



Lean On Us

**INTRA AFRICA
ASSURANCE
COMPANY LIMITED**
(INCORPORATED IN KENYA)

ANNUAL REPORT 2018



Lean on Us

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Corporate Information



Directors	<p>Archibald Githinji H. G. Mkangi Bharat K. Patel Praful C. Patel Ramesh C. Patel Jitendra C. Patel Hellen W. Macharia Robert T. Gachechek Deceased on 19th January 2018</p>	Chairman
Principal Officer	<p>Angela Kamau Moses Murungi Kirima Richard N Kihara</p>	<p>Appointed 1 May 2018 Acting Principal Officer from 28th February 2018 Acting Principal Officer resigned on 28th February 2018</p>
Registered office and Principal place of business	<p>Williamson House 4th Ngong Avenue P. O. Box 43241 - 00100, Nairobi.</p>	
Company secretary	<p>Leading Secretaries P. O. Box 14317 - 00800, Nairobi.</p>	
Company actuary	<p>Zamara Actuaries, Administrators and Consultants Ltd P. O. Box 52439 - 00200, Nairobi.</p>	
Independent auditor	<p>MAZARS Certified Public Accountant (K) 3rd Floor, The Green House, Ngong Road P. O. Box 61120 - 00100, Nairobi Telephone + 254 (020) 3861175/76/79 Email contact@mazars.co.ke Website www.mazars.co.ke</p>	
Principal bankers	<p>Barclays Bank of Kenya Limited Moi Avenue Branch, Nairobi</p> <p>Bank of India Kenyatta Avenue, Nairobi</p> <p>Commercial Bank of Africa Corner Ragati & Mara Roads, Upperhill</p> <p>I&M BankCentre Point Branch, Parklands Road, Nairobi</p> <p>M Oriental Bank Koinange Street Branch, Nairobi</p>	

INTRA AFRICA ASSURANCE COMPANY LIMITED

Annual Report & Financial Statements For the year ended 31st December 2018

Report of the Director



The directors submit their report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the company.

1. 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.

2. Principal activities

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

3. Results for the year

The results for the year are summarised below:-

	2018 Ksh	2017 Ksh
Total comprehensive income before tax	47,459,779	48,122,684
Taxation	(10,995,954)	(15,882,277)
Net comprehensive income after tax transferred to reserves	36,463,825	32,240,408

4. Business review

Financial performance

In the year 2018, the company realized a notable growth of 17.2% in our Gross written premium as compared to the previous year, taking into account this is a very competitive market. We closed the year with a turnover of Kshs 1.213 billion from Kshs 1.034 Billion in 2017.

The business performance as at 31st December 2018 was within the budgeted amount and we maintained a sustainable Profit of Kshs 47Million (2017 profit of Kshs 48m). During the year under review, our total assets rose to Kshs 1.93 billion from Kshs 1.86 billion in 2017 thus translating to 4.2% growth.

Future outlook

The Company is currently focused on the implementation of the 2017-2021 strategic plan that is grounded on four strategic cornerstone, centricity, profitability, operation transformation and people management.

Following the finance ACT 2015/2016, General Insurance share capital should be raised to 600 Million by year 2020 from the current share capital of 500 Million we are preparing to raise Kshs 100 Million before June 2020

5. Dividends

The Directors do not recommend the payment of dividend for the year 2018,(2017 first and final divided at 2.5%) on the paid up capital of Kshs 400,000,000 amounting to Kshs 10,000,000)

6. 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)



7 Directors

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

In accordance with the Company's Articles of Association, Mr A Githinji and Mr. Praful Patel retire by rotation

8. 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).

9. 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.

10 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

A handwritten signature in black ink, appearing to be 'H. M. M. M.', written over a light blue background.

LEADING SECRETARIES

Company secretary

22nd March 2019

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 31 December 2018 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 22nd March 2019 and signed on its behalf by:

Handwritten signature of Archibald Githinji.

Archibald Githinji
Chairman

Handwritten signature of P. C Patel.

P. C Patel
Director

Handwritten signature of Angela Kamau.

Angela Kamau
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 2018.

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 a best estimate 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 best estimate of the projected future obligations of the non-life business as at 31 December 2018.

