INTRA AFRICA ASSURANCE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

MAZARS
Certified Public Accountants (Kenya)

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Intra Africa Assurance Company Limited
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Contents

Company information

Directors

Archibald Githinji	Chairman
H. G. Mkangi	
Bharat K. Patel	
Praful C. Patel	
Ramesh C. Patel *	
Jitendra C. Patel *	
Hellen W. Macharia	
Angela Wainaina	appointed June 2019

* British

Principal Officer

Angela Kamau

Registered office and Principal place of business

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

Company secretary

Leading Secretaries
P. O. Box 14317 - 00800
NAIROBI.

Company actuary

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

Independent auditor

MAZARS
Certified Public Accountant (K)
3 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

Principal bankers

Barclays Bank of Kenya Limited
Moi Avenue Branch
NAIROBI.

Bank of India
Kenyatta Avenue
NAIROBI.

M Oriental Bank
Koinange Street Branch
NAIROBI.

NCBA Bank Kenya
Corner Ragati & Mara Roads
NAIROBI.

I&M Bank
Parklands Road, Centre Point Branch
NAIROBI.

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, 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 1.

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:-

	2019 Kshs	2018 Kshs
Total comprehensive income before tax	100,370,421	36,404,856
Taxation	(31,209,405)	(10,995,954)
Net comprehensive income after tax transferred to reserves	69,161,016	25,408,902

4 Business review

Financial performance

In the year 2019, the company realized a marginal growth as compared to the previous year, taking into account this is a very competitive market. We closed the year with a turnover of Kshs 1.216 billion from Kshs 1.213 Billion in 2018.

The business performance as at 31st December 2019 was within the budgeted amount and we maintained a sustainable Profit after tax of kshs 67Million (2018 profit of kshs 36M). During the year under review, our total assets rose to Kshs 2.04 billion from Kshs 1.90 billion in 2018 thus translating to 7% growth.

Intraafrica Assurance Company strives to ensure success for the benefits of all our stakeholders by providing efficient service to its loyal clients and enhancing shareholders value.

Future outlook

The Company is currently focused on the implementation of the 2020-2022 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.

The Company's strategic focus is to enhance revenue growth and also improving on loss ratio margins per class of business, the success of which remains dependent on overall market conditions and other factors such as the impact of the recent coronavirus outbreak. Whilst at this stage it is too early to predict the full potential impact on the company operations, the directors continue to monitor this situation closely with a view of assessing and mitigating its impact on the Company operations.

5 Dividends

The Directors do not recommend the payment of dividend for the year 2019 (2018 : Nil)

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.

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.Ramesh C.Patel and Mrs Hellen Macharia 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) held office in the year as appointed in accordance with Section 717 of the Companies Act No 17 of 2015 and have indicated willingness to continue in office.

By order of the board

LEADING SECRETARIES
Company secretary

18th March, **2020**

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 2019 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 18th March **2020** and signed on its behalf by:

Archibald Githinji	Praful C. Patel	Angela Kamau
Chairman	**Director**	**Principal Officer**
Date:	**Date:**	**Date:**

Actuary's Certificate

We have conducted an actuarial valuation of the non-life insurance business of Intra Africa Assurance Company Limited as at 31 December 2019.

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 2019.

James Olubayi, FIA
Zamara Actuaries, Administrators and Consultants Limited
Executive Director

March 2020

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 39, which comprise the statement of financial position as at 31 December 2019, 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 2019 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 39,476,386 (net of 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

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.

MAZARS

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 material impacts to the estimate

Our response

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

We noted no exceptions.

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 2019.
- 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.

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 uncertainity as well as significant management judgement.

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

Our response

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

- Obtained independent confirmations from all institutions holding Company investments.
- Recomputed the foreign exchange differences on material balances denominated in foreign currency, in accordance with the rates as stipulated by the company policy.
- Recomputed impairment of assets acquired at a premium, interest accrued and agreed to the book of accounts.
- Obtained independent valuation for the investment property whose report includes search of the property from the ministry of lands for propable charges and proof of ownership..
- 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 Centrepoint office along with the other smaller branches. Further more all these offices are interconnected via the internet exposing the company to cyber security threats. The Company depends on Wise Insurer,an internally developed IT system for its accounting and reporting purposes. Specifically, the calculation, recording and financial reporting of transactions and balances related to premiums, claims, fees and commissions, investments in securities are significantly dependent on IT automated systems processes. Due to this heavy reliance on IT automated systems there exists a risk that gaps in the IT control environmment could result in the financial accounting and reporting records being materially misstated.

