KENINDIA

Kenindia Assurance Company Limited

Annual Report & Financial Statements 2019

Regulated by:
Insurance Regulatory Authority

Your Stability, Our Priority

Kenindia Major Events -2019








Life Agents Convention 2019 at InterContinental on 9/10/2019







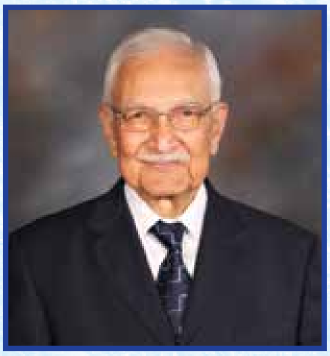


Kenindia Staff Party 2019 at Fogo Gaucho on13/12/2019

contents

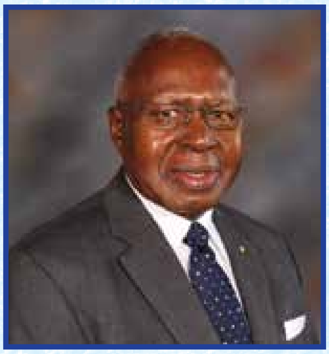
KENINDIA

Registered Office	Kenindia House Loita Street P O Box 44372 Nairobi GPO 00100 Kenya	
Website	www.kenindia.com	
Email	kenindia@kenindia.com	
Subsidiaries	Kenya Pravack Limited Kenindia Asset Management Company Limited Tanzindia Assurance Company Limited	
Board of Directors	Mr M N Mehta	Chairman (Alternate Mr Hemnabh Ranvir Khatau - Appointed on 30 September 2019)
	Dr M P Chandaria, OBE, EBS	Vice-Chairman (Alternate Mr Bijal Sunilkumar Chandaria - Appointed on 07 June 019)
	Mr B S Sharma	Managing Director (Appointed on 04 October 2019)
	Mr Inderjeet Singh	Managing Director (Resigned on 04 October 2019)
	Hon Simeon Nyachae, EGH (Retired on 19 December 2019)	(Alternate Mr Leon Nyandusi Nyachae - Appointed on 06 June 2019)
	Mrs A G Vaidyan	(Resigned 31 July 2019)
	Mr H Bhargava	(Appointed on 04 March 2019 Resigned on 01 August 2019)
	Mr G Radhakrishnan	(Appointed on 16 January 2019)
	Mr M R Kumar	(Appointed on 01 August 2019)
	Mr Devesh Srivastava	(Appointed on 07 February 2020)
	Mr A N Ngugi, OGW	(Deceased 24 December 2019)
	Dr P M King'ori	
	Mrs Elizabeth Musyoka	(Appointed on 31 October 2019)
	Mr L Nyachae	(Appointed on 17 March 2020)
	Mrs M G Ngige	(Resigned on 22 March 2019)
Company Secretary	Mr N P Kothari FCPS (Kenya)	
Auditors	Grant Thornton Kenya Certified Public Accountants (Kenya) Avocado Towers 75 Muthithi Road, Westlands P O Box 46986 - 00100, Nairobi Kenya	
Management Team		
	Mr B S Sharma	Managing Director/Principal Officer (Appointed 04 October 2019)
	Mr Inderjeet Singh	Managing Director/Principal Officer (Resigned 04 October 2019)
	Mr James K Macharia	Chief Operating Officer
	Mr Mohan Jha	General Manager, Finance/Financial Controller (Appointed 26 April 2019)
	Mr V R Kumar	General Manager, Operations
	Mr Uthup Joseph	General Manager, Life (Appointed 02 August 2019)
	Mr P V Saseendran	General Manager, Life (Up to 01 August 2019)



M N Mehta
Chairman

Dr M P Chandaria
Vice Chairman



Hon. Simeon Nyachae
Director
(Retired 19/12/2019)

M R Kumar
Director
(Appointed 01/08/2019)

Girish Radhakrishnan
Director
(Appointed 16/01/2019)

Devesh Srivastava
Director
(Appointed 07/02/2020)

Dr. Patricia M. King`ori
Director

Elizabeth M. Musyoka
Director
(Appointed 31/10/2019)

B S Sharma
Managing Director
(Appointed 4/10/2019)

L. Nyachae
Alternate Director

Inderjeet Singh
Managing Director
(Resigned 4/10/2019)

Notice of the annual general meeting to be sent separately.

On behalf of the Board of Directors of Kenindia Assurance Company Limited, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company for the year ended 31st December 2019.

Overview Of The Economy

According to the World Bank, real GDP growth for Kenya, which is our main market, was 5.9% in 2019, up from 5.8% in the year 2018. This growth in GDP was mainly driven by favourable harvests, stable macroeconomic environment, positive investor confidence and a resilient services sector.

The main focus of the government in 2018 and 2019 was on the Big Four i.e expansion of manufacturing sector, affordable housing, affordable healthcare and food security.

The Kenyan Shilling remained resilient against the US Dollar in 2019, appreciating by 0.5% to close at KShs 101.3365 from KShs 101.8461 at the beginning of the year. This was in spite of most of the currencies in the world weakening against the US Dollar in the global markets. Also the Kenya Shilling appreciated against the Euro, but depreciated against the GBP. The Kenya Shilling closed at KShs 132.9403 and KShs 113.3679 against the GBP and Euro respectively compared to KShs 129.0178 and KShs 116.4464 against the GBP and Euro respectively at the beginning of the year. The buoyance of Kenyan currency was mainly on account of increased inward remittances and increased corporate demand.

The average inflation rate for the year 2019 was 5.2% compared to 4.7% in 2018. However, towards the end of the year, inflation rate increased to above 5.8% in December driven by high food prices due to drought situation in the country and also transport costs witnessed during the festive season.

In 2019 the yields on government showed a downward trend, mainly due to Central Bank of Kenya's efforts to keep interest rates low. The yields on the 91-day TBill declined from 7.342% to 7.2% during the year 2019, yields on the 182 and 364 day TBills declined by 85.2 bps and 13.7 bps in 2019 resulting to 8.15% and 9.815% from 9.002% and 9.952% at the end of 2019 and 2018 respectively.

The equity market at the Nairobi Securities Exchange (NSE), recorded loss in share prices with the NSE 20 Share Index closing at 2,654.39 points on 31 December 2019, down from 2,833.84 points in 2018.

Company Performance

(I) General Insurance Business

The General Insurance business registered a gross premium of KShs 2.468 billion for 2019 compared to KShs 2.855 billion in 2018, being a decline of 13.56%. This line of business, non-life segment reported a net loss after tax of KShs 387.58 million (2018 Net profit of KShs 187.241 million).

(II) Life Assurance Business

The Long-term business recorded gross premium income, including pension funds deposits and annuities of KShs 5.612 billion against KShs 5.547 billion in 2018, being a growth of 1.17%. Gross premium income for Ordinary Life was KShs 1.614 billion against KShs 1.443 billion for the year 2018, registering a growth of 11.85%. The Group Life Business registered a growth of 5.23% with gross premium of KShs 50.28 million compared to KShs 47.78 million in the previous year. Contributions under Deposit Administration and Retirement Fund declined from KShs 3.578 billion to KShs 3.535 billion being a (-) growth of 1.2%.

Our new policy (Life Department) Annuity contributions declined from KShs 472.06 million to KShs 412.48 million registering a (-) growth of 12.62% in its fourth year.

The funds in the Long-term business (including Deposit Administration and Annuities) stood at KShs 38.21 billion as at 31st December 2019 compared to KShs 32.82 billion in the previous year, being a growth of 16.42%.

Actuarial Valuation

The Company's Actuarial Valuation for Life Business was carried out at the end of the year. The actuarial surplus inclusive of Annuities, Deposit Administration and Retirement Fund (Net of actuarial reserves set aside brought forward) before any allocation for the year 2019 was KShs 3.691 billion. The Company declared an interest rate of 11% (2018:11.25%) on Retirement Benefit Funds, a simple Reversionary Bonus of 6% (2018:6%) on-with profit ordinary life policies, 4% (2017: 4%) final additional terminal bonus on ordinary Life Policies matured, bonus of 11.50% (2018:11.50%) on Capital Advantage policies and 11.50% (2018:11.50%) interest on Bima Account plan. In addition, the Company declared one-off special bonuses of 2% (2018:2%) as simple reversionary bonus on with profit ordinary life policies and 2% (2018:2%) as terminal bonus on ordinary Life Policies matured. The Actuary recommended a transfer of KShs 281.709 million (2018: KShs 172.77 million) out of the actuarial surplus, for the benefit of shareholders.

Investment Income

The net investment income of the Company increased by 8.57% from KShs 4.259 billion to KShs 4.624 billion. The net investment income of Life business was KShs 4.202 billion compared to KShs 3.780 billion in 2018, an increase of 11.16%. The net investment income of Non Life business was KShs 422.21 million compared to KShs 479.13 million in 2018 registering a growth of (-) 11.88%.

Group Performance

Total gross premium accounted by Tanzindia Assurance Company Limited, a subsidiary of the Company was KShs 568 million as compared to KShs 562 million for the year 2018, being an increase of 1.07% and its net loss after tax was KShs 38.63 million as compared to a net loss after tax of KShs 14.66 million in the previous year.

Total assets of the Group stood at KShs 51.94 billion compared to KShs 46.31 billion in 2018. The shareholders' funds decreased from KShs 3.887 billion to KShs 3.621 billion at the end of 2018.

Dividend

The Board has recommended to members to declare a dividend of KShs 5/- per share for the year ended 31st December 2019 at the forthcoming Annual General meeting.

Board

Since my last report, there have been changes in the composition of the Board as indicated on the page regarding Company Information in these financial statements. I wish to express the Board's gratitude to all who left the Board for their valuable contributions. I wish to also recognise and appreciate Hon. Simeon Nyachae, a long serving board member for the stewardship he gave to the company. I wish him well on retirement.

I wish to express our deep sorrow on demise of Mr Allan Ngugi, a long serving board member.

I take this opportunity to welcome all the Directors who were appointed during the year. The experience and contributions of the new Directors will be very valuable to the Company.

Future Outlook

Company is in the process of re-formulating a strategy for the years 2018 to 2021 namely "Kenindia Integrated Marketing Communication Strategy" to support business growth, by building a single strong brand identity in the Kenyan marketplace by reinforcing all brand images and messages. This re-formulation is based on the actual performance for the past three years, keeping in mind the changes in the internal and external environment and taking cognizance of current dynamics and future business trends.

The Kenyan GDP growth for 2020 is expected to be between 5.9% and 6.0%, underpinned by private consumption, a pick-up in industrial activity and still strong performance in the services sector. Inflation is expected to remain with the government's target range. Growth will also be driven by ongoing key investment to support implementation of the Big 4 development agenda and improved business sentiment. Growth is also expected to be stronger in the absence of interest rate caps that had derailed recovery in private credit growth.

Future Outlook (continued)

As per recent World Bank report, Kenya's GDP is projected to decelerate substantially in 2020 due to the negative impact of the COVID-19 (coronavirus) pandemic. Economic growth projection remains highly uncertain and the outcome will hinge of how the pandemic plays out internationally, and within Kenya, along with the policy actions taken to mitigate the situation. The World Bank has now changed its predicted economic growth for Kenya to 1.5% for 2020 down from the earlier expected rate of 5.9%. The government's immediate action has focused on strengthening the health system which faces an extraordinary challenge to contain the spread of COVID-19 and care for the infected. Further health policy measures such as working from home, travel restrictions, the closure of schools, the suspension of public gatherings, and a nightly curfew, are necessary to delay the spread while the country ramps-up investment in its healthcare systems.

Kenya's medium-term growth is projected to rebound fast (to about 5.6% over the medium term) on assumption that investor confidence will be restored soon after the COVID-19 pandemic is contained. The greatest uncertainty to this outlook, however, is the extent of the impact of COVID-19 global pandemic on Kenya. Unanticipated large-scale community transmission of COVID-19 could disrupt domestic economic activity more severely and reduce growth below the baseline. Residual risks include potential for drought and a second-round of locust invasion in mid-2020, which could reduce agricultural output and hurt rural incomes.

Your Company has unveiled a raft of measures to ensure business continuity and resilience in the wake of the Corona virus pandemic.

Appreciation

On behalf of the Board, I would like to congratulate and thank the Company's Management and staff for their concerted efforts in taking the Company in a progressive direction by taking proper action as and when required.

My deep appreciation is also extended to my fellow Board members for the invaluable guidance they have extended to the Company's leadership. I also extend my sincere appreciation to you, our shareholders for the continuous support provided to the Company. I also sincerely thank all our brokers, agents and associates for their committed support.

M N MEHTA

CHAIRMAN

Corporate governance is the set of processes and organizational structures through which the Board and senior executives manage the Company at the highest standards.

The Company is committed to uphold the best practices of corporate governance. The role of the Board is to determine the Company's policies and strategies, to monitor the attainment of business objectives and to ensure that the Company meets its obligations to the shareholders and all the stakeholders. The Board is responsible to shareholders for promoting the long term success of the Company, and in particular, for setting the Company's strategy, monitoring management's performance against the strategy, setting the Company's risk appetite, ensuring the Company has adequate resources and effective controls are in place in the business. The Board also sets the values and the culture of the Company and has a duty to protect the interests of the policyholders.

BOARD OF DIRECTORS

The composition of the Board is in line with good corporate governance practices. The roles of the Chairman and the Managing Director are segregated. A non-executive director is the Chairman of the Board. The Managing Director is in charge of the day to day running of the business. The current Board is composed of one Executive Director (Managing Director) and nine non-executive Directors including three independent Directors. The Board consists of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience in the Board.

The Directors are given appropriate and timely information enabling them to maintain full and effective control over all strategic, financial, operational and compliance issues. During the period under review and up to the date of this statement, none of the Directors has received any benefit from the Company other than Director's fees and emoluments disclosed in the financial statements. Also, no loans have been advanced to the Directors during this period..

BOARD COMMITTEES

The Board has delegated certain duties to Board Committees. It has five Committees all of which are guided by clear terms of reference. The Committees are instrumental in monitoring business operations, systems and internal control. The Committees are as follows:

i) Executive Committee

The Committee is chaired by Dr. M.P. Chandaria, the Vice-Chairman of the Board and two non-executive independent Directors and the Managing Director. The Committee reviews the Company's operations, strategies, investments, asset liability management, policyholders' protection amongst others. Its main functions include sanction of insurance claims and capital expenditure in excess of the financial limits set for the Managing Director. The meetings for this Committee are held quarterly.

ii) Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is chaired by a non-executive independent Director. The other members are two non-executive Directors and the Managing Director. The Committee's main function is to identify and nominate for the approval by the Board, candidates to fill Board vacancies, succession planning of the Board and other senior executives and make recommendations to the Board with regards to any changes and to advise on remuneration.

iii) Audit Committee

The Committee is chaired by an independent non-executive Director, Mrs. Elizabeth Musyoka, a qualified accountant and includes two non-Executive Directors and two independent non-executive Directors. The Chief Internal Auditor reports to the Committee. The Managing Director and General Manager, Finance/Financial Controller attend meetings of the Committee as and when necessary. The Committee also meets external auditors in accordance with terms of reference. The Committee meets at least four times in a year.

iv) Credit Management Committee

The Committee is chaired by Mr. Devesh Srinivasta and includes two other non-Executive Directors and the Managing Director. The Committee's terms of reference include reviewing the Credit Policy of the Company, outstanding premiums receivables and provisioning/write off of bad and doubtful debts, amongst others. The Committee meets at least four times in a year.

v) Risk Management Committee

The Committee is chaired by Mr. M.R. Kumar, a non-Executive Director and includes one other non-Executive Director, two independent non-Executive Directors and the Managing Director. The terms of reference include reviewing on a continuous basis the potential risks the Company is exposed to, monitor the system of management of risks and ensuring that the required action is taken by the management to mitigate the impact of risks, amongst others. The Committee meets at least four times in a year.

BOARD MEETING ATTENDANCE

Name	Position	22.3.2019	26.6.2019	20.9.2019	03.12.2019
Mr. M. N. Mehta	Chairman	√	√	×	√
Dr. M. P. Chandaria OBE CBS EBS	Vice -Chairman	√	√	√	√
Mr. M. R. Kumar	Member	-	-	√ A	√
Mrs. Alice Vaidyan	Member	√	√	R	R
Mr. Girish Radhakrishnan	Member	√ A	√	√	×
Mr. Hermant Bharghava	Member	√A	√	R	R
Hon. Simon Nyachae	Member	×	×	×	xRe
Mr. Allan N. Ngugi	Member	√	√	√	√D
Mrs Elizabeth Musyoka	Member	-	-	-	√ A
Mrs. Mary G. Ngige	Member	√	R	R	R
Dr. Patricia M. King'ori	Member	√	x	√	√
Mr. B S Sharma	Managing Director (Incoming)	-	-	-	√A
Mr. Inderjeet Singh	Managing Director (Outgoing)	√	√	√	R

Key		A - Appointed	Date	R - Resigned	Date
√	Attended	Mr Girish Radhakrishnan	16.01.2019	Mrs Mary G Ngigi	22.03.2019
×	Absent with apologies	Mr Hermant Bhargava	04.03.2019	Mrs Alice Vaidyan	31.07.2019
R	Resigned	Mr M R Kumar	01.08.2019	Mr Hermant Bhargava	01.08.2019
Re	Retired (19.12.2019)	Mr B S Sharma	04.10.2019	Mr Inderjeet Singh	04.10.2019
D	Deceased (24.12.2019)	Mrs. Elizabeth Musyoka	31.10.2019		

SHAREHOLDERS

The list of 10 major shareholders and their individual holdings at the year end was as follows:

	Number of Shares	% holding
Life Insurance Corporation of India	573,124	10.21
General Insurance Corporation of India	515,776	9.19
The National Insurance Company Limited	515,776	9.19
The New India Assurance Company Limited	515,776	9.19
The United India Insurance Company Limited	515,776	9.19
The Oriental Insurance Company Limited	505,025	9.00
Sansora Investments Limited	444,254	7.90
The Chandaria Foundation Registered Trustees	432,484	7.70
Mehta Group Limited	346,400	6.17
Lex Holdings Limited	257,230	4.58
Others (numbering 30)	992,259	17.68
Total	**5,613,880**	**100.00**

The Company continues to undertake Corporate Social Responsibility activities by promoting various activities among local communities in which it operates. The Company is committed to the principle of responsible corporate citizenship and makes Corporate Social Responsibility an integral part of its annual business plans. Under its Corporate Social Responsibility (CSR) programmes, the Company conducts community support activities every year. Members of staff participated in various activities. The main activities taken up by the Company during the year were the following:-

a) Starehe Girls Centre: Donation towards the School's Annual Walk to help needy Form 1 Students. Our staff also participated in the Annual Walk at Ngong Forest Sanctuary.

b) Payment of school fees for needy students.

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of financial affairs of the Group comprising Kenindia Assurance Company Limited and its subsidiaries: Kenya Pravack Limited, Kenindia Asset Management Limited, and Tanzindia Assurance Company Limited.

Principal Activities

The Company underwrites all classes of life and non-life insurance risks as defined by the Insurance Act. Tanzindia Assurance Company Limited underwrites general insurance. Kenindia Asset Management Company Limited provides its customers with asset management solutions for their savings and retirement needs. Kenya Pravack Limited is a property owning company.

Results

	2019 KShs'000	2018 KShs'000
Group (loss)/profit before tax	(303,130)	332,013
Taxation charge	84,300	(21,621)
Group (loss)/profit after tax	(218,830)	310,392
Non-controlling interest	11,748	6,181
Net (loss)/profit for the year transferred to retained earnings	**(207,082)**	**316,573**

Business Review

During the year 2019, the total turnover (including pension fund deposits and annuities) of the group and company decreased from KShs 8.96 billion to KShs 8.65 billion and for the Company from KShs 8.40 billion to KShs 8.08 billion respectively. This was mainly attributed to decrease in general business. The profit before tax decreased from KShs 332.013 million to a loss before tax of KShs 303.13 milion for the group and from profit before tax of KShs 352.158 million to a loss before tax of KShs 269.122 million for the company reflecting the effects of decreased gross premium in general business, higher claims experience, expected credit losses due to IFRS 9 in the year under review and overall loss position reported by Tanzindia, a subsidiary.

As at 31 December 2019, the net asset position of the group and company decreased from KShs 4.281 billion to KShs 4.002 billion and for the Company from KShs 4.077 billion to KShs 3.832 billion respectively.

The company is in the process of implementing the “Kenindia Integrated Marketing & Communication Strategy 2018-2021'' to support business growth by building a single strong brand identity in Kenyan market. In keeping up with the changes in the internal and external environment, the Company; in formulating the strategy will take cognizance of current dynamics and future business trends. The strategy is geared towards boosting the Company's top line.

Key Performance Indicators (Company)

	Long term assurance business 2019	Long term assurance business 2018	Short term insurance business 2019	Short term insurance business 2018
Retention ratio	98%	97%	65%	67%
Incurred claims ratio	-	-	97%	71%
Net commission ratio	3%	3%	6%	7%
Management expenses ratio	8%	6%	22%	22%
Combined ratio	-	-	126%	100%

Dividend

The directors recommend the payment of a dividend of KShs 28.069 million which represents KShs 5 per share in respect of the year ended 31 December 2019 (2018: KShs 56.139 million representing KShs 10 per share).

Directors

The Board of Directors as at 31st December 2019 is shown on page 1.

Directors' Indemnities

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

Events After The Reporting Period

The financial statements were prepared based on management estimates and judgement as at the reporting date. Subsequent to year-end, there has been a coronavirus (COVID-19) outbreak which may have an impact on those estimates due to change in the business environment in which the Insurance company operates. However, due to the level of uncertainty resulting from the outbreak, management is currently assessing the impact.

Statement As To Disclosure To The Company's Auditor

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

a) there is, so far as the Director is aware no relevant audit information of which the Companys auditor is unaware:

b) the Director has taken all the steps that the Director ought to have taken as a director so as to be aware of any relevant audit information and to establish the Companys auditor is aware of that information.

Auditors

Grant Thornton, who were appointed auditors of the Company during the year in accordance with Section 717 of the Companies Act, 2015, Kenya have expressed their interest to continue in office. The Directors recommend their re-appointment.

Approval of Annual Report and Financial Statements

The Report of the Directors was approved by the Board of Directors on 17th March 2020 and signed on its behalf by the Secretary.

By order of the Board

N P Kothari
Secretary

17th March 2020

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss and other comprehensive income for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

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

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

ii) selecting suitable accounting policies and applying them consistently; and

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

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

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

Approved by the board of directors on 17th March 2020 and signed on its behalf by:

Dr M. P. Chandaria	**Dr P. M. King'ori**	**B. S. Sharma**
Director	Director	Managing Director/Principal Officer

From left to right

Mohan Jha - General Manager, (Finance) / Financial Controller

James K. Macharia - Chief Operating Officer

B. S. Sharma - Managing Director / Principal Officer

V. R. Kumar - General Manager (Operations)

Uthup Joseph - General Manager (Life)

I have conducted an actuarial valuation of the life assurance business and an insurance liability valuation of the short term business of Kenindia 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 prudent provision for insurance liabilities, future outgo 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, I have relied upon the audited financial statements of the Company.

In my opinion;

(i) the Life Assurance Business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of Life Insurance Business did not exceed the amount of funds of the Life Assurance Business at 31 December 2019.

(ii) the calculation of the short term insurance liabilities as at 31 December 2019 is appropriate and that the insurance liabilities as per the valuation are sufficiently prudent and appropriate given the nature of the business and existing liabilities.

Name of Actuary: **MR. SAKET SINGHAL**

17th March 2020

Grant Thornton

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED

Opinion

We have audited the accompanying financial statements of Kenindia Assurance Company Limited (the ''company'') and its subsidiaries (together, the group), set out on pages 21 to 130 , which comprises the consolidated and company statement of financial position as at 31st December 2019, statements of comprehensive income, statements of changes in equity, statements of 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 group and company as at 31st December 2019 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis of 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.

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.

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED (continued)

Key audit matters (continued)

Key audit matter	**How the matter was addressed**
Actuarial value of liabilities of the long-term business	The company has significant long term insurance contract liabilities including deposit administration liabilities representing a significant portion of the company's total liabilities. Valuation of insurance contract liabilities involves complex and subjective judgement made by management and the independent actuary. Changes in these assumptions can result in material impact to the valuation of these liabilities. Our audit procedures in this area included: • Assessing the competencies and objectivity as well as verifying the qualifications of the independent external expert engaged by management and approved by the Insurance Regulatory Authority. • We reviewed the actuarial report and calculations underlying these provisions, particularly the following areas: a) appropriateness of the methodologies used and that the approach was in accordance with best practice as recommended by IRA; b) reasonableness of key assumptions; c) sensitivities to key assumptions; d) consistency between valuation periods; and e) accuracy and relevance of the input data used.
Short-term insurance contract liabilities	Valuation of these liabilities is highly judgmental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the company. Our audit procedures in this area included: · evaluating and testing controls around claims handling and reservation process; · performing cut-off procedures to check for any unrecorded claims at the end of the year; · on a sample basis, checking the claims reserved by comparing the estimated amount reserved to documentation such as the assessors report and the discharge voucher; · reviewing the reserving methodology applied focusing on understanding the methodologies applied and examining areas of judgement such as changes in valuation assumptions; and · obtaining legal confirmation of claims in dispute.
Receivables arising from reinsurance arrangements	The valuation of receivables from reinsurance arrangements requires a significant level of judgement, given its inherent dependence on underlying estimates of gross outstanding claims. Our audit procedures in this area included: · verifying the year end reinsurance returns and reconciliations with key reinsurers; · testing of controls on computation of reinsurance premium ceded and reinsurance claims recoverable; and· · verifying that transactions were in accordance with reinsurance treaty agreements.
Compliance with laws and regulations	The insurance industry is highly regulated as insurance companies conduct their business in a fiduciary capacity. Over the past few years the insurance industry has also been experiencing a significant increase in prudential (reporting) regulations, which have also become more extensive and more complex. Our audit procedures in this area included: · obtaining an understanding of the laws and regulations governing the company, such as the Insurance Act and regulations; · reviewing correspondence with the regulators; and · checking compliance with the requirement of the regulator on aspects such as technical reserves, application of premium as well as commission rates.