A handwritten signature in black ink, appearing to read "James Olubayi".

James Olubayi, FIA
Zamara Actuaries, Administrators and Consultants Ltd
Consulting actuary
27th March 2019

Report of the Independent Auditor



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 12 to 38, which comprise the statement of financial position as at 31 December 2018, 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 2018 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 15 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 46,878,209 (net of provision for impairment loss). Management considers that the company may not recover the deposit in full considering and started making a provision for impairment loss with effect from the year 2017. Our opinion is not modified in respect of this matter

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.

i) Determination of insurance contract liabilities

Why It was considered important

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

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 2018.
- 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 30% 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 uncertainty 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 Assurance Company Limited is highly dependent on technology due to the significant number of transactions that are processed daily in the Headquarters and at the Centrepont 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 processes. Due to this heavy reliance on IT automated systems there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting

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)

Our response (continued)

We examined the controls over program development and changes, access to programs, data and IT operations, including compensating controls where required. We also relied on the independent audit on the IT system in previous year with recommendations for improvement followed up in the continued improvement of the system. 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.

2. Key Audit Matters (continued)

Auditor's responsibility (continued)

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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

Certified Public Accountants (K) Nairobi.

28th March 2019

Statement of Comprehensive Income



	2018 Kshs	2017 Kshs
INCOME		
Gross premium	1,213,687,758	1,034,427,927
Less: Reinsurance premium ceded	(178,150,968)	(171,704,551)
Net premium written	1,035,536,790	862,723,376
Unearned premium brought forward	368,795,301	379,991,000
Unearned premium carried forward	(431,995,304)	(368,795,301)
Net earned premium	972,336,786	873,919,075
INSURANCE OUT-GO		
Claims paid	505,471,247	459,205,624
Provisions as at 31 December	517,686,007	495,822,693
Provisions as at 01 January	(495,822,693)	(484,740,768)
Total claims incurred	527,334,562	470,287,549
Commissions	79,550,164	62,685,375
Premium tax	20,603,764	17,550,835
Management expenses	327,741,780	311,199,104
Total insurance out-go	955,230,269	861,722,862
UNDERWRITING RESULT	17,106,518	12,196,213
OTHER INCOME		
Investment income	45,955,924	42,976,241
Rent	14,516,366	9,485,561
Other income	4,782,102	88,744
Fair value gain on investment property	12,230,000	6,940,000
	77,484,391	59,490,545
NET INCOME (carried forward)	94,590,909	71,686,758

Statement of Comprehensive Income (continued)



	Note	2018 Kshs	2017 Kshs
NET INCOME (brought forward)		94,590,909	71,686,758
OUT - GO (OTHERS)			
Directors' fees		4,713,600	4,713,600
Depreciation	6 a)	4,951,321	7,146,757
Amortisation	8	3,612,807	1,992,421
Provision for impairment loss	15	7,401,823	7,401,823
Provision for Bad Debt		16,181,587	-
Finance cost		10,269,991	2,312,224
Foreign exchange gain		-	(2,751)
Total out - go (others)		47,131,130	23,564,074
PROFIT BEFORE TAX	4	47,459,779	48,122,684
Taxation	5	(10,995,954)	(15,882,277)
PROFIT AFTER TAX		36,463,825	32,240,408
OTHER COMPREHENSIVE INCOME:			
Revaluation surplus	6 a)	(2,730,000)	3,680,000
(Loss)/gain in fair values		(9,900,657)	8,208,561
Gain on disposal of fixed assets	6 b)	1,575,734	-
		(11,054,923)	11,888,561
TOTAL COMPREHENSIVE INCOME		25,408,902	44,128,969
DIVIDEND			
Proposed payment of first and final		-	(10,000,000)

