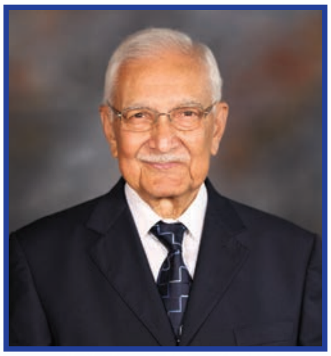
contents

KENINDIA

Registered Office	Kenindia House Loita Street P.O. Box 44372-00100 Nairobi 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)
	Dr M P Chandaria, OBE, EBS	Vice-Chairman (Alternate Mr. Bijal Sunilkumar Chandaria)
	Mr B S Sharma	Managing Director
	Mr.Leon Nyandusi Nyachae	Director
	Mr G Radhakrishnan	Director
	Mr M R Kumar	Director
	Mr Devesh Srivastava	Director
	Dr P M Kingori	Director
	Mrs Elizabeth Musyoka	Director
Company Secretary	Adili Corporate Services Kenya ALN House Eldama Ravine Close, Off Eldama Ravine Road Nairobi	(Appointed 11 December 2020)
	Mr N P Kothari, FCPS (Kenya)	(Up to 11 December 2020)
Independent Auditor	Grant Thornton Kenya Certified Public Accountants (Kenya) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100, Nairobi, Kenya	
Management Team		
	Mr B S Sharma	Managing Director/Principal Officer
	Mr James K Macharia	Chief Operating Officer
	Mr Mohan Jha	General Manager, Finance/ Financial Controller
	Mr V R Kumar	General Manager, Operations
	Mr Uthup Joseph	General Manager, Life

board of directors

KENINDIA



M N Mehta
Chairman

Dr M P Chandaria
Vice Chairman

M R Kumar
Director

Girish Radhakrishnan
Director

Devesh Srivastava
Director

L. Nyachae
Director

Dr. Patricia M. King`ori
Director

Elia beth M. Musyoka
Director

B S Sharma
Managing Director

notice of the annual general meeting

Notice is hereby given that pursuant to the Companies Act 2015, as amended recently, the Forty-first Annual General Meeting of the Company will be held in a hybrid format via electronic communication (**ZOOM**) on Friday 25th June 2021 at the Registered Office of the Company, Kenindia House, 12th Floor, Loita Street, Nairobi at 12 noon to transact business detailed below.

In view of the Government of Kenya restrictions on public gatherings shareholders will not be able to attend the Annual General Meeting in person. Audited financial statements for the year ended 31st December 2020 have been e-mailed to shareholders. Shareholders will be able to follow the meeting and vote electronically in the manner detailed in the notes below. Shareholders are requested to send their questions in respect of the items in the agenda at least 48 hours before the meeting to Mr Joseph Mbeja of Adili Corporate Services Kenya, Company Secretaries. e-mail: Joseph.Mbeja@adili.co.ke.

ORDINARY BUSINESS

1 To read the notice convening the meeting.

2 To receive the report of the auditors on the financial statements for the year ended 31st December 2020.

3 To receive the Directors' report and audited financial statements for the year ended 31st December 2020.

4 To declare a dividend.

5 To approve Directors' fees.

6 To re-elect Directors:

(a) Dr M P Chandaria retires by rotation and being eligible offers himself for re-election.

(b) Mr M N Mehta retires by rotation and being eligible offers himself for re-election.

7 Grant Thornton having expressed their willingness to continue as auditors of the Company, Directors recommend its appointment as auditors in terms of the Insurance Act (Cap 487) and in accordance with the Companies Act 2015 and to authorize the Directors to fix their remuneration.

8 **ANY OTHER BUSINESS**

Increase of Issued Share Capital – Rights Issue

To note that it is being considered to increase the issued capital from Kshs 1,000,000,000/- divided into 10,000,000/-Ordinary Shares of Kshs 100/-each by the issue of additional 10,000,000/-Ordinary Shares of Kshs 100/- each ranking pari passu in all respects with the existing Ordinary Shares in the capital of the Company for an intended Rights Issue.

By Order of the Board
Adili Corporate Services Kenya—Secretaries

N P Kothari
Partner
2nd June 2021

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 2020.

Overview Of The Economy

The Kenyan economy has been negatively affected by the COVID–19 pandemic. The economy has been exposed through the dampening effects on domestic activity brought about by the containment measures and through trade and travel disruption which has had a negative effect on key foreign currency earners such as tourism and cut flowers. In 2020, GDP growth slowed down to 0.6% from 5.4% in 2019. Agricultural output grew robustly but many services and sub sectors like tourism and education were severely disrupted. A regional locust infestation which started in early 2020 also affected the North Eastern parts of the country.

Moving into 2021, Kenya's outlook remains fairly stable. A significant economic recovery has been underway although some sectors such as tourism are still bearing the brunt of the pandemic and remain under severe pressure. Also, a weaker global economy undermines Kenya's exports, tourism and remittance inflows.

The country has sought support including emergency funding to strengthen medical services and reduce the spread of the virus as well as to help close the fiscal gap while supporting reforms aimed at promoting the government's growth agenda.

Big Four development priority areas of manufacturing, universal healthcare, affordable housing and food security remain key focus areas of the economy as President Uhuru Kenyatta's final term comes to a close.

Financial Markets

The Central Bank Rate (CBR) at the beginning of the year 2020 was 8.5 %. The CBR was reduced by the Monetary Policy Committee of the Central Bank of Kenya at the onset of Covid-19 pandemic and has since remained stable at 7.0%. The monetary policy committee has kept the CBR at 7.0% to support growth and anchor inflation expectations. During the year 2020 the rate on the 91-day Treasury bill declined to 6.9 % from 8.2% at the end of year 2019. The rate decrease was a result of the Central Bank's efforts to keep rates low due to increased demand as banks shied away from lending to the public due to increased credit risk.

The Kenya shilling remained under pressure during the year as the supply from exports and dollar remittances declined whereas the demand for hard currency remained on an increase. As at 31st December 2020 the exchange rate for US dollar was at Kshs 109.17 up from Kshs 101.33 at the beginning of the year.

NSE Share Index

During the year, the Kenya equities market was on a downward trajectory. The NSE 20 share index closed the year at 1,872.42 points. This was 29.1% lower than 2,654.39 points at the beginning of the year 2020.

Inflation

The annual average inflation decreased from 5.80% in December 2019 to 5.60 % in December 2020. The low inflation can be attributed to low fuel prices experienced during the first half of the year, coupled with favourable weather conditions which ensured food commodity prices remained low throughout the year.

Company Performance

(I) **General Insurance Business**

The General Insurance business registered a gross premium of Kshs 2.471 billion as compared to Kshs 2.468 billion in 2019 registering a growth of 0.12%.
The Company reported a net profit after tax of Kshs 221.63 million (2019-net loss of 387.58 million) under the non-life segment.

Company Performance (continued)

(II) **Life Assurance Business**

The long term business recorded gross premium income, including pension funds deposits of Kshs 7.372 billion against Kshs 5.612 billion in 2019 registering a growth of 31.35 %.

Premium income for Ordinary Life was Kshs 2.672 billion against Kshs 1.614 billion for the year 2019 registering a growth of 66%.

The Group Life Business registered a growth of 12% having premium of Kshs 56.1 million in 2020 compared to Kshs 50.282 million in 2019.

Annuity contributions recorded a growth of 91% to Kshs 789.077 million in 2020 up from Kshs 412.487 million in 2019.

Contributions under Deposit Administration and Retirement Fund increased from Kshs 3.535 billion in 2019 to Kshs 3.854 billion in 2020 registering a growth of 9%.

The funds in the Long term business (Life Fund) and Deposit Administration stood at Kshs 44.238 billion as at 31st December 2020 compared to Kshs 38.206 billion in the previous year representing a growth of 16%

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 2020 was Kshs 3.405 billion. The Company declared an interest rate of 10.75 % (2019: 11.00%) on Retirement Benefit funds, a simple Reversionary Bonus of 6% (2019: 6%) on with-profit Ordinary Life Policies, 4% (2019: 4%) final additional terminal bonus for ordinary Life Policies matured, bonus of 11 % (2019: 11.50%) on Capital advantage policies and 11% (2019: 11.50 %) interest on Bima Account plan.

In addition, the company declared one-off special bonus of 2% (2019: 2%) on with-profit Ordinary Life Policies and 2% (2019: 2%) as terminal bonus on ordinary Life policies matured.

The Actuary recommended a transfer of Kshs 357.14 million (2019:Kshs. 281.71 million) out of the actuarial surplus, for the benefit of shareholders.

Investment Income

The net investment income of the company increased by 14%, from Kshs 4.624 billion in 2019 to Kshs 5.285 billion in 2020. The net investment income of Life business was Kshs 4.860 billion in 2020 compared to Kshs 4.202 billion in 2019, an increase of 16%. The net investment income of Non-Life business was Kshs. 424.8 million in 2020 compared to Kshs 422.2 million in 2019, registering an increase of 0.6%.

Group Performance

The total gross premium accounted by Tanzindia Assurance Company Limited, a subsidiary of the Company was Kshs 587 million in the year 2020 as compared to Kshs 568 million for the year 2019, being an increase of 3.5% and its net profit after tax was Kshs 85 million whereas a net loss of Kshs 38.63 million was recorded in the year 2019.

The total assets for the Group stood at Kshs 57.684 billion in 2020 as compared to Kshs 52.125 billion in 2019. The shareholders funds increased from Kshs 3.621billion in December 2019 to Kshs 4,402 billion at the end of 2020.

Dividends

The Board has recommended a dividend of Kshs 5/- per share for the year ended 31st December 2020 subject to the members' approval at the Annual General meeting.

Board

The directors who held office in 2020 are listed on page 1 of these financial statements.

I wish to express our deep sorrow on the demise of our founding Director, Hon. Simeon Nyachae, a long serving board member.

Future Outlook

Although the COVID 19 effects will take time to overcome, the 2021 economic outlook is positive. The economy is projected to grow by 5.0% in 2021. Economists predict that economic activity will normalize due to a full reopening of the economy, implementation of the Economic Recovery Strategy, and Kenya capitalizing on an expected improvement in external liquidity and benefiting from initiatives to meet its external financing needs. The external initiatives could include debt refinancing, restructuring and debt service relief, and additional concessional loans. Inflation is projected to remain within the Central Bank of Kenya's target range of 2.5% to 7.5%, and fiscal and current account deficits are forecast to narrow as a result of improved revenue collection and exports. Downside risks to the outlook could emanate from delays in the full reopening of the economy, failure to secure external financing to execute the budget, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

The risks notwithstanding, the Company has positioned itself to take advantage of emerging opportunities to remain on the growth trajectory. Key strategic initiatives undertaken include expansion of the distribution network and increasing the company's digital footprint and branch network expansion.

The Company commissioned the strategic plan for 2021-2025 with the key focus areas of; customer focus and product diversification, expansion of distribution channels, achieving operational excellence, harnessing the power of ICT, staff development, training and creation of an appropriate organizational culture to strengthen the company and improve both the top and bottom lines.

Appreciation

On behalf of the Board, I would like to congratulate and thank the Company's management and staff for their sincere efforts in implementing the strategic plan during the year and taking the Company to a progressive direction in these challenging times.

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 and members for 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 acts as 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 upto 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 and 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 Mr. Leon N. Nyachae, 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 M. Musyoka and includes two non-Executive Directors and two independent non-executive Directors. The Managing Director, Financial Controller and Chief Internal Auditor 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 Srinivastava and includes the two other non-Executive Directors and the Managing Director. The Committee's terms of reference include reviewing the Credit Policy of the Company, outstanding receivables from the premium debtors 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 Directors, 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, with the assistance of the Risk Manager of the Company.The Committee meets at least four times in a year.

BOARD MEETING ATTENDANCE

Name	Position	17.3.2020	30.6.2020	25.9.2020	11.12.2020
Mr. M. N. Mehta	Chairman	x	√	√	√
Dr. M. P. Chandaria OBE CBS EBS	Vice -Chairman	√	√	√	√
Mr. M.R. Kumar	Member	√	√	√	√
Mr. D. Srinivastava	Member	√	√	√	√
Mr. Girish Radhakrishnan	Member	√	x	x	x
Mr. Leon N. Nyachae	Member	√	√	√	√
Dr. Patricia M. King'ori	Member	√	√	√	√
Mrs Elizabeth M. Musyoka	Member	√	√	√	√
Mr. B.S. Sharma	Managing Director	√	√	√	√

KEY

√Attended

×Absent with apologies

SHAREHOLDERS

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

	Number of Shares	%age of holding
Life Insurance Corporation of India	1,020,906	10.21
General Insurance Corporation of India	918,752	9.19
The National Insurance Company Limited	918,752	9.19
The New India Assurance Company Limited	918,752	9.19
The United India Insurance Company Limited	918,752	9.19
The Oriental Insurance Company Limited	899,601	9.00
Sansora Investments Limited	791,350	7.91
The Chandaria Foundation Registered Trustees	770,384	7.70
Mehta Group Limited	617,042	6.17
Lex Holdings Limited	458,204	4.58
Others (numbering 29)	1,767,505	17.68
Total	**10,000,000**	**100.00**

The Company continues to undertake Corporate Social Responsibility activities by promoting various activities among the local communities in which it operates. The Company is committed to the principle of responsible citizenship and makes Corporate Social Responsibility an integral part of its annual business plans. Under its Corporate Social Responsibility (CSR) programs, 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) Children’s village medical insurance

b) Association of Kenya Insurers CSR initiative for COVID-19

c) Payment of fees for needy students.

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2020, 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 Group underwrites all classes of life and non-life insurance risks as defined by the Insurance Act. The Group also provides its customers with asset management solutions for their savings and retirement needs.

RESULTS

	2020	2019
	Ksh'000	Ksh'000
Group profit before tax	534,490	(303,130)
Taxation charge	53,456	84,300
Group profit after tax	587,946	(218,830)
Non-controlling interest	(28,237)	11,748
Net profit for the year transferred to retained earnings	**559,709**	**(207,082)**

BUSINESS REVIEW

During the year 2020, the total turnover (including pension fund deposits and annuities) of the group and company increased from Ksh 8.65 billion to Ksh 9.843 billion and for the Company from Ksh 8.08 billion to Ksh 9.842 billion respectively. This was mainly attributed to significant growth in life business. The profit before tax increased from a loss of Ksh 303.13 million to profit before tax of Ksh 534.49 milion for the group and from a loss before tax of Ksh 269.122 million to profit before tax of Ksh 411.972 million for the company reflecting the effects of increased gross premium in life business, better claims experience in general business, release of expected credit losses under IFRS 9 in the year under review and overall profit position reported by Tanzindia, a subsidiary.

As at 31 December 2020, the net asset position of the group and company increased from Ksh 4.174 billion to Ksh 4.812 billion and for the Company from Ksh 4.005 billion to Ksh 4.539 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	Long term assurance business	Short term insurance business	Short term insurance business
	2020	2019	2020	2019
Retention ratio	99%	98%	67%	65%
Incurred claims ratio	-	-	76%	97%
Net commission ratio	3%	3%	8%	6%
Management expenses ratio	9%	8%	23%	22%
Combined ratio	-	-	107%	126%

DIVIDEND

The directors recommend the payment of a dividend of Ksh 50 million which represents Ksh 5 per share in respect of the year ended 31 December 2020 (2019: Ksh 28.069 million representing Ksh 5 per share).

EVENTS AFTER THE REPORTING

The financial statements were prepared based on management estimates and judgement as at the reporting date.

DIRECTORS

The Board of Directors as at 31st December 2020 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.

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.

INDEPENDENT AUDITOR

Grant Thornton continues in office in accordance with Section 719 of the Kenyan Companies Act, 2015 and have expressed their interest to continue in office. The Directors recommend their re-appointment. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

APPROVAL OF ANNUAL REPORT AND FINANCIAL STATEMENTS

The Report of the Directors was approved by the Board of Directors on 19th March 2021 and signed on its behalf by the Secretary.

By order of the board

For Adili Corporate Services Kenya
Company Secretaries

statement of directors' responsibilities

KENINDIA

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 group and company keeps proper accounting records that:

(a) show and explain the transactions of the group and 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 group and 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 19th March 2021 and signed on its behalf by:

Dr Patricia Kingo'ri	**Mr. Leon Nyachae**	**B. S. Sharma**
Director	Director	Managing Director/Principal Officer

From left to right

Uthup Joseph - General Manager (Life)

V. R. Kumar - General Manager (Operations)

B. S. Sharma - Managing Director / Principal Officer

James K. Macharia - Chief Operating Officer

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

report of the consulting actuary

KENINDIA

I, Gauri Shah, being an Actuary duly qualified in terms of Section 2 of the Insurance Act, having conducted an investigation in terms of Sections 57 and 58 of that Act as at 31 December 2020 do hereby certify as under:

1. that in my opinion the value placed upon the aggregate liabilities relating to the Ordinary Life Fund, Group Life Fund, Annuity Fund and Superannuation Fund of Kenindia Assurance Company Limited on the basis of valuation adopted by me as at 31 December 2020 is not less than what it would have been if aggregate value had been calculated on the minimum basis prescribed.

2. the necessary steps as required under Section 58(5)(a) were taken; and

3. that I am satisfied that the value of assets adopted by me are, based on the auditors' certificates appended to the balance sheet, fully of the value so adopted.

I have performed an actuarial valuation of the Company's general business insurance contract liabilities as at 31 December 2020 in line with the requirements set out in IRA/PG/16: Guideline on Valuation of Insurance Technical Liabilities for General Business. Based on our valuation, we propose that the company adopt claim and premium liabilities as per our general insurance valuation report.

Signed by

Gauri Shah

FIA (Fellow of the Institute & Faculty of Actuaries, UK), FeTASK (Fellow of the Actuarial Society of Kenya)

Appointed Actuary – Kenindia Assurance Company Limited

27 April 2021

Grant Thornton

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED

Opinion

We have audited the accompanying consolidated and separate financial statements of Kenindia Assurance Company Limited (“the Company”) and it subsidiary (together, the Group) set out on pages 9 to 117, which the comprise the consolidated and separate statement of financial position as at 31 December 2020, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respect, the financial position of Kenindia Assurance Company Limited and its subsidiaries as at 31 December 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015.

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 consolidated and separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements in the current year. 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.

Key audit matter	How the matter was addressed during the audit
Actuarial value of policyholders’ liabilities	
The company has significant long term insurance liabilities in both ordinary life and group life classes of business. The company determines the liabilities it would expect in the long term using actuarial valuation methods and per the guidelines issued by the Insurance Regulatory Authority of Kenya (IRA). Determination of the long term insurance liabilities is an estimation process that involves significant judgements and assumptions in relation to the discount rates, mortality rate, inflation bonuses, lapse rates as well as prescribed expenses. We have considered this issue as a key audit matter since estimation of the actuarial value of policyholders’ benefit is complex and subjective in nature as it involves use of judgements and assumptions in relation to the discount rate, mortality, inflation bonuses, withdrawal rates and initial and subsequent expenses subject to the minimum basis prescribed in the valuation guidelines	Our audit procedures in this area with the support of our actuarial team included; included: a) 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. b) We reviewed the actuarial report and calculations underlying these provisions, particularly the following areas: c) appropriateness of the methodologies used and that the approach was in accordance with best practice as recommended by IRA; d) reasonableness of key assumptions; e) sensitivities to key assumptions;

Valuation of 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 recognized in respect of claims that have occurred, but have not yet been reported to the company. We considered this as a key audit matter owing to the material impact a change in these assumptions and judgement would have on the valuation of these liabilities.	Our audit procedures in this area with the support of our actuarial team included; a) evaluating and testing controls around claims handling and reservation process; b) performing cut-off procedures to check for any unrecorded claims at the end of the year; c) 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; d) 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
Valuation of unquoted equity investments	
The Group holds significant unquoted investments comprising investment in unlisted entities, measure at fair value through other comprehensive income. As explained in note 18 of the financial statements, the Group estimates the fair value of these investments by using estimation of fair value which involves significant judgement and assumptions We considered this as a key audit matter owing to the significance of these investments on Group and Company financial statements.	Our testing approach included amongst others, the following procedures with the assistance of our valuation specialists; • We assessed management's processes and controls for determination of the fair values of investments. • We tested the accuracy of the computations. • We evaluated the adequacy and appropriateness of disclosures in the financial statements
Compliance with laws and regulations affecting the Insurance Industry	
The insurance industry in Kenya 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 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 as well as capital adequacy.