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED (continued)

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 does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Directors' responsibilities for the financial statements

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

In preparing the annual report and 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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the annual report and financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent 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 annual report and financial statements.

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

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

ii) 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.

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

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED (continued)

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

iv) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the annual report and 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.

v) 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 10-11 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was **CPA D. V. Shah, P/No 1729.**

Grant Thornton

Grant Thornton Kenya
Certified Public Accountants (Kenya)
Nairobi

17th March 2020

GROUP	2019 KShs million	2018 KShs million	% VARIATION OVER PREVIOUS
GROSS PREMIUM WRITTEN (SHORT TERM BUSINESS)	3,037.14	3,417.25	-11.12%
GROSS EARNED PREMIUM			
(I) SHORT TERM BUSINESS	3,229.18	3,479.46	-7.19%
(II) LONG TERM BUSINESS	1,664.49	1,495.91	11.27%
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,535.19	3,578.79	-1.22%
(IV) ANNUITIES	412.49	472.06	-12.62%
TOTAL	**8,841.35**	**9,026.22**	**-2.05%**
NET EARNED PREMIUM			
(I) SHORT TERM BUSINESS	1,967.04	2,116.94	-7.08%
(II) LONG TERM BUSINESS	1,631.06	1,450.84	12.42%
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,535.19	3,578.79	-1.22%
(IV) ANNUITIES	412.49	472.06	-12.62%
TOTAL	**7,545.78**	**7,618.63**	**-0.96%**
INVESTMENT INCOME			
(I) SHORT TERM BUSINESS	449.27	494.74	-9.19%
(II) LONG TERM BUSINESS	4,202.01	3,780.60	11.15%
TOTAL	**4,651.28**	**4,275.34**	**8.79%**
(LOSS)/PROFIT BEFORE TAX	(303.13)	332.01	-191.30%
(LOSS)/PROFIT AFTER TAX	(218.83)	310.39	-170.50%
NON-CONTROLLING INTEREST	(11.75)	(6.18)	90.13%
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(207.08)	316.57	-165.41%
SHARE CAPITAL	561.39	561.39	0.00%
SHAREHOLDERS' FUND	3,620.95	3,886.74	-6.84%
POLICYHOLDERS' LIABILITIES	9,738.95	8,358.72	16.51%
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	26,813.56	23,238.23	15.39%
PAYABLE UNDER ANNUITIES	1,654.42	1,226.56	34.88%
TOTAL ASSETS	51,937.08	46,305.21	12.16%
COMPANY			
GROSS PREMIUM WRITTEN (SHORT TERM BUSINESS)	**2,468.47**	**2,854.69**	**-13.53%**
GROSS EARNED PREMIUM			
(I) SHORT TERM BUSINESS	2,660.50	2,916.90	-8.79%
(II) LONG TERM BUSINESS	1,664.49	1,495.91	11.27%
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,535.19	3,578.79	-1.22%
(IV) ANNUITIES	412.49	472.06	-12.62%
TOTAL	**8,272.67**	**8,463.66**	**-2.26%**
NET EARNED PREMIUM			
(I) SHORT TERM BUSINESS	1,747.42	1,925.48	-9.25%
(II) LONG TERM BUSINESS	1,631.06	1,450.84	12.42%
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,535.19	3,578.79	-1.22%
(IV) ANNUITIES	412.49	472.06	-12.62%
TOTAL	**7,326.16**	**7,427.17**	**-1.36%**
INVESTMENT INCOME			
(I) SHORT TERM BUSINESS	422.21	479.13	-11.88%
(II) LONG TERM BUSINESS	4,202.01	3,780.60	11.15%
TOTAL	**4,624.22**	**4,259.73**	**8.56%**
(LOSS)/PROFIT BEFORE TAX	(269.12)	352.16	-176.42%
(LOSS)/PROFIT AFTER TAX	(190.39)	329.16	-157.84%
SHARE CAPITAL	561.39	561.39	0.00%
SHAREHOLDERS' FUND	3,513.53	3,758.73	-6.52%
POLICYHOLDERS' LIABILITIES	9,738.95	8,358.72	16.51%
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	26,813.56	23,238.23	15.39%
PAYABLE UNDER ANNUITIES	1,654.42	1,226.56	34.88%
TOTAL ASSETS	49,898.47	44,322.79	12.58%
PROPOSED DIVIDEND	28.069	56.139	-50.00%

financial statements 2019

consolidated statement of profit or loss

for the year ended 31 december 2019

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2019 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2018 KShs'000
Premium income							
Gross earned premium income	2a	1,664,491	3,229,179	4,893,670	1,495,914	3,479,460	4,975,374
Premium ceded to reinsurers	2b	(33,435)	(1,262,140)	(1,295,575)	(45,079)	(1,362,523)	(1,407,602)
Net earned premium income		**1,631,056**	**1,967,039**	**3,598,095**	**1,450,835**	**2,116,937**	**3,567,772**
Other income							
Investment income	3a	4,202,010	449,273	4,651,283	3,780,603	494,743	4,275,346
Commission income	4a	6,549	384,208	390,757	8,665	423,386	432,051
Other income	4c	5,106	22	5,128	2,555	8,229	10,784
Net other income		**4,213,665**	**833,503**	**5,047,168**	**3,791,823**	**926,358**	**4,718,181**
Benefits and claims expense							
Claims and policy holder benefits expense		(409,657)	(2,484,118)	(2,893,775)	(304,146)	(1,980,787)	(2,284,933)
Surrender and annuity incurred		(340,047)	-	(340,047)	(4,167,672)	-	(4,167,672)
Claims ceded to reinsurers		-	705,560	705,560	-	546,777	546,777
Net benefits and claims expense		(749,704)	(1,778,558)	(2,528,262)	(4,471,818)	(1,434,010)	(5,905,828)
Pensions and annuities adjustments		(2,831,567)	-	(2,831,567)	-	-	-
Actuarial adjustments		(1,380,230)	-	(1,380,230)	-	-	-
Net benefits and claims expense, actuarial and other adjustments		**(4,961,501)**	**(1,778,558)**	**(6,740,059)**	**(4,471,818)**	**(1,434,010)**	**(5,905,828)**
Expenses							
Operating expenses	5a	(364,015)	(711,547)	(1,075,562)	(293,856)	(764,539)	(1,058,395)
Other expenses	6a	(63,819)	(59,870)	(123,689)	(55,651)	(79,088)	(134,739)
Allowance for credit losses on premium debtors	22	-	(75,660)	(75,660)	-	-	-
Writeoff of reinsurance debtors	21	-	(126,629)	(126,629)	-	-	-
Write back of credit losses on premium debtors	22	-	-	-	-	93,969	93,969
Write back of credit losses on rental and other receivables		17,228	-	17,228	629	-	629
Provision for expected credit losses on premium debtors	5c	-	(105,363)	(105,363)	-	(33,189)	(33,189)
Provision for expected credit losses on financial assets	5c	(11,267)	800	(10,467)	(503)	(21,655)	(22,158)
Provision for expected credit losses on rental receivables	5c	(19,244)	-	(19,244)	-	-	-
Provision for expected credit losses on other receivables	5c	-	(314)	(314)	-	-	-
Allowance for credit losses on rental and other receivables		-	-	-	(17,228)	(44,139)	(61,367)
Allowance for credit losses on commercial paper		-	-	-	(76,889)	(30,756)	(107,645)
Commission expense	4b	(153,655)	(493,434)	(647,089)	(150,131)	(531,339)	(681,470)
Premium levy		(5,500)	(28,778)	(34,278)	(3,447)	(32,268)	(35,715)
Contribution to policy holders compensation fund		(1,239)	(6,028)	(7,267)	(990)	(7,042)	(8,032)
Total expenses		**(601,511)**	**(1,606,823)**	**(2,208,334)**	**(598,066)**	**(1,450,046)**	**(2,048,112)**
Profit/(loss) before taxation		**281,709**	**(584,839)**	**(303,130)**	**172,774**	**159,239**	**332,013**
Income tax credit/(expense)	7c	(84,513)	168,813	84,300	(30,858)	9,237	(21,621)
Profit/(loss) for the year		**197,196**	**(416,026)**	**(218,830)**	**141,916**	**168,476**	**310,392**
Basic earnings/(loss) per share (KShs)	8c	**-**	**-**	**(36.89)**	**-**	**-**	**56.39**
Diluted earnings/(loss) per share (KShs)	8c	**-**	**-**	**(36.89)**	**-**	**-**	**56.39**
Attributable to:							
Equity holders of parent		197,196	(404,278)	(207,082)	141,916	174,657	316,573
Non-controlling interest		-	(11,748)	(11,748)	-	(6,181)	(6,181)
		197,196	**(416,026)**	**(218,830)**	**141,916**	**168,476**	**310,392**

consolidated statement of profit or loss and other comprehensive income

for the year ended 31 december 2019

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2019 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2018 KShs'000
Profit for the year		**197,196**	**(416,026)**	**(218,830)**	**141,916**	**168,476**	**310,392**
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods:							
Net gain/(loss) on investments fair value through other comprehensive income:							
- Government securities	9a	-	2,070	2,070	-	20,404	20,404
- Unquoted shares	9a	-	(7,239)	(7,239)	-	81,053	81,053
Overstatement in previous year in subsidiary	9a	-	-	-	-	(303)	(303)
		-	(5,169)	(5,169)	-	101,154	101,154
Deferred tax on fair value reserve	9a	-	1,550	1,550	-	(30,432)	(30,432)
Overstatement in previous year in subsidiary	9a	-	-	-	-	91	91
Exchange difference on deferred tax	9a	-	(8)	(8)	-	27	27
Exchange differences	9a	-	28	28	-	(75)	(75)
Non-controlling interest	9e	-	(1,774)	(1,774)	-	1,050	1,050
Exchange differences on translation of foreign operations	9b	-	1,029	1,029	-	(13,219)	(13,219)
		-	(4,344)	(4,344)	-	58,596	58,596
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	-	-	-	60,251	60,251
Deferred tax on revaluation		-	-	-	-	(18,075)	(18,075)
	9c	-	-	-	-	42,176	42,176
Total other comprehensive income for the year net of tax		**-**	**(4,344)**	**(4,344)**	**-**	**100,772**	**100,772**
Total comprehensive income		**197,196**	**(420,370)**	**(223,174)**	**141,916**	**269,248**	**411,164**
Attributable to:							
Equity holders of the parent		197,196	(406,848)	(209,652)	141,916	274,379	416,295
Non-controlling interest		-	(13,522)	(13,522)	-	(5,131)	(5,131)
		197,196	**(420,370)**	**(223,174)**	**141,916**	**269,248**	**411,164**

company statement of profit or loss

for the year ended 31 december 2019

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2019 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2018 KShs'000
Premium income							
Gross earned premium income	2a	1,664,491	2,660,503	4,324,994	1,495,914	2,916,896	4,412,810
Premiums ceded to reinsurers	2b	(33,435)	(913,088)	(946,523)	(45,079)	(991,418)	(1,036,497)
Net earned premium income		**1,631,056**	**1,747,415**	**3,378,471**	**1,450,835**	**1,925,478**	**3,376,313**
Other income							
Investment income	3b	4,202,010	422,212	4,624,222	3,780,603	479,129	4,259,732
Commission income	4a	6,549	287,512	294,061	8,665	319,104	327,769
Other income	4c	5,106	794	5,900	2,555	4,406	6,961
Net other income		**4,213,665**	**710,518**	**4,924,183**	**3,791,823**	**802,639**	**4,594,462**
Benefits and claims expense							
Claims and policyholders benefits expense		(409,657)	(2,041,144)	(2,450,801)	(304,146)	(1,708,720)	(2,012,866)
Surrender and annuity incurred		(340,047)	-	(340,047)	(4,167,672)	-	(4,167,672)
Claims ceded to reinsurers		-	340,952	340,952	-	343,883	343,883
Net benefits and claims expense		(749,704)	(1,700,192)	(2,449,896)	(4,471,818)	(1,364,837)	(5,836,655)
Pensions and annuities adjustments		(2,831,567)	-	(2,831,567)	-	-	-
Actuarial adjustments		(1,380,230)	-	(1,380,230)	-	-	-
Net benefits and claims expense, actuarial and other adjustments		**(4,961,501)**	**(1,700,192)**	**(6,661,693)**	**(4,471,818)**	**(1,364,837)**	**(5,836,655)**
Expenses							
Operating expenses	5b	(364,015)	(599,773)	(963,788)	(293,856)	(625,378)	(919,234)
Other expenses	6b	(63,819)	(45,260)	(109,079)	(55,651)	(67,729)	(123,380)
Allowance for credit losses on premium debtors	22	-	(75,660)	(75,660)	-	-	-
Write off reinsurance debtors	21	-	(126,629)	(126,629)	-	-	-
Write back of credit losses on premium debtors	22	-	-	-	-	93,969	93,969
Write back of credit losses on rental and other receivables		17,228	-	17,228	629	-	629
Provision for expected credit losses on premium debtors	5c	-	(44,028)	(44,028)	-	(29,382)	(29,382)
Provision for expected credit losses on financial assets	5c	(11,267)	(741)	(12,008)	(503)	(1,439)	(1,942)
Provision for expected credit losses on rental receivables	5c	(19,244)	-	(19,244)	-	-	-
Allowance for credit losses on rental and other receivables		-	-	-	(17,228)	(44,139)	(61,367)
Allowance for credit losses on commercial paper		-	-	-	(76,889)	(30,756)	(107,645)
Commission expense	4b	(153,655)	(388,241)	(541,896)	(150,131)	(446,417)	(596,548)
Premium levy		(5,500)	(22,212)	(27,712)	(3,447)	(25,583)	(29,030)
Contribution to policy holders compensation fund		(1,239)	(6,028)	(7,267)	(990)	(7,042)	(8,032)
Total expenses		**(601,511)**	**(1,308,572)**	**(1,910,083)**	**(598,066)**	**(1,183,896)**	**(1,781,962)**
Profit/(loss) before tax		**281,709**	**(550,831)**	**(269,122)**	**172,774**	**179,384**	**352,158**
Income tax credit/(expense)	7d	(84,513)	163,248	78,735	(30,858)	7,857	(23,001)
Profit/(loss) for the year		**197,196**	**(387,583)**	**(190,387)**	**141,916**	**187,241**	**329,157**
Basic earnings/(loss) per share (KShs)	8c	**-**	**-**	**(33.91)**	**-**	**-**	**58.63**
Diluted earnings/(loss) per share (KShs)	8c	**-**	**-**	**(33.91)**	**-**	**-**	**58.63**

company statement of profit or loss and other comprehensive income

for the year ended 31 december 2019

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2019 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2018 KShs'000
Profit for the year		**197,196**	**(387,583)**	**(190,387)**	**141,916**	**187,241**	**329,157**
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods:							
Net gain/(loss) on investments at fair value through other comprehensive income:							
- Government securities	9a	-	1,893	1,893	-	20,046	20,046
- Unquoted shares	9a	-	-	-	-	76,767	76,767
		-	1,893	1,893	-	96,813	96,813
Deferred tax on fair value reserve	9a	-	(568)	(568)	-	(29,044)	(29,044)
		-	1,325	1,325	-	67,769	67,769
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	-	-	-	60,251	60,251
Deferred tax on revaluation		-	-	-	-	(18,075)	(18,075)
	9c	-	-	-	-	42,176	42,176
Total other comprehensive income for the year net of tax		**-**	**1,325**	**1,325**	**-**	**109,945**	**109,945**
Total comprehensive income		**197,196**	**(386,258)**	**(189,062)**	**141,916**	**297,186**	**439,102**

KENINDIA

consolidated statement of financial position

for the year ended 31 december 2019

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
EQUITY				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(365)	375,488	375,123
Revaluation reserve	9c	-	426,793	426,793
General reserve	9d	299,078	-	299,078
Retained earnings	10	1,144	1,965,287	1,966,431
Foreign currency translation reserve	9b	-	(9,059)	(9,059)
Equity attributable to shareholders of parent		**461,245**	**3,159,707**	**3,620,952**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9e	-	62,709	62,709
Total equity		**779,761**	**3,222,416**	**4,002,177**
REPRESENTED BY:				
Assets				
Property and equipment	12	16,185	857,378	873,563
Intangible assets	14a	8,501	32,444	40,945
Prepaid operating lease rentals	15a	1,045,218	7,282	1,052,500
Right-of-use assets	38c	8,088	27,021	35,109
Deferred tax asset	29a	-	243,046	243,046
Investment properties	16a	2,011,224	1,291,314	3,302,538
Due from Kenya Motor Insurance Pool	24b	-	70,037	70,037
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18a	153	672,185	672,338
Financial assets at fair value through profit or loss	19a	153,923	60,032	213,955
Loans receivable	20	117,653	490	118,143
Receivables arising out of reinsurance arrangements	21	1,192	1,354,715	1,355,907
Receivables arising out of direct insurance arrangements	22	-	476,118	476,118
Reinsurers' share of insurance liabilities	36	-	3,253,632	3,253,632
Other receivables	24a	44,731	241,468	286,199
Taxation recoverable	7a	-	54,211	54,211
Government securities:				
At amortised cost	25a	34,714,802	2,152,990	36,867,792
At fair value through other comprehensive income	25c	-	657,060	657,060
Deposits with financial institutions	33	1,137,297	582,698	1,719,995
Bonds and debentures	33	52,535	52,799	105,334
Bank and cash balances	32a	367,196	171,459	538,655
Total assets		**39,678,698**	**12,258,379**	**51,937,077**
Liabilities				
Insurance liabilities	23	117,451	5,587,361	5,704,812
Payable under deposit administration contracts	26a	26,813,564	-	26,813,564
Payable under annuities	26b	1,654,415	-	1,654,415
Actuarial value of policyholders' liabilities	27	9,738,952	-	9,738,952
Provision for unearned premium	28a	-	998,219	998,219
Taxation payable	7a	111,787	-	111,787
Deferred tax liability	29a	13,786	310,317	324,103
Payables arising from reinsurance arrangements	30a	31,822	1,827,471	1,859,293
Payables arising out of direct insurance arrangements	30a	-	94,315	94,315
Bank overdraft	32a	-	42,217	42,217
Lease liability	38c	10,165	28,652	38,817
Other payables	31a	406,995	147,411	554,406
Total liabilities		**38,898,937**	**9,035,963**	**47,934,900**
Total assets net of liabilities		**779,761**	**3,222,416**	**4,002,177**

The financial statements on pages 21 to 130 were approved and authorised for issue by the Board of Directors on 17th March 2020 and signed on its behalf by:

Dr. M. P. Chandaria
Director

Dr. P.M. King'ori
Director

B.S. Sharma
Managing Director/Principal Officer

consolidated statement of financial position

for the year ended 31 december 2018

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
EQUITY				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(365)	379,087	378,722
Revaluation reserve	9c	-	427,860	427,860
General reserve	9d	129,951	-	129,951
Retained earnings	10	29,214	2,368,498	2,397,712
Foreign currency translation reserve	9b	-	(10,088)	(10,088)
Equity attributable to shareholders of parent		**320,188**	**3,566,555**	**3,886,743**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9e	-	76,231	76,231
Total equity		**638,704**	**3,642,786**	**4,281,490**
REPRESENTED BY:				
Assets				
Property and equipment	12	14,997	852,701	867,698
Intangible assets	14a	11,918	46,365	58,283
Prepaid operating lease rentals	15a	1,083,940	7,401	1,091,341
Deferred tax asset	29a	-	63,957	63,957
Investment properties	16a	2,008,654	1,291,053	3,299,707
Due from Kenya Motor Insurance Pool	24b	-	98,089	98,089
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18a	153	679,621	679,774
Financial assets at fair value through profit or loss	19a	134,204	51,192	185,396
Loans receivable	20	170,399	10	170,409
Receivables arising out of reinsurance arrangements	21	1,280	1,370,240	1,371,520
Receivables arising out of direct insurance arrangements	22	1,286	636,531	637,817
Reinsurers' share of insurance liabilities	36	-	3,110,588	3,110,588
Other receivables	24a	94,252	192,517	286,769
Taxation recoverable	7a	-	56,202	56,202
Government securities:				
At amortised cost	25a	30,153,710	2,094,673	32,248,383
At fair value through other comprehensive income	25c	-	682,741	682,741
Deposits with financial institutions	33	119,052	795,536	914,588
Bonds and debentures	33	52,525	52,525	105,050
Bank and cash balances	32a	225,760	151,134	376,894
Total assets		**34,072,130**	**12,233,076**	**46,305,206**
Liabilities				
Insurance liabilities	23	139,638	4,794,401	4,934,039
Payable under deposit administration contracts	26a	23,238,228	-	23,238,228
Payable under annuities	26b	1,226,564	-	1,226,564
Actuarial value of policyholders' liabilities	27	8,358,722	-	8,358,722
Provision for unearned premium	28a	-	1,250,330	1,250,330
Taxation payable	7a	79,106	-	79,106
Deferred tax liability	29a	13,786	311,958	325,744
Payables arising from reinsurance arrangements	30a	13,930	1,738,954	1,752,884
Payables arising out of direct insurance arrangements	30a	-	228,369	228,369
Bank overdraft	32a	-	124,122	124,122
Other payables	31a	363,452	142,156	505,608
Total liabilities		**33,433,426**	**8,590,290**	**42,023,716**
Total assets net of liabilities		**638,704**	**3,642,786**	**4,281,490**

The financial statements on pages 21 to 130 were approved and authorised for issue by the Board of Directors on 17th March 2020 and signed on its behalf by:

Dr. M. P. Chandaria	**Dr. P.M. King'ori**	**B.S. Sharma**
Director	Director	Managing Director/Principal Officer

company statement of financial position

for the year ended 31 december 2019

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
CAPITAL EMPLOYED				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(365)	376,628	376,263
Revaluation reserve	9c	-	426,793	426,793
General reserve	9d	299,078	-	299,078
Retained earnings	10	1,144	1,847,668	1,848,812
Total ordinary shareholders' equity		461,245	3,052,287	3,513,532
Statutory reserve	11	318,516	-	318,516
Total equity		**779,761**	**3,052,287**	**3,832,048**
REPRESENTED BY:				
Assets				
Property and equipment	13	16,185	845,776	861,961
Intangible assets	14b	8,501	29,650	38,151
Prepaid operating lease rentals	15b	1,045,218	7,155	1,052,373
Right-of-use assets	38d	8,088	13,026	21,114
Deferred tax asset	29b	-	225,037	225,037
Investment properties	16b	2,011,224	1,272,799	3,284,023
Due from Kenya Motor Insurance Pool	24b	-	70,037	70,037
Investment in subsidiaries	17	-	105,612	105,612
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18b	153	624,274	624,427
Financial assets at fair value through profit and loss	19b	153,923	41,393	195,316
Loans receivable	20	117,653	490	118,143
Receivables arising out of reinsurance arrangements	21	1,192	751,984	753,176
Receivables arising out of direct insurance arrangements	22	-	438,436	438,436
Reinsurers' share of insurance liabilities	36	-	2,249,336	2,249,336
Other receivables	24a	44,731	242,569	287,300
Taxation recoverable	7b	-	52,696	52,696
Government securities:				
At amortised cost	25b	34,714,802	2,105,357	36,820,159
At fair value through other comprehensive income	25c	-	647,363	647,363
Deposits with financial institutions	33a	1,137,297	359,659	1,496,956
Bonds and debentures	33a	52,535	52,799	105,334
Bank and cash balances	32b	367,196	84,323	451,519
Total assets		**39,678,698**	**10,219,771**	**49,898,469**
Liabilities				
Insurance liabilities	23	117,451	4,526,345	4,643,796
Payable under deposit administration contracts	26a	26,813,564	-	26,813,564
Payable under annuities	26b	1,654,415	-	1,654,415
Actuarial value of policyholders' liabilities	27	9,738,952	-	9,738,952
Provision for unearned premium	28b	-	775,894	775,894
Payables arising from reinsurance arrangements	30b	31,822	1,316,719	1,348,541
Payables arising out of direct insurance arrangements	30b	-	94,315	94,315
Other payables	31b	406,995	105,257	512,252
Bank overdraft	32b	-	22,490	22,490
Lease liability	38d	10,165	15,750	25,915
Deferred tax liability	29b	13,786	310,714	324,500
Taxation payable	7b	111,787	-	111,787
Total liabilities		**38,898,937**	**7,167,484**	**46,066,421**
Total assets net of liabilities		**779,761**	**3,052,287**	**3,832,048**

The financial statements on pages 21 to 130 were approved and authorised for issue by the Board of Directors on 17th March 2020 and signed on its behalf by:

