Lean on Us

Contents


Relax...
We've got you covered
INTRA AFRICA ASSURANCE
COMPANY LIMITED
IAA
Lean On Us

Corporate Information

Directors	Archibald Githinji	Chairman
	H. G. Mkangi	
	Bharat K. Patel	
	Praful C. Patel	
	Ramesh C. Patel	
	Jitendra C. Patel	
	Hellen W. Macharia	
	Robert T. Gachecheh	Deceased on 19th January 2018
	Michael G. Muriithi	Resigned on 28th February 2017
Acting Principal Officer	R.N Kihara	Acting Principal Officer resigned on 28th February 2018
	Moses Murungi Kirima	Acting Principal Officer from 28th February 2018

Registered office and Principal place of business

Williamson House
4th Ngong Avenue
P. O. Box 43241 - 00100, Nairobi.

Company secretary

Leading Secretaries
P. O. Box 14317 - 00800, Nairobi.

Company actuary

Zamara Actuaries, Administrators and Consultants Ltd
P. O. Box 52439 - 00200, Nairobi.

Independent auditor

MAZARS
Certified Public Accountant (K)
3rd Floor, The Green House, Ngong Road
P. O. Box 61120 - 00100, Nairobi
Telephone + 254 (020) 3861175/76/79
Wireless + 254 (020) 2517101/3
Mobile + 254 722 440270
Fax + 254 (02) 3861169
Email contact@mazars.co.ke
Website www.mazars.co.ke

Principal bankers

Barclays Bank of Kenya Limited
Moi Avenue Branch
Nairobi.

Bank of India
Kenyatta Avenue
Nairobi.

Commercial Bank of Africa
Corner Ragati & Mara Roads, Upperhill

I&M BankCentre Point Branch,
Parklands Road

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

INCORPORATION

The company is domiciled in Kenya where it is incorporated as a private company limited by shares under the Kenyan Companies Act. The address of the registered office is set out in page 3.

PRINCIPAL ACTIVITIES

The principal activity of the company is the transaction of non-life insurance business.

Results for the year

The results for the year are summarised below:-

	2017 Ksh	2016 Ksh
Total comprehensive income before tax	60,011,245	50,216,821
Taxation	(15,882,277)	(14,632,114)
Net comprehensive income after tax transferred to reserves	44,128,969	35,584,707

Business review

In the year 2017, the company realized a minimal growth of 2% in our Gross written premium as compared to the previous year, taking into account that the period under review was an electioneering year. We closed the year with a turnover of Kshs 1.034 Billion from Kshs 1.014 Billion in 2016.

The business performance as at 31st December 2017 was generally within the budgeted amount and we attained a profit before tax of kshs 48 Million (2016 profit of kshs 52 Million)

During the year under review, our total assets rose to Kshs 1.86 Billion from Kshs 1.75 Billion in 2016 thus translating to 6.1% growth.

The company is currently focused on the implementation of the 2017-2021 strategic plan that is grounded on four strategic cornerstones i.e customer centricity, profitable growth,operational transformation and people management.

Following Finance Act 2015/2016, General insurance share capital should be raised to Kshs 600 million by June 2020 from the current share capital of Kshs 400 Million. We are preparing to raise Kshs 200 Million before June 2020.

Dividends

The Directors propose payment of first and final dividend at the rate of 2017: 2.5% (2016: 1.875%) on the paid up capital of Kshs 400,000,000 amounting to Kshs 10,000,000 (2016: Kshs. 7,500,000)

Financial statements

At the date of this report, the directors were not aware of any circumstances which would have rendered the values attributed to the assets in the financial statements misleading.

Report of the Director (continued)

Directors

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

In accordance with the Company's Articles of Association, Mr. J.C Patel and Mr.B.K.D Patel retire by rotation and being eligible, offer themselves for re-election.

Directors' benefits

Since the annual general meeting of the company to the date of this report, no director has received or become entitled to receive any benefit other than director's fees and amounts received under employment contracts for executive directors.

The aggregate amount of emoluments for directors' services in the financial year is disclosed in note 4 (a).

Statement of disclosure to the company auditor

Each of the persons, who was a director at the time the report was approved confirms that:

a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware;

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information to establish that the company's auditor is aware of that information.

Auditor

The company's auditor MAZARS, Certified Public Accountant (K) has indicated willingness to continue in office in accordance with Section 717 of the Companies Act No 17 of 2015.

By order of the board

LEADING SECRETARIES

Company secretary

16th March 2018

Statement of Directors Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that 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 maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i) designing,implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;

ii) selecting and applying appropriate accounting policies; and

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

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on 16th March 2018 and signed on its behalf by:

Archibald Githinji	P. C Patel	Moses Murungi Kirima
Chairman	Director	Acting Principal Officer

Report of the Consulting Actuary

We have conducted an actuarial valuation of the non-life insurance business of Intra Africa Assurance Company Limited as at 31 December 2017.

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

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

In our opinion, the actuarial value of the liabilities of the non-life insurance business represents a prudent estimate of the projected future obligations of the non-life business as at 31 December 2017.

Zamara Actuaries, Administrators and Consultants Ltd

Consulting actuary

16th March 2018

1. Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Intra Africa Assurance Company Limited, set out on pages 14 to 44, which comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2017 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.

Basis for our Opinion

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

Emphasis of Matter

We draw attention to note 19 of the financial statements which describes deposits held with Imperial Bank Limited (In receivership) - IBL(IR). As at the end of the year, the company held significant balances at Kenya shillings 54,280,032 (net of provision for impairment loss). Management considers that the company may not recover the deposit in full considering and has with effect from year 2017, started making a provision for impairment loss. Our opinion is not modified in respect of this matter

Materiality

We have used our professional judgment to determine the materiality for the financial statements.Our materiality benchmark is based on the Company net assets.This was considered appropriate because the net assets indicate the ability of the company to meet its current and longterm obligations, The Company is also a public interest entity, and the main responsibility to the public is to settle admitted claims as they fall due and within the regulated timelines. We report to the Senior management any corrected or uncorrected identified misstatements exceeding our materiality, in addition to other identified mistatements that warranted reporting on qualitative grounds.

2. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

These matters are identified below. We have also set out how we tailored our audit tests and procedures to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit. These areas of focus were discussed with those charged with governance.

2. Key Audit Matters (continued)

i) Determination of insurance contract liabilities

Insurance contract liabilities constitute the major percentage of the Company's total liabilities.They are made up of reported claims and incurred but not reported claims(IBNR).The gross contract liabilities represent the ultimate cost of settling all claims arising from incidents occurring prior to the end of each reporting period, but not settled at that date.

The estimation of outstanding claims involves significant judgement given the size of the liability and the inherent uncertainty in estimating expected future claims incurred. This is particularly the case for liabilities that have been incurred at the reporting date but have not yet been reported. There is generally less information available in relation to these claims. They are determined annually by the company's consulting actuaries on the basis of the best information available at the time the records for the year are closed.

For general insurance contract liabilities, a range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

The valuation of these liabilities relies on accurate data about the volume, amount and the pattern of current and historic claims both internal and external to the business. Small changes in these assumptions can result in material impacts to the estimate

Our response

- The evaluation and testing of key controls around the claims handling and reserve setting processes of the Company.
- Checking for any unrecorded liabilities at the end of the period.
- Checking samples of claims reserves through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters.
- Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations.
- Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations;
- Re-projecting the incurred but not reported reserve balances using the actuarially-determined reserve percentages per class of business;
- Using the Company appointed actuary report to review the reserving methodology applied and analytically review the valuation results presented and movements since the previous year end. We focused on understanding the methodologies applied and examined areas of judgement such as changes in valuation assumptions; and
- Considering the validity of management's liability adequacy testing by assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features

Comparing the assumptions to expectations based on the Company's historical experiences, current trends and our own industry knowledge;

We noted no exceptions.

2. Key Audit Matters (continued)

ii) Business premium receivables and income

Why it was considered important

Although not complex, the estimation of premiums involves subjectivity with regards to assumptions on the estimation of future premium and for policies whose period does not match the Company's accounting period. The premium is accounted based on the assumption of historical trends and, that the policy will not be withdrawn. Significant judgment is involved in premium revenue recognition, determination of unearned premiums and estimation of provisions for uncollected premiums receivables.

The company has in place a number of risk sharing agreements,where other insurers underwrite a majority of the risk generated, either through facultative reinsurance contracts. For reinsurance contracts, there is judgement involved in the assessment of whether risk has been transferred, which impacts on the appropriate accounting including whether premium income and insurance claims are presented gross or net of reinsurance.

A number of the reinsurance arrangements also include reinsurance caps, whereby the company is limited as to the amount it can recover against insurance claims and operating expenses based on the cap in place. This impacts the underlying profit of the company.

For facultative reinsurance contracts,the accounting is driven by the fact that the company does not retain the underlying risks and rewards of the business underwritten.

The outcome of these judgements affect the recognition and timing of revenue along with profit recognition and disclosure of income and expenses associated with these risk sharing agreements.

There are inherent risks in the valuation of reinsurance assets/liabilities and insurance receivables and these balances require judgement to be applied by the Company to the valuation and their processing requires manual adjustments to be made.

Our response

The evaluation and testing of key controls over the processes designed to record and monitor premium income and insurance and reinsurance receivables.

- Inspection of management's aged analysis for recoveries as at 31 December 2017.
- Understanding the terms of the approved reinsurance strategy and programmes adopted by the Company and considering credit ratings for reinsurers, facultative and brokerage entities.
- Testing of the transactions on a sample basis by tracing back to supporting documentation.
- Our audit procedures included critically assessing the contract terms for these arrangements to ascertain whether, taking into account relevant accounting standards, the appropriate risk transfer has occurred to support the treatment of the arrangement as facultative reinsurance.
- We reviewed the terms of the reinsurance, re-calculated the expected total cost and compared to the actual cost recognised, and assessed the appropriateness of the allocation between insurance claims and operating expenses; and
- We have also considered the adequacy of the company's disclosures and appropriateness of the presentation of transactions and balances relating to these arrangements.

We did not identify any reportable exceptions

2. Key Audit Matters (continued)

iii) Valuation of investments

Why it was considered important

We identified the valuation of investments as a key audit matter due to the significance of the balance to the financial statements combined with the significant judgements associated with determining their value.The financial and property investments for the Company account for approximately 33% of total assets. Returns on these investments enable the Company to meet obligations arising from insurance contracts, insurance direct costs and other operating expense ,meet regulatory capital requirements, as well as providing returns on shareholder assets (the assets available for distribution to shareholders after taking account of policyholder liabilities.

Investment valuation continues to be an area of inherent risk due to macroeconomic uncertainity as well as significant management judgement.

However, the risk is not uniform for all types of investments.

Our response

We assessed the investment valuation processes and tested controls in place over the valuation of all investments. We did not identify any defective controls. Our procedures to address the valuation of investments included the following procedures;

- Obtained independent confirmations from all institutions holding Company investments.
- Recomputed the foreign exchange differences on material balances denominated in foreign currency, in accordance with the rates as stipulated by the company policy.
- Recomputed impairment of assets acquired at a premium, interest accrued and agreed to the book of accounts.
- checked that the disclosures of the Company investments were compliant with IFRSs

We did not identify exceptions in our testing of the confirmations.

iv) IT system and control over financial reporting

Why it was considered important

Intra Africa is highly dependent on technology due to the significant number of transactions that are processed daily in the Headquarters and at the Centrepoint office along with the other smaller branches. Further more all these offices are interconnected via the internet exposing the company to cyber security threats. The Company depends on Wise Insurer,an internally developed IT system for its accounting and reporting purposes. Specifically, the calculation, recording and financial reporting of transactions and balances related to premiums, claims, fees and commissions, investments in securities are significantly dependent on IT automated systems and processes. Due to this heavy reliance on IT automated systems there exists a risk that gaps in the IT control environnment could result in the financial accounting and reporting records being materially misstated.