Other information

The other information comprise the Company information, Board of Directors, Chairman's statement, Corporate Governance report, Report of the Directors, Statement of Directors' Responsibilities, Report of the Consulting Actuary financial highlights and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon other than prescribed by the Kenyan Companies Act, 2015, as set out below.

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

When we read the annual report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting processes.

Auditor's responsibilities for the audit of the Group's and Company's financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's and Company's 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 directors' report on pages 2 to 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditors report was CPA Dipesh Shah, Practicing Certificate No. 1729.

Grant Thornton

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

	2020	2019	% VARIATION OVER
GROUP	**Kshs million**	**Kshs million**	**PREVIOUS**
GROSS PREMIUM WRITTEN (SHORT TERM BUSINESS)	**3,057.80**	**3,037.14**	**0.68**
GROSS EARNED PREMIUM			
(I) SHORT TERM BUSINESS	3,025.50	3,229.18	(6.31)
(II) LONG TERM BUSINESS	2,728.19	1,664.49	63.91
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,854.86	3,535.19	9.04
(IV) ANNUITIES	789.08	412.49	91.30
TOTAL	**10,397.63**	**8,841.35**	**17.60**
NET EARNED PREMIUM			
(I) SHORT TERM BUSINESS	1,735.39	1,967.04	(11.78)
(II) LONG TERM BUSINESS	2,687.27	1,631.06	64.76
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,854.86	3,535.19	9.04
(IV) ANNUITIES	789.08	412.49	91.30
TOTAL	**9,066.60**	**7,545.78**	**20.15**
INVESTMENT INCOME			
(I) SHORT TERM BUSINESS	453.51	449.27	0.94
(II) LONG TERM BUSINESS	4,860.36	4,202.01	15.67
TOTAL	**5,313.87**	**4,651.28**	**14.25**
(LOSS)/PROFIT BEFORE TAX	534.49	(303.13)	(276.32)
(LOSS)/PROFIT AFTER TAX	587.95	(218.83)	(368.68)
NON-CONTROLLING INTEREST	29.64	(11.75)	(352.26)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	558.31	(207.08)	(369.61)
SHARECAPITAL	1,000.00	561.39	78.13
SHAREHOLDERS' FUND	4,401.56	3,792.44	16.06
POLICYHOLDERS' FUND LIABILITIES	12,089.31	9,738.95	24.13
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	29,383.51	26,813.56	9.58
PAYABLE UNDER ANNUITIES	2,490.36	1,654.42	50.53
TOTAL ASSETS	57,684.40	52,125.14	10.67
COMPANY			
GROSS PREMIUM WRITTEN (SHORT TERM BUSINESS)	**2,470.76**	**2,468.47**	**0.09**
GROSS EARNED PREMIUM			
(I) SHORT TERM BUSINESS	2,480.70	2,660.50	(6.76)
(II) LONG TERM BUSINESS	2,728.19	1,664.49	63.91
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,854.86	3,535.19	9.04
(IV) ANNUITIES	789.08	412.49	
TOTAL	**9,852.83**	**8,272.67**	**19.10**
NET EARNED PREMIUM			
(I) SHORT TERM BUSINESS	1,570.97	1,747.42	(10.10)
(II) LONG TERM BUSINESS	2,687.27	1,631.06	64.76
(III) DEPOSIT ADMINISTRATION CONTRACTS	3,854.86	3,535.19	9.04
(IV) ANNUITIES	789.08	412.49	
TOTAL	**8,902.18**	**7,326.16**	**21.51**
INVESTMENT INCOME			
(I) SHORT TERM BUSINESS	424.81	422.21	0.62
(II) LONG TERM BUSINESS	4,860.36	4,202.01	15.67
TOTAL	**5,285.17**	**4,624.22**	**14.29**
(LOSS)/PROFIT BEFORE TAX	411.97	(269.12)	(253.08)
(LOSS)/PROFIT AFTER TAX	503.43	(190.39)	(364.42)
SHARECAPITAL	1,000.00	561.39	78.13
SHAREHOLDERS' FUND	3,686.79	3,513.53	4.93
POLICYHOLDERS' LIABILITIES	12,089.31	9,738.95	24.13
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	29,383.51	26,813.56	9.58
PAYABLE UNDER ANNUITIES	2,490.36	1,654.42	50.53
TOTAL ASSETS	56,227.75	50,086.53	12.26
PROPOSED DIVIDEND	50.00	28.07	78.13

financial statements 2020

consolidated statement of profit or loss

for the year ended 31 december 2020

	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2020 Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2019 Ksh'000
Premium income							
Gross earned premium income	2a	2,728,187	3,025,495	5,753,682	1,664,491	3,229,179	4,893,670
Premium ceded to reinsurers	2b	(40,919)	(1,290,107)	(1,331,026)	(33,435)	(1,262,140)	(1,295,575)
Net earned premium income		**2,687,268**	**1,735,388**	**4,422,656**	**1,631,056**	**1,967,039**	**3,598,095**
Other income							
Investment income	3a	4,860,364	453,506	5,313,870	4,202,010	449,273	4,651,283
Commission income	4a	7,509	305,969	313,478	6,549	384,208	390,757
Other income	4c	4,765	35,438	40,203	5,106	22	5,128
Net other income		**4,872,638**	**794,913**	**5,667,551**	**4,213,665**	**833,503**	**5,047,168**
Benefits and claims expense							
Claims and policy holder benefits expense		(683,264)	(1,779,416)	(2,462,680)	(409,657)	(2,484,118)	(2,893,775)
Surrender and annuity incurred		(249,582)	-	(249,582)	(340,047)	-	(340,047)
Claims ceded to reinsurers		-	448,161	448,161	-	705,560	705,560
		(932,846)	(1,331,255)	(2,264,101)	(749,704)	(1,778,558)	(2,528,262)
Pensions and annuities adjustments		(3,263,419)	-	(3,263,419)	(2,831,567)	-	(2,831,567)
Actuarial adjustments	26	(2,350,359)	-	(2,350,359)	(1,380,230)	-	(1,380,230)
Net benefits and claims expense		**(6,546,624)**	**(1,331,255)**	**(7,877,879)**	**(4,961,541)**	**(1,778,558)**	**(6,740,059)**
Expenses							
Operating expenses	5	(391,305)	(660,662)	(1,051,967)	(364,015)	(711,547)	(1,075,562)
Other expenses	6a	(61,046)	(69,775)	(130,821)	(63,819)	(59,870)	(123,689)
Allowance for credit losses on premium debtors		-	-	-	-	(75,660)	(75,660)
Allowance for credit losses on reinsurance debtors		-	-	-	-	(126,629)	(126,629)
Write back of provision of expected credit losses on premium debtors	22	-	44,316	44,316	-	-	-
Write back of credit losses on rental and other receivables	24	-	-	-	17,228	-	17,228
Write back of provision for expected credit losses on PTA Yellow cards	24	-	691	691	-	-	-
Provision for expected credit losses on premium debtors	5c	-	112,776	112,776	-	(105,363)	(105,363)
Provision for expected credit losses written off-Nakumatt	5c	(3,388)	-	(3,388)	-	-	-
Write off of provision for expected credit losses on rental debtors-Nakumatt	22	(7,324)	-	(7,324)	-	-	-
Write off of provision for expected credit losses on premium debtors-Others	22	-	(44,316)	(44,316)	-	-	-
Provision for expected credit losses on financial assets	5c	10,699	(345)	10,354	(11,267)	800	(10,467)

Provision for expected credit losses on reinsurance receivables	5c	-	(747)	(747)	-	-	-
Provision for expected credit losses on rental receivables	5c	88	-	88	(19,244)	-	(19,244)
Provision for expected credit losses on loans receivable	5c	(152)	-	(152)	-	-	-
Provision for expected credit losses on other receivables	5c	(274)	(290)	(564)	-	(314)	(314)
Commission expense	4b	(196,854)	(370,788)	(567,642)	(153,655)	(493,434)	(647,089)
Premium levy		(5,329)	(27,107)	(32,436)	(5,500)	(28,778)	(34,278)
Contribution to policy holders compensation fund		(1,257)	(5,449)	(6,706)	(1,239)	(6,028)	(7,267)
Total expenses		**(656,142)**	**(1,021,696)**	**(1,677,838)**	**(601,511)**	**(1,606,823)**	**(2,208,334)**
Profit before taxation		**357,140**	**177,350**	**534,490**	**281,709**	**(584,839)**	**(303,130)**
Income tax (expense)/credit	7c	(75,342)	128,798	53,456	(84,513)	168,813	84,300
Profit for the year		**281,798**	**306,148**	**587,946**	**197,196**	**(416,026)**	**(218,830)**
Basic earnings per share (Ksh)	8b	**-**	**-**	**55.97**	**-**	**-**	**(36.89)**
Diluted earnings per share (Ksh)	8b	**-**	**-**	**55.97**	**-**	**-**	**(36.89)**
Attributable to:							
Equity holders of parent		281,798	277,911	559,709	197,196	(404,278)	(207,082)
Non-controlling interest		-	28,237	28,237	-	(11,748)	(11,748)
		281,798	**306,148**	**587,946**	**197,196**	**(416,026)**	**(218,830)**

consolidated statement of profit or loss and other comprehensive income

for the year ended 31 december 2020

	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2020 Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2019 Ksh'000
Profit for the year		**281,798**	**306,148**	**587,946**	**197,196**	**(416,026)**	**(218,830)**
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods:							
- Government securities	9a	-	(2,492)	(2,492)	-	2,070	2,070
Unquoted shares (prior year adjustment)	9a	-	-	-	-	188,062	188,062
- Unquoted shares	9a	45	55,327	55,372	-	(7,239)	(7,239)
		45	52,835	52,880	-	182,893	182,893
Deferred tax on fair value reserve (prior year adjustme nt)	9a	-	-	-	-	(10,695)	(10,695)
Deferred tax on fair value reserve	9a	(2)	(2,642)	(2,644)	-	1,550	1,550
Exchange difference on deferred tax		-	(6)	(6)	-	(8)	(8)
Exchange differences		-	-	-	-	28	28
Non-controlling interest	9e	-	1,398	1,398	-	(1,774)	(1,774)
Exchange differences on translation of foreign operations	9b	-	13,533	13,533	-	1,029	1,029
		43	65,118	65,161	-	173,023	173,023
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	19,593	19,593	-	19,585	19,585
Deferred tax on revaluation		-	(5,878)	(5,878)	-	(5,876)	(5,876)
	9c	-	13,715	13,715	-	13,709	13,709
Total other comprehensive income for the year net of tax		**43**	**78,833**	**78,876**	**-**	**186,732**	**186,732**
Total comprehensive income		**281,841**	**384,981**	**666,822**	**197,196**	**(229,294)**	**(32,098)**
Attributable to:							
Equity holders of the parent		281,841	355,346	637,187	197,196	(215,772)	(18,576)
Non-controlling interest		-	29,635	29,635	-	(13,522)	(13,522)
		281,841	**384,981**	**666,822**	**197,196**	**(229,294)**	**(32,098)**

company statement of profit or loss

for the year ended 31 december 2020

KENINDIA

	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2020 Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2019 Ksh'000
Premium income							
Gross earned premium income	2a	2,728,187	2,480,703	5,208,890	1,664,491	2,660,503	4,324,994
Premiums ceded to reinsurers	2b	(40,919)	(909,736)	(950,655)	(33,435)	(913,088)	(946,523)
Net earned premium income		**2,687,268**	**1,570,967**	**4,258,235**	**1,631,056**	**1,747,415**	**3,378,471**
Other income							
Investment income	3b	4,860,364	424,807	5,285,171	4,202,010	422,212	4,624,222
Commission income	4a	7,509	197,568	205,077	6,549	287,512	294,061
Other income	4c	4,765	30,264	35,029	5,106	794	5,900
Net other income		**4,872,638**	**652,639**	**5,525,277**	**4,213,665**	**710,518**	**4,924,183**
Benefits and claims expense							
Claims and policyholders benefits expense		(683,264)	(1,946,336)	(2,629,600)	(409,657)	(2,041,144)	(2,450,801)
Surrender and annuity incurred		(249,582)	-	(249,582)	(340,047)	-	(340,047)
Claims ceded to reinsurers		-	642,437	642,437	-	340,952	340,952
Net benefits and claims expense		(932,846)	(1,303,899)	(2,236,745)	(749,704)	(1,700,192)	(2,449,896)
Pensions and annuities adjustments		(3,263,419)		(3,263,419)	(2,831,567)	-	(2,831,567)
Actuarial adjustments	26	(2,350,359)	-	(2,350,359)	(1,380,230)	-	(1,380,230)
Net benefits and claims expense, actuarial and other adjustments		**(6,546,624)**	**(1,303,899)**	**(7,850,523)**	**(4,961,501)**	**(1,700,192)**	**(6,661,693)**
Expenses							
Operating expenses	5	(391,305)	(557,726)	(949,031)	(364,015)	(599,773)	(963,788)
Other expenses	6b	(61,046)	(53,772)	(114,818)	(63,819)	(45,260)	(109,079)
Allowance for credit losses on premium debtors	22	-	-	-	-	(75,660)	(75,660)
Allowance for credit losses on reinsurance debtors	22	-	-	-	-	(126,629)	(126,629)
Write back of provision for expected credit losses on premium debtors	22	-	44,316	44,316	-	-	-
Write back of provision for expected credit losses on PTA Yellow cards	24	-	691	691	-	-	-
Write back of provision for expected credit losses on rental and other receivables	24	-	-	-	17,228	-	17,228
Provision for expected credit losses on premium debtors	5c	-	33,808	33,808	-	(44,028)	(44,028)
Write off of provision for expected credit losses on premium debtors-Nakumatt	22	-	-	-	-	-	-

Write off of provision for expected credit losses on rental debtors-Nakumatt	22	(7,324)	-	(7,324)	-	-	-
Write off of provision for expected credit losses on other debtors-Nakumatt	22	(3,388)	-	(3,388)	-	-	-
Write off of provision for expected credit losses on premium debtors-Others	22	-	(44,316)	(44,316)	-	-	-
Provision for expected credit losses on financial assets	5c	10,699	966	11,665	(11,267)	(741)	(12,008)
Provision for expected credit losses on rental receivables	5c	88	-	88	(19,244)	-	(19,244)
Provision for expected credit losses on loans receivable	5c	(152)	-	(152)	-	-	-
Provision for expected credit losses on other receivables	24	(274)	-	(274)	-	-	-
Commission expense	4b	(196,854)	(260,670)	(457,524)	(153,655)	(388,241)	(541,896)
Premium levy		(5,329)	(22,723)	(28,052)	(5,500)	(22,212)	(27,712)
Policyholders compensation fund		(1,257)	(5,449)	(6,706)	(1,239)	(6,028)	(7,267)
Total expenses		**(656,142)**	**(864,875)**	**(1,521,017)**	**(601,511)**	**(1,308,572)**	**(1,910,083)**
Profit before tax		**357,140**	**54,832**	**411,972**	**281,709**	**(550,831)**	**(269,122)**
Income tax (expense)/credit	7d	(75,342)	166,801	91,459	(84,513)	163,248	78,735
Profit for the year		**281,798**	**221,633**	**503,431**	**197,196**	**(387,583)**	**(190,387)**
Basic earnings per share (Ksh)	8b	**-**	**-**	**50.34**	**-**	**-**	**(33.91)**
Diluted earnings per share (Ksh)	8b	**-**	**-**	**50.34**	**-**	**-**	**(33.91)**

company statement of profit or loss and other comprehensive income

for the year ended 31 december 2020

KENINDIA

	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2020 Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total 2019 Ksh'000
Profit for the year		**281,798**	**221,633**	**503,431**	**197,196**	**(387,583)**	**(190,387)**
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods:							
- Government securities	9a	-	(2,463)	(2,463)	-	1,893	1,893
Unquoted shares (prior year adjustment)	9a	-	-	-	-	188,062	188,062
- Unquoted shares	9a	45	49,595	49,640	-	-	-
		45	47,132	47,177	-	189,955	189,955
Deferred tax on fair value reserve (prior year adjustment)	9a	-	-	-	-	(8,930)	(8,930)
Deferred tax on fair value reserve	9a	(2)	(2,357)	(2,359)	-	(568)	(568)
		43	44,775	44,818	-	180,457	180,457
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	19,593	19,593	-	19,585	19,585
Deferred tax on revaluation		-	(5,878)	(5,878)	-	(5,876)	(5,876)
	9c	-	13,715	13,715	-	13,709	13,709
Total other comprehensive income for the year net of tax		**43**	**58,490**	**58,533**	**-**	**194,166**	**194,166**
Total comprehensive income		**281,841**	**280,123**	**561,964**	**197,196**	**(193,417)**	**3,779**

consolidated statement of financial position

for the year ended 31 december 2020

EQUITY	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total Ksh'000
Share capital	8a	400,000	600,000	1,000,000
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(322)	603,042	602,720
Revaluation reserve	9c	-	454,209	454,209
General reserve	9d	513,683	-	513,683
Retained earnings	10	40,268	1,785,009	1,825,277
Foreign currency translation reserve	9b	-	4,474	4,474
Equity attributable to shareholders of parent		**953,629**	**3,447,932**	**4,401,561**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9e	-	92,344	92,344
Total equity		**1,272,145**	**3,540,276**	**4,812,421**
REPRESENTED BY:				
Assets				
Property and equipment	12	16,953	852,971	869,924
Intangible assets	14	6,828	23,413	30,241
Prepaid operating lease rentals	15	1,006,496	7,163	1,013,659
Right-of-use assets	38	14,049	23,335	37,384
Deferred acquisition costs		-	122,312	122,312
Deferred tax asset	29	-	387,828	387,828
Investment properties	16a	2,012,756	1,291,594	3,304,350
Due from Kenya Motor Insurance Pool	24	-	74,220	74,220
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18a	198	919,724	919,922
Financial assets at fair value through profit or loss	19a	105,247	49,060	154,307
Loans receivable	20	117,242	370	117,612
Receivables arising out of reinsurance arrangements	21	665	355,818	356,483
Receivables arising out of direct insurance arrangements	22	-	456,918	456,918
Reinsurers' share of insurance liabilities	36	-	3,186,664	3,186,664
Other receivables	24	67,897	206,967	274,864
General asset in Life	8	238,612	(238,612)	-
Taxation recoverable	7a	-	53,229	53,229
Government securities:				
At amortised cost	25a	42,057,649	2,517,162	44,574,811
At fair value through other comprehensive income	25c	-	771,053	771,053
Deposits with financial institutions	33	69,648	545,041	614,689
Corporate bond	33	52,555	52,555	105,110
Bank and cash balances	32a	79,766	179,050	258,816
Total assets		**45,846,561**	**11,837,835**	**57,684,396**
Liabilities				
Insurance liabilities	23	145,904	5,806,602	5,952,506
Payable under deposit administration contracts	26a	29,383,511	-	29,383,511
Payable under annuities	26b	2,490,361	-	2,490,361
Actuarial value of policyholders' liabilities	27	12,089,311	-	12,089,311
Provision for unearned premium	28	-	1,110,843	1,110,843
Taxation payable	7a	125,159	-	125,159
Deferred tax liability	29	(155)	335,439	335,284
Payables arising from reinsurance arrangements	30a	33,495	700,962	734,457
Payables arising out of direct insurance arrangements	30a	-	148,671	148,671
Bank overdraft	32a	-	31,280	31,280
Lease liability	38	16,149	24,516	40,665
Other payables	31	290,681	139,246	429,927
Total liabilities		**44,574,416**	**8,297,559**	**52,871,975**
Total assets net of liabilities		**1,272,145**	**3,540,276**	**4,812,421**

The annual report and financial statements were approved and authorised for issue by the Board of Directors on 19th March 2021 and signed on its behalf by