Our response

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

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.

MAZARS

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,The Insurance Regulatory Authority Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

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

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

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, fogery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

Auditor's responsibility (continued)

- 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 FCPA Owen Koimburi - P/No 445.

Mazars

MAZARS
Certified Public Accountants (K)
Nairobi.

30 March 2020

Statement of comprehensive income

	2019 Kshs	2018 Kshs
INCOME		
Gross premium	1,216,768,187	1,213,687,758
Less: Reinsurance premium ceded	(155,015,592)	(178,150,968)
Net premium written	**1,061,752,595**	**1,035,536,790**
Unearned premium brought forward	431,995,304	368,795,301
Unearned premium carried forward	(424,575,286)	(431,995,304)
Net earned premium	**1,069,172,613**	**972,336,787**
INSURANCE OUT-GO		
Claims paid	506,244,641	505,471,247
Provisions as at 31 December	596,715,129	517,686,007
Provisions as at 01 January	(517,686,007)	(495,822,693)
Total claims incurred	**585,273,763**	**527,334,561**
Commissions	108,732,445	79,550,164
Premium tax	20,685,029	20,603,764
Management expenses	275,920,466	327,741,780
Total insurance out-go	**990,611,702**	**955,230,269**
UNDERWRITING RESULT	**78,560,910**	**17,106,518**
OTHER INCOME		
Investment income	63,082,100	45,955,924
Rent	14,279,275	14,516,366
Other income	24,985,949	4,782,102
Fair value gain on investment property	8,295,000	12,230,000
	110,642,324	**77,484,391**
NET INCOME (carried forward)	**189,203,234**	**94,590,909**

Statement of comprehensive income (continued)

	Note	2019 Kshs	2018 Kshs
NET INCOME (brought forward)		**189,203,234**	**94,590,909**
OUT - GO (OTHERS)			
Directors' fees		5,250,000	4,713,600
Depreciation	6 a)	7,152,801	4,951,321
Amortisation	8	4,790,577	3,612,807
Provision for impairment loss	15	24,433,510	7,401,823
Provision for bad debt		41,650,012	16,181,587
Finance cost		7,542,003	10,269,991
Foreign exchange gain		-	-
Total out - go (others)		**90,818,903**	**47,131,130**
PROFIT BEFORE TAX	4	**98,384,331**	**47,459,779**
Taxation	5	(31,209,405)	(10,995,954)
PROFIT AFTER TAX		**67,174,926**	**36,463,825**
OTHER COMPREHENSIVE INCOME:			
Revaluation surplus	6 a)	705,000	(2,730,000)
(Loss)/gain in fair values		1,062,090	(9,900,657)
Gain on disposal of fixed assets	6 b)	219,000	1,575,734
		1,986,090	**(11,054,923)**
TOTAL COMPREHENSIVE INCOME		**69,161,016**	**25,408,902**
DIVIDEND			
Proposed payment of first and final		-	-

Intra Africa Assurance Company Limited
Annual report and financial statements
For the year ended 31 December 2019