Our response

We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT system that is relevant to financial and claim administration reporting.

2. Key Audit Matters (continued)

iv) IT system and control over financial reporting (continued)

We examined the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. The combination of the tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continually improved IT system for purposes of our audit.

We did not identify any reportable exceptions.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements do 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 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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 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 have no realistic alternative but to do so.

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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

2. Key Audit Matters (continued)

Auditor's responsibility (continued)

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, fogery, 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 management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the 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.

Report on other legal requirements

As required by the Kenya Companies Act no 17 of 2015 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Evanson Ng'ang'a - P/No 2146

Mazars

MAZARS

Certified Public Accountants (K) Nairobi.

16th March 2018

Statement of Comprehensive Income

	2017 Kshs	2016 Kshs
INCOME		
Gross premium	1,034,427,927	1,014,260,443
Less: Reinsurance premium ceded	(171,704,551)	(154,066,383)
Net premium written	**862,723,376**	**860,194,060**
Unearned premium brought forward	379,991,000	314,323,001
Unearned premium carried forward	(368,795,301)	(379,991,000)
Net earned premium	**873,919,075**	**794,526,061**
INSURANCE OUT-GO		
Claims paid	459,205,624	490,878,286
Provisions as at 31 December	495,822,693	484,740,768
Provisions as at 01 January	(484,740,768)	(515,236,575)
Total claims incurred	**470,287,549**	**460,382,479**
Commissions	62,685,375	57,587,218
Premium tax	17,550,835	16,588,643
Management expenses	311,199,104	252,281,536
Total insurance out-go	**861,722,862**	**786,839,876**
UNDERWRITING RESULT	**12,196,213**	**7,686,185**
OTHER INCOME		
Investment income	42,976,241	46,586,421
Rent	9,485,561	8,936,100
Other income	88,744	95,799
Fair value gain on investment property	6,940,000	5,600,000
	59,490,545	**61,218,320**
NET INCOME (carried forward)	**71,686,758**	**68,904,505**

Statement of Comprehensive Income (continued)

	Note	2017 Kshs	2016 Kshs
NET INCOME (brought forward)		**71,686,758**	**68,904,505**
OUT - GO (OTHERS)			
Directors' fees		4,713,600	4,989,100
Depreciation	6	7,146,757	6,641,796
Amortisation	8	1,992,421	2,697,173
Provision for impairment loss	15	7,401,823	-
Finance cost		2,312,224	2,134,561
Foreign exchange gain		(2,751)	(1,530)
Total out - go (others)		**23,564,074**	**16,461,099**
PROFIT BEFORE TAX	4	**48,122,684**	**52,443,405**
Taxation	5	(15,882,277)	(14,632,114)
PROFIT AFTER TAX		**32,240,408**	**37,811,291**
OTHER COMPREHENSIVE INCOME:			
Revaluation surplus	6	3,680,000	3,100,000
Gain/Loss in fair values		8,208,561	(5,326,584)
		11,888,561	**(2,226,584)**
TOTAL COMPREHENSIVE INCOME		**44,128,969**	**35,584,707**
DIVIDEND			
Proposed payment of first and final		**10,000,000**	**7,500,000**

Revenue Account

	Car/eng-ineering Kshs	Fire domestic Kshs	Fire industrial Kshs	Liability Kshs	Marine Kshs	Motor private Kshs
Gross premium written	54,929,489	25,913,142	86,335,091	7,821,219	91,468,681	291,523,815
Less: Reinsurance premium ceded	32,204,211	6,489,245	41,571,224	117,295	18,871,856	,518,838
Net premium	**22,725,278**	**19,423,897**	**44,763,867**	**7,703,924**	**72,596,825**	**288,004,977**
Unearned premium c/fwd	13,951,955	7,151,586	15,643,392	7,797,892	11,172,160	148,460,550
Additional unexpired risk reserve	-	-	-	-	-	-
Unearned premium b/fwd	14,650,000	7,475,000	16,797,000	2,185,000	10,663,000	151,987,000
(Increase)/decrease in						
Unearned premium reserves	698,045	323,414	1,153,608	(5,612,892)	(509,160)	3,526,450
Additional unexpired risk reserve	-	-	-	-	-	-
Net earned premium	**23,423,323**	**19,747,311**	**45,917,475**	**2,091,032**	**72,087,665**	**291,531,427**
Insurance out-go						
Claims paid	4,552,280	17,094,705	24,576,407	2,105,735	48,418,745	183,679,545
Provisions carried forward	42,794,554	11,666,792	16,325,295	27,382,177	57,438,319	120,623,768
Provisions c/f 31.12.17	37,850,963	3,919,541	8,043,682	26,020,818	44,662,807	47,182,089
IBNR c/f 31.12.17	4,943,591	7,747,251	8,281,613	1,361,359	12,775,512	73,441,679
Provisions brought forward	26,422,000	6,514,000	21,840,000	16,735,000	34,822,000	131,009,000
Total claims incurred	**20,924,834**	**22,247,497**	**19,061,702**	**12,752,912**	**71,035,064**	**173,294,313**
Gross commissions paid	10,003,513	4,007,276	16,822,066	1,468,005	14,067,172	31,041,005
Less: Deferred acquisition costs	2,125,651	798,594	2,178,317	316,133	1,350,353	9,958,804
Less: Commission earned	10,288,092	1,997,731	14,339,034	-	4,242,760	-
Net commissions	(2,410,230)	1,210,951	304,715	1,151,872	8,474,059	21,082,201
Premium tax	462,312	395,151	910,655	156,725	1,476,875	5,859,036
Management expenses	8,197,397	7,006,532	16,147,094	2,778,937	26,186,919	103,888,330
Total insurance out-go	**27,174,314**	**30,860,131**	**36,424,165**	**16,840,446**	**107,172,917**	**304,123,880**
Underwriting result	**(3,750,991)**	**(11,112,820)**	**9,493,310**	**(14,749,414)**	**(35,085,252)**	**(12,592,453)**
Investment income	483,566	413,316	952,520	163,930	1,544,770	6,128,389
Balance transferred to statement of comprehensive income	**(3,267,425)**	**(10,699,504)**	**10,445,830**	**(14,585,484)**	**(33,540,481)**	**(6,464,065)**