Dr. Patricia Kingo'ri, Director **Mr. Leon Nyandusi Nyachae, Director** **Mr. B S Sharma, Director**

consolidated statement of financial position

for the year ended 31 december 2019

KENINDIA

	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total Ksh'000
EQUITY				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(365)	552,855	552,490
Revaluation reserve	9c	-	440,502	440,502
General reserve	9d	299,078	-	299,078
Retained earnings	10	1,144	1,945,702	1,946,846
Foreign currency translation reserve	9b	-	(9,059)	(9,059)
Equity attributable to shareholders of parent		**461,245**	**3,331,198**	**3,792,443**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9e	-	62,709	62,709
Total equity		**779,761**	**3,393,907**	**4,173,668**
REPRESENTED BY:				
Assets				
Property and equipment	12	16,185	857,378	873,563
Intangible assets	14	8,501	32,444	40,945
Prepaid operating lease rentals	15	1,045,218	7,282	1,052,500
Deferred tax asset	29	-	243,046	243,046
Right-of-use assets	38c	8,088	27,021	35,109
Investment properties	16a	2,011,224	1,291,314	3,302,538
Due from Kenya Motor Insurance Pool	24	-	70,037	70,037
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18a	153	860,247	860,400
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	24	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
Corporate bond	33	52,535	52,799	105,334
Bank and cash balances	32a	367,196	171,459	538,655
Total assets		**39,678,698**	**12,446,441**	**52,125,139**
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	28	-	998,219	998,219
Taxation payable	7a	111,787	-	111,787
Deferred tax liability	29	13,786	326,888	340,674
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	31	406,995	147,411	554,406
Total liabilities		**38,898,937**	**9,052,534**	**47,951,471**
Total assets net of liabilities		**779,761**	**3,393,907**	**4,173,668**

The annual report and financial statements were approved and authorised for issue by the Board of Directors on 19th March 2021 and signed on its behalf by

Dr. Patricia Kingo'ri, Director **Mr. Leon Nyandusi Nyachae, Director** **Mr. B S Sharma, Director**

KENINDIA

company statement of financial position

for the year ended 31 december 2020

CAPITAL EMPLOYED	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total Ksh'000
Share capital	8a	400,000	600,000	1,000,000
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(322)	600,535	600,213
Revaluation reserve	9c	-	454,209	454,209
General reserve	9d	513,683	-	513,683
Retained earnings	10	40,268	1,611,112	1,651,380
Total ordinary shareholders' equity		953,629	3,267,054	4,220,683
Statutory reserve	11	318,516	-	318,516
Total equity		**1,272,145**	**3,267,054**	**4,539,199**
REPRESENTED BY:				
Assets				
Property and equipment	13	16,953	838,351	855,304
Intangible assets	14	6,828	21,325	28,153
Prepaid operating lease rentals	15	1,006,496	7,038	1,013,534
Right-of-use assets	38 d	14,049	15,070	29,119
Deferred acquisition costs		-	122,312	122,312
Deferred tax asset	29	-	394,413	394,413
Investment properties	16b	2,012,756	1,273,079	3,285,835
Due from Kenya Motor Insurance Pool	24	-	74,220	74,220
Investment in subsidiaries	17	-	105,612	105,612
Unquoted equity investments - Designated at fair value through other comprehensive income (FVTOCI)	18b	198	861,931	862,129
Financial assets at fair value through profit and loss	19b	105,247	28,860	134,107
Loans receivable	20	117,242	370	117,612
Receivables arising out of reinsurance arrangements	21	665	86,984	87,649
Receivables arising out of direct insurance arrangements	22	-	457,918	457,918
Reinsurers' share of insurance liabilities	36	-	2,530,165	2,530,165
Other receivables	24	67,897	220,245	288,142
General asset in Life	8	238,612	(238,612)	-
Taxation recoverable	7b	-	53,170	53,170
Government securities:				
At amortised cost	25b	42,057,649	2,463,122	44,520,771
At fair value through other comprehensive income	25c	-	750,757	750,757
Deposits with financial institutions	33	69,648	177,214	246,862
Corporate bond	33	52,555	52,555	105,110
Bank and cash balances	32b	79,766	85,087	164,853
Total assets		**45,846,561**	**10,381,186**	**56,227,747**
Liabilities				
Insurance liabilities	23	145,904	5,161,068	5,306,972
Payable under deposit administration contracts	26a	29,383,511	-	29,383,511
Payable under annuities	26b	2,490,361	-	2,490,361
Actuarial value of policyholders' liabilities	27	12,089,311	-	12,089,311
Provision for unearned premium and unexpired risks	28	-	829,769	829,769
Payables arising from reinsurance arrangements	30b	33,495	506,655	540,150
Payables arising out of direct insurance arrangements	30b	-	148,671	148,671
Other payables	31	290,681	114,926	405,607
Bank overdraft	32b	-	1,637	1,637
Lease liability	38 d	16,149	17,651	33,800
Deferred tax liability	29b	(155)	333,755	333,600
Taxation payable	7b	125,159	-	125,159
Total liabilities		**44,574,416**	**7,114,132**	**51,688,548**
Total assets net of liabilities		**1,272,145**	**3,267,054**	**4,539,199**

The annual report and financial statements were approved and authorised for issue by the Board of Directors on 19th March 2021 and signed on its behalf by

Dr. Patricia Kingo'ri, Director | **Mr. Leon Nyandusi Nyachae, Director** | **Mr. B S Sharma, Director**

company statement of financial position

for the year ended 31 december 2019

KENINDIA

CAPITAL EMPLOYED	Note	Long term assurance business Ksh'000	Short term insurance business Ksh'000	Total Ksh'000
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Fair value reserve	9a	(365)	555,760	555,395
Revaluation reserve	9c	-	440,502	440,502
General reserve	9d	299,078	-	299,078
Retained earnings	10	1,144	1,828,083	1,829,227
Total ordinary shareholders' equity		461,245	3,225,543	3,686,788
Statutory reserve	11	318,516	-	318,516
Total equity		**779,761**	**3,225,543**	**4,005,304**
REPRESENTED BY:				
Assets				
Property and equipment	13	16,185	845,776	861,961
Intangible assets	14	8,501	29,650	38,151
Prepaid operating lease rentals	15	1,045,218	7,155	1,052,373
Right-of-use assets	38d	8,088	13,026	21,114
Deferred tax asset	29	-	225,037	225,037
Investment properties	16b	2,011,224	1,272,799	3,284,023
Due from Kenya Motor Insurance Pool	24	-	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	812,336	812,489
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	24	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	33	1,137,297	359,659	1,496,956
Corporate bond	33	52,535	52,799	105,334
Bank and cash balances	32b	367,196	84,323	451,519
Total assets		**39,678,698**	**10,407,833**	**50,086,531**
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	28	-	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	31	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	325,520	339,306
Taxation payable	7b	111,787	-	111,787
Total liabilities		**38,898,937**	**7,182,290**	**46,081,227**
Total assets net of liabilities		**779,761**	**3,225,543**	**4,005,304**

The annual report and financial statements were approved and authorised for issue by the Board of Directors on 19th March, 2021 and signed on its behalf by

Dr. Patricia Kingo'ri, Director **Mr. Leon Nyandusi Nyachae, Director** **Mr. B S Sharma, Director**

consolidated statement of changes in equity

for the year ended 31 december 2020

KENINDIA

	Share capital (Note 8) Ksh'000	Share premium Ksh'000	Fair value reserve (Note 9) Ksh'000	Revaluation reserve (Note 9) Ksh'000	General reserve (Note 9) Ksh'000	Retained earnings (Note 10) Ksh'000	Foreign currency translation reserve (Note 9) Ksh'000	Total ordinary shareholders' equity Ksh'000	Statutory reserve (Note 11) Ksh'000	Non-controlling interest Ksh'000	Total equity and reserves Ksh'000
At 1 January 2020	**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**
Prior year adjustment											
Gain on quoted shares	-	-	188,062	-	-	-		188,062	-		188,062
Deferred tax	-	-	(10,695)	-	-	-	-	(10,695)	-		(10,695)
Revaluation of buildings-depreciation	-	-	-	19,585	-	(19,585)	-	-	-		-
Deferred tax	-	-	-	(5,876)	-	-	-	(5,876)	-		(5,876)
As restated	**561,388**	**1,198**	**552,490**	**440,502**	**299,078**	**1,946,846**	(9,059)	**3,792,443**	**318,516**	**62,709**	**4,173,668**
Profit for the year											
-Short term business	-	-	-	-	-	277,911	-	**277,911**	**-**	28,237	**306,148**
-Long term business	-	-	-	-	-	281,798	-	**281,798**	(0)	-	**281,798**
Other comprehensive income	-	-	50,230	13,715	-	-	13,533	**77,478**	-	1,398	**78,876**
Total comprehensive income	-	-	**50,230**	**13,715**	**-**	**559,709**	**13,533**	**637,187**	**(0)**	**29,635**	**666,822**
Transfer of excess depreciation	-	-	-	(8)	-	8	-	-	-	-	-
Transactions with owners:											
Additional share capital issued through bonus issue	438,612	-	-	-	-	(438,612)	-	-	-	-	-
Dividends paid for 2019	-	-	-	-	-	(28,069)	-	**(28,069)**	-	-	**(28,069)**
Transfer to general reserve, net of tax	-	-	-	-	214,605	(214,605)	-	**-**	-	-	-
Transfer from statutory reserve, net of tax	-	-	-	-	-	-	-	**-**	-	-	-
At 31 December 2020	**1,000,000**	**1,198**	**602,720**	**454,209**	**513,683**	**1,825,277**	**4,474**	**4,401,561**	**318,516**	**92,344**	**4,812,421**

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	-	-	**197,196**
Other comprehensive income	-	-	(3,599)	-	-	-	1,029	**(2,570)**	-	(1,774)	**(4,344)**
Total comprehensive income	-	-	**(3,599)**	-	-	**(207,082)**	**1,029**	**(209,652)**	-	**(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)	-	-	-	-	-
Transfer from statutory reserve, net of tax	-	-	-	-		-	-	-	-	-	-
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**

company statement of changes in equity

for the year ended 31 december 2020

KENINDIA

	Share capital (Note 8) Ksh'000	Share premium Ksh'000	Fair value reserve (Note 9) Ksh'000	Revaluation reserve (Note 9) Ksh'000	General reserve (Note 9) Ksh'000	Retained earnings (Note 10) Ksh'000	Ordinary shareholders' equity Ksh'000	Statutory reserve (Note 11) Ksh'000	Total equity and reserves Ksh'000
At 1 January 2020	**561,388**	**1,198**	**376,263**	**426,793**	**299,078**	**1,848,812**	**3,513,532**	**318,516**	**3,832,048**
Prior year adjustment									
Gain on quoted shares	-	-	188,062	-	-	-	188,062	-	**188,062**
Deferred tax	-	-	(8,930)	-	-	-	(8,930)	-	(8,930)
Revaluation of buildings-depreciation	-	-	-	19,585	-	(19,585)	-	-	-
Deferred tax	-	-	-	(5,876)	-	-	(5,876)	-	(5,876)
As restated	**561,388**	**1,198**	**555,395**	**440,502**	**299,078**	**1,829,227**	**3,686,788**	**318,516**	**4,005,304**
Profit for the year									
-Short term business	-	-	-	-	-	221,633	**221,633**	-	**221,633**
-Long term business	-	-	-	-	-	281,798	**281,798**	0	**281,798**
Other comprehensive income	-	-	44,818	13,715	-	-	58,533	-	58,533
Total comprehensive income	-	-	44,818	13,715	-	503,431	**561,964**	0	**561,964**
Transfer of excess depreciation	-	-	-	(8)	-	8	-	-	-
Transfer of actuarial surplus/(loss) to statutory reserve	-	-	-	-	-	-	-	-	-
Deferred tax on statutory reserve								-	-
Transactions with owners:									
Additional share capital issued through bonus issue	438,612	-	-	-	-	(438,612)	-	-	-
Dividends paid for 2019	-	-	-	-	-	(28,069)	**(28,069)**	-	**(28,069)**
Transfer to general reserve, net of tax	-	-	-	-	214,605	(214,605)	-	-	-
Transfer from statutory reserve, net of tax	-	-	-	-	-	-	-	-	-
At 31 December 2020	**1,000,000**	**1,198**	**600,213**	**454,209**	**513,683**	**1,651,380**	**4,220,683**	**318,516**	**4,539,199**

company 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	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		**197,196**
Other comprehensive income	-	-	1,325	-	-	-	**1,325**	-	**1,325**
Total comprehensive income	**-**	**-**	**1,325**	**-**	**-**	**(190,387)**	**(189,062)**	**-**	**(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)	**-**	-	**-**
Transfer from statutory reserve, net of tax	-	-	-	-	-	-	**-**	-	**-**
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**

consolidated statement of cash flows

for the year ended 31 december 2020

	2020 Ksh'000	2019 Ksh'000
Cash flows from operating activities		
Profit before tax	**534,490**	**(303,130)**
Adjustments for:		
Depreciation on property and equipment	18,919	19,887
Depreciation on right-of-use assets	17,555	17,629
Amortisation of intangible assets	12,942	17,552
Amortisation of prepaid lease	38,841	38,841
Exchange adjustment on property and equipment	833	50
Exchange adjustment on intangible assets	169	12
Interest from government securities (Amortised cost)	(5,052,500)	(4,386,237)
Interest from government securities (Fair value through other comprehensive income)	(85,724)	(83,036)
Bank deposit interest	(89,713)	(81,292)
Loan interest	(18,443)	31,838
Bonds and debentures interest	(7,334)	(7,154)
Dividends received from equity investments	(20,761)	(23,415)
Fair value loss/(gain) on quoted investments	59,660	(29,220)
Gain on disposal of government securities	(4,157)	-
Loss on sale of quoted investments	-	651
Loss on sale of property and equipment	(373)	2,167
Working capital changes;		
Increase in insurance liabilities	247,694	770,773
Increase in payable under deposit administration contracts	2,569,947	3,575,336
Increase in payable under annuities	835,946	427,851
Increase in actuarial value of policyholders' liabilities	2,350,359	1,380,230
Decrease in unearned premium reserve	112,624	(252,111)
Decrease in reinsurance arrangements payables	(1,124,836)	106,409
(Decrease)/increase in direct insurance arrangements payables	54,356	(134,054)
Decrease/(increase) in other payables	(124,479)	48,798
Decrease in right of use assets	(795)	5,622
Increase in due from motor pool	(4,183)	28,052
(Increase)/decrease in reinsurance arrangements receivables	999,424	15,613
Decrease/(increase) in direct insurance arrangements receivables	19,200	161,699
Increase in reinsurers' share of insurance liabilities	66,968	(143,044)
Increase in deferred acquisition costs	(122,312)	-
(Increase)/decrease in other receivables	11,335	570
Cash generated from operations	**1,295,651**	**1,206,887**
Income tax paid	(91,390)	(59,655)
Net cash flows generated from operating activities	**1,204,261**	**1,147,232**

consolidated statement of cash flows (cont'd)

for the year ended 31 december 2020

KENINDIA

	2020 Ksh'000	2019 Ksh'000
Cash flows from investing activities		
Purchase of property and equipment	(18,908)	(27,900)
Purchase of intangible assets	(2,069)	(226)
Proceeds from disposal of property and equipment	-	(68)
Additions to investment properties	(1,812)	(2,831)
Purchase of financial assets at fair value through profit and loss (Quoted shares)	-	(1,786.00)
Proceeds from disposal of quoted shares	-	1,795.00
Additions to unquoted equity investments	(776)	-
Repayment of mortgage loans	-	574.00
Policy loans advanced	(32,939)	(32,238)
Repayment of policy loans	37,643	40,977
Net movement in policy loans	(4,371)	44,798
Motor vehicle loans advanced	(1,000)	(2,440)
Repayment of motor vehicle loans	1,046	595
Net movement in motor vehicles	152	-
Net investment in government securities (Amortised cost)	(6,608,935)	(4,619,409)
Net investment in government securities (Fair value through other comprehensive income)	(116,485)	27,574
(maturing after 90 days of date of acquisition)	118,410	(1,054,649)
Interest from government securities (Held to maturity)	5,052,500	4,386,237
Interest from government securities (Fair value through other comprehensive income)	85,724	83,036
Bank deposit interest	89,713	81,292
Loan interest	18,443	(31,838)
Bonds and debentures interest	7,334	7,154
Dividends received from equity investments	20,761	23,415
Net cash flows used in investing activities	**(1,355,569)**	**(1,075,938)**
Cash flows from financing activities		
Lease liability	(17,187)	(18,536.00)
Dividends paid	(28,069)	(56,139)
Net cash flows used in financing activities	**(45,256)**	**(74,675)**
Decrease in cash and cash equivalents	**(196,564)**	**(3,381)**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	880,976	886,552
Increase in cash and cash equivalents	(196,564)	(3,381)
Exchange differences on translation of foreign operations	(4,585)	(2,195)
Cash and cash equivalents at the end of the year (Note 32)	**679,827**	**880,976**

company statement of cash flows

for the year ended 31 december 2020

	2020 Ksh'000	2019 Ksh'000
Cash flows from operating activities		
Profit before tax	**411,972**	**(269,122)**
Adjustments for:		
Depreciation on property and equipment	15,516	17,799
Depreciation on right of use assets	11,030	11,385
Amortisation of intangible assets	12,067	16,350
Amortisation of prepaid lease	38,839	38,839
Interest from government securities (Amortised cost)	(5,046,015)	(4,368,925)
Interest from government securities (Fair value through other comprehensive income)	(84,112)	(92,825)
Bank deposit interest	(72,836)	(68,036)
Loan interest	(18,340)	31,943
Bonds and debentures interest	(7,334)	(7,154)
Dividends received from equity investments	(18,724)	(22,204)
Fair value loss/(gains) on quoted investments	61,209	(23,939)
Gain on disposal of government securities	(2,839)	-
Loss on sale of quoted investments	-	651
Loss/(gains) on sale of property and equipment	135	2,167
Working capital changes;		
Increase/(decrease) in insurance liabilities	663,176	713,495
Increase in payable under deposit administration contracts	2,569,947	3,575,336
Increase in payable under annuities	835,946	427,851
Increase in actuarial value of policyholders' liabilities	2,350,359	1,380,230
(Decrease)/increase in unearned premium reserve	53,875	(192,036)
(Decrease)increase in reinsurance arrangements payables	(808,391)	38,752
Increase/(decrease) in direct insurance arrangements payables	54,356	(134,054)
Decrease in other payables	(106,645)	53,776
Increase in motor pool	(4,183)	28,052
Decrease in reinsurance arrangements receivables	665,527	76,137
(Increase)/decrease in direct insurance arrangements receivables	(19,482)	143,537
Decrease in reinsurers' share of insurance liabilities	(267,777)	(107,522)
Decrease in right of use assets	9,604	4,103
Increase in deferred acquisition costs	(122,312)	-
Decrease in other receivables	(842)	(2,384)
Cash generated (used in)/ from operations	**1,173,726**	**1,272,202**
Income tax paid	(78,962)	(55,970)
Net cash flows generated from/(used in) operating activities	**1,094,764**	**1,216,232**

	2020 Ksh'000	2019 Ksh'000
Cash flows from investing activities		
Purchase of property and equipment	(13,320)	(26,382)
Purchase of intangible assets	(2,069)	(226)
Proceeds from disposal of property and equipment	4,326	(68)
Additions to investment properties	(1,812)	(2,831)
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	(32,939)	(32,238)
Net movement in policy loans	(4,371)	44,798
Repayment of policy loans	37,643	40,977
Motor vehicle loans advanced	(1,000)	(2,440)
Repayment of motor vehicle loans	1,046	595
Net movement in motor vehicles	152	-
Net movement in investment in government securities (At amortised cost)	(7,700,612)	(4,621,134)
Net (increase)/decrease in investment in government securities (At fair value through other comprehensive income)	(105,857)	27,755
Decrease/(increase) in deposits with financial institutions (maturing after 90 days of date of acquisition)	1,173,059	(1,057,383)
Interest from government securities (At amortised cost)	5,046,015	4,368,925
Interest from government securities (At fair value through other comprehensive income)	84,112	92,825
Bank deposit interest	72,836	68,036
Loan interest	18,340	(31,943)
Commercial paper interest	-	-
Corporate bond interest	7,334	7,154
Dividends received from equity investments	18,724	22,204
Net cash flows used in investing activities	**(1,398,393)**	**(1,100,793)**
Cash flows from financing activities		
Net movement in lease liability	(11,150)	(10,971)
Dividends paid	(28,069)	(56,139)
Net cash flows used in financing activities	**(39,219)**	**(67,110)**
(Decrease) in cash and cash equivalents	**(342,848)**	**48,329**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	590,528	542,199
Decrease in cash and cash equivalents	(342,848)	48,329
Cash and cash equivalents at the end of the year (Note 32)	**247,680**	**590,528**

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 (Ksh), 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 income statement is presented in the statement of profit and loss and other comprehensive income.

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 for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material The amendments provide a new definition of material that states, "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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018 The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of 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

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 2023, 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.

Amendments to IAS 16: Proceeds before intended use

The amendment of the standard set to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The effective date of the amendment is for years beginning on or after January 1, 2022..

The company expects to adopt the amendment for the first time in the 2022 annual report and financial statements.