Revenue account - detailed

	CAR/ ENGINEERING Kshs	FIRE DOMESTIC Kshs	FIRE INDUSTRIAL Kshs	LIABILITY Kshs	MARINE Kshs	MOTOR PRIVATE Kshs	MOTOR COMMERCIAL Kshs	PERSONAL ACCIDENT Kshs	THEFT Kshs	WORKMEN'S COMPENSATION Kshs	MISC/ BOND Kshs	2019 TOTAL Kshs	2018 TOTAL Kshs
Gross Premium written	**36,645,013**	**36,091,077**	**145,251,635**	**13,826,345**	**105,074,418**	**346,635,004**	**227,015,946**	**25,350,030**	**63,010,917**	**160,551,899**	**57,315,903**	**1,216,768,187**	**1,213,687,758**
Less: Reinsurance Premium Ceded	14,557,794	7,911,974	41,359,449	5,265,300	31,097,681	5,265,300	5,265,300	1,351,277	2,440,816	-	40,500,700	155,015,592	178,150,969
Net Premium	**22,087,219**	**28,179,103**	**103,892,186**	**8,561,045**	**73,976,737**	**341,369,704**	**221,750,646**	**23,998,753**	**60,570,101**	**160,551,899**	**16,815,203**	**1,061,752,595**	**1,035,536,789**
Unearned Premium c/fwd	9,557,366	17,281,736	52,728,299	3,465,022	12,384,112	145,925,803	84,946,824	10,357,076	21,868,209	57,948,104	8,112,734	424,575,285	436,995,304
Unearned Premium b/fwd	15,278,743	12,362,057	28,882,175	5,593,606	13,054,927	173,467,381	97,017,117	4,909,679	23,843,250	49,617,732	7,968,636	431,995,303	368,795,301
Decrease/(increase) in unearned premium reserve	5,721,377	(4,919,679)	(23,846,124)	2,128,584	670,815	27,541,578	12,070,293	(5,447,397)	1,975,041	(8,330,372)	(144,098)	7,420,018	(63,200,003)
Net Earned Premium	**27,808,596**	**23,259,424**	**80,046,062**	**10,689,629**	**74,647,552**	**368,911,282**	**233,820,939**	**18,551,356**	**62,545,142**	**152,221,527**	**16,671,105**	**1,069,172,614**	**972,336,786**
Out-Go													
Claims paid	17,623,307	22,818,209	28,999,426	4,277,614	12,227,331	209,715,416	142,455,318	(4,168,733)	17,388,451	54,831,235	77,066	**506,244,641**	505,471,247
Provisions c/f 31.12.19	11,988,620	9,876,957	30,864,035	21,770,026	26,021,463	55,603,859	59,741,056	10,062,096	19,305,471	55,554,962	8,848,504	**309,637,049**	259,891,180
IBNR c/f 31.12.19	4,478,102	15,307,601	20,321,642	2,788,794	10,080,230	103,965,404	52,927,052	964,219	8,452,617	66,657,094	1,135,325	**287,078,080**	257,794,827
Provisions b/fwd 01.01.19	24,663,112	15,419,615	50,916,547	14,860,858	44,578,412	116,666,437	93,572,688	10,075,263	28,245,970	105,434,348	13,252,757	**517,686,007**	**495,822,693**
	16,466,722	25,184,558	51,185,677	24,558,820	36,101,693	159,569,263	112,668,108	11,026,315	27,758,088	122,212,056	9,983,829	**596,715,129**	**507,567,600**
provisions	34,090,029	48,002,767	80,185,103	28,836,434	48,329,024	369,284,679	255,123,426	6,857,582	45,146,539	177,043,291	10,060,895	**1,102,959,770**	1,023,157,254
Total Claims incurred	**9,426,917**	**32,583,152**	**29,268,556**	**13,975,576**	**3,750,612**	**252,618,242**	**161,550,738**	**(3,217,681)**	**16,900,569**	**71,608,943**	**(3,191,862)**	**585,273,763**	**527,334,561**
Gross Commission Paid	7,440,781	4,801,058	28,675,077	2,870,881	15,322,451	28,325,526	19,837,046	3,288,623	10,277,557	26,809,808	4,448,609	**152,097,415**	138,656,320
Add: Deffered Acquisation Cost b/f	973,464	1,003,502	2,646,819	546,796	3,325,023	15,160,256	10,028,821	501,136	2,412,747	5,660,037	838,391	**43,096,993**	32,633,798
Less: Deffered Acquisation Cost c/f	968,436	1,235,540	4,555,254	375,367	3,243,582	14,967,687	9,722,873	1,052,249	2,655,755	7,039,554	737,279	**46,553,577**	43,096,993
Less: Commission Earned	4,492,187	1,958,468	14,710,318	-	5,661,892	-	-	432,409	781,061	-	11,872,051	**39,908,385**	48,642,960
Net Commissions Paid	2,953,622	2,610,552	12,056,324	3,042,310	9,742,000	28,518,095	20,142,993	2,305,101	9,253,488	25,430,290	(7,322,330)	**108,732,445**	**79,550,165**
Premium Tax	430,302	548,984	2,024,024	166,786	1,441,212	6,650,553	4,320,139	467,543	1,180,025	3,127,867	327,593	**20,685,028**	20,603,762
Management Expenses	5,739,864	7,322,978	26,998,738	2,224,781	19,224,531	88,712,651	57,626,929	6,236,620	15,740,513	41,723,048	4,369,811	**275,920,464**	327,741,778
Total Out-Go	18,550,705	43,065,666	70,347,642	19,409,453	34,158,355	376,499,541	243,640,799	5,791,584	43,074,595	141,890,148	(5,816,788)	**990,611,700**	**955,230,266**
Underwriting result	9,257,891	(19,806,242)	9,698,420	(8,719,824)	40,489,197	(7,588,259)	(9,819,860)	12,759,772	19,470,547	10,331,379	22,487,893	**78,560,913**	**17,106,520**
Investment Income	2,301,649	2,936,467	10,826,319	892,123	7,708,913	35,573,200	23,108,026	2,500,844	6,311,844	16,730,673	1,752,266	**110,642,323**	**77,484,391**
Balance transferred to Statement of Comprehensive	**11,559,540**	**(16,869,775)**	**20,524,739**	**(7,827,701)**	**48,198,110**	**27,984,941**	**13,288,166**	**15,260,616**	**25,782,391**	**27,062,051**	**24,240,159**	**189,203,236**	**94,590,910**