Revenue Account



Revenue Account

	Car/ Engineering	Fire Domestic	Fire Industrial	Liability	Marine
Gross Premium written	39,347,312	32,049,344	119,957,012	13,215,749	94,568,053
Less: Reinsurance Premium Ceded	15,956,875	7,937,134	56,359,100	117,295	14,674,216
Net Premium	23,390,437	24,112,210	63,597,912	13,138,454	79,893,837
Unexpired risk reserve c/fwd	15,278,743	12,362,057	28,882,175	5,593,606	13,054,927
Unexpired risk reserve b/fwd	13,951,955	7,151,586	15,643,392	7,797,892	11,172,160
(Increase)/Decrease in unearned premium reserve	(1,326,788)	(5,210,471)	(13,238,783)	2,204,286	(1,882,767)
Unearned Premium Reserves					
Net Earned Premium	22,063,649	18,901,739	50,359,129	15,342,740	78,011,070
Insurance Out-Go					
Claims paid	15,132,527	22,406,740	43,745,171	2,349,785	(2,775,676)
Provisions carried forward	24,663,112	15,419,615	50,916,547	14,860,858	44,578,412
Provisions c/f 31.12.18	13,954,385	4,597,785	24,598,974	13,658,822	31,043,544
IBNR c/f 31.12.18	10,708,727	10,821,830	26,317,573	1,202,036	13,534,868
Provisions b/fwd 01.01.18	42,794,554	11,666,792	16,325,295	27,382,177	57,438,319
Total Claims incurred	(2,998,915)	26,159,563	78,336,423	(10,171,534)	(15,635,583)
Gross Commission Paid	5,349,725	4,115,583	22,977,558	2,264,314	15,272,966
Add: Deferred Acquisition Cost b/f	2,125,651	798,594	2,178,317	316,133	1,350,353
Less: Deferred Acquisition Cost	973,464	1,003,502	2,646,819	546,796	3,325,023
Less: Commission earned	5,496,529	2,298,825	19,382,235	-	3,217,427
Net Commissions Paid	1,005,384	1,611,849	3,126,821	2,033,650	10,080,869
Premium Tax	465,392	479,753	1,265,389	261,412	1,589,624
Management Expenses	7,402,946	7,631,384	20,128,394	4,158,249	25,285,966
Total Out-Go	5,874,807	35,882,549	102,857,027	(3,718,223)	21,320,876
Underwriting result	16,188,842	(16,980,810)	(52,497,898)	19,060,963	56,690,194
Investment Income	1,750,197	1,804,204	4,758,735	983,089	5,978,083
Balance transferred to					
Statement of Comprehensive	17,939,040	(15,176,606)	(47,739,162)	20,044,052	62,668,277

Revenue Account



						2018	2017
Motor Private	Motor Commercial	Personal Accident	Theft	Workmen'S Compensation	Misc/ Bond	TOTAL -SHS	TOTAL -SHS
367,790,266	246,172,653	22,649,150	69,772,100	138,697,432	69,428,687	1,213,687,758	1,034,427,927
3,518,838	5,199,627	10,607,838	11,798,494	2,697,776	49,283,776	178,150,969	171,704,551
364,271,428	240,973,026	12,041,312	57,973,606	135,999,656	20,144,911	1,035,536,789	862,723,376
173,467,381	97,017,117	4,909,679	23,843,250	49,617,732	7,968,636	431,995,304	368,795,301
148,460,550	82,483,508	3,465,377	13,889,196	49,771,890	15,007,795	368,795,301	379,991,000
(25,006,831)	(14,533,609)	(1,444,302)	(9,954,054)	154,158	7,039,159	(63,200,003)	11,195,699
339,264,597	226,439,417	10,597,010	48,019,552	136,153,814	27,184,070	972,336,787	873,919,075
207,979,384	140,136,066	6,380,745	13,676,109	55,858,867	581,529	505,471,247	459,205,624
116,666,437	93,572,688	10,075,263	28,245,970	105,434,348	13,252,757	517,686,007	495,822,693
46,339,434	50,749,990	8,132,458	13,387,040	41,201,273	12,227,475	259,891,180	257,739,177
70,327,003	42,822,698	1,942,805	14,858,930	64,233,075	1,025,282	257,794,827	238,083,516
120,623,767	59,740,032	17,610,469	27,724,468	95,633,772	18,883,048	495,822,693	484,740,768
204,022,054	173,968,722	(1,154,461)	14,197,611	65,659,443	(5,048,762)	527,334,561	470,287,549
28,098,344	22,510,894	2,998,582	10,524,941	21,498,443	3,044,969	138,656,320	112,847,114
9,958,804	6,161,148	378,405	1,513,498	6,714,380	1,138,515	32,633,798	31,878,000
15,160,256	10,028,821	501,136	2,412,747	5,660,037	838,391	43,096,993	32,633,798
-	-	3,394,509	3,353,299	-	11,500,136	48,642,960	49,405,941
22,896,892	18,643,222	(518,658)	6,272,393	22,552,787	(8,155,043)	79,550,165	62,685,375
7,247,799	4,794,568	239,582	1,153,483	2,705,944	400,817	20,603,762	17,550,835
115,289,932	76,266,656	3,811,010	18,348,332	43,043,154	6,375,755	327,741,778	311,199,104
349,456,677	273,673,168	2,377,473	39,971,819	133,961,328	(6,427,233)	955,230,267	861,722,863
(10,192,080)	(47,233,750)	8,219,537	8,047,733	2,192,486	33,611,303	17,106,519	12,196,213
27,256,733	18,030,888	900,995	4,337,895	10,176,220	1,507,350	77,484,391	59,490,545
17,064,653	(29,202,862)	9,120,532	12,385,628	12,368,707	35,118,652	94,590,910	71,686,758