Dr. M. P. Chandaria	**Dr. P.M. King'ori**	**B.S. Sharma**
Director	Director	Managing Director/Principal Officer

company statement of financial position

for the year ended 31 december 2018

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
CAPITAL EMPLOYED				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(365)	375,303	374,938
Revaluation reserve	9c	-	427,860	427,860
General reserve	9d	129,951	-	129,951
Retained earnings	10	29,214	2,234,184	2,263,398
Total ordinary shareholders' equity		320,188	3,438,545	3,758,733
Statutory reserve	11	318,516	-	318,516
Total equity		**638,704**	**3,438,545**	**4,077,249**
REPRESENTED BY:				
Assets				
Property and equipment	13	14,997	840,480	855,477
Intangible assets	14b	11,918	42,357	54,275
Prepaid operating lease rentals	15b	1,083,940	7,272	1,091,212
Deferred tax asset	29b	-	57,811	57,811
Investment properties	16b	2,008,654	1,272,538	3,281,192
Due from Kenya Motor Insurance Pool	24b	-	98,089	98,089
Investment in subsidiaries	17	-	105,612	105,612
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18b	153	624,274	624,427
Financial assets at fair value through profit and loss	19b	134,204	37,833	172,037
Loans receivable	20	170,399	10	170,409
Receivables arising out of reinsurance arrangements	21	1,280	828,033	829,313
Receivables arising out of direct insurance arrangements	22	1,286	580,687	581,973
Reinsurers' share of insurance liabilities	36	-	2,141,814	2,141,814
Other receivables	24a	94,252	190,664	284,916
Taxation recoverable	7b	-	52,536	52,536
Government securities:				
At amortised cost	25b	30,153,710	2,045,315	32,199,025
At fair value through other comprehensive income	25c	-	673,225	673,225
Deposits with financial institutions	33a	119,052	586,501	705,553
Bonds and debentures	33a	52,525	52,525	105,050
Bank and cash balances	32b	225,760	13,082	238,842
Total assets		**34,072,130**	**10,250,658**	**44,322,788**
Liabilities				
Insurance liabilities	23	139,638	3,790,663	3,930,301
Payable under deposit administration contracts	26a	23,238,228	-	23,238,228
Payable under annuities	26b	1,226,564	-	1,226,564
Actuarial value of policyholders' liabilities	27	8,358,722	-	8,358,722
Provision for unearned premium	28b	-	967,930	967,930
Payables arising from reinsurance arrangements	30b	13,930	1,295,859	1,309,789
Payables arising out of direct insurance arrangements	30b	-	228,369	228,369
Other payables	31b	363,452	95,024	458,476
Bank overdraft	32b	-	124,122	124,122
Deferred tax liability	29b	13,786	310,146	323,932
Taxation payable	7b	79,106	-	79,106
Total liabilities		**33,433,426**	**6,812,113**	**40,245,539**
Total assets net of liabilities		**638,704**	**3,438,545**	**4,077,249**

The financial statements on pages 21 to 130 were approved and authorised for issue by the Board of Directors on 17th March 2020 and signed on its behalf by

Dr. M. P. Chandaria
Director

Dr. P.M. King'ori
Director

B.S. Sharma
Managing Director/Principal Officer

consolidated statement of changes in equity

for the year ended 31 december 2019

KENINDIA

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Fair value reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	General reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Foreign currency translation reserve (Note 9) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Non-controlling interest (Note 9) KShs'000	Total equity and reserves KShs'000
At 1 January 2019	**561,388**	**1,198**	**378,722**	**427,860**	**129,951**	**2,397,712**	**(10,088)**	**3,886,743**	**318,516**	**76,231**	**4,281,490**
Profit for the year											
-Short term business	-	-	-	-	-	(404,278)	-	**(404,278)**	-	(11,748)	**(416,026)**
-Long term business	-	-	-	-	-	-	-	**-**	197,196	-	**197,196**
Other comprehensive income	-	-	(3,599)	-	-	-	1,029	**(2,570)**	-	(1,774)	**(4,344)**
Total comprehensive income	-	-	**(3,599)**	**-**	**-**	**(404,278)**	**1,029**	**(406,848)**	**197,196**	**(13,522)**	**(223,174)**
Transfer of excess depreciation	-	-	-	(1,067)	-	1,067	-	-	-	-	-
Transactions with owners:											
Dividends paid for 2018	-	-	-	-	-	(56,139)	-	**(56,139)**	-	-	**(56,139)**
Transfer to general reserve, net of tax	-	-	-	-	169,127	-	-	**169,127**	(169,127)	-	-
Transfer from statutory reserve, net of tax	-	-	-	-		28,069	-	**28,069**	(28,069)	-	-
At 31 December 2019	**561,388**	**1,198**	**375,123**	**426,793**	**299,078**	**1,966,431**	**(9,059)**	**3,620,952**	**318,516**	**62,709**	**4,002,177**

consolidated statement of changes in equity

for the year ended 31 december 2018

KENINDIA

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Fair value reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	General reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Foreign currency translation reserve (Note 9) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Non-controlling interest (Note 9) KShs'000	Total equity and reserves KShs'000
At 1 January 2018	**561,388**	**1,198**	**307,957**	**387,375**	**51,009**	**2,214,529**	**3,131**	**3,526,587**	**318,516**	**81,362**	**3,926,465**
Profit for the year											
-Short term business	-	-	-	-	-	174,657	-	**174,657**	-	(6,181)	**168,476**
-Long term business	-	-	-	-	-	-	-	**-**	141,916	-	**141,916**
Other comprehensive income	-	-	(70,765)	42,176	-	-	(13,219)	**99,722**	-	1,050	**100,772**
Total comprehensive income	**-**	**-**	**(70,765)**	**42,176**	**-**	**174,657**	**(13,219)**	**274,379**	**141,916**	**(5,131)**	**411,164**
Transfer of excess depreciation	-	-	-	(1,691)	-	1,691	-	-	-	-	-
Transactions with owners:											
Dividends paid for 2017	-	-	-	-	-	(56,139)	-	**(56,139)**	-	-	**(56,139)**
Transfer to general reserve, net of tax	-	-	-	-	78,942	-	-	**78,942**	(78,942)	-	-
Transfer from statutory reserve, net of tax	-	-	-	-		62,974	-	**62,974**	(62,974)	-	-
At 31 December 2018	**561,388**	**1,198**	**378,722**	**427,860**	**129,951**	**2,397,712**	**(10,088)**	**3,886,743**	**318,516**	**76,231**	**4,281,490**

company statement of changes in equity

for the year ended 31 december 2019

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Fair value reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	General reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Total equity and reserves KShs'000
At 1 January 2019	**561,388**	**1,198**	**374,938**	**427,860**	**129,951**	**2,263,398**	**3,758,733**	**318,516**	**4,077,249**
Profit for the year									
-Short term business	-	-	-	-	-	(387,583)	**(387,583)**	-	**(387,583)**
-Long term business	-	-	-	-	-	-	-	197,196	**197,196**
Other comprehensive income	-	-	1,325	-	-	-	**1,325**	-	**1,325**
Total comprehensive income	**-**	**-**	**1,325**	**-**	**-**	**(387,583)**	**(386,258)**	**197,196**	**(189,062)**
Transfer of excess depreciation	-	-	-	(1,067)	-	1,067	-	-	**-**
Transactions with owners:									
Dividends paid for 2018	-	-	-	-	-	(56,139)	**(56,139)**	-	**(56,139)**
Transfer to general reserve, net of tax	-	-	-	-	169,127	-	**169,127**	(169,127)	**-**
Transfer from statutory reserve, net of tax	-	-	-	-	-	28,069	**28,069**	(28,069)	**-**
At 31 December 2019	**561,388**	**1,198**	**376,263**	**426,793**	**299,078**	**1,848,812**	**3,513,532**	**318,516**	**3,832,048**

company statement of changes in equity

for the year ended 31 december 2018

KENINDIA

	Share capital (Note 8)	Share premium (Note 8	Fair value reserve (Note 9)	Revaluation reserve (Note 9)	General reserve (Note 9)	Retained earnings (Note 10)	Total ordinary shareholders' equity	Statutory reserve (Note 11)	Total equity and reserves
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2018	**561,388**	**1,198**	**307,169**	**387,375**	**51,009**	**2,067,631**	**3,375,770**	**318,516**	**3,694,286**
Profit for the year									
-Short term business	-	-	-	-	-	187,241	**187,241**	-	**187,241**
-Long term business	-	-	-	-	-	-	-	141,916	**141,916**
Other comprehensive income	-	-	67,769	42,176	-	-	**109,945**	-	**109,945**
Total comprehensive income	-	-	67,769	42,176	-	187,241	**297,186**	**141,916**	**439,102**
Transfer of excess depreciation	-	-	-	(1,691)	-	1,691	**-**	-	**-**
Transactions with owners:									
Dividends paid for 2017	-	-	-	-	-	(56,139)	**(56,139)**	-	**(56,139)**
Transfer to general reserve, net of tax	-	-	-	-	78,942	-	**78,942**	(78,942)	**-**
Transfer from statutory reserve, net of tax	-	-	-	-	-	62,974	**62,974**	(62,974)	**-**
At 31 December 2018	**561,388**	**1,198**	**374,938**	**427,860**	**129,951**	**2,263,398**	**3,758,733**	**318,516**	**4,077,249**

consolidated statement of cash flows

for the year ended 31 december 2019

	2019 KShs'000	2018 KShs'000
Cash flows from operating activities		
Profit before tax	**(303,130)**	**332,013**
Adjustments for:		
Depreciation on property and equipment	19,887	39,829
Depreciation on right-of-use assets	17,629	-
Amortisation of intangible assets	17,552	24,985
Amortisation of prepaid lease	38,841	38,841
Exchange adjustment on property and equipment	50	(2,259)
Exchange adjustment on intangible assets	12	226
Fair value gains on investment properties	-	(173,427)
Interest from government securities (At amortised cost)	(4,386,237)	(3,786,125)
Interest from government securities (At fair value through other comprehensive income)	(83,036)	(94,128)
Bank deposit interest	(81,292)	(78,558)
Loan interest	31,838	(83,689)
Bonds and debentures interest	(7,154)	(7,077)
Dividends received from equity investments	(23,415)	(29,303)
Fair value (gain)/loss on quoted investments	(29,220)	67,311
Loss on sale of quoted investments	651	-
Loss/(gain) on sale of property and equipment	2,167	(1,207)
Working capital changes;		
Increase in insurance liabilities	770,773	89,197
Increase in payable under deposit administration contracts	3,575,336	1,477,825
Increase in payable under annuities	427,851	499,050
Increase in actuarial value of policyholders' liabilities	1,380,230	1,447,648
Decrease in unearned premium reserve	(252,111)	(86,888)
Decrease in reinsurance arrangements payables	106,409	(162,663)
Decrease in direct insurance arrangements payables	(134,054)	(31,787)
Increase in other payables	48,798	125,591
Decrease in right of use assets	5,622	-
Decrease/(increase) in due from motor pool	28,052	(1,078)
Decrease(increase) in reinsurance arrangements receivables	15,613	(45,171)
Decrease/(increase) in direct insurance arrangements receivables	161,699	(85,955)
(Increase)/decrease in reinsurers' share of insurance liabilities	(143,044)	207,307
Decrease in other receivables	570	15,699
Cash generated from/(used in) operations	**1,206,887**	**(303,793)**
Income tax paid	(59,655)	(63,495)
Net cash flows generated from/(used in) operating activities	**1,147,232**	**(367,288)**

	2019 KShs'000	2018 KShs'000
Cash flows from investing activities		
Purchase of property and equipment	(27,900)	(8,170)
Purchase of intangible assets	(226)	(13,767)
Proceeds from disposal of property and equipment	(68)	6,509
Additions to investment properties	(2,831)	(3,288)
Net decrease in unquoted equity investments	-	2,429
Purchase of financial assets at fair value through profit and loss (Quoted shares)	(1,786)	-
Proceeds from disposal of quoted shares	1,795	-
Repayment of mortgage loans	574	-
Policy loans advanced	(32,238)	(36,749)
Repayment of policy loans	40,977	32,458
Net movement in policy loans	44,798	(69,081)
Motor vehicle loans advanced	(2,440)	(990)
Repayment of motor vehicle loans	595	487
Net investment in government securities (At amortised cost)	(4,619,409)	(3,970,552)
Net investment in government securities (At fair value through other comprehensive income)	27,574	101,977
Increase in deposits with financial institutions (maturing after 90 days of date of acquisition)	(1,054,649)	(94,896)
Interest from government securities (At amortised cost)	4,386,237	3,786,125
Interest from government securities (At fair value through other comprehensive income)	83,036	94,128
Bank deposit interest	81,292	78,558
Loan interest	(31,838)	83,689
Bonds and debentures interest	7,154	7,077
Dividends received from equity investments	23,415	29,303
Net cash flows (used in)/generated from investing activities	**(1,075,938)**	**25,247**
Cash flows from financing activities		
Lease liability	(18,536)	-
Dividends paid	(56,139)	(56,139)
Net cash flows used in financing activities	**(74,675)**	**(56,139)**
Decrease in cash and cash equivalents	**(3,381)**	**(398,180)**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	886,552	1,296,341
Decrease in cash and cash equivalents	(3,381)	(398,180)
Exchange differences on translation of foreign operations	(2,195)	(11,609)
Cash and cash equivalents at the end of the year (Note 32)	**880,976**	**886,552**

company statement of cash flows

for the year ended 31 december 2019

	2019 KShs'000	2018 KShs'000
Cash flows from operating activities		
Profit before tax	**(269,122)**	**352,158**
Adjustments for:		
Depreciation on property and equipment	17,799	35,781
Depreciation on right of use assets	11,385	-
Amortisation of intangible assets	16,350	23,260
Amortisation of prepaid lease	38,839	38,839
Fair value gains on investment properties	-	(172,512)
Interest from government securities (At amortised cost)	(4,368,925)	(3,781,739)
Interest from government securities (At fair value through other comprehensive income)	(92,825)	(92,825)
Bank deposit interest	(68,036)	(67,170)
Loan interest	31,943	(83,597)
Bonds and debentures interest	(7,154)	(7,077)
Dividends received from equity investments	(22,204)	(28,787)
Fair value (gain)/loss on quoted investments	(23,939)	64,325
Loss on sale of quoted investments	651	-
Loss on sale of property and equipment	2,167	924
Working capital changes;		
Increase/(decrease) in insurance liabilities	713,495	(65,668)
Increase in payable under deposit administration contracts	3,575,336	1,477,825
Increase in payable under annuities	427,851	499,050
Increase in actuarial value of policyholders' liabilities	1,380,230	1,447,648
Decrease in unearned premium reserve	(192,036)	(62,210)
Increase/(decrease) in reinsurance arrangements payables	38,752	(305,624)
Decrease in direct insurance arrangements payables	(134,054)	(31,787)
Increase in other payables	53,776	126,587
Decrease/(increase) in motor pool	28,052	(1,078)
Decrease in reinsurance arrangements receivables	76,137	94,387
Decrease/(increase) in direct insurance arrangements receivables	143,537	(100,301)
(Increase)/decrease in reinsurers' share of insurance liabilities	(107,522)	336,658
Decrease in right of use assets	4,103	-
(Increase)/decrease in other receivables	(2,384)	37,397
Cash generated from/(used in) operations	**1,272,202**	**(265,536)**
Income tax paid	(55,970)	(48,663)
Net cash flows generated from/(used in) operating activities	**1,216,232**	**(314,199)**

company statement of cash flows (cont'd)

for the year ended 31 december 2019

	2019 KShs'000	2018 KShs'000
Cash flows from investing activities		
Purchase of property and equipment	(26,382)	(5,847)
Purchase of intangible assets	(226)	(13,767)
Proceeds from disposal of property and equipment	(68)	1,222
Additions to investment properties	(2,831)	(3,288)
Purchase of financial assets at fair value through profit and loss (Quoted shares)	(1,786)	-
Proceeds from disposal of quoted shares	1,795	-
Repayment of mortgage loans	574	-
Policy loans advanced	(32,238)	(36,749)
Net movement in policy loans	44,798	(69,081)
Repayment of policy loans	40,977	32,458
Motor vehicle loans advanced	(2,440)	(990)
Repayment of motor vehicle loans	595	487
Net movement in investment in government securities (At amortised cost)	(4,621,134)	(3,971,334)
Net (increase)/decrease in investment in government securities (At fair value through other comprehensive income)	27,755	75,032
Decrease/(increase) in deposits with financial institutions (maturing after 90 days of date of acquisition)	(1,057,383)	(92,162)
Interest from government securities (At amortised cost)	4,368,925	3,781,739
Interest from government securities (At fair value through other comprehensive income)	92,825	92,825
Bank deposit interest	68,036	67,170
Loan interest	(31,943)	83,597
Bonds and debentures interest	7,154	7,077
Dividends received from equity investments	22,204	28,787
Net cash flows used in investing activities	**(1,100,793)**	**(22,824)**
Cash flows from financing activities		
Net movement in lease liability	(10,971)	-
Dividends paid	(56,139)	(56,139)
Net cash flows used in financing activities	**(67,110)**	**(56,139)**
Increase/(decrease) in cash and cash equivalents	**48,329**	**(393,162)**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	542,199	935,361
Increase/(decrease) in cash and cash equivalents	48,329	(393,162)
Cash and cash equivalents at the end of the year (Note 32)	**590,528**	**542,199**

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in compliance with the requirements of the Kenyan Companies Act, 2015. The financial statements are prepared on the historical cost basis, except for investment properties and certain investments which are carried at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional Company's currency.

The financial statements comprise the consolidated and company statements of profit or loss, consolidated and company statements of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cash flows, and explanatory notes. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income is recognised in the statement of other comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after reporting date (current) and more than twelve months after reporting date (non-current), is presented in the notes (note 41(iii)).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise judgement in the process of applying the accounting policies adopted by the Group. 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 1 (w) below.

For the purposes of reporting under the Kenyan Companies Act, 2015, the balance sheet in these financial statements is represented by/equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit and loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New and amended standards and interpretations

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

For the year ended 31 December 2019:

- Right-of-use assets' were recognised and presented separately in the statement of financial position.
- Additional lease liabilities were recognised and included under 'Interest bearing loans and borrowings'
- 'Prepayments' and 'Trade and other payables' related to previous operating leases were derecognised.
- 'Deferred tax liabilities' decreased because of the deferred tax impact of the changes in recognised lease related assets and liabilities.
- 'Retained earnings' and 'Non-controlling interests' decreased due to the net impact of these adjustments.
- Depreciation expense increased because of the depreciation of additional assets recognised (i.e., increase in right-of-use assets, net of the decrease in 'Property, plant and equipment'). This resulted in increases in 'Other expenses'.
- Rent expense included in 'Operating expenses', relating to previous operating leases, decreased.
- 'Finance costs' increased relating to the interest expense on additional lease liabilities recognised.
- 'Income tax expense' decreased relating to the tax effect of these changes in expenses.
- Cash outflows from operating activities decreased and cash outflows from financing activities also increased, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

i) New and amended standards and interpretations (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately

• The assumptions an entity makes about the examination of tax treatments by taxation authorities

• How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex regional environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiary's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

i) New and amended standards and interpretations (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

• IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

• IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

i) New and amended standards and interpretations (continued)

• IAS 12 Income Taxes *(continued)*

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group did not have any borrowing costs, they had no impact on the consolidated financial statements of the Group.

ii) New standards, amendments and interpretations issued but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is applicable to the Group.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

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

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group (Company and its subsidiaries) as at 31 December each year. Subsidiary companies are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. The Group companies are as set out in note 17.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation (continued)

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

All intra-group balances, transactions, income and expenses and profits and losses, resulting from intra-group transactions and dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it;

i) Derecognises the assets and liabilities of the subsidiary
ii) Derecognises the carrying amount of any non-controlling interest
ii) Derecognises the cumulative translation differences recorded in equity
iv) Recognises the fair value consideration received
v) Recognises the fair value of any investment retained
vi) Recognises any surplus or deficit in profit or loss
vii) Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services, excluding discounts, rebates, and value added taxes or other taxes. Sale of services is recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

The following specific criteria must also be met before revenue is recognised:

:

Gross premiums

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium, business revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Net premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations and less unearned premium.

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 reporting date, and is computed using the 1/24 method in general business.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition (continued)

Reinsurance premiums

Gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Commission income and fees

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. Commission income is recognized in the period in which they are earned.

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established. For listed securities, this is the date the security is listed as ex dividend.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease period.

Realised gains and losses

Realised gains and losses recorded in the statement of profit or loss on investments include gains and losses on the financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

e) Benefits, claims and expense recognition

Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance contract liabilities. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims that have occurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Benefits, claims and expense recognition (continued)

Claims incurred

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 claims arising from incidents occurring prior to the accounting date and not settled, and are computed on the basis of the best information available at the time the records for the period are closed and include provisions for claims incurred but not reported (IBNR). IBNR is computed based on certain minimum percentages of gross premium written on each class of business, as stipulated by the insurance industry regulator. This amount is included in the outstanding claims as at year end.

Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

Outstanding claims in short term business are not discounted.

Reinsurance claims recoverable

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Policyholder benefits

Policyholder benefits incurred comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policyholders and are discounted to the present value.

f) Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Product classification (continued)

Investment contracts are further classified as being either with or without Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

i) Likely to be a significant portion of the total contractual benefits
ii) The amount or timing of which is contractually at the discretion of the issuer
iii) That are contractually based on:
- The performance of a specified pool of contracts or a specified type of contract
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer
- The profit or loss of the company, fund or other entity that issues the contract.

g) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets consist of the amount due from reinsurers for claims submitted as well as the portion of the current long term insurance that is ceded to the reinsurers on the basis of the reinsurance agreement (treaty proportional or facultative).

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss. Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are recognised when the recognition criteria for financial assets, as described in note (u), has been met.

i) Policyholder benefits

Policy holder benefits incurred comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policy holders and are discounted to the present value.

j) Deposit administration contracts

The Group administers the funds of a number of retirement benefit schemes. The liability of the Group to the schemes is measured at fair value and is included within the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium and investments income in the consolidated statement of profit or loss.

k) Expenses

Expenses are recognised in the statement of profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures.

This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

An expense is recognised immediately in the statement of profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

l) Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Subsequent costs (including replacement costs) are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when incurred and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred.

Buildings are subsequently carried at a revalued amount, based on annual valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property and equipment are subsequently carried at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

Increases in the carrying amount arising on revaluation on buildings 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 the 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 (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

Depreciation of an asset begins when it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the reducing balance basis to write down carrying values of the assets over their useful lives at the following annual rates:

Furniture, fixtures and office equipment	12.5%
Computer equipment, duplicators and copies	30%
Motor vehicles	25%

The assets' residual values, and useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of profit or loss as an expense. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognised.

m) Investment properties

Investment properties comprise buildings and parts of buildings held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost, including the transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and lease back arrangements, special consideration or concessions granted by anyone associated with the sale.

The Group determines fair value without any deductions for transactional costs it may incur on sale or other disposal. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Fair values are evaluated annually by an accredited external independent valuer. Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Investment properties (continued)

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss in the year of disposal or retirement.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner- occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

n) Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use, the specific software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life at 30 percent per annum, using the reducing balance method. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 8) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 38, Leases (company as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Lease liability (continued)

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 5).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Right-of-use assets (continued)

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Lease rentals	Straight line	5

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Company as lessor

Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease leases are classified as operating leases. modification.

When the company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the company applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 3).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Operating leases (continued)

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

p) Foreign currency transactions

The Group's consolidated financial statements are presented in KShs which is also the Company's functional currency. That is the currency of the primary economic environment in which Kenindia Assurance Company Limited operates. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of profit or loss. Tax changes and credits attributable to exchange differences on these items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii) Group companies

The assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The income tax charge is analysed between tax in respect of policyholders' returns and the balance which represents the tax on equity holders' returns. The income tax charge in respect of policyholders' returns reflects the movement in current and deferred income tax recognised in respect of those items of income, gains and expenses, which inure to the benefit of policyholders.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of sales taxes and premium taxes except when:

- the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable,
- receivables and payables that are stated with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

r) Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the liability for annual leave as a result of services rendered by employees up to the statement of financial position.

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Retirement benefits obligations

The company operates a defined contribution pension scheme for all its employees, the assets of which are held in trustee administered funds. The retirement plan is funded by payments from both employees and the company.

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

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

u) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

• Financial assets at amortised cost (debt instruments)

• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

• Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to a related party such as subsidiary.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - a) the Group has transferred substantially all the risks and rewards of the asset, or
  - b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

iv) Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 1w.
- Trade/Premium receivables, including contract assets Note 22.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

iv) Impairment (continued)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings (bank overdrafts) and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings (bank overdraft) and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

• Financial liabilities at fair value through profit or loss

• Financial liabilities at amortised cost (loans and borrowings)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. However, the Group has not entered into hedge relationships.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings including bank overdraft)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings (including bank overdraft).

iii) Derecognition

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

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

v) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Impairment of non-financial assets (continued)

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

w) Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Product classification between Insurance and Investment contracts

The Group uses judgement to distinguish between insurance and investment contracts for its life products.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Significant accounting judgements and estimates (continued)

Estimates and assumptions (continued)

(a) Valuation of insurance contract liabilities

Life insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.The carrying value at the reporting date of life insurance liabilities is as follows: KShs 117,451,000 (2018: KShs 139,638,000) for insurance liabilities and KShs 9,738,952,000 (2018: KShs 8,358,722,000) for actuarial value of policy holders' liabilities.

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The key variables include frequency of claims, average claim costs, inflation and average handling costs and are covered in detail under note 40.

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, by being reserved at the face value of loss adjuster estimates.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of non-life insurance liabilities is as follows: For Group KShs 5,587,361,000 (2018: KShs 4,794,401,000) and for Company KShs 4,526,345,000 (2018: KShs 3,790,663,000).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Significant accounting judgements and estimates (continued)

(b) Fair value of financial assets determined using valuation techniques

Where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Details on deferred taxes are disclosed in Note 29.

(d) Property and equipment and intangible assets

Critical estimates are made by the directors in determining depreciation and amortisation rates for property and equipment and intangible assets. The rates used are set out in the accounting policy (l) and (n) above.

