

	2021 Shs	2020 Shs
Reconciliation of profit before tax to cash from operations:		
Profit before tax	361,049,167	392,286,956
Adjustments for:		
Depreciation on property and equipment (Note 12)	10,728,854	11,171,666
Amortisation of leasehold land (Note 14)	1,267,123	1,267,123
Amortisation of intangible assets (Note 13)	5,662,544	4,305,047
Gain on disposal of property and equipment	-	(19,404)
Expected credit loss	1,494,540	3,785,988
Fair value (gain)/loss on quoted shares through profit or loss (Note (22)(a))	(7,040,209)	16,358,522
Accrued Interest movement on Government securities - Fair value through other comprehensive income (Note 21)	(7,051,596)	(3,167,808)
Gain on maturity of - Available-for- sale assets	537,791	-
Accrued Interest movement on Corporate Bond	-	-
Changes in working capital:		
- (decrease) in receivables arising out of direct insurance arrangements	(50,053,030)	(7,925,967)
- decrease in receivables arising out of reinsurance arrangements	(8,646,366)	(959,713)
- (decrease)/increasein reinsurers share of insurance contract liabilities	(16,350,606)	26,816,489
- increase/(decrease) in deferred acquisition costs	(878,134)	2,502,945
- (decrease)/increase in other receivables	(5,973,410)	8,478,027
- increase/(decrease) in insurance contract liabilities	8,262,030	(19,654,177)
- increase/(decrease) in payables arising out of reinsurance arrangements	21,296,127	(33,641,447)
- increase/(decrease) in unearned premium reserves	38,971,849	(19,247,140)
- increase in other payables	479,026	699,337
Cash from operations	**353,755,700**	**383,056,444**

32. Related party disclosures

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

	2021 Shs	2020 Shs
i) Transactions with related parties		
Gross premiums written	110,718,228	97,414,897
Gross claims incurred	9,921,442	6,372,292
Commission paid	20,867,755	17,549,076
ii) Outstanding balances		
Outstanding premiums	(11,658,087)	(13,084,057)
Claims payable		
Prime Bank Limited	(611,536)	301,367
Prime Merchant Insurance Agency	11,658,087	13,084,057
	11,046,551	13,385,424
Deposits with Prime Bank Limited	271,096,279	301,601,308
Current account balances with Prime Bank Limited	77,571,924	45,292,323
Staff mortgage loans	15,548,806	17,026,646
Staff motor vehicle loans	137,531	715,984

NOTES (Continued)

32. Related party transactions and balances (continued)

	2021 Shs	2020 Shs
iii) Directors' remuneration		
Fees for services as a director	4,300,000	5,160,000
Other emoluments	4,620,000	4,620,000
iv) Key management compensation		
Remuneration of senior management	72,826,404	69,261,292

33. Dividend

The directors recommend payment of final dividend of Shs 200,000,000.

During the year, an interim dividend of Shs. 17 per share (2020: Shs. 13 per share), amounting to a total of Shs. 102,000,000 (2020: Shs. 78,000,000) was paid. The total dividend for the year is therefore Shs. 50.33 per share (2020: Shs. 13 per share) amounting to a total of Shs. 302,000,000 (2020: Shs. 78,000,000).

In accordance with the Kenyan Companies Act 2015, these financial statements reflect this dividend payable, which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2021.

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

34. Earnings per share

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

	2021 Shs	2020 Shs
Net profit for the year attributable to shareholders	311,443,328	328,784,479
Adjusted weighted average number of ordinary shares in issue	6,000,000	6,000,000
Earnings per share - basic and diluted (Shs.)	51.91	54.80