Statement of Financial Position as at 31st December 2018



ASSETS	Note	2018 Kshs	2017 Kshs
Non-current assets			
Property and equipment	6 a)	161,811,614	156,084,888
Investment property	7	313,430,000	301,200,000
Intangible asset	8	8,429,883	4,648,982
Mortgages	9	12,733,143	12,733,143
Financial assets	10	265,142,089	271,318,144
Deferred acquisition cost		43,096,993	32,633,799
Deferred tax	11	8,932,926	1,858,793
		813,576,6478	780,477,750
Current assets			
Business receivables	12	546,800,182	613,336,418
Other receivables	13	112,312,926	120,576,910
Financial assets	10	21,184,998	33,811,100
Amount due from reinsurance	14	22,547,636	45,569,018
Cash and cash equivalents	15	387,648,353	267,491,894
		1,090,494,094	1,080,785,339
Total assets		1,904,070,742	1,861,263,089
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	500,000,000	400,000,000
Revaluation reserves	17	348,572,036	339,072,036
Retained earnings	18	26,526,227	110,617,325
Proposed dividend		-	10,000,000
		875,098,263	859,689,361
Non-current liabilities			
Provision for unexpired risk	1 o)	431,995,304	368,795,301
Provision for outstanding claims	1 p)	517,686,007	495,822,693
		949,681,311	864,617,994
Current liabilities			
Other payables		23,658,516	67,310,909
Taxation	5	2,308,475	1,602,709
Bank overdraft	19	3,515,723	6,593,872
Borrowings	19	49,808,454	61,448,245
		79,291,169	136,955,734
Total equity and liabilities		1,904,070,742	1,861,263,089

The financial statements on pages 14 to 44 were authorised for issue by the board of directors on 22nd March 2019 and were signed on its behalf by:

Archibald Githinji
Chairman

Praful C. Patel
Director

Angela Kamau
Principal Officer

Statement of Changes in Equity



	Share reserve Kshs	Revaluation reserve Kshs	Retained earnings Kshs	Proposed dividend Kshs	Total Kshs
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
At 1 January 2018	400,000,000	339,072,036	110,617,325	10,000,000	859,689,361
Changes in equity in 2018					
Capitalization of reserves	100,000,000		(100,000,000)		-
Profit for the year	-	9,500,000	15,908,902	-	25,408,902
Dividend paid (year 2017)	-	-	-	(10,000,000)	(10,000,000)
Proposed dividend for the year	-	-	-	-	-
At 31 December 2018	500,000,000	348,572,036	26,526,227	-	875,098,263