Statement of financial position as at 31 December 2019

	Note	2019 Kshs	2018 Kshs
ASSETS			
Non-current assets			
Property and equipment	6 a)	160,592,717	161,811,614
Investment property	7	321,725,000	313,430,000
Intangible asset	8	11,178,014	8,429,883
Leases - Assets with right of use	9	44,156,622	-
Mortgages	10	12,733,143	12,733,143
Financial assets	10	395,010,267	265,142,089
Deferred acquisition cost		46,553,577	43,096,993
Deferred tax	11	10,753,307	8,932,926
		1,002,702,647	**813,576,648**
Current assets			
Business receivables	12	574,523,194	546,800,182
Other receivables	13	120,508,763	112,312,926
Financial assets	10	-	21,184,998
Amount due from reinsurance	14	38,914,432	22,547,636
Cash and cash equivalents	15	347,035,110	387,648,353
		1,080,981,499	**1,090,494,094**
Total assets		**2,083,684,146**	**1,904,070,742**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	500,000,000	500,000,000
Revaluation reserves	17	357,572,036	348,572,036
Retained earnings	18	81,256,242	26,526,227
		938,828,278	**875,098,263**
Non-current liabilities			
Provision for unexpired risk	1 (o)	424,575,286	431,995,304
Provision for outstanding claims	1 (p)	596,715,129	517,686,007
Lease liability	9	31,242,934	-
		1,052,533,349	**949,681,311**
Current liabilities			
Other payables		27,887,488	23,658,516
Taxation	5	9,441,974	2,308,475
Lease liability	9	18,491,550	-
Bank overdraft	19	2,067,784	3,515,723
Borrowings	19	34,433,723	49,808,454
		92,322,519	**79,291,168**
Total equity and liabilities		**2,083,684,146**	**1,904,070,742**

The financial statements on pages 12 to 39 were authorised for issue by the board of directors on 18th March **2020** and were signed on its behalf by:

Archibald Githinji
Chairman

Praful C. Patel
Director

Angela Kamau
Principal Officer

Statement of changes in equity

Changes in equity in 2018	Share reserve Kshs	Revaluation reserve Kshs	Retained earnings Kshs	Proposed dividend Kshs	Total Kshs
At 1 January 2018	400,000,000	339,072,036	110,617,325	10,000,000	859,689,361
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**
Changes in equity in 2019					
At 1 January 2019	500,000,000	348,572,036	26,526,227	-	875,098,263
IFRS 16 - Day 1 adjustments	-	-	(5,431,001)	-	(5,431,001)
Capitalization of reserves	-	-	-	-	-
Profit for the year	-	9,000,000	60,161,016	-	69,161,016
At 31 December 2019	**500,000,000**	**357,572,036**	**81,256,242**	**-**	**938,828,278**