It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

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 IAS 37: Onerous contracts – costs of fulfilling a contract

The amendment specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The effective date of the interpretation is for years beginning on or after January 1, 2022.

It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16: Annual improvements to IFRS Standards 2018-2020 cycle

The amendment clarify the following;

- The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The effective date of the amendment is for years beginning on or after January 1, 2022.

It is unlikely that the amendment will have a material impact on the company's annual report and financial statements.

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 IAS 1: Classification of liabilities as current or non-current

The International Accounting Standards Board (IASB or the Board) issued amendments to IAS 1 Presentation of Financial Statements (the amendments) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The company expects to adopt the amendment for the first time in the 2023 annual report and financial statements.

It is unlikely that the amendment will have a material impact on the Group's annual report and financial statements.

Amendments to IFRS 16: COVID-19 Rent Related Concessions

The impact of COVID-19 to financial reporting is widespread and uncertain in duration. Entities are severely impacted by the COVID-19 pandemic, which is why many lessors around the world have provided or are expected to provide an economic relief in the form of rent concessions to lessees that are, in some cases, encouraged or required by governments or jurisdictional authorities. Rent concessions include rent holidays or reduced rent payments for a period, possibly followed by increased rent payments in future periods.

The effective date of the amendment is for years beginning on or after June 1, 2020.

The company expects to adopt the amendment for the first time in the 2021 annual report and 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.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue Recognition (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:
iv) The performance of a specified pool of contracts or a specified type of contract
v) Realised and or unrealised investment returns on a specified pool of assets held by the issuer
vi) 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.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Reinsurance (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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%

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

o) Leases

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

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.

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	

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 ri sks 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Company as lessor (continued)

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Company as lessor (continued)

- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

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).

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 15).

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.

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.

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

p) Foreign currency transactions

The Group's consolidated financial statements are presented in Ksh 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Foreign currency transactions

i) Transactions and balances

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.

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.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

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.

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 Ksh 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments

Initial recognition and measurement

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.

i) Financial assets

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

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.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

Derecognition (continued)

- 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.

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

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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).

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

Impairment (continued)

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.

ii) Financial liabilities

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.

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)

Financial liabilities 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

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).

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.

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.

y) 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

y) Impairment of non-financial assets (continued)

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

(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: Ksh 145,904,000 (2019: Ksh 117,451,000) for insurance liabilities and Ksh 12,100,720,000 (2019: Ksh 9,738,952,000) 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 Ksh 5,806,603,000 (2019: Ksh 5,587,361,000) and for Company Ksh 5,161,069,000 (2019: Ksh 4,526,345,000).

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 toadjust 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 21

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 the 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ac) Insurance contract liabilities

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.

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.

ae) Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from acquiring or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ae) Deferred acquisition costs (DAC)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss.

DACs are also considered in the liability adequacy test for each reporting period. DACs are derecognised when the related contracts are either settled or disposed of.

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	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Short term insurance business:				
Motor	904,228	954,675	807,460	845,539
Fire	775,428	829,178	552,779	610,613
Personal accident and medical	174,456	174,657	174,457	174,657
Marine	268,687	322,084	222,578	267,704
Theft	174,491	189,381	174,491	189,381
Workmen compensation	366,251	346,884	366,251	346,884
Engineering	148,320	180,135	118,607	145,592
Liability	47,271	55,450	47,271	55,450
Aviation	51,918	49,739	-	13
Other miscellaneous	114,445	126,997	16,809	24,670
	3,025,495	**3,229,179**	**2,480,703**	**2,660,503**
Long term assurance business:				
Ordinary life (Gross)	2,672,084	1,614,208	2,672,084	1,614,208
Group life (Gross)	56,103	50,283	56,103	50,283
	2,728,187	**1,664,491**	**2,728,187**	**1,664,491**
	5,753,682	**4,893,670**	**5,208,890**	**4,324,994**

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

Long term business	**(40,919)**	**(33,435)**	**(40,919)**	**(33,435)**
Short term business	(1,331,608)	(1,183,707)	(933,198)	(863,711)
Change in unearned premiums provision (Note 28)	41,501	(78,433)	23,462	(49,377)
	(1,290,107)	**(1,262,140)**	**(909,736)**	**(913,088)**
Net earned premium income	**4,422,656**	**3,598,095**	**4,258,235**	**3,378,471**

3. Investment income

(a) Group 2020

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000
Interest from government securities (At amortised cost)	4,762,104	290,396	5,052,500
Interest from government securities (At fair value through other comprehensive income)	-	85,724	85,724
Bank deposit interest	35,529	54,184	89,713
Interest on loans receivables	18,294	149	18,443
Operating lease income/rent from investment properties	102,819	42,427	145,246
Dividends receivable from equity investments	2,424	18,337	20,761
Bonds and debentures interest	3,662	3,672	7,334
Gain/(loss) on valuation of quoted investments	(48,676)	(10,984)	(59,660)
Gain on disposal of government securities	1,149	1,859	4,157
Other investment charges/operating expenses on investment properties	(16,941)	(32,258)	(49,199)
	4,860,364	**453,506**	**5,313,870**

Group 2019

	Ksh'000	Ksh'000	2019 Total Ksh'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
Interest on loans receivables	(31,982)	144	(31,838)
Operating lease income/rent from investment properties	97,339	39,749	137,088
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**

3. **Investment income** (continued)

(b) Company 2020

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000
Interest from government securities (At amortised cost)	4,762,104	283,911	5,046,015
Interest from government securities (At fair value through other comprehensive income)	-	84,112	84,112
Bank deposit interest	35,529	37,307	72,836
Loan interest	18,294	46	18,340
Operating lease income/rent from investment properties	102,819	42,427	145,246
Dividends receivable from equity investments	2,424	16,300	18,724
Bonds and debentures interest	3,662	3,672	7,334
Gain/(loss) on valuation of quoted investments	(48,676)	(12,533)	(61,209)
Gain on disposal of government securities	1,149	1,690	2,839
Other investment charges/operating expenses on investment properties	(16,941)	(32,125)	(49,066)
	4,860,364	**424,807**	**5,285,171**

Company 2019

	Ksh'000	Ksh'000	2019 Total Ksh'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**

4. (a) Commission income

	Group 2020 Ksh '000	Group 2019 Ksh '000	Company 2020 Ksh '000	Company 2019 Ksh '000
Re-insurance commission income	313,478	390,757	205,077	294,061

(b) Commission expense

	Group 2020 Ksh '000	Group 2019 Ksh '000	Company 2020 Ksh '000	Company 2019 Ksh '000
Commission on direct insurance arrangements	549,609	633,869	439,491	528,676
Commission on inward re-insurance arrangements	18,033	13,220	18,033	13,220
	567,642	**647,089**	**457,524**	**541,896**

(c) Other income

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Group						
Gain/(loss) on disposal of property and equipment	-	373	373	(837)	(1,330)	(2,167)
Exchange gain/(loss)	-	4,403	4,403	-	(953)	(953)
Administration fees	-	614	614	-	452	452
Miscellaneous income	4,765	30,048	34,813	5,943	1,853	7,796
	4,765	**35,438**	**40,203**	**5,106**	**22**	**5,128**
Company						
Gain/(loss) on disposal of property and equipment	-	(135)	(135)	(837)	(1,330)	(2,167)
Exchange gain/(loss)	-	513	513	-	(181)	(181)
Administration fees	-	614	614	-	452	452
Miscellaneous income	4,765	29,272	34,037	5,943	1,853	7,796
	4,765	**30,264**	**35,029**	**5,106**	**794**	**5,900**

5. Operating expenses

(a) Group	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Staff costs	216,236	431,269	647,505	200,376	410,965	611,341
Property expenses	4,110	8,621	12,731	2,968	13,421	16,389
Printing and stationery	3,932	14,799	18,731	5,099	11,513	16,612
Telephone expenses	4,777	4,190	8,967	3,623	5,385	9,008
Travelling expenses	8,714	4,468	13,182	9,650	13,946	23,596
Repairs and maintenance expenditure	12,245	34,977	47,222	10,511	40,390	50,901
Advertisement expenses	6,560	85,620	92,180	12,762	130,853	143,615
Entertainment expenses	1,620	841	2,461	1,830	1,489	3,319
Bank charges	3,591	4,730	8,321	3,285	4,040	7,325
Interest expense on lease liabilities	2,439	3,273	5,712	1,871	3,751	5,622
Interest on bank overdraft	-	1,969	1,969	-	-	-
Training expenses	519	1,528	2,047	1,032	1,573	2,605
General office expenses	126,562	64,377	190,939	111,008	74,221	185,229
	391,305	**660,662**	**1,051,967**	**364,015**	**711,547**	**1,075,562**
Staff costs include the following:						
- Salaries and wages	186,971	359,860	546,831	168,566	348,802	517,368
- Social security benefit costs	402	10,192	10,594	362	11,094	11,456
- Retirement benefit costs	28,863	61,217	90,080	31,448	51,069	82,517
	216,236	**431,269**	**647,505**	**200,376**	**410,965**	**611,341**

5. Operating expenses (continued)

(b) Company	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Staff costs	216,236	373,013	589,249	200,376	349,298	549,674
Property expenses	4,110	5,312	9,422	2,968	8,361	11,329
Printing and stationery	3,932	14,008	17,940	5,099	10,683	15,782
Telephone expenses	4,777	2,169	6,946	3,623	2,957	6,580
Travelling expenses	8,714	1,609	10,323	9,650	7,089	16,739
Repairs and maintenance expenditure	12,245	27,778	40,023	10,511	31,538	42,049
Advertisement expenses	6,560	83,796	90,356	12,762	129,910	142,672
Entertainment expenses	1,620	841	2,461	1,830	1,489	3,319
Bank charges	3,591	2,004	5,595	3,285	2,186	5,471
Interest expense on lease liabilities	2,439	2,379	4,818	1,871	2,516	4,387
Interest on car loans and other advances	-	-	-	-	-	-
Interest on bank overdraft	-	-	-	-	-	-
Training expenses	519	799	1,318	1,032	1,471	2,503
General office expenses	126,562	44,018	170,580	111,008	52,275	163,283
	391,305	**557,726**	**949,031**	**364,015**	**599,773**	**963,788**
Staff costs include the following:						
- Salaries and wages	186,971	320,558	507,529	168,566	297,492	466,058
- Social security benefit costs	402	712	1,114	362	737	1,099
- Retirement benefit costs	28,863	51,743	80,606	31,448	51,069	82,517
	216,236	**373,013**	**589,249**	**200,376**	**349,298**	**549,674**

General office expenses mainly comprise of consultancy and professional fees, legal fees, electricity and water, risk survey, insurance, office tea, office upkeep/maintenance amongst others.

The number of persons employed by the Group at year end was 229 (2019: 236). At company level, the employees as at year end were 196 (2019: 205).

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

	Group 2020 Number	Group 2019 Number	Company 2020 Number	Company 2019 Number
Executive wing and marketing	9	11	9	10
Operations	112	119	79	87
Life	54	50	54	52
Support	54	56	54	56
	229	**236**	**196**	**205**

5 Operating expenses (continued)

(c) Provision for expected credit losses

Group	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Insurance receivables (Note 22)	-	(112,776)	(112,776)	-	105,363	105,363
Reinsurance receivables (Note 21)	-	747				
Financial assets (Note 33)	(10,699)	345	(10,354)	11,267	(800)	10,467
Financial assets at amortised cost (Note 20)	152	-				
Rental receivables(Note 24)	(88)	-	(88)	19,244	-	19,244
Other receivables (Note 24)	274	290	564	-	314	314
	(10,361)	**(111,394)**	**(122,654)**	**30,511**	**104,877**	**135,388**

Company	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Insurance receivables (Note 22)	-	(33,808)	(33,808)	-	44,028	44,028
Reinsurance receivables (Note 21)	-	-	-	-	-	-
Financial assets (Note 33)	(10,699)	(966)	(11,665)	11,267	741	12,008
Loans receivable (Note 20)	152		152			
Rental receivables(Note 24)	(88)	-	(88)	19,244	-	19,244
Other receivables (Note 24)	274	-	274	-	-	-
	(10,361)	**(34,774)**	**(45,135)**	**30,511**	**44,769**	**75,280**

(d) Deferred Acquisition Costs (DAC)

Group and Company	2020		
Deferred acquisition costs	**Gross Ksh'000**	**Re-insurance Ksh'000**	**Net Ksh'000**
At beginning of year	-	-	-
Commissions deferred	122,312	52,044	70,268
At end of year	**122,312**	**52,044**	**70,268**

This is the first time that Deferred acquisition costs was estimated. Gross DAC was estimated using the 365th method DAC has been recognised in the books of account prospectively.

6. Other Expenses

(a) Group

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Depreciation and amortisation	6,279	45,129	51,408	7,419	30,021	37,440
Depreciation on right-of-use assets	6,274	11,281	17,555	5,772	11,857	17,629
Amortisation of prepaid lease	38,722	119	38,841	38,722	119	38,841
Audit fee	3,190	3,458	6,648	4,965	8,208	13,173
Donations	1,569	2,704	4,273	265	792	1,057
Directors' remuneration (Note 39)	828	828	1,656	1,106	1,013	2,119
Other directors' expenses	4,184	6,256	10,440	5,570	7,860	13,430
	61,046	**69,775**	**130,821**	**63,819**	**59,870**	**123,689**

(b) Company

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Depreciation and amortisation	6,279	40,895	47,174	7,419	26,730	34,149
Depreciation on right-of-use assets	6,274	4,756	11,030	5,772	5,613	11,385
Amortisation of prepaid lease	38,722	117	38,839	38,722	117	38,839
Audit fee	3,190	1,815	5,005	4,965	6,340	11,305
Donations	1,569	1,577	3,146	265	372	637
Directors' remuneration (Note 39)	828	828	1,656	1,106	1,013	2,119
Other directors' expenses	4,184	3,784	7,968	5,570	5,075	10,645
	61,046	**53,772**	**114,818**	**63,819**	**45,260**	**109,079**

7. Income tax

Taxation payable/ (recoverable)	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
(a) Group						
Taxation recoverable						
Balance brought forward	-	(50,313)	(50,313)	-	(52,841)	(52,841)
Charge for the year	-	16,069	16,069	-	10,575	10,575
Over provision in previous year	-	(2,117)	(2,117)	-	(299)	(299)
Exchange gain/(loss)	-	475	475	-	(462)	(462)
Paid during the year	-	(12,897)	(12,897)	-	(7,286)	(7,286)
Balance carried forward	-	(48,783)	(48,783)	-	(50,313)	(50,313)
Taxation payable						
Balance brought forward	111,787	(3,898)	107,889	79,106	(3,361)	75,745
Charge for the year	89,285	429	89,714	84,513	-	84,513
Underprovision/(overprovision) in previous year	-	1,603	1,603	-	-	-
Paid during the year	(75,913)	(2,580)	(78,493)	(51,832)	(537)	(52,369)
Balance carried forward	**125,159**	**(4,446)**	**120,713**	**111,787**	**(3,898)**	**107,889**

7. Income tax (continued)

Taxation payable/(recoverable) (continued)

(b) Company	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Balance brought forward	111,787	(52,696)	59,091	79,106	(52,536)	26,570
Charge for the year	89,285	2,575	91,860	84,513	4,206	88,719
Over provision in previous year	-	-	-	-	(228)	(228)
Paid during the year	(75,913)	(3,049)	(78,962)	(51,832)	(4,138)	(55,970)
Balance carried forward	**125,159**	**(53,170)**	**71,989**	**111,787**	**(52,696)**	**59,091**

Income tax charge/(credit)

(c) Group	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Current income tax charge	89,285	16,498	105,783	84,513	10,575	95,088
Over provision in previous year	-	(514)	(514)	-	(299)	(299)
Deferred tax charge/(credit)	(13,943)	(144,782)	(158,725)	-	(179,089)	(179,089)
Income tax charge/(credit)	**75,342**	**(128,798)**	**(53,456)**	**84,513**	**(168,813)**	**(84,300)**

The Group's current tax charge is computed in accordance with the income tax rules applicable to composite Kenyan Insurance companies. In the year 2020, the corporate tax rate was reduced from 30% to 25% by Kenyan Government to cushion companies against the adverse effects of COVID 19. Corporate tax has been determined using a rate of 25%. However the tax rate will revert back to 30% effective 1 January 2021 and hence the deferred tax items have been determined at the enacted rate of 30%. A reconciliation of the tax charge is shown below:

Group	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Profit before taxation	357,140	177,350	534,490	281,709	(584,839)	(303,130)
Tax calculated at a statutory tax rate of 25% (2019:30%)	89,285	44,338	133,622	84,513	(175,452)	(90,939)
Tax effect of income not subject to tax	-	(53,921)	(53,921)	-	108,891	108,891
Tax effect of expenses not deductible for tax purposes	-	26,082	26,082	-	77,136	77,136
Over provision in previous year	-	(514)	(514)	-	(299)	(299)
Deferred tax charge/(credit)	(13,943)	(144,782)	(158,725)	-	(179,089)	(179,089)
Income tax charge/(credit)	**75,342**	**(128,798)**	**(53,456)**	**84,513**	**(168,813)**	**(84,300)**

7. **Income tax (continued)**

Income tax charge/(credit)	**Long term assurance business**	**Short term insurance business**	**2020 Total**	**Long term assurance business**	**Short term insurance business**	**2019 Total**
(d) Company	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Current income tax charge	89,285	2,575	91,860	84,513	4,206	88,719
Over provision in previous year	-	-	-	-	(228)	(228)
Deferred tax charge/(credit)	(13,943)	(169,376)	(183,319)	-	(167,226)	(167,226)
Income tax charge/(credit)	**75,342**	**(166,801)**	**(91,459)**	**84,513**	**(163,248)**	**(78,735)**

Company	**Long term assurance business**	**Short term insurance business**	**2020 Total**	**Long term assurance business**	**Short term insurance business**	**2019 Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Profit before taxation	357,140	54,832	411,972	281,709	(550,831)	(269,122)
Tax calculated at a statutory tax rate of 25%(2019:30%)	89,285	13,708	102,993	84,513	(165,249)	(80,737)
Tax effect of income not subject to tax	-	(36,195)	(36,195)	-	112,047	112,047
Tax effect of expenses not deductible for tax purposes	-	25,062	25,062	-	57,408	57,408
Overprovision in previous year	-	-	-	-	(228)	(228)
Deferred tax charge/(credit)	(13,943)	(169,376)	(183,319)	-	(167,226)	(167,226)
Income tax charge/(credit)	**75,342**	**(166,801)**	**(91,459)**	**84,513**	**(163,248)**	**(78,735)**

8. (a) **Share capital**

	Number of shares		**Share capital**	
	2020	**2019**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Authorised				
Ordinary shares of Ksh 100 each (Short-term business)	6,000,000	4,386,120	600,000	438,612
Ordinary shares of Ksh 100 each (Long-term business)	4,000,000	1,613,880	400,000	161,388
Total	**10,000,000**	**6,000,000**	**1,000,000**	**600,000**
Ordinary shares: Issued and fully paid				
At start of year (Short-term business)	4,000,002	4,000,002	400,000	400,000
Additional share capital during the year	1,999,998	-	200,000	-
At end of year (Short-term business)	6,000,000	4,000,002	600,000	400,000
At start of year (Long-term business)	1,613,880	1,613,880	161,388	161,388
Additional share capital during the year	2,386,120	-	238,612	-
At end of year (Long-term business)	4,000,000	1,613,880	400,000	161,388
Total	**10,000,000**	**5,613,882**	**1,000,000**	**561,388**

8. (a) Share capital (continued)

All ordinary shares are fully paid.

Share capital was increased during the year through bonus issue to meet new capital requirements as per Section 42 and minimum capital requirements of the Insurance Act. In June 2020, the company increased its share capital for long term business and short term business by capitalizing KSh 438,612,000 out of retained earnings to create a total of 4,386,118 new ordinary shares of Ksh 100 each, ranking pari passu in all respects with the existing shares of the Company.

(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.

(c) Earnings per share

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

Diluted earnings per share is calculated by dividing the net profit 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 2020 and 2019 were net profit and net loss of Ksh 559,709,000 and Ksh 207,082,000 respectively. Company earnings reported for 2020 and 2019 were net profit and net loss of Ksh 503,431,000 and Ksh 190,387,000 respectively.

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

	Group		Company	
	2020 Ksh'000	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
Net profit attributable to ordinary shareholders for basic and diluted earnings	559,709	(207,082)	503,431	(190,387)
Number of ordinary shares for basic and diluted earnings per share	10,000,000	5,613,882	10,000,000	5,613,882
Basic earnings per share (Ksh)	**55.97**	**(36.89)**	**50.34**	**(33.91)**
Diluted earnings per share (Ksh)	**56**	**(37)**	**50**	**(34)**

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.