(e) Provision for expected credit losses

Provision for expected credit losses of trade receivables and contract assets.The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Significant accounting judgements and estimates (continued)

(e) Provision for expected credit losses (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 22.

x) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends (if any) are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

y) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

z) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

For the purpose of the consolidated and company's statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (if any).

aa) Share capital

The Group has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ab) Events after reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

ac) Insurance contract liabilities

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows. Aggregation levels and the level of prudence applied in the test are consistent with IFRS 4 (Insurance Contracts) requirements. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using actual claims data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ac) Insurance contract liabilities (continued)

Non-life insurance (which comprises general insurance and healthcare) contract liabilities (continued)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy. There was no deficiency noted at the reporting date.

ad) Off-setting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

ae) Statutory reserve

The statutory reserve represents a reserve maintained within the long term assurance business and represents amounts recommended for transfer by the actuary from actuarial valuation as required by the Kenyan Insurance Act.

Transfers into the statutory reserve are processed through the statement of changes in equity. Transfers from the statutory reserve relates to amounts on the life assurance business which is distributable as dividends upon the recommendation of the actuary.

2. Premium earned

(a) Gross earned premium income

The company's insurance business is organised into two main divisions, short term insurance business and long term assurance business. Long term assurance business comprises life assurance business and deposit administration business. Life assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. Short term insurance business relates to all other categories of general insurance business written by the company, analysed into several sub-classes of business based on the nature of the assumed risks. Approximately 82% of the Group's business is generated in Kenya.

The premium income of the Group and the Company can be analysed between the main classes of business as shown below:

	Group		Company	
	2019 KShs'000	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Short term insurance business:				
Motor	954,675	1,028,619	845,539	880,301
Fire	829,178	907,218	610,613	703,595
Personal accident and medical	174,657	182,646	174,657	182,646
Marine	322,084	339,338	267,704	278,207
Theft	189,381	221,240	189,381	221,240
Workmen compensation	346,884	396,135	346,884	396,135
Engineering	180,135	200,003	145,592	178,437
Liability	55,450	53,608	55,450	53,608
Aviation	49,739	21,896	13	37
Other miscellaneous	126,997	128,757	24,670	22,690
	3,229,179	**3,479,460**	**2,660,503**	**2,916,896**
Long term assurance business:				
Ordinary life (Gross)	1,614,208	1,448,127	1,614,208	1,448,127
Group life (Gross)	50,283	47,787	50,283	47,787
	1,664,491	**1,495,914**	**1,664,491**	**1,495,914**
	4,893,670	**4,975,374**	**4,324,994**	**4,412,810**

(b) Premium ceded to re-insurers on re-insurance contracts

Long term business	**(33,435)**	**(45,079)**	**(33,435)**	**(45,079)**
Short term business	(1,183,707)	(1,285,559)	(863,711)	(946,813)
Change in unearned premiums provision (Note 28)	(78,433)	(76,964)	(49,377)	(44,605)
	(1,262,140)	**(1,362,523)**	**(913,088)**	**(991,418)**
Net earned premium income	**3,598,095**	**3,567,772**	**3,378,471**	**3,376,313**

3. Investment income

(a) Group 2019

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
Interest from government securities (At amortised cost)	4,093,009	293,228	4,386,237
Interest from government securities (At fair value through other comprehensive income)	-	83,036	83,036
Bank deposit interest	34,032	47,260	81,292
Loan interest	(31,982)	144	(31,838)
Operating lease income/rent from investment properties	97,339	39,749	137,088
Gains on valuation of investment properties (Note 16)	-	-	-
Dividends receivable from equity investments	4,916	18,499	23,415
Bonds and debentures interest	3,579	3,575	7,154
Gain on valuation of quoted investments	19,719	9,501	29,220
Loss on disposal of quoted investments	-	(651)	(651)
Other investment charges/operating expenses on investment properties	(18,602)	(45,068)	(63,670)
	4,202,010	**449,273**	**4,651,283**

(a) Group 2018

	KShs'000	KShs'000	Total KShs'000
Interest from government securities (At amortised cost)	3,522,146	263,979	3,786,125
Interest from government securities (At fair value through other comprehensive income)	-	94,128	94,128
Bank deposit interest	22,305	56,253	78,558
Loan interest	83,546	143	83,689
Operating lease income/rent from investment properties	100,687	38,761	139,448
Gains on valuation of investment properties (Note 16)	105,613	67,814	173,427
Dividends receivable from equity investments	7,271	22,032	29,303
Bonds and debentures interest	3,516	3,561	7,077
Loss on valuation of quoted investments	(43,811)	(23,500)	(67,311)
Other investment charges/operating expenses on investment properties	(20,670)	(28,428)	(49,098)
	3,780,603	**494,743**	**4,275,346**

3. Investment income **(b) Company 2019**	**Long term assurance business KShs'000**	**Short term insurance business KShs'000**	**Total KShs'000**
Interest from government securities (At amortised cost)	4,093,009	275,916	4,368,925
Interest from government securities (At fair value through other comprehensive income)	-	92,825	92,825
Bank deposit interest	34,032	34,004	68,036
Loan interest	(31,982)	39	(31,943)
Operating lease income/rent from investment properties	97,339	39,749	137,088
Gains on valuation of investment properties (Note 16)	-	-	-
Dividends receivable from equity investments	4,916	17,288	22,204
Bonds and debentures interest	3,579	3,575	7,154
Gain on valuation of quoted investments	19,719	4,220	23,939
Loss on disposal of quoted investments	-	(651)	(651)
Other investment charges/operating expenses on investment properties	(18,602)	(44,753)	(63,355)
	4,202,010	**422,212**	**4,624,222**

(b) Company 2018	**KShs'000**	**KShs'000**	**Total KShs'000**
Interest from government securities (At amortised cost)	3,522,146	259,593	3,781,739
Interest from government securities (At fair value through other comprehensive income)	-	92,825	92,825
Bank deposit interest	22,305	44,865	67,170
Loan interest	83,546	51	83,597
Operating lease income/rent from investment properties	100,687	38,761	139,448
Gains on valuation of investment properties (Note 16)	105,613	66,899	172,512
Dividends receivable from equity investments	7,271	21,516	28,787
Bonds and debentures interest	3,516	3,561	7,077
Loss on valuation of quoted investments	(43,811)	(20,514)	(64,325)
Other investment charges/operating expenses on investment properties	(20,670)	(28,428)	(49,098)
	3,780,603	**479,129**	**4,259,732**

4. (a) Commission income

	Group		**Company**	
	2019 KShs '000	**2018 KShs '000**	**2019 KShs '000**	**2018 KShs '000**
Re-insurance commission income	**390,757**	**432,051**	**294,061**	**327,769**

(b) Commission expense

	Group 2019 KShs '000	**Group 2018 KShs '000**	**Company 2019 KShs '000**	**Company 2018 KShs '000**
Commission on direct insurance arrangements	633,869	665,846	528,676	580,924
Commission on inward re-insurance arrangements	13,220	15,624	13,220	15,624
	647,089	**681,470**	**541,896**	**596,548**

4.(c) Other income

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Gain/(loss) on disposal of property and equipment	(837)	(1,330)	(2,167)	-	(1,207)	(1,207)
Exchange gain/(loss)	-	(953)	(953)	37	4,099	4,136
Administration fees	-	452	452	-	2,413	2,413
Miscellaneous income	5,943	1,853	7,796	2,518	2,924	5,442
	5,106	**22**	**5,128**	**2,555**	**8,229**	**10,784**
Company						
Gain/(loss) on disposal of property and equipment	(837)	(1,330)	(2,167)	-	(924)	(924)
Exchange gain/(loss)	-	(181)	(181)	37	86	123
Administration fees	-	452	452	-	2,413	2,413
Miscellaneous income	5,943	1,853	7,796	2,518	2,831	5,349
	5,106	**794**	**5,900**	**2,555**	**4,406**	**6,961**

5. Operating expenses

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Staff costs	200,376	410,965	611,341	170,998	432,873	603,871
Property expenses	2,968	13,421	16,389	8,051	29,001	37,052
Printing and stationery	5,099	11,513	16,612	6,009	15,449	21,458
Telephone expenses	3,623	5,385	9,008	4,568	5,566	10,134
Travelling expenses	9,650	13,946	23,596	8,351	15,069	23,420
Repairs and maintenance expenditure	10,511	40,390	50,901	7,572	38,397	45,969
Advertisement expenses	12,762	130,853	143,615	9,385	127,881	137,266
Entertainment expenses	1,830	1,489	3,319	1,947	2,389	4,336
Bank charges	3,285	4,040	7,325	3,674	4,128	7,802
Interest expense on lease liabilities	1,871	3,751	5,622	-	-	-
Interest on car loans and other advances	-	-	-	-	1,079	1,079
Interest on bank overdraft	-	-	-	-	6,633	6,633
Training expenses	1,032	1,573	2,605	601	1,649	2,250
General office expenses	111,008	74,221	185,229	72,700	84,425	157,125
	364,015	**711,547**	**1,075,562**	**293,856**	**764,539**	**1,058,395**
Staff costs include the following:						
- Salaries and wages	168,566	348,802	517,368	146,678	358,382	505,060
- Social security benefit costs	362	11,094	11,456	352	11,666	12,018
- Retirement benefit costs	31,448	51,069	82,517	23,968	62,825	86,793
	200,376	**410,965**	**611,341**	**170,998**	**432,873**	**603,871**

5. **Operating expenses**

(b) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Staff costs	200,376	349,298	549,674	170,998	366,069	537,067
Property expenses	2,968	8,361	11,329	8,051	13,827	21,878
Printing and stationery	5,099	10,683	15,782	6,009	14,059	20,068
Telephone expenses	3,623	2,957	6,580	4,568	3,118	7,686
Travelling expenses	9,650	7,089	16,739	8,351	8,282	16,633
Repairs and maintenance expenditure	10,511	31,538	42,049	7,572	28,517	36,089
Advertisement expenses	12,762	129,910	142,672	9,385	124,543	133,928
Entertainment expenses	1,830	1,489	3,319	1,947	2,389	4,336
Bank charges	3,285	2,186	5,471	3,674	3,431	7,105
Interest expense on lease liabilities	1,871	2,516	4,387	-	-	-
Interest on car loans and other advances	-	-	-	-	49	49
Interest on bank overdraft	-	-	-	-	6,633	6,633
Training expenses	1,032	1,471	2,503	601	1,382	1,983
General office expenses	111,008	52,275	163,283	72,700	53,079	125,779
	364,015	**599,773**	**963,788**	**293,856**	**625,378**	**919,234**
Staff costs include the following:						
- Salaries and wages	168,566	297,492	466,058	146,678	303,596	450,274
- Social security benefit costs	362	737	1,099	352	794	1,146
- Retirement benefit costs	31,448	51,069	82,517	23,968	61,679	85,647
	200,376	**349,298**	**549,674**	**170,998**	**366,069**	**537,067**

The number of persons employed by the Group at year end was 236 (2018: 245). At company level, the employees as at year end were 205 (2018: 212).

The number of persons employed by the Group and Company at year end, by category, were:

	Group 2019 Number	Group 2018 Number	Company 2019 Number	Company 2018 Number
Executive wing and marketing	11	11	10	11
Operations	119	128	87	95
Life	50	50	52	50
Support	56	56	56	56
	236	**245**	**205**	**212**

5.(c) Provision for expected credit losses

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Insurance receivables (Note 22)	-	105,363	105,363	-	33,189	33,189
Financial assets (Note 33)	11,267	(800)	10,467	503	21,655	22,158
Rental receivables (Note 24)	19,244	-	19,244	-	-	-
Other receivables (Note 24)	-	314	314	-	-	-
	30,511	**104,877**	**135,388**	**503**	**54,844**	**55,347**

Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Insurance receivables (Note 22)	-	44,028	44,028	-	29,382	29,382
Financial assets (Note 33)	11,267	741	12,008	503	1,439	1,942
Rental receivables (Note 24)	19,244	-	19,244	-	-	-
	30,511	**44,769**	**75,280**	**503**	**30,821**	**31,324**

Provision for expected credit losses

Group

		Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
a)	Insurance receivables (Note 22)		-	105,363	105,363
b)	Rental receivables (Note 24)	-	19,244	-	19,244
c)	Financial assets (Note 33)	10,467	-	-	10,467
d)	Other receivables (Note 24)	-	314	-	314
		10,467	**19,558**	**105,363**	**135,388**

Provision for expected credit losses

Company

		Stage 1 KShs'000	Stage 2 KShs'000	Stage 3 KShs'000	Total KShs'000
a)	Insurance receivables (Note 22)	-	-	44,028	44,028
b)	Financial assets (Note 33)	-	12,008	-	12,008
c)	Rental receivables (Note 24)	19,244	-	-	19,244
		19,244	**12,008**	**44,028**	**75,280**

6. Other expenses

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Depreciation and amortisation	7,419	30,020	37,439	8,714	56,100	64,814
Depreciation on right-of-use assets	5,772	11,857	17,629	-	-	-
Amortisation of prepaid lease	38,722	119	38,841	38,722	119	38,841
Audit fee and other expenses	4,965	8,209	13,174	3,202	5,246	8,448
Donations	265	792	1,057	1,058	3,284	4,342
Directors' remuneration (Note 39)	1,102	3,119	4,113	506	3,260	3,766
Other directors' expenses	5,664	5,754	11,418	3,449	11,079	14,528
	63,819	**59,870**	**123,689**	**55,651**	**79,088**	**134,739**
(b) Company						
Depreciation and amortisation	7,419	26,730	34,149	8,714	50,328	59,042
Depreciation on right-of-use assets	5,772	5,613	11,385	-	-	-
Amortisation of prepaid lease	38,722	117	38,839	38,722	117	38,839
Audit fee and other expenses	4,965	6,340	11,305	3,202	2,404	5,606
Donations	265	372	637	1,058	3,284	4,342
Directors' remuneration (Note 39)	1,012	1,013	2,025	506	1,519	2,025
Other directors' expenses	5,664	5,075	10,739	3,449	10,077	13,526
	63,819	**45,260**	**109,079**	**55,651**	**67,729**	**123,380**

7. Income tax

Taxation payable/(recoverable)	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
(a) Group						
Taxation recoverable						
Balance brought forward	-	(52,841)	(52,841)	-	(55,352)	(55,352)
Charge for the year	-	10,575	10,575	-	3,328	3,328
Over provision in previous year	-	(299)	(299)	-	-	-
Exchange loss	-	(462)	(462)	-	-	-
Paid during the year	-	(7,286)	(7,286)	-	(817)	(817)
Balance carried forward	**-**	**(50,313)**	**(50,313)**	**-**	**(52,841)**	**(52,841)**
Taxation payable						
Balance brought forward	79,106	(3,361)	75,745	75,135	5,910	81,045
Charge for the year	84,513	-	84,513	51,832	5,546	57,378
Paid during the year	(51,832)	(537)	(52,369)	(47,861)	(14,817)	(62,678)
Balance carried forward	**111,787**	**(3,898)**	**107,889**	**79,106**	**(3,361)**	**75,745**

7. Income tax (continued)

Taxation payable/ (recoverable) (continued)	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
(b) Company						
Balance brought forward	79,106	(52,536)	26,570	75,135	(55,062)	20,073
Charge for the year	84,513	4,206	88,719	51,832	3,328	55,160
Over provision in previous year	-	(228)	(228)	-	-	-
Paid during the year	(51,832)	(4,138)	(55,970)	(47,861)	(802)	(48,663)
Balance carried forward	**111,787**	**(52,696)**	**59,091**	**79,106**	**(52,536)**	**26,570**

Income tax charge/(credit)

(c) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Current income tax charge	84,513	10,575	95,088	51,832	8,874	60,706
Over provision in previous year	-	(299)	(299)	-	-	-
Deferred tax credit	-	(179,089)	(179,089)	(20,974)	(18,111)	(39,085)
Income tax charge/(credit)	**84,513**	**(168,813)**	**(84,300)**	**30,858**	**(9,237)**	**21,621**

The Group's current tax charge is computed in accordance with the income tax rules applicable to composite Kenyan Insurance companies. A reconciliation of the tax charge is shown below:

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Profit/(loss) before taxation	281,709	(584,839)	(303,130)	172,774	159,239	332,013
Tax calculated at a statutory tax rate of 30%	84,513	(175,452)	(90,939)	51,832	47,772	99,604
Tax effect of income not subject to tax	-	108,891	108,891	-	(88,519)	(88,519)
Tax effect of expenses not deductible for tax purposes	-	77,136	77,136	-	49,621	49,621
Over provision in previous year	-	(299)	(299)	-	-	-
Deferred tax credit	-	(179,089)	(179,089)	(20,974)	(18,111)	(39,085)
Income tax charge/(credit)	**84,513**	**(168,813)**	**(84,300)**	**30,858**	**(9,237)**	**21,621**

7. Income tax charge/(credit)

(d) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Current income tax charge	84,513	4,206	88,719	51,832	3,328	55,160
Over provision in previous year	-	(228)	(228)	-	-	-
Deferred tax credit	-	(167,226)	(167,226)	(20,974)	(11,185)	(32,159)
Income tax charge/(credit)	**84,513**	**(163,248)**	**(78,735)**	**30,858**	**(7,857)**	**23,001**

Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Profit/(loss) before taxation	281,709	(550,831)	(269,122)	172,774	179,384	352,158
Tax calculated at a statutory tax rate of 30%	84,513	(165,249)	(80,737)	51,832	53,815	105,647
Tax effect of income not subject to tax	-	112,047	112,047	-	(76,680)	(76,680)
Tax effect of expenses not deductible for tax purposes	-	57,408	57,408	-	26,193	26,193
Overprovision in previous year	-	(228)	(228)	-	-	-
Deferred tax credit	-	(167,226)	(167,226)	(20,974)	(11,185)	(32,159)
Income tax charge/(credit)	**84,513**	**(163,248)**	**(78,736)**	**30,858**	**(7,857)**	**23,001**

8. (a) Share capital

	Number of shares 2019	Number of shares 2018	Share capital 2019 KShs'000	Share capital 2018 KShs'000
Authorised (Short-term business)				
Ordinary shares of KShs 100 each	4,386,120	4,386,120	438,612	438,612
Authorised (Long-term business)				
Ordinary shares of KShs 100 each	1,613,880	1,613,880	161,388	161,388
Total	**6,000,000**	**6,000,000**	**600,000**	**600,000**
Ordinary shares: Issued and fully paid				
At start and end of year (Short-term business)	4,000,002	4,000,002	400,000	400,000
At start and end of year (Long-term business)	1,613,880	1,613,880	161,388	161,388
Total	**5,613,882**	**5,613,882**	**561,388**	**561,388**

All ordinary shares are fully paid.

8. (b) Share premium

Share premium arose during the year 2011 as a result of some bonus shares issues and purchased at a price higher than the par value.

8. (c) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders of the parent by the number of shares outstanding at the reporting date.

Diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year plus the number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Basic and diluted earnings per share are the same. Group earnings reported for 2019 and 2018 were net loss of KShs 207,082,000 and net profit of KShs 316,573,000 respectively. Company earnings reported for 2019 and 2018 were net loss of KShs 190,387,000 and net profit of KShs 329,157,000 respectively.

The following reflects the income and share data used in the basic and diluted earnings per share computations::

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Net profit/(loss) attributable to ordinary shareholders for basic and diluted earnings	(207,082)	316,573	(190,387)	329,157
	2019	**2018**	**2019**	**2018**
Number of ordinary shares for basic and diluted earnings per share	5,613,882	5,613,882	5,613,882	5,613,882
Basic earnings/(loss) per share (KShs)	**(36.89)**	**56.39**	**(33.91)**	**58.63**
Diluted earnings/(loss) per share (KShs)	**(36.89)**	**56.39**	**(33.91)**	**58.63**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

(d) Dividend per share

Dividend per share is calculated by dividing dividends for the year by the weighted average number of ordinary shares outstanding during the year.

	2019	**2018**
	KShs' 000	**KShs' 000**
Dividend proposed	**28,069**	**56,139**
Dividend per share	**KShs 5**	**KShs 10**

In respect of the current year, the Directors propose the payment of a dividend of KShs 5 (2018: KShs 10) per share equivalent to total sum of KShs 28.069 million (2018: KShs 56.139 million) be paid to the shareholders.

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents. For resident shareholders, withholding tax is only deductible where the shareholding is below 12.5%.

9. Reserves

(a) Fair value reserve

The fair value reserve represents fair value gains/(losses) arising from the revaluation of available-for-sale financial instruments and is not distributable as dividends. The movement in the fair value reserve for the Group and Company is shown below and in the statement of other comprehensive income on pages 22 and 24 respectively.

	Group				Company			
	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 KShs'000	2018 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 KShs'000	2018 KShs'000
At 1 January	(365)	379,087	378,722	307,957	(365)	375,303	374,938	307,169
Net gain on investments at fair value through other comprehensive income:								
Government securities	-	1,455	1,455	21,329	-	1,278	1,278	20,970
Adjustment for gain/(losses) included in income statement on disposal of investments	-	615	615	(925)	-	615	615	(924)
Net gain (Note 25)	-	2,070	2,070	20,404	-	1,893	1,893	20,046
(Loss) /gain in unquoted shares	-	(7,239)	(7,239)	81,053	-	-	-	76,767
Over provision in previous year in subsidiary	-	-	-	(303)	-	-	-	-
	-	(7,239)	(7,239)	80,750	-	-	-	76,767
Total movement in investments at fair value through other comprehensive income	-	(5,169)	(5,169)	101,154	-	1,893	1,893	96,813
Deferred tax on fair value reserve	-	1,550	1,550	(30,432)	-	(568)	(568)	(29,044)
Overprovision in previous year in subsidiary	-	-	-	91	-	-	-	-
Exchange differences on deferred tax	-	(8)	(8)	27	-	-	-	-
Exchange differences	-	28	28	(75)	-	-	-	-
At 31 December	**(365)**	**375,488**	**375,123**	**378,722**	**(365)**	**376,628**	**376,263**	**374,938**

(b) Foreign currency translation reserve (Group)

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations.

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
At 1 January	(10,088)	3,131	-	-
Exchange difference on translation	1,029	(13,219)	-	-
At 31 December	**(9,059)**	**(10,088)**	**-**	**-**

(c) Revaluation reserve (Group and Company)

	2019 KShs'000	2018 KShs'000
At 1 January	427,860	387,375
Revaluation of buildings	-	41,733
Depreciation released on revaluation	-	18,518
Total revaluation	-	60,251
Deferred tax on revaluation	-	(18,075)
	-	42,176
Transfer of excess depreciation	(1,067)	(1,691)
At 31 December	**426,793**	**427,860**

9. Reserves (continued)

(d) General reserve-Group and Company	**2019 KShs'000**	**2018 KShs'000**
At 1 January	129,951	51,009
Transfer from statutory reserve, net of tax	169,127	78,942
At 31 December	**299,078**	**129,951**

General reserves represents un-appropriated surpluses transferred from the life fund, as recommended by the actuary.

(e) Non-controlling interests-Group	**2019 KShs'000**	**2018 KShs'000**
At 1 January	76,231	81,362
Share of profit/(loss) for the year	(11,748)	(6,181)
Other comprehensive income	(1,774)	1,050
At 31 December	**62,709**	**76,231**
The non-controlling interests consist of:		
Equity interests held by individual shareholders	**62,709**	**76,231**

10. Retained earnings

Included within retained earnings are gains arising from the revaluation of investment properties whose distribution is subject to restrictions imposed by legislation. The Insurance Regulatory Authority has placed restrictions on distribution of gains arising from the revaluation of investment properties of KShs 3,163.258 million (KShs 3,163.258 million for 2018).

The movement for the year is shown below.

	Group		**Company**	
Retained earnings	**2019 KShs'000**	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
At 1 January	2,397,712	2,214,529	2,263,398	2,067,631
Profit/(loss) for the year	(404,278)	174,657	(387,583)	187,241
Transfer of excess depreciation	1,067	1,691	1,067	1,691
Dividends paid	(56,139)	(56,139)	(56,139)	(56,139)
Transfer from statutory reserve to retained earnings	28,069	62,974	28,069	62,974
At 31 December	**1,966,431**	**2,397,712**	**1,848,812**	**2,263,398**

Included in the retained earnings is gain on transfer of one part of the properties (Kenindia Business Park) from General Business to Life Business. The gain which arose in 2015 and amounting to KShs 976,837,000 is not distributable to shareholders.

11. Statutory reserve

The statutory reserve represents profits from the long term business whose distribution is subject to restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long term business available for distribution to shareholders to 30% of the accumulated profits of the life business.

Movement in the statutory reserve for the Group and Company is shown below and in the statement of changes in equity on pages 29, 30, 31 and 32 respectively.