Revenue Account

Motor commercial Kshs	Personal accident Kshs	Theft Kshs	Workmens compen-sation Kshs	Misc/ bond Kshs	2017 Ksh	2016 Kshs
202,571,572	21,741,286	59,878,979	137,374,321	54,870,331	1,034,427,927	1,014,260,443
4,628,091	13,074,515	25,646,329	2,697,776	22,885,171	171,704,551	(154,066,383)
197,943,481	**8,666,771**	**34,232,650**	**134,676,545**	**31,985,160**	**862,723,376**	**860,194,060**
82,483,508	3,465,377	13,889,196	49,771,890	15,007,795	368,795,301	379,991,000
-	-	-	-	-	-	-
77,807,000	5,941,000	16,828,000	53,374,000	22,284,000	379,991,000	314,323,000
(4,676,508)	2,475,623	2,938,804	3,602,110	7,276,205	11,195,699	(65,668,000)
-	-	-	-	-	-	-
193,266,973	**11,142,394**	**37,171,454**	**138,278,655**	**39,261,365**	**873,919,075**	**794,526,060**
91,315,308	5,855,414	22,980,289	54,250,238	4,376,958	459,205,624	490,878,286
59,740,032	17,610,468	27,724,468	95,633,772	18,883,048	495,822,693	484,740,768
27,947,535	9,335,616	12,370,773	22,047,254	18,358,099	257,739,177	377,505,768
31,792,497	8,274,852	15,353,695	73,586,518	524,949	238,083,516	107,235,000
120,378,768	9,085,000	9,391,000	97,788,000	10,756,000	484,740,768	515,236,575
30,676,572	**14,380,882**	**41,313,757**	**52,096,010**	**12,504,006**	**470,287,549**	**460,382,479**
21,784,063	3,046,816	9,086,938	27,849,027	5,549,233	144,725,114	131,455,412
6,161,148	378,405	1,513,498	6,714,380	1,138,515	32,633,798	31,878,000
-	4,053,100	7,601,176	-	6,884,048	49,405,941	41,990,194
15,622,915	(1,384,689)	(27,736)	21,134,647	(2,473,330)	62,685,375	57,587,218
4,026,868	176,313	696,413	2,739,796	650,691	17,550,835	16,588,643
71,401,606	3,126,253	12,348,303	48,580,138	11,537,595	311,199,104	252,281,536
121,727,961	**16,298,759**	**54,330,737**	**124,550,591**	**22,218,962**	**861,722,862**	**786,839,876**
71,539,012	**(5,156,365)**	**(17,159,283)**	**13,728,065**	**17,042,404**	**12,196,213**	**7,686,184**
4,211,992	184,418	728,428	2,865,750	680,605	18,357,684	19,899,804
75,751,004	**(4,971,947)**	**(16,430,855)**	**16,593,815**	**17,723,008**	**30,553,896**	**27,585,987**

Statement of Financial Position as at 31st December 2017

	Note	2017 Kshs	2016 Kshs
ASSETS			
Non-current assets			
Property and equipment	6	156,084,888	154,123,717
Investment property	7	301,200,000	294,260,000
Intangible asset	8	4,648,982	6,293,403
Mortgages	9	12,733,143	12,733,143
Financial assets	10	271,318,144	254,732,086
Deferred acquisition cost		32,633,799	31,878,000
Deferred tax	11	1,858,793	2,728,050
		780,477,750	**787,948,399**
Current assets			
Business receivables	12	613,336,418	559,882,226
Other receivables	13	120,576,910	111,130,388
Financial assets	10	33,811,100	31,200,000
Amount due from reinsurance	14	45,569,018	-
Cash and cash equivalents	15	267,491,894	295,245,940
		1,080,785,339	**966,258,554**
Total assets		**1,861,263,089**	**1,754,206,953**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	400,000,000	400,000,000
Revaluation reserves	17	339,072,036	328,452,036
Retained earnings	18	110,617,325	87,108,356
Proposed dividend		10,000,000	7,500,000
		859,689,361	**823,060,392**
Non-current liabilities			
Provision for unearned premium	1 (n)	368,795,301	379,991,000
Provision for outstanding claims	1 (o)	495,822,693	484,740,768
		864,617,994	**864,731,768**
Current liabilities			
Other payables		67,310,909	42,369,331
Amounts due to reinsurance		-	4,684,916
Taxation	5	1,602,709	9,217,663
Bank overdraft	19	6,593,872	10,142,883
Borrowings	19	61,448,245	-
		136,955,734	**66,414,793**
Total equity and liabilities		**1,861,263,089**	**1,754,206,953**

The financial statements on pages 14 to 44 were authorised for issue by the board of directors on 16th March 2018 and were signed on its behalf by:

Archibald Githinji	Praful C. Patel	Moses Murungi Kirima
Chairman	**Director**	**Acting Principal Officer**

Statement of Changes in Equity

	Share reserve Kshs	Revaluation earnings Kshs	Retained earnings Kshs	Proposed dividend Kshs	Total Kshs
At 1 January 2016	400,000,000	319,752,036	67,723,649	7,500,000	794,975,685
Changes in equity in 2016					
Profit for the year	-	8,700,000	26,884,707	-	35,584,707
Dividend paid (year 2015)	-	-	-	(7,500,000)	(7,500,000)
Proposed dividend for the year	-	-	(7,500,000)	7,500,000	-
At 31 December 2016	**400,000,000**	**328,452,036**	**87,108,356**	**7,500,000**	**823,060,392**
At 1 January 2017	400,000,000	328,452,036	87,108,356	7,500,000	823,060,392
Changes in equity in 2017					
Profit for the year	-	10,620,000	33,508,969	-	44,128,969
Dividend paid (year 2016)	-	-	-	(7,500,000)	(7,500,000)
Proposed dividend for the year	-	-	(10,000,000)	10,000,000	-
At 31 December 2017	**400,000,000**	**339,072,036**	**110,617,325**	**10,000,000**	**859,689,361**