	2020 Ksh' 000	**2019 Ksh' 000**
Dividend proposed	**Ksh 50,000**	**Ksh 28,069**
Dividend per share	**Ksh 5**	**Ksh 5**

8. (d) Dividend per share

In respect of the current year, the Directors propose the payment of a dividend of Ksh 5 (2019: Ksh 5) per share equivalent to total sum of Ksh 50 million (2019: Ksh 28.069 million) be paid to the shareholders.

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 20% 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 9 and 11 respectively.

	Group				Company			
	Long term assurance business	Short term insurance business	2020	2019	Long term assurance business	Short term insurance business	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 January	**(365)**	**375,488**	**375,123**	**378,722**	**(365)**	**376,628**	**376,263**	**374,938**
Prior year adjustment:								
Gain in unquoted shares	-	188,062	188,062	-	-	188,062	188,062	-
Deferred tax	-	(10,695)	(10,695)	-	-	(8,930)	(8,930)	-
As restated	**(365)**	**552,855**	**552,490**	**378,722**	**(365)**	**555,760**	**555,395**	**374,938**
Net gain/(loss) on investments at fair value through other comprehensive income:								
Government securities	-	264	264	1,455	-	293	293	1,278
Adjustment for losses included in income statement on disposal of investments	-	(2,756)	(2,756)	615	-	(2,756)	(2,756)	615
Net gain/(loss) (Note 25)	-	(2,492)	(2,492)	2,070	-	(2,463)	(2,463)	1,893
Gain/(loss) in unquoted shares	45	55,327	55,372	(7,239)	45	49,595	49,640	-
	45	55,327	55,372	(7,239)	45	49,595	49,640	-
Total movement in investments at fair value through other comprehensive income	45	52,835	52,880	(5,169)	45	47,132	47,177	1,893
Deferred tax on fair value reserve	(2)	(2,642)	(2,644)	1,550	(2)	(2,357)	(2,359)	(568)
Exchange differences on deferred tax	-	(6)	(6)	(8)	-	-	-	-
Exchange differences	-	-	-	28	-	-	-	-
At 31 December	**(322)**	**603,042**	**602,720**	**375,123**	**(322)**	**600,535**	**600,213**	**376,263**

9 Reserves (continued)

(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	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 January	(9,059)	(10,088)	-	-
Exchange difference on translation	13,533	1,029	-	-
At 31 December	**4,474**	**(9,059)**	-	-

(c) Revaluation reserve (Group and Company)

	2020	2019
	Ksh'000	Ksh'000
At 1 January	440,502	427,860
Revaluation of buildings	-	-
Depreciation released on revaluation	19,593	19,585
Total revaluation	19,593	19,585
Deferred tax on revaluation	(5,878)	(5,876)
	-	-
	13,715	13,709
Transfer of excess depreciation	(8)	(1,067)
At 31 December	**454,209**	**440,502**

(d) General reserve (Group and Company)

	2020	2019
	Ksh'000	Ksh'000
At 1 January	299,078	129,951
Reclassification	-	-
Transfer from statutory reserve, net of tax	214,605	169,127
At 31 December	**513,683**	**299,078**

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

(e) Non-controlling interests (Group)

	2020	2019
	Ksh'000	Ksh'000
At 1 January	62,709	76,231
Share of profit for the year	28,237	(11,748)
Other comprehensive income	1,398	(1,774)
At 31 December	**92,344**	**62,709**
The non-controlling interests consist of:		
Equity interests held by individual shareholders	**92,344**	**62,709**

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 Kenyan Insurance Act has placed restrictions on distribution of gains arising from the revaluation of investment properties of Ksh 3,163.258 million (Ksh 3,163.258 million for 2019).

The movement for the year is shown below.

			Company	
	2020	**2019**	**2020**	**2019**
Retained earnings	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At 1 January	**1,966,431**	**2,397,712**	**1,848,812**	**2,263,398**
Prior year adjustment	**(19,585)**	**-**	**(19,585)**	-
As restated	**1,946,846**	**2,397,712**	**1,829,227**	**2,263,398**
Profit for the year-short term business	268,308	(404,278)	213,030	(387,583)
Profit for the year-long term business	281,798	197,196	281,798	197,196
Transfer of excess depreciation	8	1,067	8	1,067
Dividends paid	(28,069)	(56,139)	(28,069)	(56,139)
Transfer to share capital through bonus issue	(438,612)	-	(438,612)	-
Transfer to general reserve	(214,605)	(169,127)	(214,605)	(169,127)
Transfer from statutory reserve, net of tax to retained earnings	**-**	-	-	-
At 31 December	**1,815,674**	**1,966,431**	**1,642,777**	**1,848,812**

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 Ksh 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 17, 18, 19 and 20 respectively.

	Group		Company	
	2020	**2019**	**2020**	**2019**
Statutory reserve	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At 1 January	**318,516**	**318,516**	**318,516**	**318,516**
Profit for the year	0	0	0	0
Transfer of actuarial surplus/(loss) to statutory reserve	0	-	0	-
Transfer to retained earnings	-	-	-	-
Transfer to general reserve	-	-	-	-
At 31 December	**318,516**	**318,516**	**318,516**	**318,516**

12) Property and equipment (Group)

At 31 December 2020	Buildings	Motor vehicles	Computer equipment	Fittings and equipment	2020 Total
Cost	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At 1 January 2020	783,416	79,956	192,973	206,997	1,263,342
Additions	322	6,198	9,184	3,204	18,908
Disposals	-	(21,633)	(535)	(630)	(22,798)
Exchange differences	-	560	1,346	878	2,784
At 31 December 2020	**783,738**	**65,081**	**202,968**	**210,449**	1,262,236
Depreciation					
At 1 January 2020	-	60,520	175,689	153,570	389,779
Charge for the year	19,593	3,695	7,798	7,426	38,512
Eliminated on revaluation	(19,593)	-	-	-	(19,593)
Eliminated on disposal	-	(17,599)	(445)	(293)	(18,337)
Exchange differences	-	353	985	613	1,951
At 31 December 2020	**-**	**46,969**	**184,027**	**161,316**	**392,312**
Net book value					
At 31 December 2020	**783,738**	**18,112**	**18,941**	**49,133**	**869,924**

At 31 December 2019	Buildings	Motor vehicles	Computer equipment	Fittings and equipment	2019 Total
Cost	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
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
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**

In 2020, 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)

At 31 December 2020	**Buildings**	**Motor vehicles**	**Computer equipment**	**Fittings and Equipment**	**2020 Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Cost					
At 1 January 2020	783,416	72,362	173,091	194,126	1,222,995
Additions	322	2,000	8,150	2,848	13,320
Disposals	-	(19,500)	(535)	(630)	(20,665)
At 31 December 2020	**783,738**	**54,862**	**180,706**	**196,344**	**1,215,650**
Depreciation					
At 1 January 2020	-	54,784	161,429	144,821	361,034
Charge for the year	19,593	3,064	5,917	6,535	35,109
Eliminated on revaluation	(19,593)	-	-	-	(19,593)
Eliminated on disposal	-	(15,466)	(445)	(293)	(16,204)
At 31 December 2020	**-**	**42,382**	**166,901**	**151,063**	**360,346**
Carrying amount	**783,738**	**12,480**	**13,805**	**45,281**	**855,304**

At 31 December 2019	**Buildings**	**Motor vehicles**	**Computer equipment**	**Fittings and equipment**	**2019 Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'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
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**

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 2019 and 2020.

14) (a)Intangible assets (Group)

Cost	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At 1 January	41,882	113,856	155,738	41,656	113,907	155,563
Additions	1,254	815	2,069	226	-	226
Exchange differences	-	835	835	-	(51)	(51)
At 31 December	**43,136**	**115,506**	**158,642**	**41,882**	**113,856**	**155,738**
Amortisation						
At 1 January	33,381	81,412	114,793	29,738	67,542	97,280
Charge for the year	2,927	10,015	12,942	3,643	13,909	17,552
Exchange differences	-	666	666	-	(39)	(39)
At 31 December	**36,308**	**92,092**	**128,400**	**33,381**	**81,412**	**114,793**
Carrying amount						
At 31 December	**6,828**	**23,413**	**30,241**	**8,501**	**32,444**	**40,945**

(b) Intangible assets (Company)

Cost	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At 1 January	41,882	101,500	143,382	41,656	101,500	143,156
Additions	**1,254**	**815**	**2,069**	**226**	-	**226**
At 31 December	**43,136**	**102,315**	**145,451**	**41,882**	**101,500**	**143,382**
Amortisation						
At 1 January	33,381	71,850	105,231	29,738	59,143	88,881
Charge for the year	2,927	9,140	12,067	3,643	12,707	16,350
At 31 December	**36,308**	**80,990**	**117,298**	**33,381**	**71,850**	**105,231**
Carrying amount						
At 31 December	**6,828**	**21,325**	**28,153**	**8,501**	**29,650**	**38,151**

Intangible assets relate to the cost of purchase and installation of computer software (Genisys and Elife). Additions during the year 2020 relate to development of pension, individual life and annuities portal, deployment of mobile application (Life Business) and modifications to credit control functionality in Genisys (General Business) while additions in 2019 relate to the cost of purchase and installation of ELIFE-Pensions Module and Group Life Module (Life Business) and modifications to Genisys (General Business). As at 31 December 2020, 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 Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At 1 January	1,248,431	9,976	1,258,407	1,248,431	9,976	1,258,407
At 31 December	**1,248,431**	**9,976**	**1,258,407**	**1,248,431**	**9,976**	**1,258,407**
Amortisation						
At 1 January	203,213	2,694	205,907	164,491	2,575	167,066
Charge for the year	38,722	119	38,841	38,722	119	38,841
At 31 December	**241,935**	**2,813**	**244,748**	**203,213**	**2,694**	**205,907**
Net book value						
At 31 December	**1,006,496**	**7,163**	**1,013,659**	**1,045,218**	**7,282**	**1,052,500**

(b) Company

Cost	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At 1 January	1,248,431	9,830	1,258,261	1,248,431	9,830	1,258,261
At 31 December	**1,248,431**	**9,830**	**1,258,261**	**1,248,431**	**9,830**	**1,258,261**
Amortisation						
At 1 January	203,213	2,675	205,888	164,491	2,558	167,049
Eliminated on disposal	-	-	-	-	-	-
Charge for the year	38,722	117	38,839	38,722	117	38,839
At 31 December	**241,935**	**2,792**	**244,727**	**203,213**	**2,675**	**205,888**
Net book value						
At 31 December	**1,006,496**	**7,038**	**1,013,534**	**1,045,218**	**7,155**	**1,052,373**

16) Investment properties

(a) Group

Cost	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At 1 January	2,011,224	1,291,314	3,302,538	2,008,654	1,291,053	3,299,707
Additions	1,532	280	1,812	2,570	261	2,831
Fair value loss	-	-	-	-	-	-
At 31 December	**2,012,756**	**1,291,594**	**3,304,350**	**2,011,224**	**1,291,314**	**3,302,538**

16) Investment properties

(b) Company

Cost	Long term assurance business	Short term insurance business	2020 Total	Long term assurance business	Short term insurance business	2019 Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 January	2,011,224	1,272,799	3,284,023	2,008,654	1,272,538	3,281,192
Additions	1,532	280	1,812	2,570	261	2,831
Fair value loss	-	-	-	-	-	-
At 31 December	**2,012,756**	**1,273,079**	**3,285,835**	**2,011,224**	**1,272,799**	**3,284,023**

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 2020. 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 exchanged 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 Ksh 145,246,000 (2019: Ksh 137,088,000) 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 Ksh 49,199,000(2019: Ksh 63,669,000).

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	2020	2019
	Ksh'000	Ksh'000
Level 1	-	-
Level 2	3,304,350	3,302,538
Level 3	-	-
Fair value as at 31 December	**3,304,350**	**3,302,538**

Company		
	Ksh'000	Ksh'000
Level 1	-	-
Level 2	3,285,835	3,284,023
Level 3	-	-
Fair value as at 31 December	**3,285,835**	**3,284,023**

17) Investment in subsidiaries

	Percentage of shareholding	2020	2019
		Ksh'000	Ksh'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 Ksh 102,213,000 (2019: Ksh 62,709,000) 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	**2020**	**2019**
	Ksh'000	**Ksh'000**
Total assets	1,527,541	2,091,718
Total liabilities	(1,257,942)	(1,910,281)
Net assets	**269,599**	**181,437**
Summarised statement of profit or loss		
Gross earned premiums	544,792	568,676
Underwriting surplus	29,570	12,482
Profit/(loss) before income tax	118,765	(39,558)
Income tax (expense)/credit	(38,088)	5,993
	80,677	(33,565)
Other comprehensive income	5,707	-5,068
Total comprehensive income	**86,384**	**(38,633)**
Total comprehensive income allocated to non-controlling interest	**29,635**	**(13,523)**

17) Investment in subsidiaries

Summarised statement of cash flows

Net cash generated from/(used in) operating activities	137,046	(67,933)
Net cash generated from/ (used in) investing activities	(139,796)	6,509
Net cash (used in)/generated from financing activities	8,583	22,449
Net decrease in cash and cash equivalents	**5,833**	**(51,994)**
Cash and cash equivalents at beginning of year	**70,813**	**122,942**
Exchange gains on cash and cash equivalents	8,821	(135)
Cash and cash equivalents at the end of the year	**85,468**	**70,813**

18) Unquoted equity investments

(a) Group

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At start of year	153	860,247	860,400	153	679,621	679,774
Additions through bonus issue	-	776	776	-	-	-
Fair value gain/(loss)	45	55,327	55,372	-	180,823	180,823
Provision for expected credit losses	-	(7)	(7)	-	(24)	(24)
Exchange gain/(loss)	-	3,381	3,381	-	(173)	(173)
At end of year	**198**	**919,724**	**919,922**	**153**	**860,247**	**860,400**

(b) Company

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At start of year	153	812,336	812,489	153	624,274	624,427
Fair value gain/(loss)	45	49,595	49,640	-	188,062	188,062
At end of year	**198**	**861,931**	**862,129**	**153**	**812,336**	**812,489**

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) Quoted equity investments

(a) Group

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At start of year	153,923	60,032	213,955	134,204	51,192	185,396
Additions	-	-	-	-	1,786	1,786
Disposals	-	-	-	-	(2,446)	(2,446)
Exchange gain/(losses)	-	12	12	-	(1)	(1)
Fair value gain/(loss)	(48,676)	(10,984)	(59,660)	19,719	9,501	29,220
At end of year	**105,247**	**49,060**	**154,307**	**153,923**	**60,032**	**213,955**

(b) Company

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
At start of year	153,923	41,393	195,316	134,204	37,833	172,037
Additions	-	-	-	-	1,786	1,786
Disposals	-	-	-	-	(2,446)	(2,446)
Fair value gain/(loss)	(48,676)	(12,533)	(61,209)	19,719	4,220	23,939
At end of year	**105,247**	**28,860**	**134,107**	**153,923**	**41,393**	**195,316**

20) Loans receivable (Group and Company)

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Mortgage loans						
At start of year	4,239	-	4,239	4,813	-	4,813
Loan repayments	-	-	-	(574)	-	(574)
At end of year	**4,239**	**-**	**4,239**	**4,239**	**-**	**4,239**
Maturity profile of mortgage loans maturing						
In 1-5 years	2,972	-	2,972	2,972	-	2,972
In over 5 years	1,267	-	1,267	1,267	-	1,267
At end of year	**4,239**	**-**	**4,239**	**4,239**	**-**	**4,239**
Policy loans						
At start of year	110,494	-	110,494	164,031	-	164,031
Loan advanced	32,939	-	32,939	32,238	-	32,238
Loan repayments	(37,643)	-	(37,643)	(40,977)	-	(40,977)
Accrued interest b/f reversed	(24,283)	-	(24,283)	(69,081)	-	(69,081)
Accrued interest	28,654	-	28,654	24,283	-	24,283
At end of year	**110,161**	**-**	**110,161**	**110,494**	**-**	**110,494**
Maturity profile of policy loans maturing						
Within 1 year	10,381	-	10,381	10,560	-	10,560
In 1-5 years	35,781	-	35,781	44,840	-	44,840
In over 5 years	63,999	-	63,999	55,094	-	55,094
At end of year	**110,161**	**-**	**110,161**	**110,494**	**-**	**110,494**
Motor vehicle loans (Maturing between 1-5 years)						
At start of year	2,920	490	3,410	1,555	10	1,565
Loan advanced	1,000	-	1,000	1,940	500	2,440
Loan repayments	(926)	(120)	(1,046)	(575)	(20)	(595)
Provision for Expected Credit Losses	(152)	-	(152)	-	-	-
At end of year	**2,842**	**370**	**3,212**	**2,920**	**490**	**3,410**
Book amount						
Mortage loans	4,239	-	4,239	4,239	-	4,239
Policy loans	110,161	-	110,161	110,494	-	110,494
Motor vehicles	2,842	370	3,212	2,920	490	3,410
At end of year	**117,242**	**370**	**117,612**	**117,653**	**490**	**118,143**

20) Loans receivable (Group and Company) (continued)

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 5. 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 Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Group						
Amount due from re-insurers	33,258	355,818	389,076	33,785	1,481,344	1,515,129
Write off of reinsurance balances	-	-	-	-	(126,629)	-126,629
Provision for expected credit losses	(32,593)	-	(32,593)	(32,593)	-	(32,593)
	665	**355,818**	**356,483**	**1,192**	**1,354,715**	**1,355,907**
Company						
Amount due from re-insurers	33,258	86,984	120,242	33,785	878,613	912,398
Write off of reinsurance balances	-	-	-	-	(126,629)	(126,629)
Provision for expected credit losses	(32,593)	-	(32,593)	(32,593)	-	(32,593)
Amount due from re-insurers	**665**	**86,984**	**87,649**	**1,192**	**751,984**	**753,176**

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. For an analysis of the past due not impaired receivables arising from reinsurance arrangements, refer to Note 41 (Credit Risk).

22) Receivables arising out of direct insurance arrangements

	Group		Company	
	2020	2019	2020	2019
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Outstanding premium	566,939	666,623	560,631	546,211
Allowance for credit losses	(110,021)	(190,505)	(102,713)	(107,775)
At 31 December	**456,918**	**476,118**	**457,918**	**438,436**
Provision for expected credit losses				
At the beginning of the year	156,140	269,272	73,410	29,382
Reclassification of provision for credit losses from allowance for credit losses	34,365	-	34,365	234,792
	190,505	269,272	107,775	264,174
Charge/(release) for the year	(39,732)	75,660	39,236	75,660
Write off of expected credit losses-others	(44,298)	(305,469)	(44,298)	(305,469)
Exchange differences	3,546	104	-	-
Reclassification of provision for expected credit losses from reinsurance receivables	-	16,415	-	-
Provision for expected credit losses	-	134,523	-	73,410
At 31 December	**110,021**	**190,505**	**102,713**	**107,775**
Aged analysis of outstanding premium				
Neither past due nor impaired				
Less than 30 days	104,807	155,034	104,807	155,034
31 – 60 days	36,693	54,365	36,693	54,365
61 – 90 days	17,878	34,237	17,878	34,237
Past due but not impaired				
91 – 180 days	61,209	53,641	61,209	53,641
Over 180 days	236,331	178,841	237,331	141,159
At 31 December	**456,918**	**476,118**	**457,918**	**438,436**

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.

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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 2020 and 2019 are insignificant.