	Group		**Company**	
Statutory reserve	**2019 KShs'000**	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
At 1 January	**318,516**	**318,516**	**318,516**	**318,516**
Surplus for the year	197,196	141,916	197,196	141,916
Transfer to retained earnings	(28,069)	(62,974)	(28,069)	(62,974)
Transfer to general reserve	(169,127)	(78,942)	(169,127)	(78,942)
At 31 December	**318,516**	**318,516**	**318,516**	**318,516**

12. Property and equipment (Group)

At 31 December 2019

	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2019	782,452	79,490	186,644	194,823	1,243,409
Additions	964	3,498	6,734	16,704	27,900
Revaluation surplus	-	-	-	-	-
Disposals	-	-	(325)	(4,477)	(4,802)
Exchange differences	-	(3,032)	(80)	(53)	(3,165)
At 31 December 2019	**783,416**	**79,956**	**192,973**	**206,997**	**1,263,342**
Depreciation					
At 1 January 2019	-	54,229	170,355	151,126	375,710
Charge for the year	19,585	6,315	5,669	7,903	39,472
Eliminated on revaluation	(19,585)	-	-	-	(19,585)
Eliminated on disposal	-	-	(279)	(2,424)	(2,703)
Exchange differences	-	(24)	(56)	(3,035)	(3,115)
At 31 December 2019	**-**	**60,520**	**175,689**	**153,570**	**389,779**
Net book value					
At 31 December 2019	**783,416**	**19,436**	**17,284**	**53,427**	**873,563**

At 31 December 2018

	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2018	740,387	79,780	184,451	192,603	1,197,221
Additions	332	-	3,090	4,748	8,170
Revaluation surplus	41,733	-	-	-	41,733
Disposals	-	-	(120)	(2,078)	(2,198)
Exchange differences	-	(290)	(777)	(450)	(1,517)
At 31 December 2018	**782,452**	**79,490**	**186,644**	**194,823**	**1,243,409**
Depreciation					
At 1 January 2018	-	48,312	164,070	142,451	354,833
Charge for the year	18,518	7,423	6,805	7,083	39,829
Eliminated on revaluation	(18,518)	-	-	-	(18,518)
Eliminated on disposal	-	-	(64)	(1,112)	(1,176)
Exchange differences	-	(1,506)	(456)	2,704	742
At 31 December 2018	**-**	**54,229**	**170,355**	**151,126**	**375,710**
Net book value					
At 31 December 2018	**782,452**	**25,261**	**16,289**	**43,697**	**867,699**

In 2018, buildings were valued by City Valuers, independent valuers, on the basis of open market value. The carrying amount of the asset was restated to the revalued amount of the asset, and the resulting surplus arising on revaluation net of deferred income tax was recognised in other comprehensive income and credited to the revaluation surplus in equity. In 2019, no valuation was carried out.

13. Property and equipment (Company)

At 31 December 2019	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2019	782,452	69,362	166,762	182,839	1,201,415
Additions	964	3,000	6,654	15,764	26,382
Revaluation surplus	-	-	-	-	-
Disposals	-	-	(325)	(4,477)	(4,802)
At 31 December 2019	**783,416**	**72,362**	**173,091**	**194,126**	**1,222,995**
Depreciation					
At 1 January 2019	-	48,925	156,726	140,287	345,938
Charge for the year	19,585	5,859	4,982	6,958	37,384
Eliminated on revaluation	(19,585)	-	-	-	(19,585)
Eliminated on disposal	-	-	(279)	(2,424)	(2,703)
At 31 December 2019	**-**	**54,784**	**161,429**	**144,821**	**361,034**
Net book value					
At 31 December 2019	**783,416**	**17,578**	**11,662**	**49,305**	**861,961**

At 31 December 2018	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2018	740,387	72,362	164,308	181,111	1,158,168
Additions	332	-	2,454	3,061	5,847
Revaluation surplus	41,733	-	-	-	41,733
Disposals	-	(3,000)	-	(1,333)	(4,333)
At 31 December 2018	**782,452**	**69,362**	**166,762**	**182,839**	**1,201,415**
Depreciation					
At 1 January 2018	-	43,425	152,425	135,012	330,862
Charge for the year	18,518	6,812	4,301	6,150	35,781
Eliminated on revaluation	(18,518)	-	-	-	(18,518)
Eliminated on disposal	-	(1,312)	-	(875)	(2,187)
At 31 December 2018	**-**	**48,925**	**156,726**	**140,287**	**345,938**
Net book value					
At 31 December 2018	**782,452**	**20,437**	**10,036**	**42,552**	**855,477**

No property and equipment are held as security against any liabilities.

In the opinion of the directors, there is no impairment of property and equipment as at 31 December 2018 and 2019.

14.(a) Intangible assets (Group)

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 1 January	41,656	113,907	155,563	37,886	112,495	150,381
Additions	226	-	226	3,770	9,997	13,767
Exchange differences	-	(51)	(51)	-	(506)	(506)
Impairment of computer software	-	-	-	-	(8,079)	(8,079)
At 31 December	**41,882**	**113,856**	**155,738**	**41,656**	**113,907**	**155,563**
Amortisation						
At 1 January	29,738	67,542	97,280	24,631	56,023	80,654
Impairment of computer software	-	-	-	-	(8,079)	(8,079)
Charge for the year	3,643	13,909	17,552	5,107	19,878	24,985
Exchange differences	-	(39)	(39)	-	(280)	(280)
At 31 December	**33,381**	**81,412**	**114,793**	**29,738**	**67,542**	**97,280**
Net book value						
At 31 December	**8,501**	**32,444**	**40,945**	**11,918**	**46,365**	**58,283**

(b) Intangible assets (Company)

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 1 January	41,656	101,500	143,156	37,886	99,582	137,468
Additions	226	-	226	3,770	9,997	13,767
Impairment of computer software	-	-	-	-	(8,079)	(8,079)
At 31 December	**41,882**	**101,500**	**143,382**	**41,656**	**101,500**	**143,156**
Amortisation						
At 1 January	29,738	59,143	88,881	24,631	49,069	73,700
Charge for the year	3,643	12,707	16,350	5,107	18,153	23,260
Impairment of computer software	-	-	-	-	(8,079)	(8,079)
At 31 December	**33,381**	**71,850**	**105,231**	**29,738**	**59,143**	**88,881**
Net book value						
At 31 December	**8,501**	**29,650**	**38,151**	**11,918**	**42,357**	**54,275**

Intangible assets relate to the cost of purchase and installation of computer software (Genisys and Elife). Additions during the year 2019 and 2018 relate to the cost of purchase and installation of ELIFE-Pensions Module and Group Life Module (Life Business) and modifications to Genisys (General Business). Impairment of computer software relate to impairment of PREMIA (Medical Division, which is no longer in use). As at 31 December 2019, these intangible assets were tested for impairment, and management has determined no impairment provision is required in respect of these intangibles.

15. Prepaid operating lease rentals

(a) Group

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 1 January	1,248,431	9,976	1,258,407	1,248,431	9,314	1,257,745
Reclassification from investment properties	-	-	-	-	812	812
Disposals	-	-	-	-	(150)	(150)
At 31 December	**1,248,431**	**9,976**	**1,258,407**	**1,248,431**	**9,976**	**1,258,407**
Amortisation						
At 1 January	164,491	2,575	167,066	125,769	2,606	128,375
Eliminated on disposal	-	-	-	-	(150)	(150)
Charge for the year	38,722	119	38,841	38,722	119	38,841
At 31 December	**203,213**	**2,694**	**205,907**	**164,491**	**2,575**	**167,066**
Net book value						
At 31 December	**1,045,218**	**7,282**	**1,052,500**	**1,083,940**	**7,401**	**1,091,341**

(b) Company

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 1 January	1,248,431	9,830	1,258,261	1,248,431	9,168	1,257,599
Reclassification from investment properties	-	-	-	-	812	812
Disposals	-	-	-	-	(150)	(150)
At 31 December	**1,248,431**	**9,830**	**1,258,261**	**1,248,431**	**9,830**	**1,258,261**
Amortisation						
At 1 January	164,491	2,558	167,049	125,769	2,591	128,360
Eliminated on disposal	-	-	-	-	(150)	(150)
Charge for the year	38,722	117	38,839	38,722	117	38,839
At 31 December	**203,213**	**2,675**	**205,888**	**164,491**	**2,558**	**167,049**
Net book value						
At 31 December	**1,045,218**	**7,155**	**1,052,373**	**1,083,940**	**7,272**	**1,091,212**

16. Investment properties

(a) Group

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 1 January	2,008,654	1,291,053	3,299,707	1,902,289	1,221,515	3,123,804
Additions	2,570	261	2,831	752	2,536	3,288
Reclassification to prepaid operating lease rentals	-	-	-	-	(812)	(812
Fair value gains	-	-	-	105,613	67,814	173,427
At 31 December	**2,011,224**	**1,291,314**	**3,302,538**	**2,008,654**	**1,291,053**	**3,299,707**

16. Investment properties (continued)

(b) Company

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 1 January	2,008,654	1,272,538	3,281,192	1,902,289	1,203,915	3,106,204
Additions	2,570	261	2,831	752	2,536	3,288
Reclassification to prepaid operating lease rentals	-	-	-	-	(812)	(812)
Fair value gains	-	-	-	105,613	66,899	172,512
At 31 December	**2,011,224**	**1,272,799**	**3,284,023**	**2,008,654**	**1,272,538**	**3,281,192**

Investment properties are stated at fair value, which has been determined based on valuation (open market value for existing use) performed by City Valuers Limited as at 31 December 2018. Valuation was not carried out as at 31 December 2019. City Valuers Limited are industry specialists in valuing these types on investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanges between a knowledgeable, willing buyer and a knowledgeable willing seller, in an arm's length transaction at the date of valuation in accordance with the standards issued by the International Valuation Standards Committee. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Except for the year ended 31 December 2019, valuations are performed on an annual basis using recent transaction prices for similar use assets and the fair value gains and losses are dealt with in the statement of profit or loss.

The Group enters into operating leases for all its investment properties. The rental income arising during the year amounted to KShs 137,088,000 (2018: KShs 139,448,000) which is included in investment income (Note 3).

Direct operating expenses (included in note 3) attributable to the rental of these properties during the year were KShs 63,669,000 (2018: KShs 49,098,000).

Disclosures regarding minimum lease payments have been provided in Note 38(b).

The following table shows an analysis of investment properties recorded at fair value by level of the fair value hierarchy

Group	2019 KShs'000	2018 KShs'000
Level 1	-	-
Level 2	3,302,538	3,299,707
Level 3	-	-
Fair value as at 31 December	**3,302,538**	**3,299,707**

Company	KShs'000	KShs'000
Level 1	-	-
Level 2	3,284,023	3,281,192
Level 3	-	-
Fair value as at 31 December	**3,284,023**	**3,281,192**

17. Investment in subsidiaries (Company)

	Percentage of shareholding	2019 KShs'000	2018 KShs'000
Kenya Pravack Limited	100	3,640	3,640
Kenindia Asset Management Company Limited	100	10,000	10,000
Tanzindia Assurance Company Limited	65	91,972	91,972
At 31 December		**105,612**	**105,612**

Investment in subsidiaries is stated at cost.

Kenya Pravack Limited

The principal activity of Kenya Pravack Limited is to carry out investments for Kenindia Assurance Company Limited. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Kenindia Asset Management Company Limited

The principle activity of Kenindia Asset Management Company Limited is that the company manages and administers retirement benefit schemes. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Tanzindia Assurance Company limited

The principal activity of Tanzindia Assurance Company Limited is the transaction of general insurance business. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest for the period is KShs 62,709,000 (2018: KShs 76,231,000) which is wholly attributed to Tanzindia Assurance Company Limited.

Set out below are the summarised financial information for the subsidiary whose non-controlling interest are material to the group;

Summarised statement of financial position	2019 KShs'000	2018 KShs'000
Total assets	2,091,718	2,001,408
Total liabilities	(1,910,281)	(1,775,337)
Net assets	**181,437**	**226,071**
Summarised statement of profit or loss		
Gross earned premiums	568,676	562,564
Underwriting surplus	11,446	28,227
Loss before income tax	(39,558)	(19,490)
Income tax expense	5,993	1,830
	(33,565)	(17,660)
Other comprehensive income	(5,068)	3,000
Total comprehensive income	**(38,633)**	**(14,660)**
Total comprehensive income allocated to non-controlling interest	**(13,523)**	**(5,131)**

17. Investment in subsidiaries (continued)

Tanzania Assurance Company Limited (continued)

Summarised statement of cash flows

	2019 KShs'000	2018 KShs'000
Net cash used in operating activities	(85,473)	(25,695)
Net cash generated from/(used in) investing activities	11,031	(41,126)
Net cash generated from financing activities	2,722	19,508
Net decrease in cash and cash equivalents	**(71,721)**	**(47,313)**
Cash and cash equivalents at beginning of year	**122,942**	**172,940**
Exchange loss on cash and cash equivalents	(134)	(2,685)
Cash and cash equivalents at the end of the year	**51,087**	**122,942**

18. Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)

(a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At start of year	153	679,621	679,774	153	600,997	601,150
Overprovision in previous year	-	-	-	-	(303)	(303)
Fair value gain/(loss)	-	(7,239)	(7,239)	-	81,053	81,053
Provision for expected credit losses	-	(24)	(24)	-	(28)	(28)
Exchange loss	-	(173)	(173)	-	(2,098)	(2,098)
At end of year	**153**	**672,185**	**672,338**	**153**	**679,621**	**679,774**

(b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At start of year	153	624,274	624,427	153	547,507	547,660
Fair value gain	-	-	-	-	76,767	76,767
At end of year	**153**	**624,274**	**624,427**	**153**	**624,274**	**624,427**

Unquoted equity investments comprise investments in shares of unquoted companies, which the Group intends to hold for long term. Although there is no market for these investments, during the year, the investments were carried at fair value. Valuation was done using the market approach and a conservation view adopted.

19. Financial assets at fair value through profit or loss

(a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At start of year	134,204	51,192	185,396	178,015	74,697	252,712
Additions	-	1,786	1,786	-	-	-
Disposals	-	(2,446)	(2,446)	-	-	-
Exchange loss	-	(1)	(1)	-	(5)	(5)
Fair value gain/(loss)	19,719	9,501	29,220	(43,811)	(23,500)	(67,311)
At end of year	**153,923**	**60,032**	**213,955**	**134,204**	**51,192**	**185,396**

(b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At start of year	134,204	37,833	172,037	178,015	58,347	236,362
Additions	-	1,786	1,786	-	-	-
Disposals	-	(2,446)	(2,446)	-	-	-
Fair value gain/(loss)	19,719	4,220	23,939	(43,811)	(20,514)	(64,325)
At end of year	**153,923**	**41,393**	**195,316**	**134,204**	**37,833**	**172,037**

20. Loans receivable (Group and Company)

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Mortgage loans						
At start of year	4,813	-	4,813	4,813	-	4,813
Loan repayments	(574)	-	(574)	-	-	-
At end of year	**4,239**	**-**	**4,239**	**4,813**	**-**	**4,813**
Maturity profile of mortgage loans maturing						
In 1-5 years	2,972	-	2,972	3,546	-	3,546
In over 5 years	1,267	-	1,267	1,267	-	1,267
At end of year	**4,239**	**-**	**4,239**	**4,813**	**-**	**4,813**
Policy loans						
At start of year	164,031	-	164,031	90,659	-	90,659
Loan advanced	32,238	-	32,238	36,749	-	36,749
Loan repayments	(40,977)	-	(40,977)	(32,458)	-	(32,458)
Accrued interest b/f reversed	(69,081)	-	(69,081)	-	-	-
Accrued interest	24,283	-	24,283	69,081	-	69,081
At end of year	**110,494**	**-**	**110,494**	**164,031**	**-**	**164,031**
Maturity profile of policy loans maturing						
Within 1 year	10,560	-	10,560	6,744	-	6,744
In 1-5 years	44,840	-	44,840	45,639	-	45,639
In over 5 years	55,094	-	55,094	111,648	-	111,648
At end of year	**110,494**	**-**	**110,494**	**164,031**	**-**	**164,031**

20. Loans receivables (continued)

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Motor vehicle loans (Maturing between 1-5 years)						
At start of year	1,555	10	1,565	862	200	1,062
Loan advanced	1,940	500	2,440	950	40	990
Loan repayments	(575)	(20)	(595)	(257)	(230)	(487)
At end of year	**2,920**	**490**	**3,410**	**1,555**	**10**	**1,565**
Book amount						
Mortage loans	4,239	-	4,239	4,813	-	4,813
Policy loans	110,494	-	110,494	164,031	-	164,031
Motor vehicles	2,920	490	3,410	1,555	10	1,565
At end of year	**117,653**	**490**	**118,143**	**170,399**	**10**	**170,409**

Mortgage loans, policy loans and staff motor vehicle loans are carried at amortised cost. The weighted average effective interest rates for these loans are disclosed in Note 35. There is no concentration of credit risk in respect of these loans.

Collateral

The group holds collateral against loans to loanees (staff and non-staff) in the form of mortgage interests over property and motor vehicle. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. The Group can liquidate the collateral in case of default. The Group holds in its custody the title deeds and log books for the assets attributable to the mortgage loans and motor vehicle loans respectively on behalf of the loanees. The title documents are released to the loanees upon full settlement of the respective loans. The collateral for the policy loans is the cash surrender value of the underlying policy. In the opinion of the directors, the collateral in place is adequate to cover the debt amount. In case of default, the policy loan is written off against the cash surrender value. None of these loans have had their terms renegotiated.

21. Receivables arising out of reinsurance arrangements

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Group						
Amount due from re-insurers	33,785	1,481,344	1,515,129	33,873	1,370,240	1,404,113
Write off of reinsurance balances	-	(126,629)	(126,629)	-	-	-
Allowance for credit losses	(32,593)	-	(32,593)	(32,593)	-	(32,593)
	1,192	**1,354,715**	**1,355,907**	**1,280**	**1,370,240**	**1,371,520**
Company						
Amount due from re-insurers	33,785	878,613	912,398	33,873	828,033	861,906
Write off of reinsurance balances	-	(126,629)	(126,629)	-	-	-
Allowance for credit losses	(32,593)	-	(32,593)	(32,593)	-	(32,593)
Amount due from re-insurers	**1,192**	**751,984**	**753,176**	**1,280**	**828,033**	**829,313**

Receivables arising out of reinsurance arrangements are non-interest bearing. Those past due and non-interest bearing are not considered impaired as these relate to active accounts and recovery is still being pursued by management.

22. Receivables arising out of direct insurance arrangements

	Group		Company	
	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Outstanding premium	666,623	907,089	546,211	846,147
Allowance for credit losses	(190,505)	(269,272)	(107,775)	(264,174)
At 31 December	**476,118**	**637,817**	**438,436**	**581,973**
Allowance for credit losses				
At the beginning of the year	269,272	336,582	264,174	335,222
Charge for the year	75,660	-	75,660	-
Write back of credit losses	-	(93,969)	-	(93,969)
Write off of credit losses	(305,469)	(6,461)	(305,469)	(6,461)
Exchange differences	104	(69)	-	-
Reclassification of provision for expected credit losses from reinsurance receivables	16,415	-	-	-
Provision for expected credit losses	134,523	33,189	73,410	29,382
At 31 December	**190,505**	**269,272**	**107,775**	**264,174**
Aged analysis of outstanding premium				
Neither past due nor impaired				
Less than 30 days	155,034	(126,484)	155,034	(116,220)
31 – 60 days	54,365	77,427	54,365	71,544
61 – 90 days	34,237	109,935	34,237	68,397
Past due but not impaired				
91 – 180 days	53,641	52,603	53,641	109,858
Over 180 days	178,841	524,336	141,159	448,394
At 31 December	**476,118**	**637,817**	**438,436**	**581,973**

Receivables arising out of direct insurance arrangements are non-interest bearing and are generally on cash and carry terms (require immediate settlement). Amounts that are past due are not considered impaired as these relate to active accounts and recovery is still being pursued by management.

23. Insurance liabilities

Insurance liabilities comprise gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported and are stated net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2019 and 2018 are insignificant.

	Group		Company	
(i) Outstanding balances	2019	2018	2019	2018
	KShs'000	KShs'000	KShs'000	KShs'000
Short term insurance contracts				
Claims reported and claims handling expenses	4,102,763	3,468,184	3,218,583	2,625,477
Claims incurred but not reported	1,484,598	1,326,217	1,307,762	1,165,186
	5,587,361	**4,794,401**	**4,526,345**	**3,790,663**
Reinsurers' share of insurance liabilities	**(2,835,633)**	**(2,614,155)**	**(1,992,615)**	**(1,835,716)**
Net outstanding liabilities	**2,751,728**	**2,180,246**	**2,533,730**	**1,954,947**
Long term assurance contracts				
Claims reported and claims handling expenses	**117,451**	**139,638**	**117,451**	**139,638**

23. Insurance liabilities (continued)

(ii) Outstanding claims provisions movement

Long term assurance business (Group and Company)

	2019 Insurance contract liabilities KShs'000	2018 Insurance contract liabilities KShs'000
At 1 January	139,638	90,451
Claims incurred in current year	409,657	365,895
Claims paid	(431,844)	(316,708)
At 31 December	**117,451**	**139,638**

Short term insurance business

(a) Group

	Insurance contract liabilities KShs'000	Re-insurers' share of liabilities KShs'000	Total 2019 KShs'000	Insurance contract liabilities KShs'000	Re-insurers' share of liabilities KShs'000	Total 2018 KShs'000
At 1 January	4,794,401	2,614,155	2,180,246	4,754,391	2,744,498	2,009,893
Claims incurred in current accident year	2,599,082	821,433	1,777,649	2,133,397	708,488	1,424,909
Claims paid during the year	(1,806,122)	(599,955)	(1,206,167)	(2,093,387)	(838,831)	(1,254,556)
At end of year	**5,587,361**	**2,835,633**	**2,751,728**	**4,794,401**	**2,614,155**	**2,180,246**

(b) Company

	Insurance contract liabilities KShs'000	Re-insurers' share of liabilities KShs'000	Total 2019 KShs'000	Insurance contract liabilities KShs'000	Re-insurers' share of liabilities KShs'000	Total 2018 KShs'000
At 1 January	3,790,663	1,835,716	1,954,947	3,905,518	2,127,769	1,777,749
Claims incurred in current accident year	2,198,043	497,851	1,700,192	1,708,720	343,884	1,364,836
Claims paid during the year	(1,462,361)	(340,952)	(1,121,409	(1,823,575)	(635,937)	(1,187,638)
At end of year	**4,526,345**	**1,992,615**	**2,533,730**	**3,790,663**	**1,835,716**	**1,954,947**

24. Other receivables

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Due from related companies	-	-	-	-	-	-
Prepayments	594	2,207	2,801	-	234	234
Interdepartmental balance	-	51,506	51,506	-	33,189	33,189
Deposits, outstanding rental income and others	82,566	238,063	320,629	130,664	209,402	340,066
Provision for expected credit losses on rental receivables	(19,244)	-	(19,244)	-	-	-
Provision for rental and other receivables	(19,185)	(50,308)	(69,493)	(36,412)	(50,308)	(86,720)
At end of year	**44,731**	**241,468**	**286,199**	**94,252**	**192,517**	**286,769**

24. Other receivables (continued)

(a) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Amount due from related companies	-	20,606	20,606	-	17,292	17,292
Interdepartmental balance	-	51,506	51,506	-	33,189	33,189
Prepayments	594	2,207	2,801	-	234	234
Deposits, outstanding rental income and others	82,566	218,558	301,124	130,664	184,088	314,752
Provision for expected credit losses on rental receivables	(19,244)	-	(19,244)	-	-	-
Provision for rental and other receivables	(19,185)	(50,308)	(69,493)	(36,412)	(44,139)	(80,551)
At end of year	**44,731**	**242,569**	**287,300**	**94,252**	**190,664**	**284,916**

Other receivables category is made up of amounts due from related companies, inter-departmental balance, pre-payments, deposits, outstanding rental income and miscellaneous receivables. For terms and conditions relating to related party receivables refer to note 39. Other receivables are non-interest bearing and are generally on 30-90 days terms.

(b) Kenya Motor Insurance Pool (Group and company)

The amount due from Kenya Motor Insurance Pool relates to the Group's share of net assets in a motor insurance pool where underwriters/insurance companies in Kenya were required to cede a portion of their premiums to a pool in order to cushion themselves from excessive claims arising from public vehicles incidences. The Kenya Motor Insurance Pool is able to settle claims as and when they fall due. In the opinion of the directors, the amount due from Kenya Motor Insurance Pool is recoverable.

	2019 KShs'000	2018 KShs'000
At 1 January	98,089	97,011
Net increase in group share of net assets of the pool	(28,052)	1,078
At end of year	**70,037**	**98,089**

Summarised financial information in respect of the Kenya Motor Pool is as follows;

	2019 KShs'000	2018 KShs'000
Total assets new/old pool	1,052,143	970,278
Total liabilities new/old pool	(34,065)	(48,883)
Total net assets	1,018,078	921,395
Group's share of net assets	**70,037**	**98,089**
Surplus for the year new/old pool	96,683	12,026
Group's share of the profit/(loss) for the year	(28,052)	1,078

25. Government securities

(a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Treasury bills and bonds movement (At amortised cost)						
At start of year	30,153,710	2,094,673	32,248,383	26,482,642	1,795,189	28,277,831
Additions	4,472,829	50,091	4,522,920	4,438,948	304,571	4,743,519
Maturity of bonds	(169,700)	(13,502)	(183,202)	(942,874)	(30,000)	(972,874)
Provision for expected credit losses	-	(24)	(24)	-	(24)	(24)
Exchange differences	-	(199)	(199)	-	(1,964)	(1,964)
Accrued interest	257,963	21,951	279,914	174,994	26,901	201,895
At end of year	**34,714,802**	**2,152,990**	**36,867,792**	**30,153,710**	**2,094,673**	**32,248,383**
Treasury bills and bonds maturity analysis						
-Within 1 year	2,056,819	47,633	2,104,452	76,407	61,586	137,993
-In 1-5 years	8,453,021	1,010,378	9,463,399	5,833,141	901,398	6,734,539
-After 5 years	24,204,962	1,094,979	25,299,941	24,244,162	1,131,689	25,375,851
At end of year	**34,714,802**	**2,152,990**	**36,867,792**	**30,153,710**	**2,094,673**	**32,248,383**

(b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Treasury bills and bonds movement (At amortised cost)						
At start of year	30,153,710	2,045,315	32,199,025	26,482,642	1,745,049	28,227,691
Additions	4,472,829	50,091	4,522,920	4,438,948	304,571	4,743,519
Maturity of bonds	(169,700)	(12,000)	(181,700	(942,874)	(30,000)	(972,874)
Accrued interest	257,963	21,951	279,914	174,994	25,695	200,689
At end of year	**34,714,802**	**2,105,357**	**36,820,159**	**30,153,710**	**2,045,315**	**32,199,025**
Treasury bills and bonds maturity analysis						
-Within 1 year	2,056,819	-	2,056,819	76,407	12,228	88,635
-In 1-5 years	8,453,021	1,010,378	9,463,399	5,833,141	901,398	6,734,539
-After 5 years	24,204,962	1,094,979	25,299,941	24,244,162	1,131,689	25,375,851
At end of year	**34,714,802**	**2,105,357**	**36,820,159**	**30,153,710**	**2,045,315**	**32,199,025**

25. Government securities (continued)

(c) Treasury bills and bonds movement
(At fair value through other comprehensive income)

	Short term insurance business KShs'000	Short term insurance business KShs'000	Short term insurance business KShs'000	Short term insurance business KShs'000
	Group		Company	
	2019	2018	2019	2018
At start of year	682,741	764,314	673,225	751,408
Maturity of bonds	(26,150)	(103,131)	(26,150)	(99,380)
Fair value adjustment recorded in other comprehensive income (Note 9a)	1,455	21,329	1,278	20,970
Adjustment for gains/(loss) included in statement of profit or loss on disposal of available-for-sale investments	615	(925)	615	(924)
Accrued interest	(1,601)	1,154	(1,605)	1,151
At end of year	**657,060**	**682,741**	**647,363**	**673,225**
Treasury bills and bonds maturing				
-Within 1 year	89,658	-	89,658	-
-In 1-5 years	219,931	331,394	214,477	331,394
-After 5 years	347,471	351,347	343,228	341,831
At end of year	**657,060**	**682,741**	**647,363**	**673,225**

At amortised cost government securities are in long term business and short term business and are carried at amortised costs (i.e. cost plus accrued discount or interest) and any premium or discount is amortised through profit or loss during the tenancy of the bond or securities. At fair value through other comprehensive income government securities are in short term business, and are carried at fair value. Gains and losses on valuation of fair value on investments at fair through other comprehensive income are dealt with in the statement of other comprehensive income.