Statement of cash flows

	Note	2019 Kshs	2018 Kshs
Cash flows from operating activities			
Total comprehensive income		**69,161,016**	**25,408,902**
Adjustments for:			
Taxation		31,209,405	10,995,954
IFRS 16 - Day 1 adjustments		(5,431,001)	-
Gain on disposal		(219,000)	(1,575,734)
Depreciation		7,152,801	4,951,321
Amortisation of intangible asset		4,790,577	3,612,807
Premium and claims reserves		71,609,104	85,063,318
Revaluation loss/(surplus)		(705,000)	2,730,000
Fair value gain on investment property		-	(12,230,000)
Loss/(gain) in fair value		(1,062,090)	9,900,657
Investment income		(63,082,100)	(45,955,924)
Operating profit before working capital changes		**113,423,712**	**82,901,301**
Decrease/(increase) in receivables		(35,918,849)	74,800,220
(Decrease) / increase in payables		4,228,972	(43,652,393)
Increase/(Decrease) in amount due from reinsurers		(16,366,795)	23,021,382
(Increase) in deferred acquisition costs		(3,456,585)	(10,463,193)
Cash generated from operations		**61,910,458**	**126,607,320**
Investment income		63,082,100	45,955,924
Income tax paid		(25,896,288)	(17,364,321)
Net cash from operating activities		**99,096,269**	**155,198,922**
Cash flows from investing activities			
Purchase of property and equipment	6 a)	(5,229,904)	(14,152,314)
Purchase of computer software		(7,538,708)	(7,393,708)
Lease repayments		(8,294,999)	-
Proceeds from sale of non current asset	6 b)	220,000	2,320,000
Net movement in government securities		(107,621,093)	8,901,500
Net cash used in investing activities		**(128,464,704)**	**(10,324,522)**
Cash flows from financing activities			
Net cash in flow (out flow) from borrowings		(15,374,731)	(11,639,791)
Interest paid on lease liability		5,577,862	-
Dividend paid to shareholders		-	(10,000,000)
Net cash used in financing activities		**(9,796,869)**	**(21,639,791)**
Increase in cash and cash equivalents		**(39,165,304)**	**123,234,609**
At start of the year		**384,132,630**	**260,898,022**
At end of the year	15	**344,967,326**	**384,132,630**

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 profi tor loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in note 4.

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

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

b) New and revised standards

i) adoption of new and revised standards and interpretations

'The company has applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2019.

1 IFRS 9 Financial Instruments

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 but application provided for an explicit deferrement to 1 January 2021 for companies with over 90% assets and liabilities arising from insurance business. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

The main effects of the initial application were as follows:
Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

1 Summary of significant accounting policies (continued)

b) adoption of new and revised standards and interpretations (continued)

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- Government securities at amortized cost;
- Secured loans;
- Cash at bank;
- Deposits from financial institutions;
- Receivables arising from direct insurance and reinsurance arrangements;and
- Other receivables.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. Because the Company has elected not to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2019), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2019.

The results of the assessment is as follows:-

Items subject to impairment under IFRS 9	Credit risk attributes	ECL recognised Kshs
Cash and bank balances and deposits with financial institutions	Assessed as low credit risk since all cash is held with selected banks and financial institutions. Imperial bank deposit measured separatelly as it was already being written off starting the year 2017.	17,031,687
Government securities at amortised cost	Assessed as low credit risk as its held with the government of Kenya which is externally rated.	-
Receivables arising from direct insurance arrangements	assessed as low credit risk since significant portion of the retail insurance covers are sold on a cash and carry basis. Credit is extended to corporate clients to a maximum of 90 days with an option to cancel cover should indications of default appear. Historical credit defaults have been factored.	59,389,123
Receivable arising from resinsurance arrangements	Assessed as low credit risk since reinsurance accounts are contractually cleared on a quarterly basis and incorporate premium payable and commissions and claims recoverable.	2,877,206
Other receivables	Incorporates various parties including staff loans, deposits , prepayments all of which are assessed independently, the simplified approach was applied.	2,627,280
Total		**81,925,295**

1 **Summary of significant accounting policies (continued)**

b) New and revised standards (continued)

i) New and revised standards and interpretations

2 IFRS 16 Leases

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.

The new Standard has been applied using the retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 13%.

New and revised standards applicable in future period

IFRS 17 Insurance Contracts Applicable to annual reporting periods beginning on or after 1 January 2021

IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The company anticipates significant impact to its financial statements.

The Directors do not plan to early adopt the above until they become effective.

1 Summary of significant accounting policies (continued)

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.

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.