Statement of cash flows

	Note	2017 Kshs	2016 Kshs
Cash flows from operating activities			
Total comprehensive income		**44,128,969**	**35,584,707**
Adjustments for:			
Taxation		15,882,277	14,632,114
Depreciation		7,146,757	6,641,796
Amortisation of intangible asset		1,992,421	2,697,173
Premium and claims reserves		(113,774)	35,172,193
Revaluation surplus		(3,680,000)	(3,100,000)
Fair value gain on investment property		(6,940,000)	(5,600,000)
Gain/Loss in fair values		(8,208,561)	5,326,584
Investment income		(42,976,241)	(46,586,421)
Operating profit before working capital changes		**7,231,848**	**44,768,146**
(Increase) in receivables		(62,900,715)	(121,731,547)
(Decrease) / increase in payables		24,941,578	10,425,471
Increase/(Decrease) in amount due from reinsurers		(45,569,018)	40,593,151
Decrease/Increase in amount due to reinsurers		(4,684,916)	4,684,916
(Increase) in deferred acquisition costs		(755,799)	(6,209,000)
Cash generated from operations		**(81,737,022)**	**(27,468,863)**
Investment income		42,976,241	46,586,421
Income tax paid		(22,627,973)	(19,848,091)
Net cash from operating activities		**(61,388,755)**	**(730,533)**
Cash flows from investing activities			
Purchase of property and equipment		(5,427,928)	(5,142,146)
Purchase of computer software		(348,000)	(1,736,520)
Net movement in government securities		(10,988,598)	630,384
Net cash used in investing activities		**(16,764,526)**	**(6,248,282)**
Cash flows from financing activities			
Net cash in flow (out flow) from borrowings		61,448,245	(1,750,000)
Dividend paid to shareholders		(7,500,000)	(7,500,000)
Net cash used in financing activities		**53,948,245**	**(9,250,000)**
Increase in cash and cash equivalents		**(24,205,035)**	**(16,228,814)**
At start of the year		**285,103,057**	**301,331,872**
At end of the year	15	**260,898,022**	**285,103,057**

1 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, which is also the functional currency (see (c) below), rounded to the nearest shilling (Kshs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

Going concern

The financial performance of the company is set out in the Director's report 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 and capital management are set out in note 4.

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 forseable future and as a result the fi nancial statements are prepared on a going concern basis.

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

b) New and revised standards

i) New and revised standards and interpretations which have been issued but are not yet effective

'The company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2017.

- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

1 Summary of significant accounting policies (continued)

b) New and revised standards (continued)

i) New and revised standards and interpretations which have been issued but are not yet effective (continued)

- IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:

* IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

* For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.

* The derecognition provisions are carried over almost unchanged from IAS 39.

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

- IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

- Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group’s consolidated financial statements.

- Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

- Amendment to IAS 28 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.

1 Summary of significant accounting policies (continued)

b) New and revised standards (continued)

i) New and revised standards and interpretations which have been issued but are not yet effective (continued)

- IFRIC 22 titled Foreign Currency Transactions and Advance Consideration (issued in December 2016) – The Interpretation, applicable to annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii) Adoption of new and revised standards

The following new and revised standards have become effective for the first time in the financial year beginning 1st January 2017:

- Amendments to IAS 12 titled Recognition of Deferred Tax Assets (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, provide additional guidance on the estimation of future taxable profits when considering the recoverability of deferred tax assets.
- Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require enhanced disclosure concerning changes in liabilities arising from financing activities
- Amendment to IFRS 12 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) - The amendment, applicable to annual periods beginning on or after 1 January 2017, clarifies the scope of the standard.

c) Insurance contracts

Classification

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance 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 that are more than the benefits payable if the insured event did not occur.

Insurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act: long term insurance business and short term insurance business.

i) Long term insurance business

Includes business of all or any of the following classes, namely; group life business, ordinary life business, deposit administration business and unit linked business. Life insurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life.

Superannuation business means life assurance business, being business of, or in relation to, the issuing of or the undertaking of the liability under superannuation, group life and permanent health insurance policy.

1 Summary of significant accounting policies (continued)

c) Insurance contracts (continued)

ii) Short term insurance business

Means insurance business of any class or classes not being long term insurance business. Classes of general insurance include aviation insurance, engineering insurance, fire insurance - domestic risks, fire insurance - industrial and commercial risks, liability insurance, marine insurance, motor insurance-private vehicles, motor insurance - commercial vehicles, personal accident insurance, theft insurance, workmen's compensation and employer's liability insurance and miscellaneous insurance (i.e. class of business not included under those listed above).

Motor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

Personal accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class.

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Recognition and measurement

i) Premium Income

Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the financial reporting date, and is computed using the 365ths method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

ii) 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 financial 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.

iii) Commissions payable and deferred acquisition costs ("DAC")

Commissions payable are based on the premium written and are recorded as an expense in the period in which they are incurred.A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the period end.

iv) Liability adequacy test

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

1 Summary of significant accounting policies (continued)

c) Insurance contracts (continued)

Recognition and measurement (continued)

iv) Liability adequacy test

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

v) 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. These processes are set out under Note 1(j).

vi) Receivables and payables related to insurance contracts and investment 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 receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets classified at amortised cost. The impairment loss is also calculated under the same method used for these financial assets. These processes are described under Note 1(j).

vii) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

1 Summary of significant accounting policies (continued)

d) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

e) Revenue recognition

- Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the company's activities. It is recognised when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts.
- The revenue recognition policy relating to insurance contracts is set out under note 1 (b) above.
- Rental income from operating leases is recognised on a straight line basis over the period of the lease. Rental income is recognised as income in the period in which it is earned.
- Dividend income is recognised when the right to receive the payment is established.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Kenya Motor Insurance Pool (1985): The Company's share of the pool results and balance is accounted for on the basis of the figures contained in the pool's annually audited accounts.
- Commissions receivable are recognised as income in the period in which they are earned.

f) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax: Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax: Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting or taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

1 Summary of significant accounting policies (continued)

f) Income tax (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

g) Property and equipment

Property and equipment are initially stated at cost or subsequently at revaluation, less accumulated depreciation and any impairment in value.

