

TAUSI ASSURANCE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

Tausi Assurance Company Limited
Annual Report and Financial Statements
For the year ended 31 December 2025

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Tausi Assurance Company Limited
Annual Report and Financial Statements
For the year ended 31 December 2025

COMPANY INFORMATION

BOARD OF DIRECTORS : Mr. 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. V. Bharatan
: Ms. Kellen Kariuki

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

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

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

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

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

LEGAL ADVISORS : Macharia, Mwangi & Njeru Advocates : Mahida & Maina Co. Advocates
: P.O. Box 10627, 00100 : P.O. Box 1341, 01000
: NAIROBI : THIKA
: Wanja & Kibe Advocates : Daly & Inamdar Advocates
: P.O. Box 1382, 80100 : P.O. Box 80483, 80100
: MOMBASA : MOMBASA
: Muchui & Company Advocates : Mucheru Law LLP Advocates
: P.O. Box 61901, 00200 : P.O. Box 7769, 00200
: NAIROBI : NAIROBI

Tausi Assurance Company Limited
Annual Report and Financial Statements
For the year ended 31 December 2025

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2025, 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

	2025	2024
	Shs	Shs
Profit before tax	666,405,707	424,923,297
Tax charge	<u>(104,034,385)</u>	<u>(43,931,732)</u>
Profit for the year	<u><u>562,371,322</u></u>	<u><u>380,991,565</u></u>

BUSINESS REVIEW

During the year, the company's net earned premiums decreased from Shs. 1,326,077,713 to Shs. 1,320,985,653. This was mainly attributed to decrease in overall gross written premiums due to decreased performance of some products offered by the company.

The profit before tax increased from Shs. 424,923,297 to Shs.666,405,707. This was as a result of decrease in net claims ratio from 34% to 28%. Our Net Earned Premiums decreased marginally at the rate of 0.38%. Combined ratio decreased from 98% to 81%. Net investment income increased by 8.85% while profitability increased by 50%.

As at 31 December 2025, the net asset position of the company was Shs. 3,190,248,790 compared to Shs. 2,696,145,836 as at 31 December 2024.

Key performance indicators

	2025	2024
	Shs	Shs
Insurance revenue	<u>2,196,570,356</u>	<u>2,203,589,792</u>
Insurance service result before reinsurance contracts held	803,855,868	161,954,896
Net expense from reinsurance contracts held	<u>(508,342,262)</u>	<u>(70,399,479)</u>
Insurance service result	295,513,606	91,555,417
Net insurance finance income	(62,250,790)	(61,544,653)
Investment and other income	402,992,018	389,085,474
Fair value gain/(loss) on quoted shares	45,526,320	22,943,843
Other operating expenses	<u>(15,375,447)</u>	<u>(17,116,784)</u>
Profit before tax	<u>666,405,707</u>	<u>424,923,297</u>
Profit for the year	<u><u>562,371,322</u></u>	<u><u>380,991,565</u></u>

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall performance of the company. The company's strategic focus is to enhance revenue growth whilst maintaining profit margins, the success of which remains dependent on overall market conditions and innovativeness to sustain market share.

REPORT OF THE DIRECTORS (CONTINUED)

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

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

DIVIDEND

The directors recommend payment of final dividend of Shs. 198,000,000 for the year, (2024: Shs 198,000,000). During the year, no interim dividend was declared (2024: NIL). Therefore total dividend for the year ended 31 December 2025 was Shs 33 per share (2024: Shs 33 per share) amounting to a total of Shs.198,000,000 (2024: Shs 198,000,000).

DIRECTORS

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

DIRECTORS INDEMNITIES

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

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

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

APPOINTMENT OF THE AUDITOR

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

The Report of Directors was approved by the Board of Directors on 25TH MARCH 2026 and signed on its behalf by the Secretary.

BY ORDER OF THE BOARD



WINFRED MWIKALI MUOKI
COMPANY SECRETARY
NAIROBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of the company that comply with IFRS Accounting Standards as issued by International Accounting Standards Board 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 IFRS Accounting Standards as issued by International Accounting Standards Board 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
- 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 uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

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


Approved by the board of directors on 25TH MARCH 2026 and signed on its behalf by:



Mr. Shantilal Shah
(Director)



Dr. Rasik Kantaria
(Director)



Mrs. Rita Thatthi
(Director & Principal officer)

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

Opinion

We have audited the financial statements of Tausi Assurance Company Limited set out on pages 10 to 61, which comprise of the statement of financial position as at 31 December 2025, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of the cash flows for the year then ended and notes to the financial statements, including the summary of the material accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respect Tausi Assurance Company Limited financial position as at 31 December 2025 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board 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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