1 Summary of significant accounting policies (continued)

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.

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

1 Summary of significant accounting policies (continued)

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

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.

1 Summary of significant accounting policies (continued)

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

g) Property and equipment

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

h) Investment property

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

i) Intangible asset

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

j) Financial instruments

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

i) Financial assets and financial liabilities at fair value through profit or loss, which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking.
ii) Held-to-maturity investments, which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has a positive intention and ability to hold to maturity.
iii) Loans and receivables, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.
iv) Available-for-sale financial assets, which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.
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 proft and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without

1 Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Financial assets:

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

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

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

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.

1 Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Derecognition

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

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

Offsetting

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

k) Cash and cash equivalents

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) Unexpired risk reserve

Unexpired risk reserve consists of the unearned premium reserve (UPR) and Addittional 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.

1 Summary of significant accounting policies (continued)

p) Outstanding claims provisions

Provision of reserves for notified claims as at the end of the year under review are determined on an individual case basis after taking into account possible trends in settlement and anticipated inflation, any difference between original provisions on claims and subsequent re-estimates or settlements will be reflected in the underwriting results of the year in which claims are re-estimated or finally settled.
Outstanding claims also include provisions for claims incurred but not reported at statement of financial position date.

q) Provision for liabilities and charges

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

r) Other provisions

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

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.

t) The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company

• the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

1 Summary of significant accounting policies (continued)

Measurement and recognition of leases as a lessee

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company also assesses the right-of-use asset for impairment when such indicators exist.
At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

2 Significant judgements and key sources of estimation uncertainty

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

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

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

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

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

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

iv) Claims reserving and determination of IBNR

The estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported is a key accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

v) Recoverable amount of receivables

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

b) Key sources of estimation uncertainty

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

i) Whether assets are impaired.
ii) The classification of financial assets.
iii) Contingencies and provisions.

3 Risk management objectives and policies

a) Financial risk management

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

i) Credit risk

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

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

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

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

	Fully performing Kshs '000'	Past due but not impaired Kshs '000'	Total Kshs '000'
31 December 2018			
Receivables and due from reinsurance	244,152,577	437,508,167	681,660,744
Cash and bank balances	344,656,244	39,476,386	384,132,630
Gross financial assets	588,808,821	476,984,553	1,065,793,374
31 December 2019			
Receivables and due from reinsurance	391,672,180	342,274,208	733,946,388
Cash and bank balances	298,089,116	46,878,209	344,967,325
Gross financial assets	689,761,296	389,152,417	1,078,913,713

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

3 Risk management objectives and policies (continued)

a) Financial risk management (continued)

ii) Liquidity risk

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

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

iii) Market risk

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

Interest rate risk

Short term bank deposits: If the interest rates on the company's short term bank deposits at the year-end were to increase/decrease by 5%, with all other factors remaining constant, the profit for the year would be lower/higher by Kshs. 13,999,225 (2018: kshs. 14,469,485).

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. 1,721,686 (2018 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 aring from various currencies,primarily with respect to the US Dollar. This is the case particularly on reinsurance transactions that involve foreign based reinsurance companies and to a limited extent on the dollar denomianted investments.

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 foreigh 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. 2,907,784 (2018: Kshs. 2,854,679). (Incase of financial assets at fair value through profit or loss, the impact would be on profit).

3 Risk management objectives and policies (continued)

b) Capital management

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

There is a requirement for an increase in the share capital of insurance companies through 2017/2018 finance Act, which stipulates that with effect from June 2020 the paid up share capital to be:
- General insurance business companies Kshs. 600 million; and
- Long term insurance business companies Kshs. 400 million.

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

The capital structure of the company is as shown below.

	2019 Kshs '000'	2018 Kshs '000'
Share capital	500,000	500,000
Revaluation reserves	357,572	348,572
Retained earnings	81,256	26,526
Proposed dividend	-	-
	938,828	**875,098**

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 1:0.04 (2018: 1: 0.06).

c) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities.

