SANLAM GENERAL INSURANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Company information

Board of directors		
	Dr. Jackson Maingi	Chairperson
	Christine Ng'ang'a	
	Caroline Laichena	Resigned 05 January 2022
	Gareth Beaver	
	Isaac Wanjohi	
	Cynthia Karuri	
	Mrs. Jelioth Karuri	Alternate to Cynthia Karuri
	Dr. Patrick Tumbo	
	Catherine Gitobu	
	Johannes Jakobus	Resigned 01 March 2022
	George Kuria	Appointed 26 January 2022
	Tobias Doyer	Appointed 21 March 2022
	Madren Nduta	Appointed 18 July 2022

Company secretary
Emma Wachira
Sanlam Tower, Waiyaki Way, Westlands
15th Floor
P O Box 44041 - 00100
Nairobi.

Registered office
Sanlam Tower, Waiyaki Way, Westlands
12th Floor
P O Box 60656 - 00200
Nairobi.

Independent auditor
KPMG Kenya
ABC Place, Waiyaki Way, Westlands
P O Box 40612 - 00100
Nairobi.

Principal bankers
NCBA Bank Limited
Mara & Ragati Roads, Upper Hill
P O Box 30437-00100
Nairobi.

Absa Bank Kenya PLC
Absa Bank Kenya PLC Headquarters, Waiyaki Way
P O Box 30120 - 00100
Nairobi.

Stanbic Bank Kenya Limited
Chiromo Road
P O Box 72833 – 00200
Nairobi.

Legal advisers
Bowmans LLP
ICEA Lion Centre, Riverside Park, Chiromo Road
P O Box 10643 - 00100
Nairobi.

Daly Inamdar Advocates
ABC Place, Waiyaki Way
P O Box 40034 – 00100
Nairobi.

Report of the directors

The directors have the pleasure of presenting their report together with the audited financial statements of Sanlam General Insurance Limited (the "Company") for the year ended 31 December 2022 which disclose the state of affairs of the Company.

The annual report and financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Kenyan Companies Act, 2015.

Principal activities

The principal activities of the Company are the underwriting of all classes of non-life insurance risk with the exception of micro-insurance as defined by the Insurance Act.

The Company's performance

The Company reported an after tax loss of Shs 152 million (2021: after tax loss of Shs 501 million). The performance of the Company was as below:

i. Gross written premium – Gross written premium declined by 32% attributed to exit from the medical business in Q4 2021 and repricing of rates in the motor class of business;
ii. Investment income – Investment income increased from Shs 153 million in 2021 to Shs 233 million in 2022. The increase is attributed to additional investment of Shs 1.0 billion in Government securities from loan advanced by the parent company, Sanlam Emerging Markets;
iii. Claims – The business loss ratio was at 82% (2021: 85%) due to improvement in the claims management processes;
iv. Expenses – Operating expenses were Shs 489 million (2021: Shs 1,029 million). The decrease is attributed significantly to reduction of gross debtor balances; and
v. Commissions – A net amount of Shs 267 million (2021; Shs 224 million) was paid out as commissions. The increase is attributed to exit from medical business.

The Company continues to review its operational efficiencies in a bid to improve its performance. The Company has projected to return to profitability by the year 2023, projecting an after tax profit of Shs 144 million. Management has put in place a turnaround strategy aimed at improving the profitability of the company. The Company has revamped the motor private business and also ceased underwriting medical business so as to focus on its core strength in non-medical insurance.

Key performance indicators

The table below highlights some of the key performance indicators over a period of 5 years.

Performance Indicators	2018	2019	2020	2021	2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Underwriting profit/(loss)	40,928	(91,744)	(570,169)	(822,052)	(270,460)
Gross profit/(loss) (%)	9%	1%	-9%	-14%	-1.96%
Claims loss ratio (%)	51%	61%	57%	85%	82%
Profit/(loss) before tax	193,622	23,042	(385,279)	(668,951)	(64,623)
Net assets/(liabilities)	1,040,111	1,044,532	632,176	131,264	(20,401)
Return on capital employed (%)	11%	0%	-37%	-46%	-14%
Earnings/(loss) per share (Shs)	0.56	0.02	(2.00)	(2.43)	(0.74)

Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil)

Report of the directors (continued)

Directors

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

Disclosures to the auditor

Each director in office at the time this report was approved confirms that:

(a) there is so far as the director is aware, no relevant audit information of which the company's auditor is unaware; and
(b) the director has taken all steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, KPMG Kenya, have expressed their willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity, and independence of the auditor. This responsibility includes the approval of the audit engagement contract which sets out the terms of the auditor's appointment and the associated fees on behalf of the shareholders.