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

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses (continued)	
<p>The expected credit losses on financial assets carried at amortised cost are determined under application of IFRS 9 Financial Instruments.</p> <p>This was a key audit matter because material judgement was involved in determining the credit losses on mortgages and other loans, deposits with financial institutions, investments in government securities and bank balances as disclosed in note 3 (c) Credit risk.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none"> • the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model; • the identification of exposures with a material • 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. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed and tested the design and operating effectiveness of the controls over the: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> i. key modelling assumptions adopted by the Company; ii. basis for and data used to determine overlays; and iii. sensitivity of the collective provisions to changes in modelling assumptions. • In addition, we assessed the adequacy of the disclosures in the financial statements.

Other information

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

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

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

Other information (continued)

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

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

Responsibilities of directors and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

As part of an audit in accordance with International Standards of Auditing (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 on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast material 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 material audit findings, including any material 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.

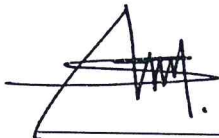
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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 OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF TAUSI ASSURANCE COMPANY LIMITED (CONTINUED)

Report on other Legal and Regulatory Requirements

In our opinion, the information given in the report of the directors on pages 2 - 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Alfred Siele, Practicing Certificate No. 1690

 Grant Thornton LLP
Certified Public Accountants

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



UNIQUE CODE: 46047260325

25TH MARCH, 2026

T/1205/1225/AUD

Tausi Assurance Company Limited
Annual Report and Financial Statements
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2025

	Notes	2025 Shs	2024 Shs
Insurance revenue	6	2,196,570,356	2,203,589,792
Insurance service expenses	6	(1,392,714,488)	(2,041,634,896)
Insurance service result before reinsurance contracts held		803,855,868	161,954,896
Allocation of reinsurance premiums	6	(875,584,701)	(877,452,078)
Amounts recoverable from reinsurers for incurred claims	6	367,242,439	807,052,599
Net expense from reinsurance contracts held		(508,342,262)	(70,399,479)
Insurance service result		295,513,606	91,555,417
Insurance finance expenses from insurance contracts issued	6	(98,111,389)	(86,456,435)
Reinsurance finance income from reinsurance contracts held	6	35,860,599	24,911,783
Net insurance finance (expenses)/income		(62,250,790)	(61,544,653)
Investment income	7 (a)	376,652,157	373,259,418
Other income	7 (b)	26,339,861	15,826,056
Fair value adjustments	7 (c)	45,526,320	22,943,843
Net investment income		448,518,338	412,029,317
Net insurance and investment result		386,267,548	350,484,664
Other operating expenses	8	(15,375,447)	(17,116,784)
Profit before tax		666,405,707	424,923,297
Income tax charge	9(a)	(104,034,385)	(43,931,732)
Profit for the year		562,371,322	380,991,565
Other comprehensive income:			
Items that shall not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property, plant and equipment and land	11	45,251,370	-
Deferred income tax on surplus on revaluation of property, plant and equipment	11	(13,575,411)	-
Changes in fair value of quoted shares - Fair value through other comprehensive income	19 (b)	57,059,245	38,170,068
Fair value gain/(loss) on Corporate Bonds at fair value through other comprehensive income	19 (d)	(313,620)	-
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)	37,310,943	17,645,396
Gain/(loss) on maturity of Government securities - Fair value through other comprehensive income	18 (b)	3,999,105	-
Total other comprehensive income		129,731,631	55,815,464
Total comprehensive income for the year attributable to shareholders of the company		692,102,953	436,807,029
Dividends proposed	26	198,000,000	198,000,000
		198,000,000	198,000,000

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STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2025