(i} Outstanding balances	Group 2020 Ksh'000	Group 2019 Ksh'000	Company 2020 Ksh'000	Company 2019 Ksh'000
Short term insurance contracts				
Claims reported and claims handling expenses	4,188,849	4,102,763	3,650,904	3,218,583
Claims incurred but not reported	1,617,753	1,484,598	1,510,164	1,307,762
	5,806,602	**5,587,361**	**5,161,068**	**4,526,345**
Reinsurers' share of insurance liabilities	**(2,779,207)**	**(2,835,633)**	**(2,302,026)**	**(1,992,615)**
Net outstanding liabilities	**3,027,395**	**2,751,728**	**2,859,042**	**2,533,730**
Long term assurance contracts				
Claims reported and claims handling expenses	**145,904**	**117,451**	**145,904**	**117,451**

(ii) Long term assurance business (Group and Company)

	2020 Insurance contract liabilities Ksh'000	2019 Insurance contract liabilities Ksh'000
At 1 January	117,451	139,638
Claims incurred in current year	683,264	409,657
Claims paid	(654,811)	(431,844)
At 31 December	**145,904**	**117,451**

Short term insurance business

(a) Group	Insurance contract liabilities Ksh'000	Re-insurers' share of liabilities Ksh'000	Total 2020 Ksh'000	Insurance contract liabilities Ksh'000	Re-insurers' share of liabilities Ksh'000	Total 2019 Ksh'000
At 1 January	5,587,361	2,835,633	2,751,728	4,794,401	2,614,155	2,180,246
Claims incurred in current accident year	1,957,680	608,963	1,348,717	2,599,082	821,433	1,777,649
Claims paid during the year	(1,738,439)	(665,389)	(1,073,050)	(1,806,122)	(599,955)	(1,206,167)
At end of year	**5,806,602**	**2,779,207**	**3,027,395**	**5,587,361**	**2,835,633**	**2,751,728**

23) Insurance liabilities (continued)

Short term insurance business (continued)

(b) Company	Insurance contract liabilities Ksh'000	Re-insurers' share of liabilities Ksh'000	Total 2020 Ksh'000	Insurance contract liabilities Ksh'000	Re-insurers' share of liabilities Ksh'000	Total 2019 Ksh'000
At 1 January	4,526,345	1,992,615	2,533,730	3,790,663	1,835,716	1,954,947
Claims incurred in current accident year	2,063,894	755,812	1,308,082	2,198,043	497,851	1,700,192
Claims paid during the year	(1,429,171)	(446,401)	(982,770)	(1,462,361)	(340,952)	(1,121,409)
At end of year	**5,161,068**	**2,302,026**	**2,859,042**	**4,526,345**	**1,992,615**	**2,533,730**

24) Other receivables

(a) Group	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Due from related companies	-	-	-	-	-	-
Prepayments	800	1,740	2,540	594	2207	2,801
Interdepartmental balance	-	47,807	47,807	-	51,506	51,506
Deposits, outstanding rental income and others	92,186	208,419	300,605	82,566	238,063	320,629
Provision for expected credit losses rental receivables	(24,815)	-	(24,815)	(38,429)	-	(38,429)
Provision for expected credit losses on other receivables	(274)	(50,999)	(51,273)	-	(50,308)	(50,308)
At end of year	**67,897**	**206,967**	**274,864**	**44,731**	**241,468**	**286,199**

(a) Company						
Amount due from related companies	-	24,667	24,667	-	20,606	20,606
Interdepartmental balances	-	47,807	47,807	-	51,506	51,506
Prepayments	800	1,740	2,540	594	2,207	2,801
Deposits, outstanding rental income and others	92,186	195,648	287,834	82,566	218,558	301,124
Provision for expected credit losses rental receivables	(24,815)	-	(24,815)	(38,429)	-	(38,429)
Provision for expected credit losses on other receivables	(274)	(49,617)	(49,891)	-	(50,308)	(50,308)
At end of year	**67,897**	**220,245**	**288,142**	**44,731**	**242,569**	**287,300**

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.

24) Other receivables (continued)

(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.

	2020 Ksh'000	2019 Ksh'000
At 1 January	70,037	98,089
Net increase/(decrease) in group share of net assets of the pool	4,183	(28,052)
At end of year	**74,220**	**70,037**

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

	2020 Ksh'000	2019 Ksh'000
Total assets new/old pool	812,296	1,052,143
Total liabilities new/old pool	(56,037)	(34,065)
Total net assets	756,259	1,018,078
Group's share of net assets	**69,036**	**70,037**
Surplus for the year new/old pool	44,292	96,683
Group's share of the profit for the year	**4,183**	**(28,052)**

25) Government securities

(a) Group	**Long term assurance business Ksh'000**	**Short term insurance business Ksh'000**	**2020 Total Ksh'000**	**Long term assurance business Ksh'000**	**Short term insurance business Ksh'000**	**2019 Total Ksh'000**
Treasury bills and bonds movement (At amortised cost)						
At start of year	34,714,802	2,152,990	36,867,792	30,153,710	2,094,673	32,248,383
Additions	9,099,195	542,429	9,641,624	4,472,829	50,091	4,522,920
Maturity of bonds	(2,034,000)	(210,450)	(2,244,450)	(169,700)	(13,502)	(183,202)
Provision for expected credit losses	-	(27)	(27)	-	(24)	(24)
Exchange differences	-	3,291	3,291	-	(199)	(199)
Accrued interest	277,652	28,929	306,581	257,963	21,951	279,914
At end of year	**42,057,649**	**2,517,162**	**44,574,811**	**34,714,802**	**2,152,990**	**36,867,792**
Treasury bills and bonds maturity analysis						
-Within 1 year	210,624	33,986	244,610	2,056,819	47,633	2,104,452
-In 1-5 years	8,345,029	798,742	9,143,771	8,453,021	1,010,378	9,463,399
-After 5 years	33,501,996	1,684,434	35,186,430	24,204,962	1,094,979	25,299,941
At end of year	**42,057,649**	**2,517,162**	**44,574,811**	**34,714,802**	**2,152,990**	**36,867,792**

25 Government securities

(b) Company

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Treasury bills and bonds movement (At amortised cost)						
At start of year	34,714,802	2,105,357	36,820,159	30,153,710	2,045,315	32,199,025
Additions	9,099,195	539,286	9,638,481	4,472,829	50,091	4,522,920
Maturity of bonds	(2,034,000)	(210,450)	(2,244,450)	(169,700)	(12,000)	(181,700)
Accrued interest	277,652	28,929	306,581	257,963	21,951	279,914
At end of year	**42,057,649**	**2,463,122**	**44,520,771**	**34,714,802**	**2,105,357**	**36,820,159**
Treasury bills and bonds maturity analysis						
-Within 1 year	210,624	20,923	231,547	2,056,819	-	2,056,819
-In 1-5 years	8,345,029	798,742	9,143,771	8,453,021	1,010,378	9,463,399
-After 5 years	33,501,996	1,643,457	35,145,453	24,204,962	1,094,979	25,299,941
At end of year	**42,057,649**	**2,463,122**	**44,520,771**	**34,714,802**	**2,105,357**	**36,820,159**

Treasury bills and bonds movement	Short term insurance business Ksh'000	Short term insurance business Ksh'000	Short term insurance business Ksh'000	Short term insurance business Ksh'000
(At fair value through other comprehensive income)	**Group**		**Company**	
	2020	**2019**	**2020**	**2019**
At start of year	657,060	682,741	647,363	673,225
Addition of bonds	256,922	-	241,678	-
Maturity of bonds	(86,000)	(26,150)	(86,000)	(26,150)
Disposal of bonds	(54,979)	-	(50,000)	-
Fair value adjustment recorded in other comprehensive income (Note 9a)	264	1,455	293	1,278
Adjustment for gains included in statement of profit or loss on disposal of fair value through other comprehensive income	(2,756)	615	(2,756)	615
Accrued interest	542	(1,601)	179	(1,605)
At end of year	**771,053**	**657,060**	**750,757**	**647,363**
Treasury bills and bonds maturing				
-Within 1 year	-	89,658	-	89,658
-In 1-5 years	221,585	219,931	216,131	214,477
-After 5 years	549,468	347,471	534,620	343,228
At end of year	**771,053**	**657,060**	**750,751**	**647,363**

25) Government securities (continued)

Held to maturity 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 through other comprehensive income. 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.

Included in at amortised cost government securities in both long term business and short term business are treasury bonds amounting to KShs 2.9025 billion (2019: KShs 2.1525 billion) relating to securities held under lien by the Central Bank of Kenya in compliance with the requirements of Section 31 of the Insurance Act (CAP 487). These securities cannot be transferred or sold by the Company without the approval of Commissioner of Insurance.

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 10.75% for the year (2019: 11.00%).

	2020 Ksh'000	2019 Ksh'000
At start of the year	26,813,564	23,238,228
Prior year adjustment	-	-
As restated	**26,813,564**	**23,238,228**
Pension fund deposits received	3,854,856	3,535,194
Withdrawals and benefits paid	(4,318,320)	(2,633,235)
Commissions and expenses charged	(204,114)	(201,461)
Investment income	3,237,525	2,874,838
At end of year	**29,383,511**	**26,813,564**

(b) Payable under annuities

	2020 Ksh'000	2019 Ksh'000
At start of year	1,654,415	1,226,564
Funds received	789,078	412,487
Benefits paid	(183,139)	(142,826)
Commissions charged	(15,182)	(7,948)
Investment income	245,190	166,138
At end of year	**2,490,361**	**1,654,415**

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 Actuaries, Pwicewaterhouse Coopers and Saket Singhal, as at 31 December 2020 and 31 December 2019 respectively, using the gross premium method and revealed an actuarial surplus of Ksh 1,131.71 million (2019: Ksh 1,877.97 million) after reserves set aside and before declaration of interest and bonuses to policy holders and distribution to shareholders. The actuary recommended Ksh 71 million (2019: Ksh 40.099 million) transfer (gross before taxes) from the life fund to the shareholders. Actual dividend to shareholders will be Ksh 50 million, balance to be held in retained earnings. The actuary also recommended transfer to general reserve, gross of taxes amounting to Ksh 286.14 million (2019: Ksh 241.61 million).

27) Actuarial value of policyholders' liabilities (continued)

	2020 Ksh'000	2019 Ksh'000
Assets and liabilities of the life fund		
Life fund assets	12,446,451	10,020,661
Transfer to shareholders, before tax	(71,000)	(40,099)
Transfer to general reserve, before tax	(286,140)	(241,610)
Actuarial value of policyholders' liabilities	**12,089,311**	**9,738,952**

Policy holders' liabilities are stated inclusive of cumulative provisions for interest and bonuses payable as at 31 December 2020 and 31 December 2019 respectively.

Movement is as follows:

	2020 Ksh'000	2019 Ksh'000
At start of year	**9,738,952**	**8,358,722**
Increase in actuarial liabilities in the period (net)	2,350,359	1,380,230
At end of the year	**12,089,311**	**9,738,952**

Actuarial assumptions:

The significant valuation assumptions for the actuarial valuation as at 31 December 2020 are summarised below. The same assumptions were used in 2019.

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.

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 6.5% 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.

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27) Actuarial value of policyholders' liabilities (Group and Company) (continued)

Actuarial assumptions: (continued)

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.

Sensitivity analysis on actuarial assumptions

The basis of valuation of life insurance contracts is prescribed in the Insurance Act of Kenya. The Act prescribes Net 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.

27) Actuarial value of policyholders' liabilities (Group and Company) (continued)

Sensitivity analysis on actuarial assumptions (continued)

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

Sensitivities	% change in base	Insurance participating	Assets backing life shareholders	Insurance participating	Assets backing life shareholders
		2020	2019	2020	2019
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
Discount rate on:	1%	-	-	-	-
Assurance mortality					
Assurance mortality	-1%	-	-	-	-

28) Provision for unearned premium and Unexpired risk reserve

(a) Group

	2020			2019		
Provision for unearned premium	**Gross**	**Re-insurance**	**Net**	**Gross**	**Re-insurance**	**Net**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At beginning of year	998,219	418,000	580,219	1,250,330	496,433	763,821
Increase/(decrease) in the year	48,802	41,501	7,301	(252,111)	(78,433)	(9,924)
At end of year	**1,047,021**	**459,501**	**587,520**	**998,219**	**418,000**	**753,897**
Provision for unexpired risk reserve						
Additional unexpired risk reserve	**63,822**	-	**63,822**	-	-	-
Total	**1,110,843**	**459,501**	**651,342**	**998,219**	**418,000**	**753,897**

(b) Company

Provision for unearned premium						
At beginning of year	775,894	256,721	519,173	967,930	306,098	679,437
Decrease in the year	(9,947)	23,462	(33,409)	(192,036)	(49,377)	(17,605)
At end of year	**765,947**	**280,183**	**485,764**	**775,894**	**256,721**	**661,832**
Provision for unexpired risk reserve						
Additional unexpired risk reserve	**63,822**	-	**63,822**	-	-	-
Total	**829,769**	**280,183**	**549,586**	**775,894**	**256,721**	**661,832**

28) Provision for unearned premium and Unexpired risk reserve (continued)

(b) Group (continued)

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 1/24th method.

Provision for unearned premium is classified as current liability.

The movement in the unearned premium and unexpired risk reserve is as follows:

(a) Group

	2020			2019		
	Gross unearned premium Ksh'000	Re-insurance Ksh'000	Net unearned premium Ksh'000	Gross unearned premium Ksh'000	Re-insurance Ksh'000	Net unearned premium Ksh'000
At beginning of year	998,219	418,000	580,219	1,250,330	496,433	753,897
Premium written during the year	3,058,290	1,207,864	1,850,426	3,037,143	1,243,519	1,793,624
Premium earned during the year (note 2a and 2b)	(2,945,666)	(1,166,363)	(1,779,303)	(3,289,254)	(1,321,952)	(1,967,302)
At end of year	**1,110,843**	**459,501**	**651,342**	**998,219**	**418,000**	**580,219**

(b) Company

	2020			2019		
	Gross unearned premium Ksh'000	Re-insurance Ksh'000	Net unearned premium Ksh'000	Gross unearned premium Ksh'000	Re-insurance Ksh'000	Net unearned premium Ksh'000
At beginning of year	775,894	256,721	519,173	967,930	306,098	661,832
Premium written during the year	2,470,756	820,511	1,650,245	2,468,467	863,711	1,604,756
Premium earned during the year (note 2a and 2b)	(2,416,881)	(797,049)	(1,619,832)	(2,660,503)	(913,088)	(1,747,415)
At end of year	**829,769**	**280,183**	**549,586**	**775,894**	**256,721**	**519,173**

29) Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2019: 30%). The deferred tax assets and liabilities are made up of the following:

Deferred tax asset/(liability)	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Deferred tax liability						
(a) Group						
Financial assets at fair value on through other comprehensive income	155	(181,292)	(181,137)	157	(167,955)	(167,798)
Prior year adjustment-on unquoted shares	-	-	-	-	(10,695)	(10,695)
	155	(181,292)	(181,137)	157	(178,650)	(178,493)
Accelerated capital allowances	-	-	-	-	-	-
Other temporary differences	-	-	-	-	-	-
Actuarial surplus	-	-	-	(13,943)	-	(13,943)
Exchange differences	-	(6)	(6)	-	(8)	(8)
Overprovision of fair value on financial assets through oci	-	-	-	-	33	33
Reclassification	-	-	-	-	-	-
Deferred tax on fixed assets revaluation	-	(154,141)	(154,141)	-	(148,263)	(148,263)
At end of year	**155**	**(335,439)**	**(335,284)**	**(13,786)**	**(326,888)**	**(340,674)**
Deferred tax asset						
Accelerated capital allowances	-	(1,496)	(1,496)	-	10,765	10,765
Temporary differences arising from accrued leave	-	6,867	6,867	-	3,559	3,559
Other temporary differences	-	(8,087)	(8,087)	-	6,818	6,818
Tax losses carried forward	-	390,544	390,544	-	221,904	221,904
At end of year	**-**	**387,828**	**387,828**	**-**	**243,046**	**243,046**
Net deferred tax liability	**155**	**52,389**	**52,544**	**(13,786)**	**(83,842)**	**(97,628)**

29) Deferred tax (continued)

Deferred tax asset/(liability)

(b) Company

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000
Deferred tax liability						
Financial assets at fair value on through other comprehensive income	155	(179,614)	(179,459)	157	(168,327)	(168,170)
Prior year adjustment-on unquoted shares	-	-	-	-	(8,930)	(8,930)
	155	(179,614)	(179,459)	157	(177,257)	(177,100)
Actuarial surplus	-	-	-	(13,943)	-	(13,943)
Deferred tax on fixed assets revaluation	-	(154,141)	(154,141)	-	(148,263)	(148,263)
At end of year	**155**	**(333,755)**	**(333,600)**	**(13,786)**	**(325,520)**	**(339,306)**
Deferred tax asset						
Accelerated capital allowances	-	(315)	(315)	-	5,477	5,477
Temporary differences arising from accrued leave	-	6,867	6,867	-	3,559	3,559
Other temporary differences	-	(2,683)	(2,683)	-	12,165	12,165
Tax losses carried forward	-	390,544	390,544	-	203,836	203,836
At end of year	-	**394,413**	**394,413**	-	**225,037**	**225,037**
Net deferred tax liability	**155**	**60,658**	**60,813**	**(13,786)**	**(100,483)**	**(114,269)**

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.

Deferred tax liability movement

(a) Group

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000
At 01 January	(13,786)	(83,842)	(97,628)	(13,786)	(248,001)	(261,787)
(Charged)/credited to profit or loss	13,943	144,782	158,725	-	179,089	179,089
(Charged)/credited to other comprehensive income-prior year adjustment (unquoted shares)	-	-	-	-	(10,695)	(10,695)
(Charged)/credited to other comprehensive income-prior year adjustment (revaluation of buildings)	-	-	-	-	(5,876)	(5,876)
Charged to other comprehensive income	(2)	(8,551)	(8,553)	-	1,641	1,641
At end of year	**155**	**52,389**	**52,544**	**(13,786)**	**(83,842)**	**(97,628)**

29) **Deferred tax (continued)**

Deferred tax liability

(b) Company	**Long term assurance business Ksh'000**	**Short term insurance business Ksh'000**	**2020 Total Ksh'000**	**Long term assurance business Ksh'000**	**Short term insurance business Ksh'000**	**2020 Tota; Ksh'000**
At 01 January	(13,786)	(100,483)	(114,269)	(13,786)	(252,335)	(266,121)
(Charged)/credited to profit or loss	13,943	169,376	183,319	0	167,226	167,226
(Charged)/credited to other comprehensive income-prior year adjustment (unquoted shares)	-	-	-	-	(8,930)	(8,930)
(Charged)/credited to other comprehensive income-prior year adjustment (revaluation of buildings)	-	-	-	-	(5,876)	(5,876)
(Charged)/credited to other comprehensive income	(2)	(8,235)	(8,237)	-	(568)	(568)
At end of year	**155**	**60,658**	**60,813**	**(13,786)**	**(100,483)**	**(114,269)**

30) **Insurance payables**

	2020		**2019**	
Group	**Payables on direct insurance arrangements Ksh'000**	**Payable arising from reinsurance arrangements Ksh'000**	**Payables on direct insurance arrangements Ksh'000**	**Payable arising from reinsurance arrangements Ksh'000**
At 1 January	94,315	1,859,293	228,369	1,752,884
Arising during the year	54,356	-	-	106,409
Utilised/paid	-	(1,124,836)	(134,054)	-
At end of year	**148,671**	**734,457**	**94,315**	**1,859,293**
Company				
At 1 January	94,315	1,348,541	228,369	1,309,789
Arising during the year	54,356	-	-	38,752
Utilised /paid	-	(808,391)	(134,054)	-
At end of year	**148,671**	**540,150**	**94,315**	**1,348,541**

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 Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Inter- departmental balance	47,808	-	47,808	51,506	-	51,506
Accrued leave	8,692	22,891	31,583	3,583	15,217	18,800
Accrued expenses	17,050	21,304	38,354	11,424	21,548	32,972
Other liabilities	217,131	95,051	312,182	340,482	110,646	451,128
At end of year	**290,681**	**139,246**	**429,927**	**406,995**	**147,411**	**554,406**
(b) Company						
Accrued expenses	17,050	21,096	38,146	11,424	12,940	24,364
Accrued leave	8,692	22,891	31,583	3,583	11,863	15,446
Inter-departmental balance	47,808	-	47,808	51,506	-	51,506
Other liabilities	217,131	70,939	288,070	340,482	80,454	420,936
At end of year	**290,681**	**114,926**	**405,607**	**406,995**	**105,257**	**512,252**

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:

	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
(a) Group						
Bank and cash balances	79,766	179,050	258,816	367,196	171,459	538,655
Deposits with financial institutions maturing within 90 days of the date of acquisition(call deposits and fixed deposits)	27,886	424,405	452,291	41,256	343,282	384,538
	107,652	603,455	711,107	408,452	514,741	923,193
Bank overdraft	-	(31,280)	(31,280)	-	(42,217)	(42,217)
At end of year	**107,652**	**572,175**	**679,827**	**408,452**	**472,524**	**880,976**

32) Cash and cash equivalents (continued)

(b) Company	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Tota Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
Bank and cash balances	79,766	85,087	164,853	367,196	84,323	451,519
Deposits with financial institutions maturing within 90 days of the date of acquisition(call deposits and fixed deposits)	27,886	56,578	84,464	41,256	120,243	161,499
	107,652	141,665	249,317	408,452	204,566	613,018
Bank overdraft	-	(1,637)	(1,637)	-	(22,490)	(22,490)
At end of year	**107,652**	**140,028**	**247,680**	**408,452**	**182,076**	**590,528**

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 0.57% (2019: 0.33%).