Going concern

The Company reported an after tax loss of Shs 152 million (2021 an after tax loss of Shs 501 million). The cumulative losses as at 31 December 2022 was Shs 1,150 million (2021: Shs 998 million) and as at that date the company was in a net liability position of Shs 20 million and negative cash flows from operating activities of Shs 157 million.

The Company has projected to return to profitability by the year 2023, projecting an after tax profit of Shs 144 million, which reflects the potential that the Company has and hence reaffirms the ability of the Company to continue as a going concern. Management has put in place a turnaround strategy aimed at improving the profitability of the Company. These include:

i. Repricing of the motor book so as to achieve profitable revenue growth.
ii. Focus on growing the non-motor book which has consistently made profit.
iii. Focus on SME business to drive profitability.
iv. The Company stopped underwriting the medical business so as to focus on its core strength in non-medical insurance.

During the year, the Company received a loan of Shs 1,085,700,000 from the ultimate parent company, Sanlam Emerging Markets, to bridge the capital shortfall. The loan agreement between Sanlam General Insurance Limited (the borrower) and Sanlam Emerging Markets (Pty) Limited (the lender) provides that if the borrower fails to repay any principal or any interest outstanding when due under the agreement, the lender may elect to issue a notice to the borrower of the lender's intention to procure the settlement of all or part of the outstanding principal and interest amounts of the loan by the issuance of ordinary shares of the borrower to the lender on such terms as are set out in the notice from the lender.

The Directors have taken into account the initiatives above and are confident that the going concern assumption is appropriate in the preparation of the financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The basis assumes that the Company will continue as a going concern and also its operations for the foreseeable future.

Report of the directors (continued)

Approval of the financial statements

The financial statements of the Company for the year ended 31 December 2022 were approved and authorised for issue in accordance with a resolution of the directors on 14 March 2023.

By order of the Board

....
Emma Wachira
Company Secretary

Date: 14 March 2023

Statement of Directors' responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of Sanlam General Insurance Limited set out on pages 11 to 68 which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The Directors' responsibilities include determining that the basis of preparation described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS 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 misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company as at the end of the financial year and of the profit or loss of the Company for that year. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Company.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Standard and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Company and of its profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Company reported an after tax loss of Shs 152 million (2021 an after tax loss of Shs 501 million). The cumulative losses as at 31 December 2022 was Shs 1,150 million (2021: Shs 998 million) and as at that date the company was in a net liability position of Shs 20 million and negative cash flows from operating activities of Shs 157 million. The Company has projected to return to profitability by the year 2023, projecting an after tax profit of Shs 144 million, which reflects the potential that the Company has and hence reaffirms the ability of the Company to continue as a going concern. Management has put in place a turnaround strategy aimed at improving the profitability of the Company. These include:

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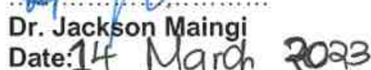
The Directors have taken into account the initiatives above and are confident that the going concern assumption is appropriate in the preparation of the financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The basis assumes that the Company will continue as a going concern and also its operations for the foreseeable future.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 14 March 2023.



Dr. Jackson Maingi
Date: 14 March 2023

George Kuria
Date: 14 March 2023

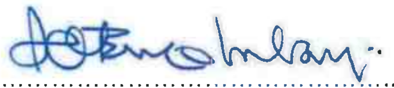
Report of the consulting actuary

I have conducted an actuarial valuation of the general business of Sanlam General Insurance Limited as at 31 December 2022.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. These principles require that prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements of the Company.

In my opinion, the general business of the Company was financially sound and the actuarial value of the liabilities in respect of all the classes of general business did not exceed the amount of outstanding claims liabilities of the general business at 31 December 2022.