Statement of Cash Flows



	Note	2018 Kshs	2017 Kshs
Cash flows from operating activities			
Total comprehensive income		25,408,902	44,128,969
Adjustments for:			
Taxation		10,995,954	15,882,277
Gain on disposal		(1,575,734)	-
Depreciation		4,951,321	7,146,757
Amortisation of intangible asset		3,612,807	1,992,421
Premium and claims reserves		85,063,318	(113,774)
Revaluation loss/(surplus)		2,730,000	(3,680,000)
Fair value gain on investment property		(12,230,000)	(6,940,000)
Loss/(gain) in fair value		9,900,657	(8,208,561)
Investment income		(45,955,924)	(42,976,241)
Operating profit before working capital changes		82,901,301	7,231,848
Decrease/(increase) in receivables		74,800,220	(62,900,715)
(Decrease) / increase in payables		(43,652,393)	24,941,578
Increase/(Decrease) in amount due from reinsurers		23,021,382	(45,569,018)
Decrease/Increase in amount due to reinsurers		-	(4,684,916)
(Increase) in deferred acquisition costs		(10,463,193)	(755,799)
Cash generated from operations		126,607,319	(81,737,022)
Investment income		45,955,924	42,976,241
Income tax paid		(17,364,321)	(22,627,973)
Net cash from operating activities		155,198,922	(61,388,755)
Cash flows from investing activities			
Purchase of property and equipment	6 a)	(14,152,314)	(5,427,928)
Purchase of computer software		(7,393,708)	(348,000)
Proceeds from sale of non current asset	6 b)	2,320,000	-
Net movement in government securities		8,901,500	(10,988,598)
Net cash used in investing activities		(10,324,522)	(16,764,526)
Cash flows from financing activities			
Net cash in flow (out flow) from borrowings		(11,639,791)	61,448,245
Dividend paid to shareholders		(10,000,000)	(7,500,000)
Net cash used in financing activities		(21,639,791)	53,948,245
Increase in cash and cash equivalents		123,234,608	(24,205,035)
At start of the year		260,898,022	285,103,057
At end of the year	15	384,132,630	260,898,022

Notes to the Financial Statements



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 foreseeable future and as a result the financial 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 financial position represents the balance sheet referred to in the Act

b) New and revised standards

i) New and revised standards and interpretations

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 1 January 2018.

- 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.
- 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:

1 Summary of significant accounting policies (continued)

b) New and revised standards (continued)

i) New and revised standards and interpretations (continued)

- * 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.
- Amendments to IAS 40 titled Transfers of Investment Property (issued in December 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.
- 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.

1 Summary of significant accounting policies (continued)

b) New and revised standards (continued)

i) New and revised standards and interpretations (continued)

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.

- 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)

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.

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.

1 Summary of significant accounting policies (continued)

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).

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.

1 Summary of significant accounting policies (continued)

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.
- v). 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 profit 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.

Summary of significant accounting policies (continued)

j) Financial Instruments (continued)

Financial assets:

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

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.

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.

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

1 Summary of significant accounting policies (continued)

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.

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 risk reserve

Unexpired risk reserve consists of the unearned premium reserve (UPR) and Additional unexpired risk reserve (AURR) that are 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.

Notes to the Financial Statements



1 Summary of significant accounting policies (continued)

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.

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.

Notes to the Financial Statements



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 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	<u>635,049,255</u>	<u>405,330,820</u>	<u>1,040,380,074</u>
31 December 2018			
Receivables and due from reinsurance	244,152,577	437,508,167	681,660,744
Cash and bank balances	384,132,630	-	384,132,630
Gross financial assets	<u>628,285,207</u>	<u>437,508,167</u>	<u>1,065,793,374</u>

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.

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.

3 Risk management objectives and policies (continued)

a) Financial risk management (continued)

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. 14,469,485 (2017: kshs. 12,437,324.)

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. 2,490,423.

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 denominated investments.

During the year the shilling versus US dollar was stable with an average volatility of 2.5%. The company operated solely within Kenya therefore there was no significant foreign currency exposure

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 2,854,679 (2017: Kshs. 3,349,713). (Incase of financial assets at fair value through profit or loss, the impact would be on profit).

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.

Notes to the Financial Statements



3 Risk management objectives and policies (continued)

b) Capital management (continued)

The capital structure of the company is as shown below.

	2018 Kshs '000'	2017 Kshs '000'
Share capital	500,000	400,000
Revaluation reserves	348,572	339,072
Retained earnings	26,526	110,671
Proposed dividend	-	10,000
	875,098	859,689

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 1 : 0.06 (2017: 1 : 0.07).

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.