Subsequent costs are included in the assets carrying amount or recognized as a separate asset as appropriate, only where it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be reliably measured. All other repair and maintenance costs are charged to the profit and loss account in the financial period in which they are incurred.

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 charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property and equipment over their expected useful lives using the following annual rates:

Leasehold land and building	Over the years term of the lease
Motor vehicles	20%
Furniture and equipment	5%
Computers and related equipment	30%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recovered.

If any such indications exist where the carrying values exceed the recoverable amount, property and equipment are written down to their recoverable amounts.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit / (loss).

1 Summary of significant accounting policies (continued)

h) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) and are not occupied by the Company are classified as investment property under non-current assets. Investment property is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the statement of financial position date determined by annual valuations carried out by external registered valuers/directors. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate. Properties under construction and development sites with projected use as Investment properties are valued at projected fair values taking into account current market conditions, outstanding investment costs and a risk loading according to the progress of the project. Changes in fair values are included in investment income in the income statement.

i) Intangible asset

Software license costs and computers software that does not form an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight-line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 30%.

j) Financial Instruments

Classification: The company classifies its financial instruments into the following categories:

i). Financial assets and financial liabilities at fair value through profit or loss, which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking.

ii). Held-to-maturity investments, which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has a positive intention and ability to hold to maturity.

iii). Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

iv). Available-for-sale financial assets, which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.

1 Summary of significant accounting policies (continued)

j) Financial Instruments (continued)

iv). Financial liabilities, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

Recognition and measurement

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. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the proft and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value for quoted shares is determined using the quoted bid price at the balance sheet date while that of non-quoted shares is determined using valuation techniques and/or Investment in equity shares classified as available-for-sale assets for which there is no active market and whose fair value cannot be reliably measured are carried at cost.

The company assesses at each balance sheet whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cashflows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit and loss account.

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the profit and loss account. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

1 Summary of significant accounting policies (continued)

j) Financial Instruments (continued)

Financial liabilities:

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

Presentation

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the statement of financial position date, those which the directors have the express intention of holding for less than 12 months from the statement of financial position date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months of the statement of financial position date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are off set and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.k) Cash and cash equivalents

k) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

l) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

1 Summary of significant accounting policies (continued)

m) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting.

n) Leases

Operating leases: Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

o) Unearned premium provision

Unearned premium reserve is calculated based on the prescribed methods by the IRA;

- Gross unearned premium reserve is calculated using the 365th's method. This is applied on a per policy basis.

- Net unearned premium reserve is calculated by applying net written premium to gross written premium ratio to the gross unearned premium reserve.

p) Outstanding claims provisions

Provision of reserves for notified claims as at the end of the year under review are determined on an individual case basis after taking into account possible trends in settlement and anticipated inflation, any difference between original provisions on claims and subsequent re-estimates or settlements will be reflected in the underwriting results of the year in which claims are re-estimated or finally settled.

Outstanding claims also include provisions for claims incurred but not reported at statement of financial position date.

q) Provision for liabilities and charges

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

r) Other provisions

Provisions for bad debts are made on an individual account basis depending on the results of a continuous assessment of the prospects for recovery. In cases of secured debts, provisions will only be made when the forced sale value of the security held is less than the balance outstanding and the servicing of the debt is considered as giving cause for concern.

1 Summary of significant accounting policies (continued)

s) Post-employment benefit obligations

The Company operates a defined contribution pension scheme for all permanent employees. The scheme is administered independently by Chancery Wright Insurance Brokers Limited and is funded by contributions from both the company and employees. The scheme funds are managed by Old Mutual Assets Managers (K) Ltd.

The company also contributes to a statutory defined contribution scheme, the National Social Security Fund (NSSF). Contributions are determined by local statutes and are currently limited to Kshs 200 per employee per month.

2 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

a) Significant judgements made in applying the company's accounting policies

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i). Property and equipment: critical estimates are made by the directors in determining depreciation rates for the property and equipment.

ii). Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and

iii). Whether the company has the ability to hold 'held-to maturity' investments until they mature. If the company were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

iv). Claims reserving and determination of IBNR

The estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported is a key 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. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

v). Recoverable amount of receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables. This process is set out in note 1 (j).

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i). Whether assets are impaired.

ii) The classification of financial assets.

iii). Contingencies and provisions.

3 Risk management objectives and policies

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

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

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

	Fully performing Kshs '000'	Past due but not impaired Kshs '000'	Total Kshs '000'
31 December 2016			
Receivables and due from reinsurance	318,672	345,229	663,901
Cash and bank balances	295,246	-	295,246
Gross financial assets	613,918	345,229	959,147
31 December 2017			
Receivables and due from reinsurance	374,151,233	405,330,820	779,482,052
Cash and bank balances	260,898,022	-	260,898,022
Gross financial assets	635,049,255	405,330,820	1,040,380,074

Past due amounts are those beyond the maximum established credit period of 90 days and represent slow but paying customers. The receivables continue to be serviced even though this is not done on the contractual dates. The finance department is actively following these receivables.

3 Risk management objectives and policies (continued)

a) Financial risk management (continued)

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises of:

Interest rate risk

Short term bank deposits: If the interest rates on the company's short term bank deposits at the year-end were to increase/decrease by 5%, with all other factors remaining constant, the profit for the year would be lower/higher by Kshs 2,148,812 (2016: kshs 2,329,321.)