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James Olubayi
Zamara Actuaries, Administrators & Consultants Limited

Date: 31 March 2023

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 00100 GPO
Nairobi, Kenya

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SANLAM GENERAL INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sanlam General Insurance Limited ("the Company") set out on pages 11 to 68 which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements*, section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Kenya, is a registered partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited,a private English company limited by guarantee.

Partners AM Mbai, BM Ndung'u, BO Amukah, JI Kariuki, JM Gathecha, JM Ndunyu, MM Gachuhi, PI Kinuthia, S Obock, W Genga

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Insurance contract liabilities	
See accounting policy Note 2 (c) and Note 24 to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2022, the Company recognized insurance contract liabilities amounting Shs 2,697,264,000. Valuation of these liabilities is highly judgmental and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognized in respect of claims that have occurred but have not yet been reported to the Company (incurred but not reported (IBNR)). Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities. The key assumptions that drive the determination of insurance contract liabilities (reserving calculations) include discount rates, inflation rates, historical loss ratios used to forecast future losses, past claim experience and claim development factors used as a base for projecting future claims. The valuation of insurance contract liabilities also depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgments over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise. We determined the valuation of insurance contract liabilities to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by the company in the determination of the reported amounts.	Our audit procedures in this area included: - Obtaining an understanding of the claims handling and reserve setting process and the controls used in the determination of insurance contract liabilities. This included assessing the design and operating effectiveness of key controls over the claims handling and reserve setting processes of the Company; - Inspecting claims received and claims paid immediately after 31 December 2022 to assess whether there were any unrecorded insurance contract liabilities at the end of the period; - Evaluating a sample of outstanding claims reserves by comparing the estimated amount of the reserve to appropriate documentation, such as reports from the Company's loss adjusters to ascertain accuracy of the recorded amounts; - Re-performing reconciliations between the historical claims and expense data recorded in the financial reporting systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate; - Evaluating the appropriateness of management's liability adequacy testing by assessing the historical IBNR sufficiency through performing an actual versus expected analysis on prior years' reserves for any surpluses or shortfalls; - Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and the reasonableness of the assumptions used by management in the estimation of IBNR reserves at 31 December 2022 by comparing economic assumptions such as discount rates and inflation to market observable data and non-economic assumptions such as historical loss ratios and claims development factors against the Company's historical experience, current trends and our own industry knowledge; and - Evaluating the adequacy of disclosures in the financial statements including disclosures of key estimates and judgements on insurance contract liabilities in accordance with the requirements of IFRS 4 *Insurance contracts*.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED (CONTINUED)

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Sanlam General Insurance Limited Annual Report and Financial Statements for the year ended 31 December 2022,* but does not include the financial statements and our auditor's report thereon.

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

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

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE SANLAM GENERAL INSURANCE LIMITED (CONTINUED)

Report on the audit of the financial statements (continued)

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

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you, based on our audit, that in our opinion the information given in the report of the directors on page 2 to 4 is consistent with the financial statements.

The engagement Partner responsible for the audit resulting in this independent auditor's report is CPA Dr. Alexander Mbai, Practicing Certificate No P/2172.

For and on behalf of:

KPMG Kenya
Certified Public Accountants
P O Box 40612 – 00100, GPO
Nairobi

Date: 31 March 2023

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

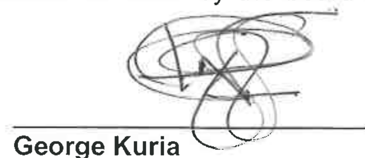
	Note	Year ended 31 December 2022 Shs'000	2021 Shs'000
Gross written premium		3,298,535	4,853,903
Gross earned premium	5	3,843,414	4,672,756
Less: Reinsurance premium ceded to reinsurers		(1,154,179)	(1,721,933)
Net earned premium		**2,689,235**	**2,950,823**
Investment and other income	6	233,053	153,101
Commissions earned		256,104	373,002
Total income		**3,178,392**	**3,476,926**
Claims incurred		3,300,249	3,655,253
Less: Amounts recoverable from reinsurers		(1,096,686)	(1,135,701)
Net claims incurred	7	**2,203,563**	**2,519,552**
Operating and other expenses	8	488,926	1,029,238
Commissions payable		523,310	597,087
Total expenses		**3,215,799**	**4,145,877**
Operating loss		**(37,407)**	**(668,951)**
Interest on borrowings		(27,216)	-
Loss before income tax		**(64,623)**	**(668,951)**
Income tax (expense)/credit	10	(87,042)	168,039
Loss for the year		**(151,665)**	**(500,912)**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**(151,665)**	**(500,912)**

The notes on pages 15 to 68 are an integral part of these financial statements.