	Notes	2025 Shs	2024 Shs
CAPITAL EMPLOYED			
Share capital	10	600,000,000	600,000,000
Revaluation reserves	11(a)	209,776,827	181,909,032
Fair value reserve - Fair value through other comprehensive income	11(b)	57,905,969	(40,149,705)
Retained earnings	11(c)	2,124,565,994	1,756,386,508
Proposed dividend	26	198,000,000	198,000,000
Equity		3,190,248,790	2,696,145,836
REPRESENTED BY			
Assets			
Property and equipment	12	262,700,425	256,396,329
Prepaid lease rentals	13	118,153,846	88,698,631
Intangible assets	14	18,212,087	26,389,014
Mortgage and other loans	15	7,415,907	21,882,271
Reinsurance Contract Assets	16(b)	456,651,795	629,440,025
Other receivables	17(a)	18,515,765	13,151,595
Tax recoverable	17(b)	29,354,149	125,143,025
Government securities - Amortised cost	18(a)	2,130,891,699	1,732,275,081
Government securities - Fair value through other comprehensive income	18(b)	513,798,461	518,446,928
Investment in corporate bonds	19(d)	39,634,325	-
Quoted shares - Fair value through profit or loss	19(a)	124,002,327	82,932,687
Quoted shares - Fair value through other comprehensive income	19(b)	166,672,780	109,613,535
Investment in collective investment scheme at fair value through profit or loss	19(c)	9,935,418	6,144,233
Deposits with financial institutions	20(a)	570,115,258	546,129,350
Cash and cash equivalents	20(b)	93,220,567	65,772,539
Total assets		4,559,274,809	4,222,415,244
Liabilities			
Insurance contract liabilities	16(a)	1,176,975,181	1,368,185,277
Other payables	21	98,822,766	78,352,758
Deferred tax	22	93,228,072	79,731,373
Total liabilities		1,369,026,019	1,526,269,408
Net assets		3,190,248,790	2,696,145,836

The financial statements were approved and authorised for issue by the Board of Directors on

25th MARCH 2026 and were signed on its behalf by:



Mr. Shantilal Shah
(Director)



Dr. Rasik Kantaria
(Director)



Mrs. Rita Thatthi
(Director & Principal Officer)

The notes on pages 15 to 61 form an integral part of these financial statements.

Tausi Assurance Company Limited
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STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs	Fair value reserve Shs	Revaluation reserve Shs	Retained earnings Shs	Proposed Dividend Shs	Total Shs
At 1 January 2025		600,000,000	(40,149,705)	181,909,032	1,756,386,508	198,000,000	2,696,145,835
Profit for the year		-	-	-	562,371,322	-	562,371,322
Other comprehensive income:							
Change in fair value of Government securities - Fair value through other comprehensive income	18(b)	-	37,310,944	-	-	-	37,310,944
Fair value gain/(loss) on Corporate Bonds at fair value through profit or loss (Note 19 (a))		-	(313,620)	-	-	-	(313,620)
Change in fair value of quoted shares - Fair value through other comprehensive income	20(b)	-	57,059,245	-	-	-	57,059,245
Surplus on revaluation of land, property plant and equipment	11	-	-	45,251,370	-	-	45,251,370
Deferred tax on Surplus on revaluation of land, property plant and equipment	11	-	-	(13,575,411)	-	-	(13,575,411)
Gain on maturity of Government securities - Fair value through other comprehensive income		-	3,999,105	-	-	-	3,999,105
Transfer of excess depreciation	11	-	-	(5,440,234)	5,440,234	-	-
Deferred income tax on transfer of excess depreciation	11	-	-	1,632,070	(1,632,070)	-	-
Total comprehensive income for the year		-	98,055,674	27,867,795	566,179,486	-	692,102,954
Transactions with owners:							
Dividend:							
- Final dividend paid for 2024		-	-	-	-	(198,000,000)	(198,000,000)
Proposed final dividend for 2025		-	-	-	(198,000,000)	198,000,000	-
At 31 December 2025		600,000,000	57,905,969	209,776,827	2,124,565,994	198,000,000	3,190,248,789

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STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Fair value reserve Shs	Revaluation reserve Shs	Retained earnings Shs	Proposed Dividend Shs	Total Shs
At 1 January 2024	600,000,000	(95,965,169)	185,311,874	1,569,992,101	198,000,000	2,457,338,806
Profit for the year	-	-	-	380,991,565	-	380,991,565
Other comprehensive income:						
Change in fair value of Government securities - Fair value through other comprehensive income	-	17,645,396	-	-	-	17,645,396
Change in fair value of quoted shares - Fair value through other comprehensive income	-	38,170,068	-	-	-	38,170,068
Transfer of excess depreciation	-	-	(4,861,203)	4,861,203	-	-
Deferred income tax on transfer of excess depreciation	-	-	1,458,361	(1,458,361)	-	-
Total comprehensive income for the year	-	55,815,464	(3,402,842)	384,394,407	-	436,807,029
Transactions with owners:						
Dividend:						
- Final dividend for 2023 (paid)	-	-	-	-	(198,000,000)	(198,000,000)
- Proposed final dividend for 2024	-	-	-	(198,000,000)	198,000,000	-
At 31 December 2024	600,000,000	(40,149,705)	181,909,032	1,756,386,508	198,000,000	2,696,145,835