Borrowings: If the interest rates on the company's borrowings at the year-end were to increase/decrease by 5%, with all other factors remaining constant, the profit for the year would be lower/higher by Kshs. 115,611.

Currency risk

The Company transactions are largely denominated in Kshs and as a result not over - exposed to currency risk.Nevertheless the company is exposed to foreign exchange risk arising from various currencies,primarily with respect to the US Dollar. This is the case particularly on reinsurance transactions that involve foreign based reinsurance companies and to a limited extent on the dollar denomianted investments.

At 31 December 2017 if the shilling weakened/strengthened by 5% against the US dollar with all other variables held constant, post tax profit for the year would have been Kshs. 1,612,020 (2016: Kshs. 1,695,978) higher/ lower, mainly as a result of US dollar bank balances.

Other price risk

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The company is exposed to other price risk on its investment in quoted shares. If the price of available-for-sale financial assets decreased/increased by 5%, with other factors remaining constant, other comprehensive income would decrease/increase by Kshs 410,428 (2016: Kshs. 266,329). (Incase of financial assets at fair value through profit or loss, the impact would be on profit).

3 Risk management objectives and policies (continued)

b) Capital management

The company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The company is subject to minimum capital requirements of an insurer dealing with general insurance business as per the Kenyan Insurance Act.

There is a requirement for an increase in the share capital of insurance companies through 2017/2018 finance Act, which stipulates that with effect from June 2020 the paid up share capital to be:

- General insurance business companies Kshs. 600 million; and

- Long term insurance business companies Kshs. 400 million.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the organization of the debt and equity balance.

The capital structure of the company is as shown below.

	2017 Kshs '000'	2016 Kshs '000'
Share capital	400,000	400,000
Revaluation reserves	339,072	328,452
Retained earnings	110,671	87,108
Proposed dividend	10,000	7,500
	859,689	**823,060**

Consistent with others in the industry, the company monitors capital of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The gearing ratio at the year-end was Nil, (2016: Nil).

3 Risk management objectives and policies (continued)

c) Insurance risk

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. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

4 Profit before Tax

a) Items charged

		2017 Kshs	2016 Kshs
Profit before taxation for the year was arrived at after charging:			
Auditors remuneration		2,859,742	2,500,000
Depreciation		7,146,757	6,641,796
Director remuneration	- as remuneration	26,807,789	23,578,590
	- as fees	4,713,600	4,989,100

b) Management expenses

Management expenses are allocated to each class of business in the proportion that the net premium from that class bears to the total net premium. Directors fees, bad debts and depreciation of fixed assets are not allocated to the revenue accounts but are charged directly to the income statement.

5 Taxation

	2017 Kshs	2016 Kshs
Statement of comprehensive income		
Corporation tax at 30% on taxable profit for the year (2017: 30%)	15,013,019	15,752,222
Deferred tax (Note 11)	869,258	(1,120,108)
Tax charge	15,882,277	14,632,114
Reconciliation of tax expense to tax based accounting profit/(loss).		
Accounting profit before tax	48,122,684	52,443,405
Tax thereon at 30% (2017: 30%)	14,436,805	15,733,022
Effect of - items not subjected to income tax	(2,082,000)	19,200
Expense not deductible	3,704,813	-
Deferred tax	(177,342)	(1,120,108)
	15,882,276	14,632,113
Statement of financial position		
Balance as at 1 January	9,217,663	13,313,532
Corporation tax for the year	15,013,019	15,752,222
	24,230,682	29,065,754
Tax paid	(22,627,973)	(19,848,091)
Balance as at 31 December	1,602,709	9,217,663

6 Property and equipment

	Leasehold buildings Kshs	Motor vehicles Kshs	Office equipment, furniture & fittings Kshs	Computer Equipment Kshs	Total Kshs
Cost or valuation:					
At 1 January 2016	130,020,000	22,672,309	27,675,953	32,915,851	213,284,113
Revaluation	3,100,000	-	-	-	3,100,000
Addition	-	-	1,490,921	3,651,225	5,142,146
At 31 December 2016	133,120,000	22,672,309	29,166,874	36,567,076	221,526,259
At 1 January 2017	133,120,000	22,672,309	29,166,874	36,567,076	221,526,259
Revaluation	3,680,000	-	-	-	3,680,000
Addition	-	1,805,001	596,397	3,026,530	5,427,928
At 31 December 2017	136,800,000	24,477,310	29,763,271	39,593,606	230,634,187
Depreciation:					
At 1 January 2016	-	12,440,942	19,326,799	28,993,005	60,760,746
Charge for the year	-	3,340,551	646,534	2,654,711	6,641,796
At 31 December 2016	-	15,781,493	19,973,333	31,647,716	67,402,542
At 1 January 2017	-	15,781,493	19,973,333	31,647,716	67,402,542
Charge for the year	-	3,459,551	763,919	2,923,287	7,146,757
At 31 December 2017	-	19,241,044	20,737,252	34,571,003	74,549,299
Net book value:					
At 31 December 2017	136,800,000	5,236,266	9,026,019	5,022,603	156,084,888
At 31 December 2016	133,120,000	6,890,816	9,193,541	4,919,360	154,123,717

Value of leasehold building is based on valuation carried out during the year by Messrs Primeland (M) Valuers. The valuation is on open market value as at 9 January 2018. Messrs Primeland (M) Valuers is an independent registered valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of investment property being valued.

7 Investment property

	2017 Kshs	2016 Kshs
At 1 January	294,260,000	288,660,000
Fair value gain	6,940,000	5,600,000
At 31 December	301,200,000	294,260,000

Value of investment property is based on valuation carried out by Messrs Primeland (M) Valuers. The valuation is based on an open market value as at 9 January 2018. Messrs Primeland (M) Valuers is an independent registered valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of investment property being valued.