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

31 December 2020	Financial assets at amortised cost (Note 20,24,25,32) Ksh'000	Financial assets at fair value through other comprehensive income (Note 25) Ksh'000	Financial assets at fair value through profit or loss (Note 19,33) Ksh'000	Total Ksh'000
Investment in quoted shares	-	-	154,307	154,307
Investment in unquoted shares	-	919,922	-	919,922
Investment in government securities	44,574,811	771,053	-	45,345,864
Loans receivable	117,612		-	117,612
Other receivables	274,864	-	-	274,864
Deposits with financial institutions:	-	-	-	-
-Maturing after 90 days of the date of acquisition	-	-	162,398	162,398
-Maturing within 90 days of the date of acquisition	452,291	-	-	452,291
Total deposits with financial institutions	452,291	-	162,398	614,689
Commercial paper	-	-	-	-
Corporate bond	-	-	105,110	105,110
Bank and cash balances	258,816	-	-	258,816
Carrying value	**45,678,394**	**1,690,975**	**421,815**	**47,791,184**

33) Financial instruments

(a) Summary per category

(i) Group

Financial liabilities	Liabilities at amortised cost Ksh'000	Liabilities at fair value Ksh'000	Total 2020 Ksh'000	Liabilities at amortised cost Ksh'000	Liabilities at fair value Ksh'000	Total 2019 Ksh'000
Financial liabilities at amortised cost (Note 31)	429,927	-	429,927	554,406	-	554,406
Payable under deposit administration liabilities (Note 26a)	-	29,383,511	29,383,511	-	26,813,564	26,813,564
Payable under annuities (Note 26b)	-	2,490,361	2,490,361	-	1,654,415	1,654,415
Bank overdraft	31,280	-	31,280	42,217	-	42,217
Carrying value	**461,207**	**31,873,872**	**32,335,079**	**596,623**	**28,467,979**	**29,064,602**

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

Financial assets	Financial assets at amortised cost (Note 20,24,25,32) Ksh'000	Financial assets at fair value through other comprehensive income (Note 25) Ksh'000	Financial assets at fair value through profit or loss (Note 19,33) Ksh'000	Total Ksh'000
31 December 2019				
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
Corporate bond	-	-	105,050	105,050
Bank and cash balances	376,894	-	-	376,894
Carrying value	**33,716,235**	**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) Ksh'000	Financial assets at fair value through other comprehensive income Ksh'000	Financial assets at fair value through profit or loss Ksh'000	Total Ksh'000
31 December 2020				
Investment in quoted shares	-	-	134,107	134,107
Investment in unquoted shares	-	862,129	-	862,129
Investment in government securities	44,520,771	750,757	-	45,271,528
Loans receivable	117,612	-	-	117,612
Other receivables	288,142	-	-	288,142
Deposits with financial institutions:				
-Maturing after 90 days of the date of acquisition	-	-	162,398	162,398
-Maturing within 90 days of the date of acquisition	84,464	-	-	84,464
Total deposits with financial institutions	84,464	-	162,398	246,862
Corporate bond	-	-	105,110	105,110
Bank and cash balances	164,853	-	-	164,853
Carrying value	**45,175,842**	**1,612,886**	**401,615**	**47,190,343**

Financial liabilities	Liabilities at amortised cost Ksh'000	Liabilities at fair value Ksh'000	Total 2020 Ksh'000	Liabilities at amortised cost Ksh'000	Liabilities at fair value Ksh'000	Total 2019 Ksh'000
Financial liabilities at amortised cost (Note 31)	405,607	-	405,607	512,252	-	512,252
Payable under deposit administration liabilities (Note 26)	-	29,383,511	29,383,511	-	26,813,564	26,813,564
Payable under annuities	-	2,490,361	2,490,361	-	1,654,415	1,654,415
Bank overdraft	1,637	-	1,637	22,490	-	22490
Carrying value	**407,244**	**31,873,872**	**32,281,116**	**534,742**	**24,464,792**	**29,002,721**

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) Ksh'000	Financial assets at fair value through other comprehensive income (Note 25) Ksh'000	Financial assets at fair value through profit or loss (Note 19,33) Ksh'000	Total Ksh'000
31 December 2019				
Investment in quoted shares	-	-	195,316	195,316
Investment in unquoted shares	-	624,427	-	624,427
Investment in government securities	3,682,0159	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
Corporate bond	-	-	105,334	105,334
Bank and cash balances	451,519	-	-	451,519
Carrying value	**37,838,620**	**1,271,790**	**1,636,107**	**40,746,517**

(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	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
As at 31 December 2020	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	154,307	-	-	154,307
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	614,689	-	-	614,689
Bonds and debentures	-	105,110	-	105,110
Bank and cash balances	-	258,816	-	258,816
	614,689	363,926	-	978,615
Financial assets at fair value through other comprehensive income				
Investment in government securities	771,053	-	-	771,053
Investment in unquoted shares	-	-	919,922	919,922
	771,053	-	919,922	1,690,975
Total financial assets	**1,540,049**	**363,926**	**919,922**	**2,823,897**
Financial liabilities:				
Deposit administration and annuities	**-**	**31,873,872**	**-**	**31,873,872**
Group				
As at 31 December 2019				
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**

34) Actuarial valuation

In accordance with section 57 of the Insurance Act as amended by the Insurance (Amendment) Act, 1994, an actuarial valuation of the life fund was carried out by Pricewaterhouse Coopers (2019: 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 Ksh 1,998.29 million (2019: Ksh 2,784.41 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 2020 before distribution to shareholders was Ksh 44,320.32 million (2019: Ksh 38,488.640 million). Transfers before tax were made out of the statutory reserve in the year amounting to Ksh 71 million (2019: Ksh 40.099 million) based on the recommendation of the Actuary. The actuary also recommended transfer to general reserve , gross before taxes of Ksh 286.14 million (2019: Ksh 241.61 million).

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:

	2020	2019
	%	%
Mortgage loans	8	8
Policy loans	15	15
Government securities	12.85	12.81
Deposits with financial institutions	6.23	7.01

Deposits with financial institutions regarded as cash and cash equivalents have an average maturity of 3 months (2019: 3 months)

36) Reinsurers' share of insurance liabilities

Short term business	2020 Ksh'000	2019 Ksh'000
Group		
Reinsurers' share of:		
- unearned premiums (Note 28)	**459,501**	**418,000**
- notified claims outstanding	2,294,938	2,340,177
- claims incurred but not reported	484,269	495,455
	2,779,207	2,835,632
- deferred acquisition costs	(52,044)	-
	2,727,163	**2,835,632**
At end of year	**3,186,664**	**3,253,632**
Company		
Reinsurers' share of:		
- unearned premiums (Note 28)	**280,183**	**256,721**
- notified claims outstanding	1,897,287	1,637,663
- claims incurred but not reported	404,739	354,952
	2,302,026	**1,992,615**
- deferred acquisition costs	(52,044)	-
	2,249,982	**1,992,615**
At end of year	**2,530,165**	**2,249,336**

36) Reinsurers' share of insurance liabilities (continued)

Short term business (continued)

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	
	2020	**2019**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	3,253,632	3,110,588	2,249,336	2,141,814
Decrease during the period (gross)	(66,968)	143,044	280,829	107,522
At 31 December	**3,186,664**	**3,253,632**	**2,530,165**	**2,249,336**

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.

The above contingent liabilities are supported by deposits in the joint accounts of the advocates under instruction of the courts to the tune of KShs 117.559 million as at 31 December 2020.

Contingent liabilities for custom bonds, at the year-end were Ksh 1.797 billion (2019: Ksh 2.027 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

(2019: Ksh Nil).

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

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	**2020**	**2019**
Payable (as a lessee)	**Ksh'000**	**Ksh'000**
Not later than 1 year	22,170	21,180
Later than 1 year and not later than 5 years	27,138	25,733
At end of year	**49,308**	**46,913**

Group	**2020**	**2019**
Receivable (as a lessor)	**Ksh'000**	**Ksh'000**
Not later than 1 year	109,965	101,125
Later than 1 year and not later than 5 years	154,800	145,132
At end of year	**264,765**	**246,257**

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**	**Short term insurance business**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	
Lease rentals				
Balance brought forward	8,088	27,021	35,109	-
Additions	12,235	6,800	19,035	52,738
Depreciation charge	(6,274)	(11,281)	(17,555)	(17,629)
Exchange gain/(loss)	-	795	795	-
At end of year	**14,049**	**23,335**	**37,384**	**35,109**

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

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

Group	**Long term assurance business**	**Short term insurance business**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	
Lease liabilities				
Balance brought forward	10,165	28,652	38,817	-
Additions	12,235	6,800	19,035	52,738
Accretion of interest	2,439	3,273	5,712	5,622
Payments	(8,690)	(15,017)	(23,707)	(18,536)
Exchange gain/(loss)	-	808	808	(1,007)
At end of year	**16,149**	**24,516**	**40,665**	**38,817**

The maturity analysis of lease liabilities are disclosed in Note 41.B19

The group had total cash outflows for leases of Ksh 23,707,000 in 2020 (2019: Ksh 18,536,000). The group also had non-cash additions to right-of-use assets and lease liabilities of Ksh 19,035,000 in 2020 (2019: Ksh 52,738,000).

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.

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

Company	**Long term assurance business**	**Short term insurance business**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	
Lease rentals				
Balance brought forward	8,088	13,026	21,114	-
Additions	12,235	6,800	19,035	32,499
Depreciation charge	(6,274)	(4,756)	(11,030)	(11,385)
At end of year	**14,049**	**15,070**	**29,119**	**21,114**

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

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

Company	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2020 Ksh'000	2019
Lease liabilities				
Balance brought forward	10,165	15,750	25,915	-
Additions	12,235	6,800	19,035	32,499
Accretion of interest	2,439	2,379	4,818	4,387
Payments	(8,690)	(7,278)	(15,968)	(10,971)
At end of year	**16,149**	**17,651**	**33,800**	**25,915**

The maturity analysis of lease liabilities are disclosed in Note 41.

The company had total cash outflows for leases of Ksh 15,968,000 in 2020 (2019: Ksh 10,917,000). The company also had non-cash additions to right-of-use assets and lease liabilities of Ksh 19,035,000 in 2020 (2019: Ksh 32,499,000).

39) Related party transactions and balances

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.

The following transactions were carried out with related parties

	Long term asssurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term assurance business Ksh'000	Short term insurance business Ksh'000	2019 Total Ksh'000
(i) Transactions with related parties						
Gross earned premium						
General insurance corporation	-	67,840	67,840	-	69,324	69,324
Other related parties	-	77,489	77,489	-	213,090	213,090
Net claims incurred						
General insurance corporation	-	347,771	347,771	-	520,003	520,003
Other related parties	-	57,131	57,131	-	320,668	320,668

39) Related party transactions (continued)

(ii) Outstanding balances with related parties	Long term asssurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000	Long term asssurance business Ksh'000	Short term insurance business Ksh'000	2020 Total Ksh'000
Premiums receivable from related parties						
General Insurance Corporation	-	4,261	4,261	-	11,505	11,505
Life Insurance Corporation of India	(3,049)	-	(3,049)	(3,049)	-	(3,049)
New India Assurance Company Limited	-	6,986	6,986	-	(415,045)	(415,045)
United Insurance Company Limited	-	-	-	-	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	-	8,186	8,186	-	8,066	8,066
East Africa Re Limited	-	6,000	6,000	(6,453)	(57,231)	(63,684)

There were no provisions made or amounts written off on related party balances during the year (2019: Ksh Nil).

	Group		Company	
(iii) Bank deposits	**2020 Ksh'000**	**2019 Ksh'000**	**2020 Ksh'000**	**2019 Ksh'000**
Credit Bank Limited Deposits	15,720	51,918	15,720	51,918
(iv) Directors' emoluments				
Directors' fees (Note 6)	3,689	4,131	1,656	2,025
Other expenses	8,379	9,843	7,940	9,542
As executives	22,059	26,349	22,059	26,349
	34,126	**40,323**	**31,655**	**37,916**
Directors' loans	-	-	-	-
(v) Key management personnel				
Salaries and benefits	135,688	137,990	116,101	113,422
Social security benefit costs	26	26	26	26
Retirement benefit costs	9,276	8,892	7,317	6,435
	144,990	**146,908**	**123,444**	**119,883**

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	**2020**	**2019**
	Ksh'000	**Ksh'000**
Ordinary life and riders	2,269,792	1,920,900
Group life	12,345	9,380
Capital Advantage	4,309,551	3,049,980
Bima Plans	3,856,473	2,238,720
Annuities	2,633,389	17,190
	13,081,550	**7,236,170**

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.

40) Insurance risk (continued)

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

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.

The assumptions are as follows:

	2020			2019		
Adjustments to claims incurred in prior accident years due to change in assumption	**Gross insurance liabilities**	**Reinsurance/ reinsurers share of insurance liabilities**	**Net insurance liabilities (gross insurance liabilities less re-insurance)**	**Gross insurance liabilities**	**Reinsurance/ reinsurers share of insurance liabilities**	**Net insurance liabilities (gross insurance liabilities less re-insurance)**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Average claim cost inclusive of average cost to process the claim settlement	259	(134)	125	223	(113)	110
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 2020	**Change in assumptions**	**Impact on gross insurance liabilities**	**Impact on net insurance liabilities**	**Impact on profit or loss before tax**	**Impact on equity**
Average claim cost	10%	429,649	192,199	(24,274)	(16,740)
Average number of claims	-10%	(429,649)	(192,199)	24,274	16,740
Average claims settlement period	Reduce from 60 days to 50 days	(417,878)	(186,932)	29,541	22,007
31 December 2019					
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

40) Insurance risk (continued)

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

Sensitivities (continued)

Reinsurance assets (Group)

31 December 2020	**Change in assumptions**	**Impact on gross insurance liabilities**	**Impact on net insurance liabilities**	**Impact on profit or loss before tax**	**Impact on equity**
Average claim cost	10%	-	237,451	(24,274)	(16,740)
Average number of claims	-10%	-	(237,451)	24,274	16,740
Average claims settlement period	Reduce from 60 days to 50 days	-	(230,945)	30,387	22,853
31 December 2019					
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

Company

Insurance liabilities

31 December 2020					
Average claim cost	10%	365,090	175,362	(11,539)	(8,077)
Average number of claims	-10%	(365,090)	(175,362)	11,539	8,077
Average claims settlement period	Reduce from 60 days to 50 days	(355,088)	(170,557)	16,344	12,882
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

Reinsurance assets (Company)

31 December 2020					
Average claim cost	10%	-	189,729	(11,539)	(8,077)
Average number of claims	-10%	-	(189,729)	11,539	8,077
Average claims settlement period	Reduce from 60 days to 50 days	-	(184,531)	16,344	12,882
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

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	
	2020	**2019**	**2020**	**2019**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Engineering	1,228,802	1,253,266	1,208,855	1,216,774
Fire Domestic	20,512	22,739	20,512	22,739
Fire Industrial	1,148,177	1,100,524	836,079	497,985
Liability	171,190	121,308	171,190	121,308
Marine	139,655	183,869	125,732	118,849
Motor Private	505,764	474,813	388,750	327,859
Motor Commercial	1,000,739	766,911	1,000,739	766,911
Personal Accident	52,470	83,082	52,470	83,082
Theft	292,061	370,902	292,061	370,902
Workmen Compensation	1,027,205	935,926	1,027,205	935,926
Medical	30,720	60,322	30,720	60,322
Aviation	2,962	446	-	-
Miscellaneous	186,346	213,253	6,756	3,688
At 31 December	**5,806,603**	**5,587,361**	**5,161,069**	**4,526,345**

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	
	% change in	2020	2019	2020	2019
Financial assets	**base**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Variable interest rates					
Bank balances	+(-)10.00%	25,882	53,866	16,485	45,152
Fixed interest rates					
Government securities					
(At amortised cost)	+(-)10.00%	4,457,481	3,686,779	4,452,077	3,682,016
Deposits with financial institutions	+(-)10.00%	61,470	172,000	24,687	149,696
Mortgage loans	+(-)10.00%	424	424	424	424
Policy loans	+(-)10.00%	11,016	11,049	11,016	11,049
Government securities					
(At fair value through other comprehensive income)	+(-)10.00%	77,105	65,706	75,076	64,736

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 USD 24,460.85 (Ksh 2,670,435) 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 higher by Ksh 133,522. 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 Ksh 13,533,000 (2019: Ksh 1,029,000). 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 2020, if the prices of listed equities at the Nairobi Securities Exchange had appreciated by 5% with all other variables held constant, the profit for the year for the Company would have increased by Ksh 5,262,350 (2019: Ksh 7,696,150) for long-term business and Ksh 1,443,000 (2019: Ksh 2,069,650) 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 (Available-for-sale investments) for the Group and Company will have the following impact in statement of profit or loss and equity.

	% change in base	2020 Ksh'000	2019 Ksh'000
Short term business (Group)			
Government securities (At fair value through other comprehensive income)	+(-)5%	38,553	32,853
Short term business (Company)			
Government securities (At fair value through other comprehensive income)	+(-)5%	37,538	32,368

41) **Financial risk management objectives and policies (continued)**

Financial risk (continued)

(ii) Credit risk (continued)

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	**2020**	**2019**	**2020**	**2019**
Financial instruments		**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At amortised cost financial assets	25	44,574,811	36,867,792	44,520,771	36,820,159
Loans receivable	20	117,612	118,143	117,612	118,143
Investment in the Kenya Motor Insurance Pool	24	74,220	70,037	74,220	70,037
Government securities	25	771,053	657,060	750,757	647,363
(Investment in unquoted shares)	18	919,922	672338	862,129	624427
Financial assets at fair value through profit or loss	19	154,307	213,955	134,107	195,316
Deposits with financial institutions	33	614,689	1,719,995	246,862	1,496,956
Bonds and debentures	33	105,110	105,334	105,110	105,334
Receivables arising out of reinsurance arrangements	21	356,483	1,355,907	87,649	753,176
Reinsurers' share of insurance liabilities	36	3,186,664	3,253,632	2,530,165	2,249,336
Receivables arising out of direct insurance arrangements	22	456,918	476,118	457,918	438,436
General asset in Life business	8	238,612	-	238,612	-
Bank and cash balances	32	258,816	538,655	164,853	451,519
Other receivables	24	274,864	286,199	288,142	287,300
Total credit risk exposure		**52,104,081**	**46,335,165**	**50,578,907**	**44,257,502**

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)**

Financial risk (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 2020

	<30days	Not past due and not impaired	31 to 60 days	61 to 90 days	Over 90 days	Total past due but not impaired	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Loans receivable	365	**365**	754	333	116,160	**117,247**	**117,612**
Reinsurance assets	-	-	-	-	-	-	-
Insurance receivables	104,807	**104,807**	36,693	17,878	297,540	**352,111**	**456,918**
Total	**105,172**	**105,172**	**37,447**	**18,211**	**413,700**	**469,358**	**574,530**

31 December 2019

	<30days	Not past due and not impaired	31 to 60 days	61 to 90 days	Over 90 days	Total past due but not impaired	Total
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**

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

31 December 2020

	<30days	Neither past due nor impaired	31 to 60 days	61 to 90 days	Over 90 days	Total past due but not impaired	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Loans receivable	365	**365**	754	333	116,160	**117,247**	**117,612**
Insurance receivables	104,807	**104,807**	36,693	17,878	298,540	**353,111**	**457,918**
Total	**105,172**	**105,172**	**37,447**	**18,211**	**414,700**	**470,358**	**575,530**

31 December 2019

	<30days	Neither past due nor impaired	31 to 60 days	61 to 90 days	Over 90 days	Total past due but not impaired	Total
Loans receivable	573	**573**	1,047	345	116,178	**117,570**	**118,143**
Reinsurance assets	-	-	-	-	-	-	-
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**

41) Financial risk management objectives and policies (continued)

Impaired financial assets

At 31 December 2020, the Group and Company had impaired insurance assets of Ksh 110,021,000 and Ksh 102,713,000 respectively (2019: Group and Company Ksh 190,505,000 and Ksh 107,775,000 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 loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and 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 (continued)