STATEMENT OF CASH FLOWS

	Notes	2025 Shs	2024 Shs
Cash flows from operating activities			
Cash generated from operations	23	645,665,419	305,506,770
Tax paid	9(a)	<u>(8,324,221)</u>	<u>(119,385,094)</u>
Net cash from operating activities		<u>637,341,198</u>	<u>186,121,676</u>
Cash flows from investing activities			
Purchase of property and equipment	12	(6,164,676)	(18,615,243)
Purchase of intangible assets	14	(1,118,240)	(16,357,437)
Proceeds from disposal of property and equipment	12	10,000	95,000
Repayment of mortgage and other loans	15	14,466,364	4,547,811
Maturity / (Purchase) of government securities held at amortised cost	18(a)	(399,345,515)	36,291,779
Maturity of government securities held at fair value through other comprehensive income	18(b)	45,000,000	200,000,000
Placement of fixed deposits maturing in over 90 days	20(a)	(28,544,635)	(30,974,254)
Purchase of Cooperate Bond	19(d)	(40,000,000)	-
Proceeds from disposal of quoted shares- fair value through other comprehensive income	19(b)	<u>786,500</u>	<u>-</u>
Net cash (used in) /from investing activities		<u>(414,910,202)</u>	<u>174,987,655</u>
Cash flows(used in)/generated from financing activities			
Dividend paid	26	<u>(198,000,000)</u>	<u>(198,000,000)</u>
Net cash used in financing activities		<u>(198,000,000)</u>	<u>(198,000,000)</u>
Increase in cash and cash equivalents		<u>24,430,996</u>	<u>163,109,331</u>
Movement in cash and cash equivalents			
Increase during the year		24,430,996	163,109,331
At 1 January Increase/(decre	20	<u>288,080,390</u>	<u>124,971,059</u>
At 31 December		<u>312,511,386</u>	<u>288,080,390</u>

1. MATERIAL ACCOUNTING POLICIES INFORMATION

The material accounting information 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 of Tausi Assurance Company Limited have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Kenyan Companies Act, 2015. The financial statements have been prepared under the historical cost basis, except for the following items which are carried at fair value or valued using another measurement basis.

Fair value

- Owner - occupied
- Financial assets designated at fair value through profit or loss and at fair value through other comprehensive income
- Investment contracts liabilities designated at fair value through income, financial liabilities designated at fair through income

Other measurement basis

- Employee benefit obligations measured using projected unit credit method.
- Fair values are categorized into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety.
- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
 - Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
 - Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management exercise its judgement in the process of applying the Company's accounting policies. These are areas of complexity involving a higher degree of judgement and areas where assumptions and estimates are significant to the financial statements. These judgements, assumptions and estimates are disclosed in detail in the notes to the annual financial statements and in summary in the critical accounting estimate judgements.

(b) New Standards and Interpretations

New standards, amendments and interpretations adopted by the company

The following standards and interpretations have been applied by the company for the first time for the reporting year commencing on or after 1 January 2025.

(b) New Standards and Interpretations

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

New amendments or interpretation	Effective for annual periods beginning on or after
Classification of liabilities as Current or Non- Current and Non- current	1 January 2024
Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024
Lease liability in a sale and leaseback (Amendments to IFRS 16 Financial Instruments: Disclosures - Supplier Finance Arrangements)	1 January 2024

The above standards and interpretations did not have a significant impact on the Company's financial statements

(ii) New standard and interpretations not yet adopted by the company

New amendments or interpretation	Effective for annual periods beginning on or after
Sale of Contribution of Assets between an investor and its associate and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ Effective date deferred indefinitely
Lack of Exchangeability - Amendments to IFRS 10 and IAS 21	1 January 2025
IFRS 18 Presentation and Disclosure in Financial statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountants	1 January 2027

The directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, there are no standards that are not yet effective that would be expected to have material impact on the entity in the current or future reporting periods and on near future transactions.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk. The Company does not accept insurance risk from other insurers.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

Some contracts entered into by the Company have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts'.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the Policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features. Some of these contracts are measured under the PAA.

(i) Separating components from insurance and reinsurance contracts

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer to policyholders distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts (continued)

(i) Separating components from insurance and reinsurance contracts (continued)

A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

The Company's insurance contracts do not have embedded derivatives or separate investments or non-insurance services components attached to the contracts, hence the Company clarifies all its insurance contracts as contracts without direct participation features.