Notes to the Financial Statements



4 Profit before Tax

a) Items charged

Profit before taxation for the year was arrived at after charging:

Auditors remuneration

Depreciation

Senior management remuneration

Directors fees

2018	2017
Kshs	Kshs
3,317,300	2,859,742
4,951,322	7,146,757
31,760,160	26,807,789
4,713,600	4,713,600

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

Statement of comprehensive income

Corporation tax at 30% on taxable profit for the year (2017: 30%)

Deferred tax (Note 11)

Tax charge

Reconciliation of tax expense to tax based accounting profit/(loss).

Accounting profit before tax

Tax thereon at 30% (2017: 30%)

Effect of - items not subjected to income tax

Expense not deductible

Deferred tax

2018	2017
Kshs	Kshs
18,070,087	15,013,019
(7,074,133)	869,258
10,995,954	15,882,277
47,459,779	48,122,684
14,237,934	14,436,805
(6,746,516)	(2,082,000)
10,578,669	3,704,813
(7,074,133)	(177,342)
10,995,954	15,882,276

Statement of financial position

Balance as at 1 January

Corporation tax for the year

Tax paid

Balance as at 31 December

1,602,709	9,217,663
18,070,087	15,013,019
19,672,796	24,230,682
(17,364,321)	(22,627,973)
2,308,475	1,602,709

Notes to the Financial Statements



6 a) Property and equipment

	Leasehold buildings	Motorvehicles	Office equipment, furniture & fittings	Computer Equipment	Total
Cost or valuation:	Kshs	Kshs	Kshs	Kshs	Kshs
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
At 1 January 2018	136,800,000	24,477,310	29,763,271	39,593,606	230,634,187
Revaluation	(2,730,000)	-	-	-	(2,730,000)
Addition	-	5,350,000	2,945,554	5,856,760	14,152,314
Disposal	-	(7,320,885)	-	-	(7,320,885)
At 31 December 2018	134,070,000	22,506,425	32,708,825	45,450,366	234,735,616
Depreciation:					
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
At 1 January 2018	-	19,241,044	20,737,252	34,571,003	74,549,299
Charge for the year	-	3,514,084	912,927	524,311	4,951,322
Release on disposal	-	(6,576,619)	-	-	(6,576,619)
At 31 December 2018	-	16,178,509	21,650,179	35,095,314	72,924,002
Net book value:					
At 31 December 2018	134,070,000	6,327,916	11,058,646	10,355,052	161,811,614
At 31 December 2017	136,800,000	5,236,266	9,026,019	5,022,603	156,084,888

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 7 January 2019. 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

	2018 Kshs	2017 Kshs
Cost	7,320,885	-
Accumulated depreciation	(6,576,619)	-
Net book value	744,266	-
Proceeds	2,320,000	-
Gain on disposal	1,575,734	-

Notes to the Financial Statements



7 Investment property

	2018 Kshs	2017 Kshs
At 1 January	301,200,000	294,260,000
Leasehold building (note 6)	-	-
	301,200,000	294,260,000
Fair value gain	12,230,000	6,940,000
At 31 December	313,430,000	301,200,000

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 7 January 2019. 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 Intangible assets

		2018 Kshs	2017 Kshs
Software costs			
Cost	At 1 January	23,819,791	23,471,791
	Additions	7,393,708	348,000
	At 31 December	31,213,499	23,819,791
Amortisation	At 1 January	19,170,809	17,178,388
	Charge for the year	3,612,807	1,992,421
	At 31 December	22,783,616	19,170,809
Net book value		8,429,883	4,648,982

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.

Notes to the Financial Statements



10 Financial assets

Non-current:

		2018 Kshs	2017 Kshs
Held-to-maturity investments	- Government securities	208,048,500	204,323,898
Available-for-sale financial assets	- Equity investments	57,093,589	66,994,246
		<u>265,142,089</u>	<u>271,318,144</u>

Current:

		2018 Kshs	2017 Kshs
Held-to-maturity investments	- Government securities	21,184,998	33,811,100
Available-for-sale financial assets	- Equity investments	-	-
		<u>21,184,998</u>	<u>33,811,100</u>
		<u>286,327,087</u>	<u>305,129,244</u>