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

35. Contingent liabilities

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

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

36. Events after the reporting period

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

GENERAL INSURANCE BUSINESS REVENUE ACCOUNT

Class of insurance business	Engineering Shs	Fire Domestic Shs	Fire Industrial Shs	Public Liability Shs	Marine Shs	Motor Private Shs	Motor Commercial Shs	Personal Accident Shs	Theft Shs	Workmen's' Compensation Shs	Medical Shs	Miscellaneous Shs	31Dec 2021 Total Shs	31 Dec 2020 Total Shs
Gross premiums written	87,928,158	63,633,726	330,082,757	24,374,750	167,096,411	187,113,721	141,137,812	11,955,865	102,051,393	168,564,128	15,048,776	23,365,154	1,322,352,651	1,180,206,630
Change in net unearned premiums	(1,211,210)	(1,441,651)	263,448	2,828,317	(2,491,523)	(9,288,865)	(3,206,119)	32,622	262,375	1,080,501	(75,644)	-	(13,247,749)	11,204,241
Gross earned premiums	86,716,948	62,192,075	330,346,205	27,203,067	164,604,888	177,824,856	137,931,693	11,988,487	102,313,768	169,644,629	14,973,132	23,365,154	1,309,104,902	1,191,410,871
Less: premiums ceded to reinsurers	(71,540,271)	(24,161,849)	(275,031,705)	(4,820,932)	(59,472,350)	(3,813,341)	(2,496,640)	(1,387,109)	(10,317,506)	(7,923,691)	-	(13,541,501)	(474,506,895)	(384,414,230)
Net earned premiums	**15,176,677**	**38,030,226**	**55,314,500**	**22,382,135**	**105,132,538**	**174,011,515**	**135,435,053**	**10,601,378**	**91,996,262**	**161,720,938**	**14,973,132**	**9,823,653**	**834,598,007**	**806,996,641**
Gross claims paid	(37,320,034)	(6,950,365)	(37,642,245)	(2,541,899)	(41,090,071)	(69,670,472)	(101,981,165)	(953,982)	(17,563,907)	(37,846,183)	(8,361,486)	(486,830)	(362,408,639)	(329,309,415)
Changes in net outstanding claims	1,080,668	2,585,164	4,428,626	744,853	(20,949,846)	(29,655,607)	(4,994,598)	(19,032)	(2,812,259)	29,563,601	2,438,900	(45,995)	(17,635,525)	880,587
Less: reinsurance recoverable	25,205,780	908,786	24,807,344	-	17,662,959	-	25,947,117	-	-	376,367	-	-	94,908,353	89,525,450
Net claims incurred	**(11,033,586)**	**(3,456,415)**	**(8,406,275)**	**(1,797,046)**	**(44,376,958)**	**(99,326,079)**	**(81,028,646)**	**(973,014)**	**(20,376,166)**	**(7,906,215)**	**(5,922,586)**	**(532,825)**	**(285,135,811)**	**(238,903,378)**
Commissions receivable	19,619,918	6,261,483	100,272,360	775,220	15,479,259	1,303	(2,598)	113,051	407,731	170,303	-	3,422,950	146,520,980	133,120,417
Commissions payable	(16,291,526)	(12,080,899)	(74,173,274)	(4,936,906)	(28,024,890)	(17,550,576)	(13,706,654)	(2,414,734)	(18,961,474)	(34,085,780)	(1,497,308)	(2,336,433)	(226,060,455)	(209,640,016)
Expenses of management	(7,044,373)	(16,967,082)	(23,663,829)	(8,405,256)	(46,262,465)	(78,792,115)	(59,595,245)	(4,543,005)	(39,432,035)	(69,051,683)	(6,468,753)	(4,222,721)	(364,448,562)	(329,448,415)
Total expenses and commissions	**(3,715,981)**	**(22,786,498)**	**2,435,257**	**(12,566,941)**	**(58,808,096)**	**(96,341,388)**	**(73,304,497)**	**(6,844,688)**	**(57,985,779)**	**(102,967,160)**	**(7,966,061)**	**(3,136,204)**	**(443,988,037)**	**(405,968,014)**
Underwriting profit/(loss)	**427,110**	**11,787,313**	**49,343,482**	**8,018,148**	**1,947,484**	**(21,655,952)**	**(18,898,090)**	**2,783,676**	**13,634,317**	**50,847,563**	**1,084,485**	**6,154,624**	**105,474,159**	**162,125,249**

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A Symbol of Trust Security and Progress

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