This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

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

4 Profit before tax

a) Items charged

	2019 Kshs	2018 Kshs
Profit before taxation for the year was arrived at after charging:		
Auditors remuneration	3,582,686	3,317,300
Depreciation	7,152,801	4,951,322
Senior management remuneration	57,467,316	31,760,160
Directors fees	5,250,000	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

	2019 Kshs	2018 Kshs
Statement of comprehensive income		
Corporation tax at 30% on taxable profit for the year (2018: 30%)	33,029,786	18,070,087
Deferred tax (Note 11)	(1,820,381)	(7,074,133)
Tax charge	31,209,405	10,995,954
Reconciliation of tax expense to tax based accounting profit/(loss).		
Accounting profit before tax	98,384,331	47,459,779
Tax thereon at 30% (2018: 30%)	29,515,299	14,237,934
Effect of - items not subjected to income tax	(2,120,684)	(6,746,516)
Expense not deductible	5,635,171	10,578,669
Deferred tax	(1,820,380)	(7,074,133)
	31,209,406	10,995,954
Statement of financial position		
Balance as at 1 January	2,308,475	1,602,709
Corporation tax for the year	33,029,786	18,070,087
	35,338,262	19,672,796
Tax paid	(25,896,288)	(17,364,321)
Balance as at 31 December	9,441,974	2,308,475

6 a) Property and equipment

	Leasehold buildings Kshs	Motor vehicles Kshs	Office equipment, furniture & fittings Kshs	Computer Equipment Kshs	Total Kshs
Cost or valuation:					
At 1 January 2019	134,070,000	22,506,425	32,708,825	45,450,366	234,735,616
Revaluation	705,000	-	-	-	705,000
Addition	-	-	1,252,018	3,977,886	5,229,904
Disposal	-	(950,000)	-	-	(950,000)
At 31 December 2019	134,775,000	21,556,425	33,960,843	49,428,252	239,720,520
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 2019	-	16,178,509	21,650,179	35,095,314	72,924,002
Charge for the year	-	2,365,915	972,330	3,814,556	7,152,801
Release on disposal	-	(949,000)	-	-	(949,000)
At 31 December 2019	-	17,595,424	22,622,509	38,909,870	79,127,803
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 2019	134,775,000	3,961,001	11,338,334	10,518,382	160,592,717
At 31 December 2018	134,070,000	6,327,916	11,058,646	10,355,052	161,811,614

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 30 December 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.

6 b) Disposal account

	2019 Kshs	2018 Kshs
Cost	950,000	7,320,885
Accummulated depreciation	(949,000)	(6,576,619)
Net book value	1,000	744,266
Proceeds	220,000	2,320,000
Gain on disposal	**219,000**	**1,575,734**

7 Investments property

	2019 Kshs	2018 Kshs
At 1 January	313,430,000	301,200,000
Leasehold building (note 6)	-	-
	313,430,000	301,200,000
Fair value gain	8,295,000	12,230,000
At 31 December	321,725,000	313,430,000

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 30 December 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

Software costs

		2019 Kshs	2018 Kshs
Cost	At 1 January	31,213,499	23,819,791
	Additions	7,538,708	7,393,708
	At 31 December	38,752,207	31,213,499
Amortisation	At 1 January	22,783,616	19,170,809
	Charge for the year	4,790,577	3,612,807
	At 31 December	27,574,193	22,783,616
Net book value		11,178,014	8,429,883

9 Leases

	2019	2018
Asset		
As at 1 January	-	-
Leases value on first time adoption of IFRS 16	54,664,008	-
Amortization for the year	(10,507,386)	-
As at 31 December	44,156,622	-
Liability maturity analysis		
Within 1 year	18,491,550	-
After 1 year	31,242,934	-
	49,734,484	-

10 Financial assets

		2019	2018
Non-current:			
Held-to-maturity investments	- Government securities	336,854,588	208,048,500
Available-for-sale financial asset	- Equity investments	58,155,679	57,093,589
		395,010,267	265,142,089
Current:			
Held-to-maturity investments	- Government securities	-	21,184,998
		395,010,267	286,327,087

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.