Group

31 December 2020

	Up to a year Ksh '000	**1-2 years Ksh '000**	**2-3years Ksh '000**	**Above 3 years Ksh '000**	**On demand/ No maturity Ksh '000**	**Total Ksh '000**
Insurance liabilities	5,951,690	335	106	375	-	5,952,506
Payable under deposit administration contracts	-	-	-	-	29,383,511	29,383,511
Payable under annuities	-	-	-	-	2,490,361	2,490,361
Provision for unearned premium	1,110,843	-	-	-	-	1,110,843
Tax liability	125,159	-	-	-	-	125,159
Reinsurance payables	734,334	92	31	-	-	734,457
Insurance payables	148,671	-	-	-	-	148,671
Bank overdraft	31,280	-	-	-	-	31,280
Other payables	429,927	-	-	-	-	429,927
Total liabilities	**8,531,904**	**427**	**137**	**375**	**31,873,872**	**40,406,715**

Group

31 December 2019

	Up to a year Ksh '000	**1-2 years Ksh '000**	**2-3 years Ksh '000**	**Above 3 years Ksh '000**	**On demand/ No maturity Ksh '000**	**Total Ksh '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**

41) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2020

	Up to a year Ksh '000	On demand/ No maturity Ksh '000	Total Ksh '000
Insurance liabilities	5,306,972	-	5,306,972
Payable under deposit administration contracts	-	29,383,511	29,383,511
Payable under annuities	-	2,490,361	2,490,361
Provision for unearned premium	829,769	-	829,769
Tax liability	125,159	-	125,159
Reinsurance payables	540,150	-	540,150
Insurance payables	148,671	-	148,671
General asset in Life business	-	238,612	238,612
Bank overdraft	1,637	-	1,637
Other payables	405,607	-	405,607
Total liabilities	**7,357,965**	**32,112,484**	**39,470,449**

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**

41) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group
31 December 2020

	Up to a year Ksh '000	1-3 years Ksh '000	3-5 years Ksh '000	5-15 years Ksh '000	Over 15 years Ksh '000	On demand/ No maturity Ksh '000	Total Ksh '000
Financial assets at amortised cost	285,587	3,879,672	5,264,138	26,087,805	9,057,609	-	44,574,811
Loans receivable	10,381	19,343	16,437	68,264	3,187	-	117,612
Financial assets at fair value through other comprehensive income	-	221,733	2,459	256,492	290,369	682,194	1,453,247
Financial assets at fair value through profit and loss	-	-	-	-	-	154,307	154,307
Cash and cash equivalents and short term investments	873,505	-	-	-	-	-	873,505
Bonds and debentures	-	105,110	-	-	-	-	105,110
Reinsurance assets	3,543,147	-	-	-	-	-	3,543,147
Insurance receivables	456,918	-	-	-	-	-	456,918
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	74,220	74,220
General asset in Life business	-	-	-	-	-	238,612	238,612
Tax recoverable	53,229	-	-	-	-	-	53,229
Other receivables	274,864	-	-	-	-	-	274,864
Total assets	**5,497,631**	**4,225,858**	**5,283,034**	**26,412,561**	**9,351,165**	**1,149,333**	**51,919,582**

41) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group
31 December 2019

	Up to a year Ksh '000	1-3 years Ksh '000	3-5 years Ksh '000	5-15 years Ksh '000	Over 15 years Ksh '000	On demand/ No maturity Ksh '000	Total Ksh '000
Financial assets at amortised cost	2,063,284	3,260,671	3,956,671	21,570,218	5,969,751	-	36,820,595
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 and 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**	**4,074,075**	**21,688,464**	**6,257,476**	**889,780**	**44,310,634**

41) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2020

	Up to a year Ksh '000	1-3 years Ksh '000	3-5 years Ksh '000	5-15 years Ksh '000	Over 15 years Ksh '000	On demand/ No maturity Ksh '000	Total Ksh '000
Financial assets at amortised cost	231,547	3,879,672	5,264,138	26,087,805	9,057,609	-	44,520,771
Loans receivable	10,381	19,343	16,437	68,264	3,187	-	117,612
Financial assets at fair value through other comprehensive income	-	216,136	-	244,252	290,369	624,427	1,375,184
Financial assets at fair value through profit and loss	-	-	-	-	-	134,107	134,107
Cash and cash equivalents and short term investments	411,715	-	-	-	-	-	411,715
Bonds and debentures	-	105,110	-	-	-	-	105,110
Reinsurance assets	2,617,814	-	-	-	-	-	2,617,814
Insurance receivables	457,918	-	-	-	-	-	457,918
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	74,220	74,220
General asset in Life business	-	-	-	-	-	238,612	238,612
Tax recoverable	53,170	-	-	-	-	-	53,170
Other receivables	288,142	-	-	-	-	-	288,142
Total assets	**4,070,687**	**4,220,261**	**5,280,575**	**26,400,321**	**9,351,165**	**1,071,366**	**50,394,375**

41) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2019

	Up to a year Ksh '000	1-3 years Ksh '000	3-5 years Ksh '000	5-15 years Ksh '000	Over 15 years Ksh '000	On demand/ No maturity Ksh '000	Total Ksh '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 and 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)

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 Ksh 400 million in the long term business which exceeds the minimum (Ksh 400 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 Ksh 600,000,000 (2019: Ksh 400,000,000) while 10% of gross premium written is Ksh 247,075,579 (2019: Ksh 246,846,721).

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) Prior year adjustments

Prior year adjustments relate to gain on valuation of unquoted shares in 2019 and deferred tax thereon.
Prior year adjustments in 2019 also relate to depreciation of buildings, release of depreciation thereof and deferred tax thereon.

44) Company solvency margins and capital adequacy

Capital adequacy

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

	Short term business	
	2020	**2019**
	Ksh'000	**Ksh'000**
Minimum required capital	1,391,231	1,225,143
Total capital available	2,368,689	2,421,865
Capital adequacy ratio	**170%**	**198%**
Capital adequacy ratio minimum	**100%**	**100%**

	Long term business	
	2020	**2019**
	Ksh'000	**Ksh'000**
Minimum required capital	2,123,941	1,753,906
Total capital available	2,412,175	1,757,568
Capital adequacy ratio	**114%**	**100%**
Capital adequacy ratio minimum	**100%**	**100%**

45) 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 assurance business revenue acount

for the year ended 31 december 2020

	Ordinary life business Ksh'000	Group life business Ksh'000	Annuities Ksh'000	Retirement benefit fund Ksh'000	Total 2020 Ksh'000
Gross premium income	2,672,084	56,103	789,077	-	3,517,264
Premiums ceded to reinsurers	(6,536)	(34,383)	-	-	(40,919)
Contributions received	-	-	-	3,854,856	3,854,856
Net premium income	**2,665,548**	**21,720**	**789,077**	**3,854,856**	**7,331,201**
Investment income	1,369,589	8,060	245,190	3,237,525	4,860,364
Other income	4,765	-	-	-	4,765
Commissions income	632	6,877			7,509
	1,374,986	**14,937**	**245,190**	**3,237,525**	**4,872,638**
Claims incurred	677,575	5,689	183,139	1,792,285	2,658,688
Surrenders and annuity incurred	249,582	-	-	2,526,035	2,775,617
Net claims and policyholder benefits expense	**927,157**	**5,689**	**183,139**	**4,318,320**	**5,434,305**
Operating expenses	272,207	2,917	-	113,742	388,866
Other expenses	16,431	-	-	38,341	54,772
Allowance for expected credit losses on deposits with financial institutions	(1,949)	-	-	(8,750)	(10,699)
Allowance for expected credit losses on loans receivable	152	-	-	-	152
Allowance for expected credit losses on other receivables	274	-	-	-	274
Allowance for expected credit losses on rental and other receivables	(88)	-	-		(88)
Write back of credit losses on rental and other receivables	3,388	-	-	7,324	10,712
Depreciation on right of use assets	1,882	-	-	4,392	6,274
Interest on lease liability	1,707	18	-	714	2,439
Commissions expense	130,800	2,521	15,182	48,351	196,854
Premium levy	5,329	-	-	-	5,329
Contribution to policy holders compensation fund	1,257	-	-	-	1,257
Total expenses	**431,390**	**5,456**	**15,182**	**204,114**	**656,142**
Results of operating activities	**2,681,987**	**25,512**	**835,946**	**2,569,947**	**6,113,392**
Transfer to statutory reserve	(71,000)	-	-	-	(71,000)
Transfer to general reserve	(286,140)	-	-	-	(286,140)
Increase/(decrease) in funds	**2,324,847**	**25,512**	**835,946**	**2,569,947**	**5,756,252**
Funds at the beginning of the year	9,699,572	39,380	1,654,415	26,813,564	38,206,931
Funds at the end of the year	**12,024,419**	**64,892**	**2,490,361**	**29,383,511**	**43,963,183**
Long term funds at the end of the year comprise amounts attributable to:					
Policyholders:					
-Actuarial liabilities	10,435,816	12,345	-	-	10,448,161
-Annuities	-	-	2,633,389	-	2,633,389
-Deposit administration fund	-	-	-	26,759,187	26,759,187
-Bonus to policy holders	774,568	-	-	1,863,507	2,638,075
-Statutory reserves	-	-	-	-	-
	11,210,384	**12,345**	**2,633,389**	**28,622,694**	**42,478,812**

company long term assurance business revenue acount

for the year ended 31 december 2019

KENINDIA

	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**

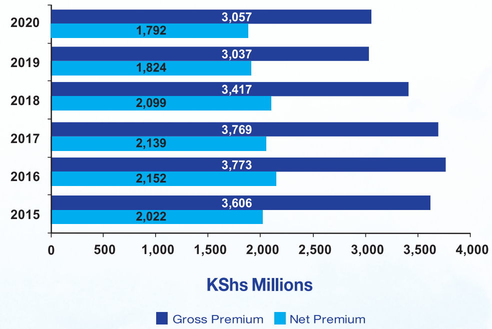
company short-term business revenue account

for the year ended 31 december 2020

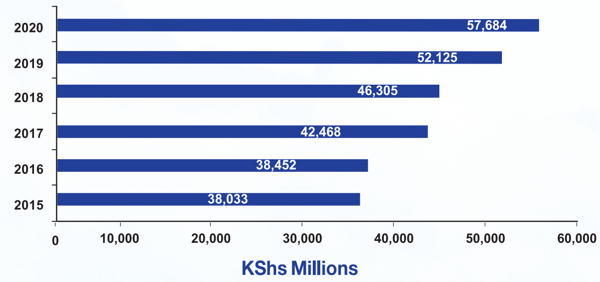
KENINDIA

	Aviation	Engineering	Fire Domestic	Fire Industrial	Public Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Medical	Theft	Workmen Compensation	Miscellaneous	Total 2020	Total 2019
	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	-	104,085	47,656	517,639	44,293	217,643	304,436	503,349	29,544	147,981	170,177	366,543	17,411	2,470,756	2,468,467
Reinsurance premium	-	75,933	11,768	443,348	30,351	42,292	7,361	17,893	19,845	103,857	98,818	7,563	10,345	869,376	863,711
Net Premium written	-	28,152	35,888	74,291	13,942	175,351	297,075	485,455	9,699	44,124	71,359	358,980	7,066	1,601,380	1,604,756
Unearned Premium at the beginning of the year	-	9,859	10,849	16,519	6,104	82,693	117,131	88,876	3,875	61,530	22,021	97,107	2,611	519,173	661,831
Unearned Premium at the end of the year	-	(10,753)	(12,021)	(21,182)	(3,219)	(81,132)	(111,249)	(103,634)	(2,951)	(20,490)	(16,878)	(98,726)	(3,528)	(485,763)	(519,173)
Additional Unexpired Risk Reserve at the beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional Unexpired Risk Reserve at the end of the year	-	(10,111)		(34,939)	(755)			(7,873)	(129)	(4,827)		(5,188)		(63,822)	
Net Earned Premium	**-**	**17,146**	**34,715**	**34,689**	**16,072**	**176,912**	**302,956**	**462,824**	**10,493**	**80,337**	**76,502**	**352,173**	**6,149**	**1,570,968**	**1,747,415**
Claims Paid	-	10,636	5,161	46,128	23,573	78,202	163,807	356,777	7,615	83,485	61,498	140,812	894	978,588	1,121,409
Claims o/s 31-12-2020	-	66,293	14,896	116,392	92,013	98,781	383,148	942,105	17,223	18,660	97,011	1,008,752	3,768	2,859,042	2,533,730
Claims o/s 01-01-2020	-	(70,090)	(16,692)	(95,516)	(72,560)	(97,337)	(324,110)	(728,507)	(26,097)	(59,102)	(128,058)	(913,808)	(1,854)	(2,533,730)	(1,954,948)
Incurred Claims	**-**	**6,839**	**3,364**	**67,004**	**43,027**	**79,646**	**222,845**	**570,376**	**(1,259)**	**43,044**	**30,451**	**235,756**	**2,807**	**1,303,900**	**1,700,192**
Commissions	-	(3,173)	5,074	(20,711)	(277)	25,911	28,871	48,556	(614)	(5,043)	(14,428)	70,314	(1,110)	133,370	100,729
Deffered Acquisition Cost at the beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deffered Acquisition Cost at the end of the year	-	(2,153)	(2,375)	(5,008)	(644)	(14,108)	(11,151)	(10,370)	(593)	(2,047)	(1,684)	(19,745)	(390)	(70,268)	
Commission Incurred	**-**	**(5,326)**	**2,699**	**(25,719)**	**(921)**	**11,803**	**17,720**	**38,186**	**(1,207)**	**(7,090)**	**(16,112)**	**50,569**	**(1,500)**	**63,102**	**100,729**
Expenses of Management	-	23,495	10,757	116,847	9,998	49,129	68,721	113,621	6,669	33,404	38,414	82,740	3,930	557,726	599,774
Premium Tax	-	957	438	4,761	407	2,002	2,800	4,629	272	1,361	1,565	3,371	160	22,723	22,212
Policy Compesation Fund	-	230	105	1,142	98	480	671	1,110	65	326	375	808	38	5,449	6,028
Interest on Reinsurance Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Outgo	**-**	**19,356**	**14,000**	**97,030**	**9,582**	**63,414**	**89,912**	**157,546**	**5,799**	**28,002**	**24,242**	**137,488**	**2,629**	**649,000**	**728,743**
Underwriting Surplus/(Deficit) transferred to P&L A/c	**-**	**(9,048)**	**17,351**	**(129,346)**	**(36,538)**	**33,852**	**(9,801)**	**(265,098)**	**5,953**	**9,292**	**21,809**	**(21,071)**	**713**	**(381,931)**	**(681,519)**

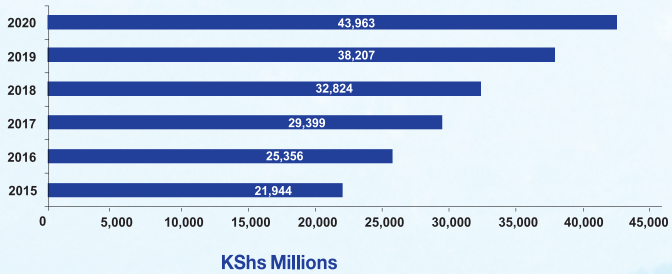
Premium - General Business



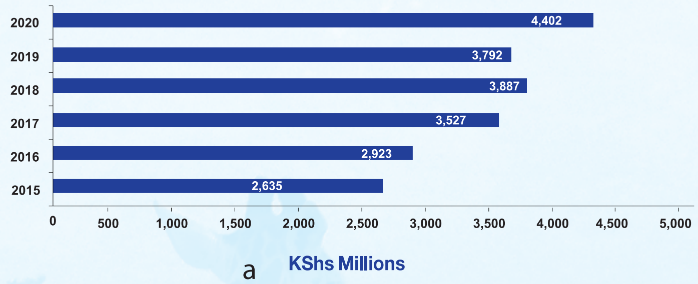
Total Assets



Life Fund

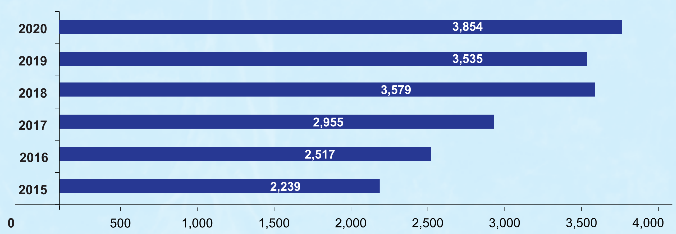


Shareholders’ Fund



Net Life Premium

Pension Contributions



company financial summary for 10 years

for the year ended 31 december 2020

KENINDIA

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NON LIFE	Amount in Kshs. Millions									
Gross Written Premium	2,471	2,468	2,855	3,015	2,996	2,864	2,646	2,864	2,864	3,566
% Growth	**(12.16)**	**(13.56)**	**(5.31)**	**0.63**	**4.61**	**8.24**	**(4.68)**	**(17.80)**	**(5.30)**	**6.70**
Net Premium Written	1,601	1,605	1,907	1,926	1,881	1,734	1,552	1,725	2,066	2,305
% Growth	**(0.25)**	**(15.84)**	**(0.99)**	**2.39**	**8.48**	**11.73**	**(10.03)**	**(16.51)**	**(10.37)**	**4.06**
Net Earned Premium	1,571	1,747	1,925	1,984	1,838	1,667	1,628	1,877	2,170	2,276
Net Incurred Claims	1,304	1,700	1,365	1,338	1,241	1,141	1,452	1,040	1,706	1,925
Net Incurred Claims ratio to net Premium (%)	**81.45**	**105.92**	**71.58**	**69.47**	**65.98**	**65.80**	**93.56**	**60.29**	**82.58**	**83.51**
Net Commission	133	101	127	158	144	62	122	165	208	186
Management / Other Expenses	575	892	705	774	623	616	651	503	474	487
Premium Tax / Others	28	28	33	29	35	33	28	31	36	38
Underwriting (Deficit) / Surplus	(382)	**(684)**	**(225)**	**(156)**	**(125)**	**(109)**	**(530)**	**174**	**(254)**	**(361)**
LIFE BUSINESS										
Gross Premium Written (Including Pension Fund)	7,372	5,612	5,547	4,641	3,947	3,284	2,533	2,118	2,051	1,800
% Growth	**31.36**	**1.17**	**19.52**	**17.58**	**20.19**	**29.65**	**19.59**	**3.27**	**13.94**	**21.05**
Net Premium Written (Including Pension Fund)	7,331	5,579	5,502	4,600	3,911	3,261	2,509	2,073	2,026	1,719
% Growth	**31.40**	**1.40**	**19.61**	**17.62**	**19.93**	**29.97**	**21.03**	**2.32**	**17.86**	**19.54**
Total Benefits	5,434	3,526	5,098	3,362	2,766	1,677	1,861	1,706	1,008	806
Net Commission	189	147	141	136	133	137	117	91		77
Management / Other Expenses	452	441	444	346	345	314	228	148	115	133
Premium Tax / Others	7	7	4	5	5	8	6	4	5	4
Increase in Fund (after distribution to shareholders)	5,756	5,383	3,425	4,043	3,412	3,798	2,425	2,151	2,634	1,801
Life Fund	**43,963**	**38,207**	**32,824**	**29,399**	**25,356**	**21,944**	**18,146**	**15,721**	**13,570**	**10,936**
LIFE AND NON LIFE										
Investment Income	5,285.17	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
% Yield	**10.93**	**10.43**	**10.92**	**11.51**	**10.89**	**14.73**	**11.19**	**12.86**	**13.50**	**9.40**
Profit / (Loss) Before tax	411.97	(269.12)	352.16	386.67	282.68	804.68	(300.63)	508.02	143.25	(213.20)
Profit / (Loss) After tax	503.43	(190.39)	329.16	245.26	277.06	790.91	(137.04)	402.87	101.90	(188.91)
Share Capital	1,000	561	561	561	561	561	561	561	561	561
Total Assets	56,227.75	50,086.53	44,322.79	40,724.25	36,422.52	36,278.62	30,281.96	29,048.76	22,137.40	19,405.56
Shareholders' Fund	4,220.68	3,686.79	3,758.73	3,375.77	2,809.04	2,555.16	1,760.75	1,891.19	1,473.27	1,223.65
Dividend Per share (Kshs)	5	5	10	10	10	10	0	10	5	5
Earnings / (Loss) per share	50.34	(33.91)	58.63	43.69	49.35	140.88	(24.21)	71.76	22.70	-

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, 25th June 2021 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 M P Chandaria		
5	To re-elect Mr M N Mehta		
6	To appoint auditors		

Dated this_________________________ day of _________________________ 2021

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.*

KENINDIA

FOLD 2

STAMP

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

FOLD 1