The fair values of held for sale investment securities are based on prices published by securities exchange. 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 2018		
Available-for-sale financial assets		
Equity investments	57,093,589	-
At 31 December 2017		
Available-for-sale financial assets		
Equity investments	66,994,246	-
Investments	2018 Kshs	2017 Kshs
Quoted shares		
At 1 January	66,994,246	58,785,886
Fair value change	(9,900,657)	8,208,361
At 31 December	<u>57,093,589</u>	<u>66,994,246</u>

Notes to the Financial Statements



11 Deferred tax

	2018 Kshs	2017 Kshs
At the start of the year	1,858,793	2,728,050
Charge/(credit) to profit and loss account (Note 5)	7,074,133	(869,257)
At the end of the year	8,932,926	1,858,793

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	2018 Kshs	2017 Kshs
Accelerated tax depreciation	(2,103,021)	(2,103,021)	(176,884)
Unrealised gain	-	-	(459)
Underprovision in prior years	2,242,747	2,242,747	
Provisions	6,934,407	6,934,407	1,046,600
Net deferred tax asset	7,074,133	7,074,133	869,257

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

	2018 Kshs	2017 Kshs
Short-term bank deposits	293,920,701	248,746,486
Cash at bank	93,383,862	3,647,459
Cash in hand	343,791	15,097,948
	387,648,353	267,491,894

Notes to the Financial Statements



15 Cash and cash equivalents (continues)

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 2018 and up to the date of this report, IBL was still under receivership.

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 depositors. 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 46,878,209 (2017: Kshs. 54,280,032).

	2018 Kshs	2017 Kshs
<u>Deposits held with Imperial Bank Limited (In receivership) - IBL(IR)</u>		
At start of the year	54,280,032	61,681,855
Provision for impairment loss	(7,401,823)	(7,401,823)
At end of the year	46,878,209	54,280,032
<u>Provision for impairment loss</u>		
At start of the year	7,401,823	-
Charge for the year	7,401,823	7,401,823
At end of the year	14,803,645	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:

	2018 Kshs	2017 Kshs
Cash and bank balances as above	387,648,353	267,491,894
Bank overdraft (Note 19)	(3,515,723)	(6,593,872)
	384,132,630	260,898,022

16 Share capital

	2018 Kshs	2017 Kshs
Authorised, issued and fully paid		
5,000,000 (2017 : 4,000,000) ordinary shares of Kshs 100 each	500,000,000	400,000,000

Notes to the Financial Statements



17 Revaluation reserve

	2018 Kshs	2017 Kshs
At 1 January	339,072,036	328,452,036
<i>Movement during year:</i>		
Property and equipment (Note 6)	(2,730,000)	3,680,000
Investments property	12,230,000	6,940,000
At 31 December	348,572,036	303,072,036

18 Retained earnings

At 1 January	110,617,325	87,108,356
Transfer from Revaluation Reserve	(9,500,000)	(10,620,000)
Profit before tax	25,408,902	44,128,969
Less: Increase in share capital	(100,000,000)	-
Proposal final dividend	-	(10,000,000)
At 31 December	26,526,227	110,617,325

19 Borrowings

The borrowings are analysed as follows:			
Non current:	Long-term loan	49,808,454	61,448,245
Current:	Bank overdraft	3,515,723	6,593,872
		53,324,177	68,042,117

The bank loan is secured by Treasury Bills of Kshs 87,000,000 held with Central Bank of Kenya.

20 Staff cost

Salaries and wages	164,156,504	191,018,818
Staff welfare	3,845,793	2,016,580
Staff training	1,612,004	2,497,908
Pension contribution	8,921,287	10,362,934
	178,535,588	205,896,240

Notes to the Financial Statements



21 Contingent liabilities

The Company is a defendant in various pending cases in courts of law. In the opinion of the Directors, after taking appropriate legal advice, the outcome of the pending litigations will not give rise to any material losses to the Company.

22 Currency

The Company operates wholly within Kenya and its assets and liabilities are reported in the local currency. It therefore held no significant foreign currency exposure as at 31 December 2018 (2017: Nil).

23 Comparatives

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

24 Incorporation

The company is domiciled and incorporated in Kenya under the Kenyan Companies Act.

Notes

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