10 Financial assets (continued)

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

	Level 1 Kshs
At 31 December 2019	
Available-for-sale financial assets	
Equity investments	58,155,679
At 31 December 2018	
Available-for-sale financial assets	
Equity investments	57,093,589

Investments	2019 Kshs	2018 Kshs
Quoted shares		
At 1 January	57,093,589	66,994,246
Fair value change	1,062,090	(9,900,657)
At 31 December	58,155,679	57,093,589

11 Deferred tax

	2019 Kshs	2018 Kshs
At the start of the year	8,932,926	1,858,793
Credit to profit and loss account (Note 5)	1,820,381	7,074,133
At the end of the year	10,753,307	8,932,926

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	2019 Kshs	2018 Kshs
Accelerated tax depreciation	(411,301)	(411,301)	(2,103,021)
Underprovision in prior years		-	2,242,747
Provisions	2,231,681	2,231,681	6,934,407
Net deferred tax asset	1,820,381	1,820,381	7,074,133

12 Business receivable

	2019 Kshs	2018 Kshs
Agency control	487,218,350	499,695,673
Direct control	146,693,967	70,348,105
Total	633,912,316	570,043,778
Provision for impairment	(59,389,123)	(23,243,596)
Net business receivables	574,523,194	546,800,182

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.

		2019 Kshs	2018 Kshs
13	**Other receivable**		
	Sundry receivables	92,995,280	90,645,446
	Staff loans	30,140,763	21,667,480
	Total	123,136,043	112,312,926
	Provision for impairment	(2,627,280)	-
	Net other receivables	120,508,763	112,312,926

These include: deposits and prepayments; sundry receivables and staff loans. Impairment loss is provisonal on first time adoption of IFRS 9 in the year.

14	**Amount due from/ (to) reinsurance**	41,791,637	22,547,636
	Provision for impairment	(2,877,206)	-
	Net other receivables	38,914,432	22,547,636

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

15	**Cash and cash equivalents**		
	Short-term bank deposits	326,862,709	301,322,524
	Cash at bank	44,510,468	93,383,862
	Cash in hand	95,443	343,791
		371,468,620	395,050,176
	Annual writeoff of Imperial bank Ltd deposit	(7,401,823)	(7,401,823)
	Provision for impairment loss under IFRS 9	(17,031,687)	-
		347,035,110	387,648,353

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 2019 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 depositers. Management has thus, with effect from year 2017, started making a provision for impairment loss over a five (5) year period based on sixty percent (60%) of the initial balance held with IBL(IR) even as it closely follows up on full recovery.

As at year end, included in the balance after impairment for loss provision classified under short term bank deposits was Kenya shillings 39,476,386 (2018: Kshs. 46,878,209).

	2019 Kshs	2018 Kshs
Deposits held with Imperial Bank Limited (In receivership) - IBL(IR)		
At start of the year	46,878,209	54,280,032
Provision for impairment loss	(7,401,823)	(7,401,823)
At end of the year	39,476,386	46,878,209
Provision for impairment loss		
At start of the year	14,803,645	7,401,823
Charge for the year	7,401,823	7,401,823
At end of the year	22,205,468	14,803,645

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:

Cash and bank balances as above	371,468,620	395,050,176
Bank overdraft (Note 19)	(2,067,784)	(3,515,723)
	369,400,835	391,534,453

		2019 Kshs	2018 Kshs
16	**Share capital**		
	Authorised,issued and fully paid 5,000,000 ordinary shares of Kshs 100 each	500,000,000	500,000,000
17	**Revaluation reserve**		
	At 1 January	348,572,036	339,072,036
	Movement during year:		
	Property and equipment (Note 6 a)	705,000	(2,730,000)
	Investments property	8,295,000	12,230,000
	At 31 December	357,572,036	348,572,036
18	**Retained earnings**		
	At 1 January	26,526,227	110,617,325
	Transfer from Revaluation Reserve	-	(9,500,000)
	Profit after tax	60,161,016	25,408,902
	Adjustment on first time adoption of IFRS 16	(5,431,001)	
	Less: Transfer to ordinary capital	-	(100,000,000)
	At 31 December	81,256,242	26,526,227

19 Borrowings

The borrowings are analysed as follows:

		2019 Kshs	2018 Kshs
Non current:	Long-term loan	34,433,723	49,808,454
Current:	Bank overdraft	2,067,784	3,515,723
		36,501,507	53,324,177

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

20 Staff cost

	2019 Kshs	2018 Kshs
Salaries and wages	164,984,747	164,156,504
Staff welfare	2,234,317	3,845,793
Staff training	2,465,568	1,612,004
Pension contribution	10,162,739	8,921,287
Staff uniform	103,897	706,764
	179,951,268	179,242,352

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 other than as provided for in the outstanding claims.

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 2019 (2018: 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.