26. Payable (Group and Company)

(a) Deposit administration contracts

Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 11.00% for the year (2018: 11.50%)

	2019 KShs'000	2018 KShs'000
At start of the year	23,238,228	21,760,403
Pension fund deposits received	3,535,194	3,578,788
Withdrawals and benefits paid	(2,633,235)	(4,400,434)
Commissions and expenses charged	(201,461)	(263,085)
Investment income	2,874,838	2,562,556
At end of year	**26,813,564**	**23,238,228**

(b) Payable under annuities

At start of year	1,226,564	727,514
Funds received	412,487	472,061
Benefits paid	(142,826)	(88,987)
Commissions charged	(7,948)	(8,425)
Investment income	166,138	124,401
At end of year	**1,654,415**	**1,226,564**

27. Actuarial value of policyholders' liabilities

The company underwrites long term policies under its long term assurance business. This type of business is subjected to an actuarial method where liabilities are determined by the company on the advice of the consulting actuary and actuarial valuations are carried out on an annual basis. The annual actuarial valuation of the life fund was carried out by the company's consulting Actuary, Saket Singhal, as at 31 December 2019 and 31 December 2018 respectively, using the gross premium method and revealed an actuarial surplus of KShs 1,877.97 million (2018: KShs 1,712.98 million) after reserves set aside and before declaration of interest and bonuses to policy holders and distribution to shareholders. The actuary recommended KShs 40.099 million (2018: KShs 60 million) transfer (gross before taxes) from the life fund to the shareholders.

Assets and liabilities of the life fund	**2019 KShs'000**	**2018 KShs'000**
Life fund assets	10,020,661	8,531,496
Transfer to shareholders, before tax	(40,099)	(60,000)
Transfer to general reserve, before tax	(241,610)	(112,774)
Actuarial value of policyholders' liabilities	**9,738,952**	**8,358,722**

Policy holders' liabilities are stated inclusive of cumulative provisions for interest and bonuses payable as at 31 December 2019 and 31 December 2018 respectively.

Movement is as follows:	**2019 KShs'000**	**2018 KShs'000**
At start of year	8,358,722	6,911,074
Policyholders' bonuses and interest	1,852,710	1,534,670
Surrenders and annuity payments	(340,047)	(242,829)
Increase in the period (net)	(132,433)	155,807
At end of the year	**9,738,952**	**8,358,722**

Actuarial assumptions:

The significant valuation assumptions for the actuarial valuation as at 31 December 2019 are summarised below. The same assumptions were used in 2018.

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

27. Actuarial value of policy holders' liabilities (Group and Company) (continued)

Actuarial assumptions: (continued)

Mortality rates (continued)

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders. The rates of mortality used in calculating the liability under a policy are the rates assumed in accordance with the tables published for the Institute of Actuaries in England and the Faculty of Actuaries of Scotland. The company uses the KE 2007-2010 mortality table as a base table for standard mortality rates. The rate of interest used was 4% per annum compound for all long term assurance policies. For valuing annuities, the KE 2007-2010 mortality table for annuities is used with interest at 12.25% per annum. Statistical methods are used to adjust the mortality rates reflected on the base table based on the company's experience of improvement or worsening of the mortality. There are reserves established to take account of the possible deterioration of mortality experience in respect of HIV/AIDS related deaths.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

27. Actuarial value of policy holders' liabilities (Group and Company) (continued)

Actuarial assumptions (continued)

Sensitivity analysis on actuarial assumptions

The basis of valuation of life insurance contracts is prescribed in the Insurance Act of Kenya. The Act prescribes Gross Premium Valuation method which is very conservative. Changes in actuarial basis derived from recent experience investigations do not have a significant impact in the actuarially derived reserves. The actuarial method used is not sensitive to changes in the key assumptions used in determining the actuarial liabilities. The key actuarial assumptions will need to change very significantly for the actuarial liabilities to change by a relatively small percentage.

Changes in mortality assumptions will have the following impact in the statement of profit or loss.

Sensitivities	% change in base	Insurance participating 2019 KShs'000	Assets backing life shareholders 2018 KShs'000	Insurance participating 2019 KShs'000	Assets backing life shareholders 2018 KShs'000
Discount rate on:					
Assurance mortality	1%	-	-	-	-
Assurance mortality	-1%	-	-	-	-

28. Provision for unearned premium

(a) Group

	2019			2018		
	Gross KShs'000	Re-insurance KShs'000	Net KShs'000	Gross KShs'000	Re-insurance KShs'000	Net KShs'000
At beginning of year	1,250,330	496,433	753,897	1,337,218	573,397	763,821
Decrease in the year	(252,111)	(78,433)	(173,678)	(86,888)	(76,964)	(9,924)
At end of year	**998,219**	**418,000**	**580,219**	**1,250,330**	**496,433**	**753,897**

(b) Company

	2019			2018		
	Gross KShs'000	Re-insurance KShs'000	Net KShs'000	Gross KShs'000	Re-insurance KShs'000	Net KShs'000
At beginning of year	967,930	306,098	661,832	1,030,140	350,703	679,437
Decrease in the year	(192,036)	(49,377)	(142,659)	(62,210)	(44,605)	(17,605)
At end of year	**775,894**	**256,721**	**519,173**	**967,930**	**306,098**	**661,832**

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 reporting date, and is computed using the $1/24^{th}$ method.

Provision for unearned premium is classified as current liability.

The movement in the unearned premium is as follows:

(a) Group

	2019			2018		
	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000
At beginning of year	1,250,330	496,433	753,897	1,337,218	573,397	763,821
Premium written during the year	3,037,143	1,243,519	1,793,624	3,417,250	1,306,887	2,110,363
Premium earned during the year (note 2a and 2b)	(3,289,254)	(1,321,952)	(1,967,302)	(3,504,138)	(1,383,851)	(2,120,287)
At end of year	**998,219**	**418,000**	**580,219**	**1,250,330**	**496,433**	**753,897**

(b) Company

	2019			2018		
	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000
At beginning of year	967,930	306,098	661,832	1,030,140	350,703	679,437
Premium written during the year	2,468,467	863,711	1,604,756	2,854,686	946,814	1,907,872
Premium earned during the year (note 2a and 2b)	(2,660,503)	(913,088)	(1,747,415)	(2,916,896)	(991,419)	(1,925,477)
At end of year	**775,894**	**256,721**	**519,173**	**967,930**	**306,098**	**661,832**

29. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2018: 30%). The deferred tax assets and liabilities are made up of the following:

Deferred tax asset/(liability)

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Deferred tax asset						
Accelerated capital allowances	-	10,765	10,765	-	2,276	2,276
Temporary differences arising from accrued leave	-	3,559	3,559	-	4,565	4,565
Other temporary differences	-	6,818	6,818	-	1,562	1,562
Tax losses carried forward	-	221,904	221,904	-	55,554	55,554
At end of year	**-**	**243,046**	**243,046**	**-**	**63,957**	**63,957**
Deferred tax liability						
Actuarial surplus	(13,943)	-	(13,943)	(13,943)	-	(13,943)
Financial assets at fair value on through other comprehensive income	157	(167,955)	(167,798)	157	(169,505)	(169,348)
Exchange differences	-	(8)	(8)	-	27	27
Overprovision of fair value on financial assets through other comprehensive income	-	33	33	-	91	91
Reclassification	-	-	-	-	(184)	(184)
Deferred tax on fixed assets revaluation	-	(142,387)	(142,387)	-	(142,387)	(142,387)
At end of year	**(13,786)**	**(310,317)**	**(324,103)**	**(13,786)**	**(311,958)**	**(325,744)**
Net deferred tax liability	**(13,786)**	**(67,271)**	**(81,057)**	**(13,786)**	**(248,001)**	**(261,787)**

(b) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Deferred tax asset						
Accelerated capital allowances	-	5,477	5,477	-	2,387	2,387
Temporary differences arising from accrued leave	-	3,559	3,559	-	4,565	4,565
Other temporary differences	-	12,165	12,165	-	(4,695)	(4,695)
Tax losses carried forward	-	203,836	203,836	-	55,554	55,554
At end of year	**-**	**225,037**	**225,037**	**-**	**57,811**	**57,811**
Deferred tax liability						
Actuarial surplus	(13,943)	-	(13,943)	(13,943)	-	(13,943)
Financial assets at fair value on through other comprehensive income	157	(168,327)	(168,170)	157	(167,759)	(167,602)
Deferred tax on fixed assets revaluation	-	(142,387)	(142,387)	-	(142,387)	(142,387)
At end of year	**(13,786)**	**(310,714)**	**(324,500)**	**(13,786)**	**(310,146)**	**(323,932)**
Net deferred tax liability	**(13,786)**	**(85,677)**	**(99,463)**	**(13,786)**	**(252,335)**	**(266,121)**

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

29. **Deferred tax (continued)**

Deferred tax asset/(liability) movement

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 01 January	(13,786)	(248,001)	(261,787)	(34,760)	(217,539)	(252,299)
Credited to profit or loss	-	179,089	179,089	20,974	18,111	39,415
Credited/(charged) to other comprehensive income	-	1,641	1,641	-	(48,573)	(48,573)
At end of year	**(13,786)**	**(67,271)**	**(81,057)**	**(13,786)**	**(248,001)**	**(261,457)**

Deferred tax liability

(b) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
At 01 January	(13,786)	(252,335)	(266,121)	(34,760)	(216,401)	(251,161)
Credited to profit or loss	-	167,226	167,226	20,974	11,185	32,159
Charged to other comprehensive income	-	(568)	(568)	-	(47,119)	(47,119)
At end of year	**(13,786)**	**(85,677)**	**(99,463)**	**(13,786)**	**(252,335)**	**(266,121)**

30. **Insurance payables**

(a) Group	2019 Payables on direct insurance arrangements KShs'000	2019 Payable arising from reinsurance arrangements KShs'000	2018 Payables on direct insurance arrangements KShs'000	2018 Payable arising from reinsurance arrangements KShs'000
At 1 January	228,369	1,752,884	260,156	1,915,547
Arising during the year	-	106,409	-	-
Utilised/paid	(134,054)	-	(31,787)	(162,663)
At end of year	**94,315**	**1,859,293**	**228,369**	**1,752,884**

(b) Company	2019 Payables on direct insurance arrangements KShs'000	2019 Payable arising from reinsurance arrangements KShs'000	2018 Payables on direct insurance arrangements KShs'000	2018 Payable arising from reinsurance arrangements KShs'000
At 1 January	228,369	1,309,789	260,156	1,615,413
Arising during the year	-	38,752	-	-
Utilised /paid	(134,054)	-	(31,787)	(305,624)
At end of year	**94,315**	**1,348,541**	**228,369**	**1,309,789**

Insurance payables comprise of amounts payable on direct insurance business (to agents and brokers) and amounts payable from reinsurance (payable to the reinsurers).

31. Other payables

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Inter- departmental balance	51,506	-	51,506	33,189	-	33,189
Accrued leave	3,583	15,217	18,800	4,672	15,217	19,889
Accrued expenses	11,424	21,548	32,972	14,447	21,548	35,995
Other liabilities	340,482	110,646	451,128	311,144	105,391	416,535
At end of year	**406,995**	**147,411**	**554,406**	**363,452**	**142,156**	**505,608**

(b) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
Accrued expenses	11,424	12,940	24,364	14,447	18,337	32,784
Accrued leave	3,583	11,863	15,446	4,672	15,217	19,889
Inter-departmental balance	51,506	-	51,506	33,189	-	33,189
Other liabilities	340,482	80,454	420,936	311,144	61,470	372,614
At end of year	**406,995**	**105,257**	**512,252**	**363,452**	**95,024**	**458,476**

For terms and conditions relating to related party payables, refer to Note 39.

Other payables are non-interest bearing and are generally on 30-90 day terms. Other payables are carried at amortised cost.

32. Cash and cash equivalents

For the purpose of cashflow, cash and cash equivalents comprise the following:

(a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs '000	Short term insurance business KShs'000	2018 Total KShs'000
Bank and cash balances	367,196	171,459	538,655	225,760	151,134	376,894
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	41,256	343,282	384,538	110,272	523,508	633,780
	408,452	514,741	923,193	336,032	674,642	1,010,674
Bank overdraft	-	(42,217)	(42,217)	-	(124,122)	(124,122)
At end of year	**408,452**	**472,524**	**880,976**	**336,032**	**550,520**	**886,552**

(b) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs '000	Short term insurance business KShs'000	2018 Total KShs'000
Bank and cash balances	367,196	84,323	451,519	225,760	13,082	238,842
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	41,256	120,243	161,499	110,272	317,207	427,479
	408,452	204,566	613,018	336,032	330,289	666,321
Bank overdraft	-	(22,490)	(22,490)	-	(124,122)	(124,122)
At end of year	**408,452**	**182,076**	**590,528**	**336,032**	**206,167**	**542,199**

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. All bank balances are subject to an average variable interest rate of 0.28% (2018: 0.36%).

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. There are no restrictions or collateral held on cash and equivalents.

Bank overdraft is secured by fixed deposits held with the bank.

33. Financial instruments

(a) Summary per category

(i) Group

The Group's financial instruments are summarised by categories as follows:

Financial assets	Financial assets at amortised cost (Note 20, 24,25,32) KShs'000	Financial assets at fair value through other comprehensive income (Note 25) KShs'000	Financial assets at fair value through profit or loss (Note 19,33) KShs'000	Total KShs'000
31 December 2019				
Investment in quoted shares		-	213,955	213,955
Investment in unquoted shares		672,338	-	672,338
Investment in government securities	36,867,792	657,060	-	37,524,852
Loans receivable	118,143	-	-	118,143
Other receivables	286,199	-	-	286,199
Deposits with financial institutions:				
- Maturing after 90 days of the date of acquisition	-	-	1,335,457	1,335,457
- Maturing within 90 days of the date of acquisition	384,538	-	-	384,538
Total deposits with financial institutions	384,538	-	1,335,457	1,719,995
Bonds and debentures	-	-	105,334	105,334
Bank and cash balances	538,655	-	-	538,655
Carrying value	**38,195,327**	**1,329,398**	**1,654,746**	**41,179,471**

Financial liabilities	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total 2019 KShs'000	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total 2018 KShs'000
Financial liabilities at amortised cost (Note 31)	554,406	-	554,406	505,608	-	505,608
Payable under deposit administration liabilities (Note 26a)	-	26,813,564	26,813,564	-	23,238,228	23,238,228
Payable under annuities (Note 26b)	-	1,654,415	1,654,415	-	1,226,564	1,226,564
Bank overdraft	42,217	-	42,217	124,122	-	124,122
Carrying value	**596,623**	**28,467,979**	**29,064,602**	**629,730**	**24,464,792**	**25,094,522**

33. Financial instruments

(a) Summary per category

(i) Group

The Group's financial instruments are summarised by categories as follows:

Financial assets	Financial assets at amortised cost (Note 20,24,25,32) KShs'000	Financial assets at fair value through other comprehensive income (Note 25) KShs'000	Financial assets at fair value through profit or loss (Note 19,33) KShs'000	Total KShs'000
31 December 2018				
Investment in quoted shares	-	-	185,396	185,396
Investment in unquoted shares	-	679,774	-	679,774
Investment in government securities	32,248,383	682,741	-	32,931,124
Loans receivable	170,409	-	-	170,409
Other receivables	286,769	-	-	286,769
Deposits with financial institutions:				
-Maturing after 90 days of the date of acquisition	-	-	280,808	280,808
-Maturing within 90 days of the date of acquisition	633,780	-	-	633,780
Total deposits with financial institutions	633,780	-	280,808	914,588
Bonds and debentures	-	-	105,050	105,050
Bank and cash balances	376,894	-	-	376,894
Carrying value	**33,746,235**	**1,362,515**	**571,254**	**35,650,004**

33. Financial instruments (continued)

(a) Summary per category (continued)

(ii) Company

The Company's financial instruments are summarised by categories as follows:

Financial assets	Financial assets at amortised cost (Note 20,24, 25,32) KShs'000	Financial assets at fair value through other comprehensive income (Note 25 KShs'000	Financial assets at fair value through profit or loss (Note 19,33) KShs'000	Total KShs'000
31 December 2019				
Investment in quoted shares	-	-	195,316	195,316
Investment in unquoted shares	-	624,427	-	624,427
Investment in government securities	36,820,159	647,363	-	37,467,522
Loans receivable	118.143	-	-	118,143
Other receivables	287,300	-	-	287,300
Deposits with financial institutions:				
-Maturing after 90 days of the date of acquisition	-	-	1,335,457	1,335,457
-Maturing within 90 days of the date of acquisition	161,499	-		161,499
Total deposits with financial institutions	161,499	-	1,335,457	1,496,956
Bonds and debentures	-	-	105,334	105,334
Bank and cash balances	451,519	-	-	451519
Carrying value	**37,838,620**	**1,271,790**	**1,636,107**	**40,746,517**

Financial liabilities	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total 2019 KShs'000	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total 2018 KShs'000
Financial liabilities at amortised cost (Note 31)	512,252	-	512,252	458,476	-	458,476
Payable under deposit administration liabilities (Note 26a)	-	26,813,564	26,813,564	-	23,238,228	23,238,228
Payable under annuities (Note 26b)	-	1,654,415	1,654,415	-	1,226,564	1,226,564
Bank overdraft	22,490	-	22,490	124,122	-	124,122
Carrying value	**534,742**	**28,467,979**	**29,002,721**	**582,598**	**24,464,792**	**25,047,390**

33. Financial instruments (continued)

(a) Summary per category (continued)

(ii) Company

The Company's financial instruments are summarised by categories as follows:

Financial assets	Financial assets at amortised cos (Note20,24,25, 32) KShs'000	Financial assets at fair value through other comprehensive income (Note 25) KShs'000	Financial assets at fair value through profit or loss (Note 19,33) KShs'000	Total KShs'000
31 December 2018				
Investment in quoted shares	-	-	172,037	172,037
Investment in unquoted shares	-	624,427	-	624,427
Investment in government securities	32,199,025	673,225	-	32,872,250
Loans receivable	170,409	-	-	170,409
Other receivables	284,916	-	-	284,916
Deposits with financial institutions:				
-Maturing after 90 days of the date of acquisition	-	-	278,074	278,074
-Maturing within 90 days of the date of acquisition	427,479	-	-	427,479
Total deposits with financial institutions	427,479	-	278,074	705,553
Bonds and debentures	-	-	105,050	105,050
Bank and cash balances	238,842	-	-	238,842
Carrying value	**33,320,671**	**1,297,652**	**555,161**	**35,173,484**

(b) Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e., held to maturity and loans and receivables).

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices.

33. Financial instruments (continued)

(c) Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in level 2 category are financial assets and liabilities measured using significant inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Financial assets and liabilities measured using significant inputs that are not based on observable market data are categorised as level 3. Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

33. Financial instruments (continued)

(c) Determination of fair value and fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Group **As at 31 December 2019**	**Level 1** **KShs'000**	**Level 2** **KShs'000**	**Level 3** **KShs'000**	**Total fair value** **KShs'000**
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	213,955	-	-	213,955
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,719,995	-	-	1,719,995
Bonds and debentures	-	105,334	-	105,334
Bank and cash balances	-	538,655	-	538,655
	1,719,995	643,989	-	2,363,984
Financial assets at fair value through other comprehensive income				
Investment in government securities	657,060	-	-	657,060
Investment in unquoted shares	-	-	672,338	672,338
	657,060	-	672,338	1,329,398
Total financial assets	**2,591,010**	**643,989**	**672,338**	**3,907,337**
Financial liabilities:				
Deposit administration and annuities	**-**	**28,467,979**	**-**	**28,467,979**
Group **As at 31 December 2018**				
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	185,396	-	-	185,396
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	914,588	-	-	914,588
Bonds and debentures	-	105,050	-	105,050
Bank and cash balances	-	376,894	-	376,894
	914,588	481,944	-	1,396,532
Financial assets at fair value through other comprehensive income				
Investment in government securities	682,741	-	-	682,741
Investment in unquoted shares	-	-	679,774	679,774
	682,741	-	679,774	1,362,515
Total financial assets	**1,782,725**	**481,944**	**679,774**	**2,944,443**
Financial liabilities:				
Deposit administration and annuities	**-**	**24,464,792**	**-**	**24,464,792**

33. Financial instruments (continued)

(c) Determination of fair value and fair value hierarchy (continued)

Company As at 31 December 2019	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total fair value KShs'000
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	195,316	-	-	195,316
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,496,956	-	-	1,496,956
Bonds and debentures	-	105,334	-	105,334
Bank and cash balances	-	451,519	-	451,519
	1,496,956	556,853	-	2,053,809
Financial assets at fair value through other comprehensive income				
Investment in government securities	647,363	-	-	647,363
Investment in unquoted shares	-	-	624,427	624,427
	647,363	-	624,427	1,271,790
Total financial assets	**2,339,635**	**556,853**	**624,427**	**3,520,915**
Financial liabilities:				
Deposit administration and annuities	**-**	**28,467,979**	**-**	**28,467,979**

Company As at 31 December 2018	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total fair value KShs'000
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	172,037	-	-	172,037
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	705,553	-	-	705,553
Bonds and debentures	-	105,050		105,050
Bank and cash balances	-	238,842	-	238,842
	705,553	343,892	-	1,049,445
Financial assets at fair value through other comprehensive income				
Investment in government securities	673,225	-	-	673,225
Investment in unquoted shares	-	-	624,427	624,427
	673,225	-	624,427	1,297,652
Total financial assets	**1,550,815**	**343,892**	**624,427**	**2,519,134**
Financial liabilities:				
Deposit administration and annuities	**-**	**24,464,792**	**-**	**24,464,792**

34. Actuarial valuation

In accordance with section 57 of the Insurance Act, an actuarial valuation of the life fund was carried out by Saket Singhal actuaries and financial consultants, into the financial condition in respect of the long-term insurance business of the company (individual life and group life) and revealed an actuarial surplus of KShs 2,784.41 million (2018: KShs 2,613.88 million) before setting aside reserves and before declaration of interest and bonuses to policyholders. The value of the entire life fund (including annuities and pensions) at 31 December 2019 before distribution to shareholders was KShs 38,488.640 million (2018: KShs 33,021.198 million). Transfers before tax were made out of the statutory reserve in the year amounting to KShs 40.099 million (2018: KShs 60 million) based on the recommendation of the Actuary.

35. Weighted average effective fixed interest rates

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

	2019	2018
	%	%
Mortgage loans	8	8
Policy loans	15	15
Government securities	12.81	12.95
Deposits with financial institutions	7.01	8.12

Deposits with financial institutions regarded as cash and cash equivalents have an average maturity of 3 months (2018: 3 months)

36. Reinsurers' share of insurance liabilities

Short term business	2019 KShs'000	2018 KShs'000
Group		
Reinsurers' share of:		
- unearned premiums (Note 28)	**418,000**	**496,433**
- notified claims outstanding	2,340,177	2,153,418
- claims incurred but not reported	495,455	460,737
	2,835,632	**2,614,155**
At end of year	**3,253,632**	**3,110,588**
Company		
Reinsurers' share of:		
- unearned premiums (Note 28)	**256,721**	**306,098**
- notified claims outstanding	1,637,663	1,498,460
- claims incurred but not reported	354,952	337,256
	1,992,615	**1,835,716**
At end of year	**2,249,336**	**2,141,814**

Amounts due from reinsurers in respect of claims already paid by the company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position.

Detailed movements in the above reinsurance assets are shown below and in Notes 23 and 28.

	Group		Company	
	2019 KShs'000	2018 KShs'000	2019 KShs'000	2018 KShs'000
At start of year	3,110,588	3,317,895	2,141,814	2,478,472
Increase/(decrease) during the period (gross)	143,044	(207,307)	107,522	(336,658)
At 31 December	**3,253,632**	**3,110,588**	**2,249,336**	**2,141,814**

Reinsurers' share of insurance liabilities is classified as a current asset.