(ii) Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
 - when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
 - when facts and circumstances indicate that the contract is onerous.
- An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the Company.

The Company categorizes its insurance contracts into IFRS 17 groups based on the similarity of risks to form the IFRS 17 portfolios, the year of issue which are referred to as cohorts and degree of profitability, that is, Onerous, Profitable or Others.

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts (continued)

(ii) Aggregation and recognition of insurance and reinsurance contracts (continued)

Reinsurance contracts (continued)

Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.

A group of reinsurance contracts is recognized on the following date.

- Reinsurance contracts initiated by the Company that provide proportionate coverage: The date on which any underlying insurance contract is initially recognized. This applies to the Company's quota share reinsurance contracts.
- Other reinsurance contracts initiated by the Company: The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognizes an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognized on that earlier date (see 'Reinsurance of onerous underlying insurance contracts'). This applies to the Company's excess of loss and stop loss reinsurance contracts.

(iii) Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract), then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals only applies to non-life contracts that have a one-year coverage period. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on the manner in which the Company expects to recover those cash flows.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated.

The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts (continued)

(iii) Insurance acquisition cash flows (continued)

When the Company acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- recognizes an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- if the asset relates to future renewals, recognizes an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognized as an impairment loss as above.

The Company reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

(iv) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows;

Insurance contracts	<p>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services.</p> <p>A substantive obligation to provide services ends when:</p> <ul style="list-style-type: none"> – the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or – the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date. <p>The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.</p>
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1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts (continued)

(iv) Contract boundaries (continued)

Reinsurance contracts	<p>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.</p> <p>A substantive right to receive services from the reinsurer ends when the reinsurer:</p> <ul style="list-style-type: none"> – has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or – has a substantive right to terminate the coverage.
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The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

(v) Measurement – Contracts measured under the PAA

The Company uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less. Some of these contracts provide compensation for the cost of rebuilding or repairing a property after a fire; for these contracts, the Company determines the insured event to be the occurrence of a fire and the coverage period to be the period in which a fire can occur for which a policyholder can make a valid claim.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies in (v). When comparing the different possible measurements, the Company considers the impact of the different release patterns of the asset for remaining coverage to profit or loss and the impact of the time value of money. If significant variability is expected in the fulfilment cash flows during the period before a claim is incurred, then this criterion is not met.

However, certain groups of insurance contracts are acquired in their claims settlement period. The claims from some of these groups are expected to develop over more than one year.

Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows) The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and the amortization of insurance acquisition cash flows recognized as expenses, and decreased by the amount recognized as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts (continued)

(v) Measurement – Contracts measured under the PAA (continued)

Insurance contracts (continued)

Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

The Company recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows are discounted (at current yield rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts. If a loss-recovery component created for a group of reinsurance contracts measured under the PAA, then the Company adjusts the carrying amount of the asset for remaining coverage.

(vi) Derecognition and contract modification

The Company derecognizes a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Company also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

(vii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognized in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(c) Insurance and reinsurance contracts (continued)

(vii) Presentation (continued)

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognized as follows.

Insurance revenue – Contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period on the passage of time.

Loss components

For contracts measured under the PAA, the Company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for nonfinancial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and comprise the following items.

- Incurred claims and other insurance service expenses:
- Amortisation of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Company expects to pay consideration.

1. MATERIAL ACCOUNTING POLICIES INFORMATION

(b) New Standards and Interpretations (Continued)

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

IFRS 17 Insurance Contracts (continued)

Loss components

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

Loss-recovery components

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

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

(c) Other income

Interest income and expenses

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

Dividend income

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

Rental income

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

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(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 (Every 3 years) such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on all assets except buildings 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

	<u>Rate %</u>	
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 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.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(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.

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 materially 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.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(e) Financial instruments (continued)

Financial assets (continued)

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):

- Mortgage and other loans
- Government securities
- Deposits with financial institutions
- Cash and bank balances
- Other receivables

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

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased materially 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 materially 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.

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(e) Financial instruments (continued)

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 materially reduces a measurement or recognition inconsistency.

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

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

Derecognition

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

Offsetting financial instruments

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

(f) Intangible assets

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

Computer software

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

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

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

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

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

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

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

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

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

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

(h) Cash and cash equivalents

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

(i) Accounting for leases

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

The company as lessee

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

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

1. MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

(i) Accounting for leases (continued)

The company as lessee (continued)

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

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

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

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

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

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

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

The company as lessor

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

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

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