8 Intagible assets

		2017 Kshs	2016 Kshs
Software costs			
Cost	At 1 January	23,471,791	21,735,271
	Additions	348,000	1,736,520
	At 31 December	23,819,791	23,471,791
Amortisation	At 1 January	17,178,388	14,481,215
	Charge for the year	1,992,421	2,697,173
	At 31 December	19,170,809	17,178,388
Net book value		4,648,982	6,293,403

9 Mortgages

The company holds collateral against loans to loanees in the form of mortgage. Estimates of fair values are based on the value of collateral assessed at the time of borrowing and are not up dated except when a loan is individually assessed as impaired.

10 Financial assets

		2017 Kshs	2016 Kshs
Non-current:			
Held-to-maturity investments	- Government securities	204,323,898	195,946,200
Available-for-sale financial assets	- Equity investments	66,994,246	58,785,886
		271,318,144	254,732,086
Current:			
Held-to-maturity investments	- Government securities	33,811,100	31,200,000
Available-for-sale financial assets	- Equity investments	-	-
		33,811,100	31,200,000
		305,129,244	285,932,086

The fair values of held to maturity investment securities are based on prices published by brokers. Fair values of term deposits are based on discounted cash flows using a discount rate based on current market rates offered for deposits with similar maturity dates.

The categorisation of assets carried at fair value by the levels defined below is as follows:

		Level 1 Kshs	Level 2 Kshs
At 31 December 2017			
Available-for-sale financial assets			
	Equity investments	66,994,246	-
At 31 December 2016			
Available-for-sale financial assets			
	Equity investments	58,785,886	-
Investments			
Quoted shares			
At 1 January		58,785,886	64,112,470
Fair value change		8,208,361	(5,326,584)
At 31 December		66,994,246	58,785,886

6
s

11 Deferred tax

	2017 Kshs	2016 Kshs
At the start of the year	(2,728,050)	(1,607,942)
Charge/(credit) to profit and loss account (Note 5)	869,257	(1,120,108)
At the end of the year	**(1,858,793)**	**(2,728,050)**

Deferred tax assets and liabilities, deferred tax charge/ (credit) in the profit and loss account and in equity are attributable to the following items:

	Charge/ (Credited) to P & L	2017 Kshs	2016 Kshs
Accelerated tax depreciation	(176,884)	(1,858,793)	(1,681,909)
Unrealised gain	(459)	-	459
Accumulated losses	1,046,600	-	(1,046,600)
Net deferred tax asset	869,257	(1,858,793)	(2,728,050)

12 Business receivable

These are amounts due from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the company reduces the carrying amount of insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

13 Other receivable

These include: deposits and prepayments; sundry receivables and staff loans.

14 Amount due from/ (to) reinsurance

These are amounts recoverable from/ (to) the reinsurers out of reinsurance arrangements and are non interest bearing.

15 Cash and cash equivalents

	2017 Kshs	2016 Kshs
Short-term bank deposits	248,746,486	263,904,023
Cash at bank	3,647,459	31,223,361
Cash in hand	15,097,948	118,556
	267,491,894	**295,245,940**

In the year 2015, Imperial Bank Limited (IBL) was placed under receivership by the Central Bank of Kenya which denied the company access to its deposits amounting to Kshs. 61,681,855. As at year 31 December 2017 and up to the date of this report, IBL was still under receivership.

15 Cash and cash equivalents (continues)

Management considers that the company may not recover the deposit in full considering the time which has lapsed and not much progress has been made towards restitution to depositers. Management has thus, with effect from year 2017, started making a provision for impairment loss over a five (5) year period based on sixty percent (60%) of the initial balance held with IBL(IR) even as it closely follows up on full recovery.

As at year end, included in the balance after impairment for loss provision classified under short term bank deposits was Kenya shillings 54,280,032 (2016: Kshs. 61,681,855).

	2017 Kshs	2016 Kshs
Deposits held with Imperial Bank Limited (In receivership) - IBL(IR)		
At start of the year	61,681,855	61,681,855
Provision for impairment loss	(7,401,823)	-
At end of the year	54,280,032	61,681,855
Provision for impairment loss		
At start of the year	-	-
Charge for the year	7,401,823	-
At end of the year	7,401,823	-

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities. The year-end cash and cash equivalents comprise the following:

	2017 Kshs	2016 Kshs
Cash and bank balances as above	267,491,894	295,245,940
Bank overdraft (Note 19)	(6,593,872)	(10,142,883)
	260,898,022	285,103,057

16 Share capital

	2017 Kshs	2016 Kshs
Authorised: 4,000,000 ordinary shares of Kshs 100 each	**400,000,000**	**400,000,000**
Issued and fully paid: 4,000,000 ordinary shares of Kshs 100 each	**400,000,000**	**400,000,000**

17 Revaluation reserve

	2017 Kshs	2016 Kshs
At 1 January	292,452,036	283,752,036
Movement during year:		
Property and equipment (Note 6)	3,680,000	3,100,000
Investments property	6,940,000	5,600,000
At 31 December	**303,072,036**	**292,452,036**

18 Retained earnings

At 1 January		87,108,356	67,723,649
Transfer from Revaluation Reserve		(10,620,000)	(8,700,000)
Profit before tax		44,128,969	35,584,707
Less:	Increase in share capital	-	-
	Proposal final dividend	(10,000,000)	(7,500,000)
At 31 December		**110,617,325**	**87,108,356**

19 Borrowings

The borrowings are analysed as follows:			
Non current:	Long-term loan	61,448,245	-
Current:	Bank overdraft	6,593,872	10,142,883
		68,042,117	**10,142,883**

The bank loan is secured by Treasury Bills of Kshs 9,200,000 held with Central Bank of Kenya.

20 Staff cost

Salaries and wages	191,018,818	160,366,719
Staff welfare	2,016,580	704,732
Staff training	2,497,908	816,709
Pension contribution	10,362,934	8,271,968
	205,896,240	**170,160,128**