37. Contingent liabilities

Legal Proceedings and Regulations

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. The Group is also subject to insurance solvency regulations in all the territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

Contingent liabilities for custom bonds, at the year-end were KShs 2.027 billion (2018: KShs 2.534 billion).

Material Damage Claim

The company was in discussion with its reinsurers on a matter relating to a claim by one of its clients, relating to material damage as at 31 December 2012. The lead reinsurer on the matter, had contended that the company over ceded on the surplus treaty in respect of material damage portion of the policy. The company subsequently contested this assertion by the reinsurer, and reinsurers paid off their portion of the liability.

The company then settled the claim and issued a discharge voucher which was not signed and returned as expected from the claimant alleging dissatisfaction of the quantum of the settlement. The matter is still unresolved.
From management assessment, even if the insured goes to court, any additional liability will be borne by the reinsurers and the company will only suffer to the extent of the retention limit.

38. Right-of-use assets, lease liabilities and commitments

a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised in the financial statements (2018: KShs Nil).

b) Operating lease commitments

The group has entered into commercial property leases in respect of its investment property portfolio. Leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease payments under non-cancellable operating lease are as follows:

Group **Payable (as a lessee)**	**2019** **KShs'000**	**2018** **KShs'000**
Not later than 1 year	21,180	18,483
Later than 1 year and not later than 5 years	25,733	27,176
At end of year	**46,913**	**45,659**

Group **Receivable (as a lessor)**	**2019** **KShs'000**	**2018** **KShs'000**
Not later than 1 year	101,125	105,076
Later than 1 year and not later than 5 years	145,132	173,452
At end of year	**246,257**	**278,528**

38. Right-of-use assets, lease liabilities and commitments (continued)

c) Right-of-use assets and lease liabilities (Group)

The group has lease contracts for various office space used in its operations. Leases generally have lease terms of between 2 years and 5 years,3 months.

The group did not have leases of office space with lease terms of 12 months or less or leases with low value. Therefore, the group did not apply the short term lease and lease of low-value-assets recogntion exemptions as it did not have such leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 KShs'000	2018 KShs'000
Right-of-use-assets				
Balance brought forward	-	-	-	-
Additions	13,860	38,878	52,738	-
Depreciation charge	(5,772)	(11,857)	(17,629)	-
At end of year	**8,088**	**27,021**	**35,109**	**-**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 KShs'000	2018 KShs'000
Lease liabilities				
Balance brought forward	-	-	-	-
Additions	13,860	38,878	52,738	
Accretion of interest	1,871	3,751	5,622	-
Payments	(5,566)	(12,970)	(18,536)	-
Exchange gain/(loss)	-	(1,007)	(1,007)	
At end of year	**10,165**	**28,652**	**38,817**	**-**

The group had total cash outflows for leases of KShs 18,536,000 in 2019. The group also had non-cash additions to right-of-use assets and lease liabilities of KShs 52,738,000 in 2019.

38. Right-of-use assets, lease liabilities and commitments (continued)

d) Right-of-use assets and lease liabilities (Company)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 KShs'000	2018 KShs'000
Right-of-use-assets				
Balance brought forward	-	-	-	-
Additions	13,860	18,639	32,499	-
Depreciation charge	(5,772)	(5,613)	(11,385)	-
At end of year	**8,088**	**13,026**	**21,114**	**-**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Company	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 KShs'000	2018 KShs'000
Lease liabilities				
Balance brought forward	-	-	-	-
Additions	13,860	18,639	32,499	
Accretion of interest	1,871	2,516	4,387	-
Payments	(5,566)	(5,405)	(10,971)	-
At end of year	**10,165**	**15,750**	**25,915**	**-**

The company had total cash outflows for leases of KShs 10,971,000 in 2019. The company also had non-cash additions to right-of-use assets and lease liabilities of KShs 32,499,000 in 2019.

39. Related party transactions

There are several companies which are related to the company through common shareholdings or common directorship. General Insurance Corporation, New India Assurance Company Limited and Life Insurance Corporation of India are major shareholders of Kenindia Assurance Company Limited. United Insurance Company Limited, National Insurance Company Limited, Oriental Insurance Company Limited and Kaluworks Kenya Limited are related to Kenindia Assurance Company Limited through common directorship.

Kenindia Asset Management Company Limited and Kenya Pravack Limited are wholly owned subsidiaries of Kenindia Assurance Company Limited. Tanzindia Assurance Company Limited is partially owned (65%) by Kenindia Assurance Company Limited.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

39. Related party transactions (continued)

The following transactions were carried out with related parties:

	Long term assurance business KShs'000	Short term insurance business KShs'000	2019 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2018 Total KShs'000
(i) Transactions with related parties						
Gross earned premium						
General insurance corporation	-	69,324	69,324	-	126,001	126,001
Other related parties	-	213,090	213,090	-	238,642	238,642
Net claims incurred						
General insurance corporation	-	520,003	520,003	-	46,260	46,260
Other related parties	-	320,668	320,668	-	126,879	126,879
(ii) Outstanding balances with related parties						
Premiums receivable from related parties						
General Insurance Corporation	-	11,505	11,505	-	(2,388)	(2,388)
Life Insurance Corporation of India	(3,049)	-	(3,049)	(3,049)	-	(3,049)
New India Assurance Company Limited	-	(415,045)	(415,045)	-	(465,045)	(465,045)
United Insurance Company Limited	-	619	619	-	619	619
National Insurance Company Limited	-	10,359	10,359	-	10,359	10,359
Oriental Insurance Company Limited	-	5,515	5,515	-	5,515	5,515
Tanzindia Assurance Company Limited	-	8,066	8,066	-	6,740	6,740
East Africa Re Limited	(6,453)	(57,231)	(63,684)	(1,331)	(230)	(1,561)

There were no provisions made or amounts written off on related party balances during the year (2018: KShs Nil).

	Group 2019 KShs'000	Group 2018 KShs'000	Company 2019 KShs'000	Company 2018 KShs'000
(iii) Bank deposits				
Credit Bank Deposits	51,918	12,737	51,918	12,737
(iv) Directors' emoluments				
Directors' fees (Note 6)	4,131	3,766	2,025	2,025
Other expenses	9,843	13,672	9,542	13,527
As executives	26,349	23,581	26,349	23,581
	40,323	**41,019**	**37,916**	**39,133**
Directors' loans	-	-	-	-
(v) Key management personnel				
Salaries and benefits	137,990	126,504	113,422	99,409
Social security benefit costs	26	23	26	23
Retirement benefit costs	8,892	8,020	6,435	5,310
	146,908	**134,547**	**119,883**	**104,742**

Key management personnel relate to top and middle level management (general managers and assistant general managers).

40. Insurance risk

The company's activities expose it to insurance risk. The company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, managing insurance risk through appropriate pricing, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers.

This section summarises the way the company manages key insurance risks:

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

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. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. 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.

40. Insurance risk (continued)

(a) *Life assurance contracts*

Life assurance contracts offered by the Group include whole life and term assurance. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

The main risks that the Group is exposed to are as follows:

Mortality risk – risk of loss arising due to policyholder death experience being different than expected.

Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.

Longevity risk – risk of loss arising due to the annuitant living longer than expected.

Investment return risk – risk of loss arising from actual returns being different than expected.

Expense risk – risk of loss arising from expense experience being different than expected.

Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the type of risk insured or by industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The Group reinsures its annuity contracts on a quota share basis to mitigate its risk.

The following table shows the concentration of life insurance contract liabilities by type of contract;

Life assurance contract liabilities	**2019 KShs'000**	**2018 KShs'000**
Ordinary Life and riders	1,920,980	1,728,520
Group Life	9,380	11,210
Capital Advantage	3,049,980	2,585,470
Bima Plans	2,238,720	1,573,890
Annuities	17,190	18,530
	7,236,250	**5,917,620**

Key assumptions and sensitivities

Refer to note 27 for key assumptions and sensitivities.

40. Insurance risk (continued)

(b) Non-life insurance contracts (which comprise of general insurance and healthcare)

The Group principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed renewable. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once–off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non–life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear.

40. Insurance risk (continued)

(b) Non-life insurance contracts (which comprise of general insurance and healthcare (continued)

Sensitivities

The assumptions are as follows:

	2019			2018		
Adjustments to claims incurred in prior accident years due to change in assumption	**Gross insurance liabilities KShs'000**	**Reinsurance/ reinsurers share of insurance liabilities KShs'000**	**Net insurance liabilities (gross insurance liabilities less re-insurance) KShs'000**	**Gross insurance liabilities KShs'000**	**Reinsurance/ reinsurers share of insurance liabilities KShs'000**	**Net insurance liabilities (gross insurance liabilities less re-insurance) KShs'000**
Average claim cost inclusive of average cost to process the claim settlement	223	(113)	110	392	(216)	176
Average number of claims	14	(14)	14	14	(14)	14
Average claims settlement period (days)	60	60	60	60	60	60

Insurance liabilities (Group)

31 December 2019	**Change in assumptions**	**Impact on gross insurance liabilities KShs'000**	**Impact on net insurance liabilities KShs'000**	**Impact on profit or loss before tax KShs'000**	**Impact on equity KShs'000**
Average claim cost	10%	558,736	275,173	(58,484)	(43,378)
Average number of claims	-10%	(558,736)	(275,173)	58,484	43,378
Average claims settlement period	Reduce from 60 days to 50 days	(931,227)	(458,621)	97,473	72,296
31 December 2018					
Average claim cost	10%	479,440	218,025	(14,017)	(14,940)
Average number of claims	-10%	(479,440)	(218,025)	14,017	14,940
Average claims settlement period	Reduce from 60 days to 50 days	(799,067)	(363,374)	23,361	24,900

40. Insurance risk (continued)

(b) Non-life insurance contracts (which comprise of general insurance and healthcare (continued)

Sensitivities (continued)

Reinsurance assets (Group)

31 December 2019	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit or loss before tax KShs'000	Impact on equity KShs'000
Average claim cost	10%	-	283,563	(58,484)	43,378
Average number of claims	-10%	-	(283,563)	58,484	(43,378)
Average claims settlement period	Reduce from 60 days to 50 days	-	(116,049)	83,996	72,748
31 December 2018					
Average claim cost	10%	-	(261,416)	14,017	14,940
Average number of claims	-10%	-	261,416	(14,017)	(14,940)
Average claims settlement period	Reduce from 60 days to 50 days	-	(435,693)	23,361	24,900
Insurance liabilities (Company)					
31 December 2019					
Average claim cost	10%	452,635	253,373	(55,168)	(40,661)
Average number of claims	-10%	(452,635)	(253,373)	55,168	40,661
Average claims settlement period	Reduce from 60 days to 50 days	(754,391)	(422,288)	91,946	67,768
31 December 2018					
Average claim cost	10%	379,066	195,495	(16,031)	(16,817)
Average number of claims	-10%	(379,066)	(195,495)	16,031	16,817
Average claims settlement period	Reduce from 60 days to 50 days	(632,777)	(325,825)	26,718	28,028
Reinsurance assets (Company)					
31 December 2019					
Average claim cost	10%	-	199,262	55,168	40,661
Average number of claims	-10%	-	(199,262)	(55,168)	(40,661)
Average claims settlement period	Reduce from 60 days to 50 days	-	(116,049)	83,996	72,748
31 December 2018					
Average claim cost	10%	-	(183,572)	16,031	16,817
Average number of claims	-10%	-	183,572	(16,031)	(16,817)
Average claims settlement period	Reduce from 60 days to 50 days	-	(305,953)	(26,718)	28,028

40. Insurance risk (continued)

(b) Non-life insurance contracts (which comprise of general insurance and healthcare (continued)

Concentrations

The following table shows the concentration of non-life insurance contract liabilities by type of contract:

Non-life insurance contract liabilities

	Group		Company	
	2019	**2018**	**2019**	**2018**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Engineering	1,253,266	1,243,360	1,216,774	1,208,108
Fire Domestic	22,739	20,009	22,739	20,009
Fire Industrial	1,100,524	1,076,643	497,985	493,707
Liability	121,308	86,027	121,308	86,027
Marine	183,869	139,241	118,849	82,551
Motor Private	474,813	387,670	327,859	206,900
Motor Commercial	766,911	490,831	766,911	490,831
Personal Accident	83,082	89,316	83,082	89,316
Theft	370,902	226,168	370,902	226,198
Workmen Compensation	935,926	838,316	935,926	838,316
Medical	60,322	45,501	60,322	45,501
Aviation	446	398	-	-
Miscellaneous	213,253	150,921	3,688	3,229
At 31 December	**5,587,361**	**4,794,401**	**4,526,345**	**3,790,693**

41. Financial risk management objectives and policies

Financial risk

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign currency exchange risks, interest rate risks, market price risks and the effect of changes in property values risk.

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, price risk, currency risk, liquidity risk and credit risk.

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

This section summarises the way the Group manages key risks:

(i) Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

41. Financial risk management objectives and policies (continued)

Financial risk (continued)

(i) Market risk (continued)

(a) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The group has a large portion of its investments in interest (fixed) earning deposits and government securities and variable interest investments such as bank balances. Interest rate risk arises primarily from the group's investments in fixed and variable income securities, which are exposed to fluctuations in interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable interest rate instruments.

The sensitivity analysis on interest rate risk over insurance participating and assets backing life shareholders is shown in Note 27.

Appraisal of investment portfolio is done on a regular basis and the investment spread reviewed depending on the existing interest rates. The group has also placed significant balances in fixed deposits. However, the Group has no loans and borrowings and therefore is not exposed to interest rate risk as far as loans and borrowings are concerned.

The impact of Group's liabilities to interest rates is shown in Note 27 (under 'sensitivity analysis on actuarial assumptions'). Short term non-life insurance liabilities are not impacted by interest rate risk since discounting of future cash flows of claims is not carried out. Non-life claims are stated on actual basis.

The quantitative exposure to interest rate risk as required by IFRS 7 is shown below:

Changes in interest rates (for assets with fixed and variable interest rates) will have the following impact in the statement of profit or loss :-

		Group		Company	
Financial assets	**% change in base**	**2019 KShs'000**	**2018 KShs'000**	**2019 KShs'000**	**2018 KShs'000**
Variable interest rates					
Bank balances	+(-)10.00%	53,866	37,689	45,152	23,784
Fixed interest rates					
Government securities (At amortised cost)	+(-)10.00%	3,686,779	3,227,838	3,682,016	3,219,903
Deposits with financial institutions	+(-)10.00%	172,000	91,184	149,696	70,555
Mortgage loans	+(-)10.00%	424	481	424	481
Policy loans	+(-)10.00%	11,049	16,403	11,049	16,403
Government securities					
(At fair value through other comprehensive income)	+(-)10.00%	65,706	68,274	64,736	67,323

The group has no significant concentration of interest rate risk other than what is currently disclosed. The method used for deriving sensitivity information and significant variables did not change from the previous period.

41. Financial risk management objectives and policies (continued)

Financial risk (continued)

(i) Market risk (continued)

(b) Currency rate risk

Currency rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company predominantly transacts in the local currency (Kenya shillings). The risk associated with transactions in other currency (US Dollar) is considered nominal. Except for an amount of negative USD 22,751.25 (Negative KShs 2,324,286) equivalent, held as bank balances, all other balances are originally denominated in the local currency. If the US Dollar was to appreciate against the Kenya Shilling by 5%, with all other factors remaining constant, the post-tax profit would be lower by KShs 116,214. About 82% of the group's business is generated in Kenya, 18% from the subsidiary (Tanzindia Assurance Company Limited) whose transactions are originally denominated in Tanzania Shillings (TShs). The foreign currency translation of the subsidiary was KShs 1,029,000 (2018 negative: KShs 13,219,000). The group has no significant concentration of currency risk.

(c) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than arising from interest rate risk or currency risk), whether those changes are carried by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The capital is invested in equities and interest-bearing instruments (government securities) that are valued at fair value and are therefore susceptible to market fluctuations. Management assesses the trend in the market prices and the interest rates and ensures a smoothening effect by balancing the portfolios, without contravening investment mandates, in order to ensure investment income growth as well as stability in equities. The Group has no significant concentration of price risk.

At 31 December 2019, if the prices of listed equities at the Nairobi Stock Exchange had appreciated by 5% with all other variables held constant, the profit for the year for the Company would have increased by KShs 7,696,150 (2018: KShs 6,710,200) for long-term business and KShs 2,069,650 (2018: KShs 1,891,650) for short-term business respectively. The method used for deriving sensitivity information and significant variables did not change from the previous period.

Changes in prices of Government Securities (At fair value through other comprehensive income) for the Group and Company will have the following impact in statement of profit or loss and equity.

	% change in base	2019 KShs'000	2018 KShs'000
Group-Short term business			
Government securities (At fair value through other comprehensive income)	+(-)5%	32,853	34,137
Company-Short term business			
Government securities (At fair value through other comprehensive income)	+(-)5%	32,368	33,661

41. Financial risk management objectives and policies (continued)

Financial risk (continued)

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation

The following policies and procedures are in place to mitigate the group's exposure to credit risk.

- The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the management. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the group.

- Credit risk in respect to re-insurance is managed by placing the group's reinsurance only with companies that have high international or similar ratings.

The amount that best represents the Group's and the company's maximum exposure to credit risk at 31 December is made up as follows:

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Financial instruments					
Financial assets at amortised cost	25	36,867,792	32,248,383	36,820,159	32,199,025
Loans receivable	20	118,143	170,409	118,143	170,409
Investment in the Kenya Motor Insurance Pool	24	70,037	98,089	70,037	98,089
Financial assets at fair value through other comprehensive income (Government securities)	25	657,060	682,741	647,363	673,225
Investment in unquoted shares	18	672,338	679,774	624,427	624,427
Financial assets at fair value through profit or loss	19	213,955	185,396	195,316	172,037
Deposits with financial institutions	33	1,719,995	914,588	1,496,956	705,553
Bonds and debentures	33	105,334	105,050	105,334	105,050
Receivables arising out of reinsurance arrangements	21	1,355,907	1,371,520	753,176	829,313
Reinsurers' share of insurance liabilities	36	3,253,632	3,110,588	2,249,336	2,141,814
Receivables arising out of direct insurance arrangements	22	476,118	637,817	438,436	581,973
Bank and cash balances	32	538,655	376,894	451,519	238,842
Other receivables	24	286,199	286,769	287,300	284,916
Total credit risk exposure		**46,335,165**	**40,868,018**	**44,257,502**	**38,824,673**

Information regarding the credit quality of 'not past due' and 'not impaired' monetary assets is disclosed in Note 22 and Note 41.

41. Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Age analysis of Group's financial assets neither past due nor impaired and past due but not impaired:-

31 December 2019

	<30days KShs'000	Not past due and not impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	573	**573**	1,047	345	116,178	**117,570**	**118,143**
Insurance receivables	155,034	**155,034**	54,365	34,237	232,482	**321,084**	**476,118**
Total	**155,607**	**155,607**	**55,412**	**34,582**	**348,660**	**438,654**	**594,261**

31 December 2018

	<30days KShs'000	Not past due and not impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	393	**393**	400	396	162,842	**163,638**	**164,031**
Insurance receivables	(126,484)	**(126,484)**	77,427	109,935	576,939	**764,301**	**637,817**
Total	**(126,091)**	**(126,091)**	**77,827**	**110,331**	**739,781**	**927,939**	**801,848**

Age analysis of Company's financial assets neither past due nor impaired and past due but not impaired:-

31 December 2019

	<30days KShs'000	Neither past due nor impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	573	**573**	1,047	345	116,178	**117,570**	**118,143**
Insurance receivables	155,034	155,034	54,365	34,237	194,800	**283,402**	**438,436**
Total	**155,607**	**155,607**	**55,412**	**34,582**	**310,978**	**400,972**	**556,579**
31 December 2018							
Loans receivable	393	**393**	400	396	162,842	**163,638**	**164,031**
Insurance receivables	(116,220)	(116,220)	68,397	464,283	165,513	**698,193**	**581,973**
Total	**(115,827)**	**(115,827)**	**68,797**	**464,679**	**328,355**	**861,831**	**746,004**

41. Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Impaired financial assets

At 31 December 2019, the Group and Company had impaired insurance assets of KShs 181,023,000 and KShs 119,688,000 respectively (2018: Group and Company KShs 33,189,000 and KShs 29,382,000 respectively). For assets to be classified as 'past-due and impaired', contractual payments must be in arrears for more than 90 days.

Collateral is held for loans receivables. For reinsurance assets and insurance receivables, no collateral is held as security for any past due or impaired assets.

The Group and Company records impairment allowances for insurance receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for insurance receivables is as shown in note 22.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty, in meeting obligations associated with its financial liabilities. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out flows and expected reinsurance recoveries. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk: A Group liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed and for changes in the risk environment. Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Group is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Group does maintain cash resources to meet all these needs and experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of stability.

- The Group holds a large portion of its assets in short term deposits and investments that are easily convertible to cash.

- The cash flow position of the Group is reviewed on a weekly basis.

Maturity profiles

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. Liabilities and payables represent non-discounted cash flows.

For insurance contracts liabilities in short term business and reinsurance assets, maturity profiles are shown on undiscounted basis. Unearned premiums and the reinsurers' share of unearned premiums have been included in the analysis although they are not contractual obligations, since insurance items are included in IFRS 7 disclosures as if the insurance items were financial instruments. Re payments which are subject to notice are treated as if notice were to be given immediately.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable (if any).

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk

Group
31 December 2019

	Up to a year KShs '000	1-2 years KShs '000	2-3years KShs '000	Above 3 years KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Insurance liabilities	5,704,047	314	99	352	-	5,704,812
Payable under deposit administration contracts	-	-	-	-	26,813,564	26,813,564
Payable under annuities	-	-	-	-	1,654,415	1,654,415
Provision for unearned premium	998,219	-	-	-	-	998,219
Tax liability	111,787	-	-	-	-	111,787
Reinsurance payables	1,859,178	86	29	-	-	1,859,293
Insurance payables	94,315	-	-	-	-	94,315
Bank overdraft	42,217	-	-	-	-	42,217
Other payables	554,406	-	-	-	-	554,406
Total liabilities	**9,364,169**	**400**	**128**	**352**	**28,467,979**	**37,833,028**

Group
31 December 2018

	Up to a year KShs '000	1-2 years KShs '000	2-3 years KShs '000	Above 3 years KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Insurance liabilities	4,933,662	212	144	21	-	4,934,039
Payable under deposit administration contracts	-	-	-	-	23,238,228	23,238,228
Payable under annuities	-	-	-	-	1,226,564	1,226,564
Provision for unearned premium	1,250,330	-	-	-	-	1,250,330
Tax liability	79,106	-	-	-	-	79,106
Reinsurance payables	1,752,747	87	29	21	-	1,752,884
Insurance payables	228,369	-	-	-	-	228,369
Bank overdraft	124,122	-	-	-	-	124,122
Other payables	505,608	-	-	-	-	505,608
Total liabilities	**8,873,944**	**299**	**173**	**42**	**24,464,792**	**33,339,250**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2019

	Up to a year KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Insurance liabilities	4,643,796	-	4,643,796
Payable under deposit administration contracts	-	26,813,564	26,813,564
Payable under annuities	-	1,654,415	1,654,415
Provision for unearned premium	775,894	-	775,894
Tax liability	111,787	-	111,787
Reinsurance payables	1,348,541	-	1,348,541
Insurance payables	94,315	-	94,315
Bank overdraft	22,490	-	22,490
Other payables	512,252	-	512,252
Total liabilities	**7,509,075**	**28,467,979**	**35,977,054**

Company
31 December 2018

	Up to a year KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Insurance liabilities	3,930,301	-	3,930,301
Payable under deposit administration contracts	-	23,238,228	23,238,228
Payable under annuities	-	1,226,564	1,226,564
Provision for unearned premium	967,930	-	967,930
Tax liability	79,106	-	79,106
Reinsurance payables	1,309,789	-	1,309,789
Insurance payables	228,369	-	228,369
Bank overdraft	124,122	-	124,122
Other payables	458,476	-	458,476
Total liabilities	**7,098,093**	**24,464,792**	**31,562,885**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group
31 December 2019

	Up to a year KShs '000	1-3 years KShs '000	3-5 years KShs '000	5-15 years KShs '000	Over 15 years KShs '000	On demand No maturity KShs '000	Total KShs '000
Financial assets at amortised cost	2,110,917	3,260,671	3,956,235	21,570,218	5,969,751	-	36,867,792
Loans receivable	11,050	26,414	17,936	62,743	-	-	118,143
Financial assets at fair value through other comprehensive income	89,658	118,281	101,650	59,746	287,725	672,338	1,329,398
Financial assets at fair value through profit or loss	-	-	-	-	-	213,955	213,955
Cash and cash equivalents and short term investments	2,243,815	14,835	-	-	-	-	2,258,650
Bonds and debentures	-	105,334	-	-	-	-	105,334
Reinsurance assets	4,609,539	-	-	-	-	-	4,609,539
Insurance receivables	476,118	-	-	-	-	-	476,118
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	70,037	70,037
Tax recoverable	54,211	-	-	-	-	-	54,211
Other receivables	286,199	-	-	-	-	-	286,199
Total assets	**9,881,507**	**3,525,535**	**4,075,821**	**21,692,707**	**6,257,476**	**956,330**	**46,389,376**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group
31 December 2018

	Up to a year KShs '000	1-3 years KShs '000	3-5 years KShs '000	5-15 years KShs '000	Over 15 years KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Financial assets at amortised cost	137,993	2,245,559	3,928,501	21,305,054	4,631,276	-	32,248,383
Loans receivable	7,891	30,120	19,674	112,724	-	-	170,409
Financial assets at fair value through other comprehensive income	-	91,210	245,563	58,120	287,848	679,774	1,362,515
Financial assets at fair value through profit or loss	-	-	-	-	-	185,396	185,396
Cash and cash equivalents and short term investments	1,291,482	-	-	-	-	-	1,291,482
Bonds and debentures	-	105,050	-	-	-	-	105,050
Reinsurance assets	4,482,108	-	-	-	-	-	4,482,108
Insurance receivables	637,817	-	-	-	-	-	637,817
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	98,089	98,089
Tax recoverable	56,202	-	-	-	-	-	56,202
Other receivables	286,769	-	-	-	-	-	286,769
Total assets	**6,900,262**	**2,471,939**	**4,193,738**	**21,475,898**	**4,919,124**	**963,259**	**40,924,220**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2019

	Up to a year KShs '000	1-3 years KShs '000	3-5 years KShs '000	5-15 years KShs '000	Over 15 years KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Financial assets at amortised cost	2,063,284	3,260,671	3,956,235	21,570,218	5,969,751	-	36,820,159
Loans receivable	11,050	26,414	17,936	62,743	-	-	118,143
Financial assets at fair value through other comprehensive income	89,658	115,009	99,468	55,503	287,725	624,427	1,271,790
Financial assets at fair value through profit or loss	-	-	-	-	-	195,316	195,316
Cash and cash equivalents and short term investments	1,933,640	14,835	-	-	-	-	1,948,475
Bonds and debentures	-	105,334	-	-	-	-	105,334
Reinsurance assets	3,002,512	-	-	-	-	-	3,002,512
Insurance receivables	438,436	-	-	-	-	-	438,436
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	70,037	70,037
Tax recoverable	52,696	-	-	-	-	-	52,696
Other receivables	287,300	-	-	-	-	-	287,300
Total assets	**7,878,576**	**3,522,263**	**4,073,639**	**21,688,464**	**6,257,476**	**889,780**	**44,310,198**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2018

	Up to a year KShs '000	1-3 years KShs '000	3-5 years KShs '000	5-15 years KShs '000	Over 15 years KShs '000	On demand/ No maturity KShs '000	Total KShs '000
Financial assets at amortised cost	88,635	2,245,559	3,928,501	21,305,054	4,631,276	-	32,199,025
Loans receivable	7,891	30,120	19,674	112,724	-	-	170,409
Financial assets at fair value through other comprehensive income	-	91,210	240,184	53,983	287,848	624,427	1,297,652
Financial assets at fair value through profit or loss	-	-	-	-	-	172,037	172,037
Cash and cash equivalents and short term investments	944,395	-	-	-	-	-	944,395
Bonds and debentures	-	105,050	-	-	-	-	105,050
Reinsurance assets	2,971,127	-	-	-	-	-	2,971,127
Insurance receivables	581,973	-	-	-	-	-	581,973
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	98,089	98,089
Tax recoverable	52,536	-	-	-	-	-	52,536
Other receivables	284,916	-	-	-	-	-	284,916
Total assets	**4,931,473**	**2,471,939**	**4,188,359**	**21,471,761**	**4,919,124**	**894,553**	**38,877,209**

41. Financial risk management objectives and policies (continued)

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Group mitigates this risk through its culture and values, a comprehensive system of internal controls and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

Compliance risk

Laws and regulations:
The Group considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group's management facilitates the compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with Investment mandates:
Management reviews compliance with Investment mandates on a monthly basis. When a possible breach is detected, management ensure that immediate remedial action is taken.

Property risk:
The capital portfolio has limited exposure to investment properties and accordingly the related property risk. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

42. Capital management

Externally imposed capital requirements are set and regulated by the Insurance Regulatory Authority (IRA). These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further objectives are set by the group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Further, the company currently has a paid up capital of KShs 161,388,000 million in the long term business which exceeds the minimum (KShs 150 million) requirement as per the Insurance Act. In the short term business, the company's paid up capital should not be less than 10% of the total gross premium written in the short term business during the year. The paid up capital is KShs 400,000,000 while 10% of gross premium written is KShs 246,846,721 (2018: KShs 285,468,616).

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

43. Company solvency margins and capital adequacy

Capital adequacy

As per the new Insurance Act requirements, capital adequacy ratios are as follows:

	Short term insurance business	
	2019	2018
	KShs'000	KShs'000
Minimum required capital	1,225,143	1,387,540
Total capital available	2,421,865	2,939,060
Capital adequacy ratio	**198%**	**212%**
Capital adequacy ratio minimum	**100%**	**100%**

	Long term assurance business	
	2019	2018
	KShs'000	KShs'000
Minimum required capital	1,753,906	1,512,301
Total capital available	1,757,568	1,842,651
Capital adequacy ratio	**100%**	**122%**
	100%	**100%**

44. Incorporation and registered office

The company is incorporated in Kenya under the Companies Act. The address of the registered office is given on page 1.

company long term as surance business revenue acount

for the year ended 31 december 2019

	Ordinary life business KShs'000	Group life business KShs'000	Annuities KShs'000	Retirement benefit fund KShs'000	Total 2019 KShs'000
Gross premium income	1,614,208	50,283	412,487	-	2,076,978
Premiums ceded to reinsurers	(8,472)	(24,963)	-	-	(33,435)
Contributions received	-	-	-	3,535,194	3,535,194
Net premium income	**1,605,736**	**25,320**	**412,487**	**3,535,194**	**5,578,737**
Investment income	1,154,520	6,514	166,138	2,874,838	4,202,010
Other income	5,106	-	-	-	5,106
Commissions income	775	5,774	-	-	6,549
	1,160,401	**12,288**	**166,138**	**2,874,838**	**4,213,665**
Claims incurred	405,960	3,697	142,826	544,540	1,097,023
Surrenders and annuity incurred	340,047	-	-	2,088,695	2,428,742
Net claims and policyholder benefits expense	**746,007**	**3,697**	**142,826**	**2,633,235**	**3,525,765**
Operating expenses	254,811	2,730	-	106,474	364,015
Other expenses	19,144	-	-	44,675	63,819
Allowance for expected credit losses on deposits with financial institutions	2,121	-	-	9,146	11,267
Allowance for expected credit losses on rental and other receivables	19,244	-	-	-	19,244
Write back of credit losses on rental and other receivables	(17,228)	-	-	-	(17,228)
Commissions expense	100,187	4,354	7,948	41,166	153,655
Premium levy	5,500	-	-	-	5,500
Contribution to policy holders' compensation fund	1,239	-	-	-	1,239
Total expenses	**385,018**	**7,084**	**7,948**	**201,461**	**601,511**
Results of operating activities	**1,635,112**	**26,827**	**427,851**	**3,575,336**	**5,665,126**
Transfer to statutory reserve	-	(40,099)	-	-	(40,099)
Transfer to general reserve	(241,610)	-	-	-	(241,610)
Increase/(decrease) in funds	**1,393,502**	**(13,272)**	**427,851**	**3,575,336**	**5,383,417**
Funds at the beginning of the year	8,306,070	52,652	1,226,564	23,238,228	32,823,514
Funds at the end of the year	**9,699,572**	**39,380**	**1,654,415**	**26,813,564**	**38,206,931**
Long term funds at the end of the year comprise amounts attributable to:					
Policyholders:					
-Actuarial liabilities	7,226,870	9,380	-	-	7,236,250
-Annuities	-	-	1,673,810	-	1,673,810
-Deposit administration fund	-	-	-	24,532,130	24,532,130
-Bonus to policy holders	1,852,710	-	-	1,856,710	3,709,420
-Statutory reserves	-	-	-	-	-
	9,079,580	**9,380**	**1,673,810**	**26,388,840**	**37,151,610**

company long term assurance business revenue acount

for the year ended 31 december 2018

KENINDIA

	Ordinary life business KShs'000	Group life business KShs'000	Annuities KShs'000	Retirement benefit fund KShs'000	Total 2018 KShs'000
Gross premium income	1,448,127	47,787	472,061	-	1,967,975
Premiums ceded to reinsurers	(4,369)	(40,710)	-	-	(45,079)
Contributions received	-	-	-	3,578,788	3,578,788
Net premium income	**1,443,758**	**7,077**	**472,061**	**3,578,788**	**5,501,684**
Investment income	1,090,500	3,146	124,401	2,562,556	3,780,603
Other income	2,555	-	-	-	2,555
Commissions income	-	8,665	-	-	8,665
	1,093,055	**11,811**	**124,401**	**2,562,556**	**3,791,823**
Claims incurred	354,863	11,031	88,987	475,591	930,472
Surrenders and annuity incurred	242,829	-	-	3,924,843	4,167,672
Net claims and policyholder benefits expense	**597,692**	**11,031**	**88,987**	**4,400,434**	**5,098,144**
Operating expenses	205,698	2,206	-	85,952	293,856
Other expenses	16,695	-	-	38,956	55,651
Allowance for credit losses on commercial paper	-	-	-	76,889	76,889
Allowance for expected credit losses on deposits with financial institutions	135	-	-	104	239
Allowance for expected credit losses on bonds and debentures	-	-	-	264	264
Allowance for expected credit losses on rental and other receivables	17,228	(14,077)	-	14,077	17,228
Write back of credit losses on rental and other receivables	-	-	-	(629)	(629)
Allowance for credit losses on deposits with financial institutions	6,009	(8,930)	-	2,921	-
Commissions expense	94,433	2,722	8,425	44,551	150,131
Premium levy	3,447	-	-	-	3,447
Contribution to policy holder's compensation fund	990	-	-	-	990
Total expenses	**344,635**	**(18,079)**	**8,425**	**263,085**	**598,066**
Results of operating activities	**1,594,486**	**25,936**	**499,050**	**1,477,825**	**3,597,297**
Transfer to statutory reserve	(60,000)	-	-	-	(60,000)
Transfer to general reserve	(112,774)	-	-	-	(112,774)
Increase in funds	**1,421,712**	**25,936**	**499,050**	**1,477,825**	**3,424,523**
Funds at the beginning of the year	6,884,358	26,716	727,514	21,760,403	29,398,991
Funds at the end of the year	**8,306,070**	**52,652**	**1,226,564**	**23,238,228**	**32,823,514**
Long term funds at the end of the year comprise amounts attributable to:					
Policyholders:					
-Actuarial liabilities	5,906,400	11,210	-	-	5,917,610
-Annuities	-	-	1,303,870	-	1,303,870
-Deposit administration fund	-	-	-	20,989,360	20,989,360
-Bonus to policy holders	1,534,670	-	-	1,752,890	3,287,560
-Statutory reserves	-	-	-	-	-
	7,441,070	**11,210**	**1,303,870**	**22,742,250**	**31,498,400**

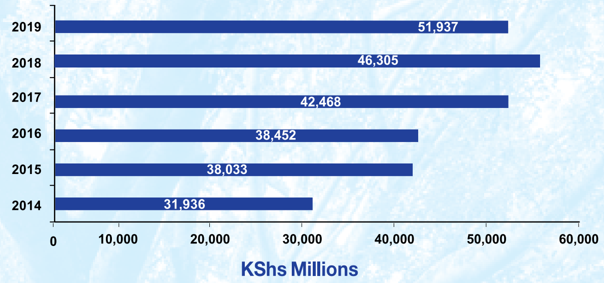
company short-term business revenue account

for the year ended 31 december 2019

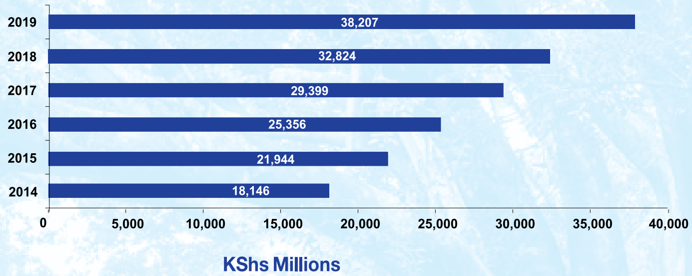
	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Medical	Theft	Workmen Compensation	Miscellaneous	Total 2019	Total 2018
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Gross Premium Written	-	146,503	48,874	521,507	49,298	247,318	313,732	434,584	40,074	135,916	188,625	324,641	17,395	2,468,467	2,854,686
Reinsurance Premium	-	(122,320)	(14,446)	(464,286)	(32,320)	(49,576)	(6,074)	(16,792)	(28,852)	(3,310)	(110,139)	(5,203)	(10,393)	(863,711)	(946,814)
Net Premium Written	-	24,183	34,428	57,221	16,978	197,742	307,658	417,792	11,222	132,606	78,486	319,438	7,002	1,604,756	1,907,872
Unearned Premium at the beginning of the year	1	6,980	13,087	21,966	7,778	98,107	131,804	171,704	4,347	56,874	25,921	119,629	3,634	661,832	679,437
Unearned Premium at the end of the year	-	(9,858)	(10,849)	(16,519)	(6,103)	(82,693)	(117,130)	(88,876)	(3,875)	(61,531)	(22,021)	(97,107)	(2,611)	(519,173)	(661,832)
Net Earned Premium	**1**	**21,305**	**36,666**	**62,668**	**18,653**	**213,156**	**322,332**	**500,620**	**11,694**	**127,949**	**82,386**	**341,960**	**8,025**	**1,747,415**	**1,925,477**
Claims Paid	-	18,085	6,909	79,490	8,993	74,888	197,927	415,020	518	116,180	33,301	168,675	1,423	1,121,409	1,187,638
Claims o/s 31-12-2019	-	70,090	16,692	95,516	72,560	97,337	324,110	728,506	26,097	59,102	128,058	913,808	1,854	2,533,730	1,954,947
Claims o/s 01-01-2019	-	(71,814)	(15,948)	(77,891)	(47,668)	(66,010)	(204,343)	(481,214)	(27,501)	(44,074)	(84,144)	(832,668)	(1,672)	(1,954,947)	(1,777,749)
Incurred Claims	**-**	**16,361**	**7,653**	**97,115**	**33,885**	**106,215**	**317,694**	**662,312**	**(886)**	**131,208**	**77,215**	**249,815**	**1,605**	**1,700,192**	**1,364,836**
Commissions	-	(14,642)	5,647	(33,903)	(431)	27,100	29,924	42,540	(2,526)	12,630	(17,197)	62,925	(11,338)	100,729	127,313
Expenses of Management	-	35,597	11,875	126,713	11,978	60,091	76,229	105,592	9,737	33,024	45,831	78,879	4,227	599,773	625,378
Premium Tax	-	1,284	448	4,489	447	2,262	2,864	3,977	365	1,246	1,700	2,974	156	22,212	25,583
Policy Holders' Compensation Fund	-	348	122	1,218	121	614	777	1,079	99	338	461	807	44	6,028	7,042
Total Outgo	**-**	**22,587**	**18,092**	**98,517**	**12,115**	**90,067**	**109,794**	**153,188**	**7,675**	**47,238**	**30,795**	**145,585**	**(6,911)**	**728,742**	**785,316**
Underwriting Surplus / (Deficit) transferred to P&L A/c	**1**	**(17,643)**	**10,921**	**(132,964)**	**(27,347)**	**16,874**	**(105,156)**	**(314,880)**	**4,905**	**(50,497)**	**(25,624)**	**(53,440)**	**13,331**	**(681,519)**	**(224,675)**

Premium - General Business

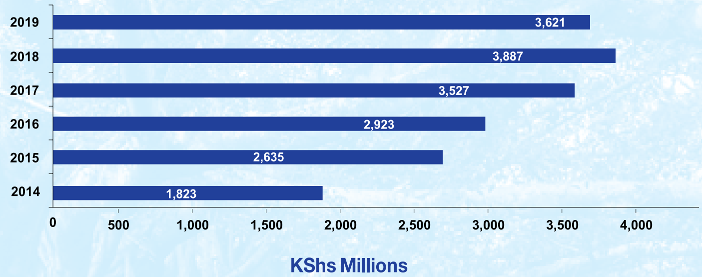
Total Assets



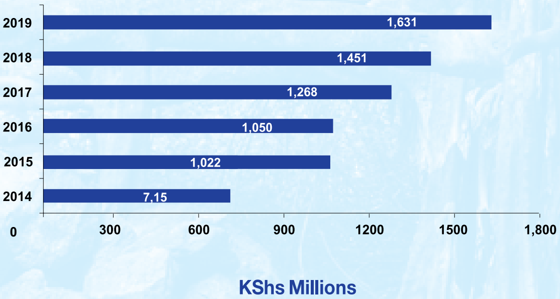
Life Fund



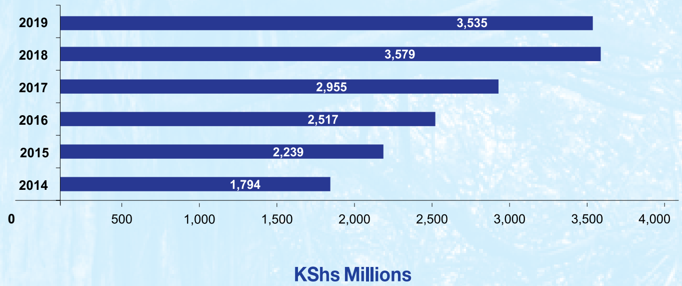
Shareholders' Fund



Net Life Premium



Pension Contributions



company financial summary for 10 years

for the year ended 31 december 2019

KENINDIA

YEAR	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
(i) NON-LIFE	**Figures in KShs Millions**									
Gross Premium Written	2,468	2,855	3,015	2,996	2,864	2,646	2,776	3,377	3,566	3,342
% Growth	**(13.56)**	**(5.31)**	**0.63**	**4.61**	**8.24**	**(4.68)**	**(17.80)**	**(5.30)**	**6.70**	**17.93**
Net Premium Written	1,605	1,907	1,926	1,881	1,734	1,552	1,725	2,066	2,305	2,215
% Growth	**(15.84)**	**(0.99)**	**2.39**	**8.48**	**11.73**	**(10.03)**	**(16.51)**	**(10.37)**	**4.06**	**22.85**
Change in Unearned Premium Reserve	(143)	(18)	58	43	67	(76)	(152)	(103)	29	204
Net Earned Premium	1,747	1,925	1,984	1,838	1,667	1,628	1,877	2,170	2,276	2,011
Net Incurred Claims	1,700	1,365	1,338	1,241	1,141	1,452	1,040	1,706	1,925	1,292
Net Inc.Claim ratio to net prem. (%)	**105.92**	**71.58**	**69.47**	**66.00**	**65.84**	**93.52**	**60.31**	**82.58**	**83.51**	**58.33**
Net Commission	101	127	158	144	62	122	165	208	186	134
Management/Other Expenses	892	705	774	623	616	651	503	474	487	453
Premium tax/Others	28	33	29	35	33	28	31	36	38	39
Underwriting (Deficit)/Surplus	(684)	(225)	(156)	(125)	(109)	(530)	174	(254)	(361)	93
(ii) LIFE BUSINESS										
Gross Premium Written (Including Pension Fund)	5,612	5,547	4,641	3,947	3,284	2,533	2,118	2,051	1,800	1,487
% Growth	**1.17**	**19.52**	**17.58**	**20.18**	**29.65**	**19.59**	**3.27**	**13.94**	**21.05**	**18.39**
Net Premium Written (including Pension Fund)	5,579	5,502	4,600	3,911	3,261	2,509	2,073	2,026	1,719	1,438
% Growth	**1.40**	**19.61**	**17.62**	**19.93**	**29.97**	**21.03**	**2.32**	**17.86**	**19.54**	**17.48**
Total Benefits	3,526	5,098	3,362	2,766	1,677	1,861	1,706	1,008	806	937
Net Commission	147	141	136	133	137	117	91		77	71
Management/Other Expenses	441	444	346	345	314	228	148	115	133	107
Premium tax/Others	7	4	5	5	8	6	4	5	4	4
Increase in Fund (after distribution to shareholders)	5,383	3,425	4,043	3,412	3,798	2,425	2,151	2,634	1,801	1,501
Life Fund	38,207	32,824	29,399	25,356	21,944	18,146	15,721	13,570	10,936	9,135
(iii) LIFE AND NON-LIFE										
Investment Income	4,624.22	4,259.73	3,923.81	3,159.79	3,987.68	2,440.66	2,459.73	2,231.62	1,311.16	1,626.36
% Yield	**10.43**	**10.92**	**11.51**	**10.89**	**14.73**	**11.19**	**12.86**	**13.50**	**9.40**	**12.39**
Profit/(Loss) Before Tax	(269.12)	352.16	386.67	282.68	804.68	(300.63)	508.02	143.25	(213.20)	489.13
Profit/(Loss) After Tax	(190.39)	329.16	245.26	277.06	790.91	(137.04)	402.87	101.90	(188.91)	429.64
Share Capital	561	561	561	561	561	561	561	561	561	473.40
Total Assets	49,898.47	44,322.79	40,724.25	36,422.52	36,278.62	30,281.96	29,048.76	22,137.40	19,405.56	14,898.55
Shareholders' Fund	3,513.53	3,758.73	3,375.77	2,809.04	2,555.16	1,760.75	1,891.19	1,473.27	1,223.65	1,585.22
Dividend Per Share (KShs)	5	10	10	10	10	-	10	5	5	10
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Earnings/(Loss) Per Share	(33.91)	58.63	43.69	49.35	140.88	(24.41)	71.76	22.70	-	76.53

notes

notes

KENINDIA

proxy form

I/We ____ of_____

____

being a member(s) of **KENINDIA ASSURANCE COMPANY LIMITED** hereby appoint ____________________

____

of____

or failing him____

of____

or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Registered office of the Company, Kenindia House, 12th Floor, Loita Street, Nairobi on Friday, 26th June 2020 and at any adjournment thereof.

Please indicate how you wish to cast your vote.

		FOR	AGAINST
1	To receive the financial statements		
2	To declare a dividend		
3	To approve Directors' fees		
4	To re-elect Dr P M King'ori		
5	To re-elect Mrs Elizabeth Musyoka		
6	To re-elect Mr L Nyachae		
7	To authorize to appoint auditors		

Dated this_________________________________ day of _________________________________ 2020

Signature _________________________________

Notes

1 *A proxy need not be a member of the Company.*

2 *Unless otherwise instructed the proxy will vote or abstain as he thinks fit in respect of the member's total shareholding.*

3 *In case of a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorized in that behalf.*

4 *Proxies must be lodged at the Registered Office, Kenindia House, Loita Street, P O Box 44372, GPO, 00100, Nairobi, not less than 24 hours before the time for holding the meeting or adjourned meeting.*

FOLD 2

STAMP

Kenindia Assurance Company Limited
Registered Office
Kenindia House, Loita Street
P.O. Box 44372, 00100 - GPO
Nairobi, Kenya

FOLD 1

CSR INITIATIVE-2019

Charity Walk to raise funds for Starehe Girls' Centre, Nairobi at Memorial Park on 8th June,2019

HEAD OFFICE
Kenindia House, Loita Street
P.O. Box 44372-00100 G.P.O., Nairobi
Tel: +254 20 331 6099, 2214439
Mobile: 0722 205923/4, 0733 333002/3
E-mail: kenindia@kenindia.com
Website: www.kenindia.com

Life Division
10th Foor, Kenindia House, Loita Street
P.O. Box 30377-00100 G.P.O. Nairobi
Tel: (020)2214662 / 2228755 / 2248719
Mobile: 0722868442 / 0733338222
E-mail: life@kenindia.com
Website: www.kenindia.com

Nairobi Branch 1
Kenindia House, 11th Foor, Loita Street
P.O. Box 40512-00100 G.P.O. Nairobi
Tel: (020) 3316099, 2227132
E-mail: branch1@kenindia.com

Nairobi Branch 2
Kenindia House, 11th floor, Loita Street
P.O. Box 44666-00100 G.P.O. Nairobi
Tel: (020) 3316099, 2245742
Email: branch2@kenindia.com

Westlands Branch
Fortis Tower, 3rd Floor, Woodvale Grove
P.O. Box 14624-00800, Nairobi
Tel: (020) 4449222, 4443062
E-mail: westlands@kenindia.com

Enterprise Road Branch
1st Floor, G.T. Bank House, Bamburi Road
P.O. Box 27650-00506, Nairobi
Tel: (020) 6537202
E-mail: enterprise@kenindia.com

Mombasa Branch
Imaara, The New Address Building, Kizingo
P.O. Box 90037-80100, Mombasa
Tel: (041) 2313715, 2311448, 2316602
E-mail: mombasa@kenindia.com

Machakos Branch
Utisi House, 2nd Floor
P.O. Box 971-90100, Machakos
Tel: (044) 2020450
E-mail: machakos@kenindia.com

Eldoret Branch
2nd Floor, Kenindia Plaza, Oginga Odinga Street
P.O. Box 2103-50100, Eldoret
Tel: (053) 2032153
E-mail: eldoret@kenindia.com

Nakuru Branch
Giddo Plaza
P.O. Box 2620-20100, Nakuru
Tel: (051) 2216852
E-mail: nakuru@kenindia.com

Kisumu Branch
Mega Plaza
P.O. Box 1907-40100, Kisumu
Tel: (057) 2022719
E-mail: kisumu@kenindia.com

Thika Branch
3rd Floor,Thika Arcade
P.O. Box 7478-01000, Thika
Tel: (067) 2220430
E-mail: thika@kenindia.com

Kisii Branch
Sansora Building, 2nd Floor
P.O. Box 1081-40200, Kisii
Tel: (058) 2030686
E-mail: kisii@kenindia.com

Nyeri Branch
Rupshi Chambers, 2nd Floor
P.O. Box 884-100, Nyeri
Tel: (061) 2030183
E-mail: nyeri@kenindia.com

Meru Branch
Amee Centre, 1st Floor, Kirukuli Road
P.O. Box 2473-60200, Meru
Tel: (064) 3132223
E-mail: meru@kenindia.com

Non Life Business Paybill No: 596271
Life Business Paybill No: 514600

KENINDIA