Statement of financial position as at 31 December 2022

	Note	31 December 2022 Shs'000	2021 Shs'000
Capital employed			
Share capital	11	1,028,998	1,028,998
Share premium	11	100,362	100,362
Accumulated losses		(1,149,761)	(998,096)
Shareholders' funds		**(20,401)**	**131,264**
Assets			
Property and equipment	12 (a)	49,810	64,121
Right of use assets	12 (b)	23,415	39,052
Intangible assets	13	10,227	1,007
Deferred tax asset	14	222,541	309,583
Investment property	15	44,000	50,000
Quoted equity investments at fair value through profit or loss	16	797	516
Receivables arising out of reinsurance arrangements	17 (a)	207,190	212,733
Receivables arising out of direct insurance arrangements	17 (b)	197,430	216,080
Reinsurers' share of insurance contract liabilities	18	1,257,251	1,143,154
Other receivables	19	80,900	87,142
Deferred acquisitions costs	20	185,464	243,969
Government securities at fair value through profit or loss	21 (a)	1,627,776	1,817,506
Government securities at amortised cost	21 (b)	1,097,591	-
Secured loans to employees	22	194	194
Current income tax	10	186,447	152,130
Deposits with financial institutions	23	147,448	171,100
Cash and bank balances	23	63,229	159,129
		5,401,710	**4,667,416**
Liabilities			
Insurance contract liabilities	24	2,697,264	2,146,881
Unearned premium reserve	25	1,283,886	1,965,924
Borrowings	28 (iii)	1,085,700	-
Creditors arising from reinsurance arrangements		33,639	93,079
Deferred reinsurance commissions	26	92,971	111,209
Lease liabilities	12 (b)	32,515	51,211
Other payables	27	196,136	167,848
Total liabilities		**5,422,111**	**4,536,152**
Net assets		**(20,401)**	**131,264**

The financial statements on pages 11 to 68 were approved and authorized for issue by the board of directors on 14 March 2023 and signed on its behalf by:



Dr. Jackson Maingi | **George Kuria**

Date: 14 March 2023 | **Date:** 14 March 2023

The notes on pages 15 to 68 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2022

	Share capital Shs '000	Share premium Shs '000	Accumulated losses Shs '000	Total Shs '000
Year ended 31 December 2021				
At start of year	**1,028,998**	**100,362**	**(497,184)**	**632,176**
Total comprehensive income for the year:				
Loss for the year	-	-	(500,912)	(500,912)
At end of year	**1,028,998**	**100,362**	**(998,096)**	**131,264**
Year ended 31 December 2022				
At start of year	**1,028,998**	**100,362**	**(998,096)**	**131,264**
Total comprehensive income for the year:				
Loss for the year	-	-	(151,665)	(151,665)
At end of year	**1,028,998**	**100,362**	**(1,149,761)**	**(20,401)**

The notes on pages 15 to 68 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2022

	Note	2022 Shs '000	2021 Shs '000
Operating activities			
Cash (used in) generated from operations	29	(421,768)	320,397
Income tax paid	10	(34,317)	(109,459)
Payment of interest on lease liabilities	12(b)	(5,357)	(7,281)
Interest received	6	303,933	178,794
Net cash (used)/generated from operating activities		**(157,509)**	**382,451**
Investing activities			
Purchase of property and equipment	12 (a)	(2,550)	(4,040)
Purchase of Intangible assets	13	(49,464)	-
Purchase of government securities	21 (a)&(b)	(2,150,755)	(345,809)
Disposal of government securities	21 (a)	1,190,031	27,770
Proceeds from secured loans		-	118
Net cash used in investing activities		**(1,012,738)**	**(321,961)**
Financing activities			
Funds received from parent company	28	1,085,700	-
Payment of principal lease liabilities	12 (b)	(21,446)	(16,703)
Net cash generated from/(used in) financing activities		**1,064,254**	**(16,703)**
(Decrease)/increase in cash and cash equivalents		(105,993)	43,787
At start of year	23	330,229	272,823
Effects of changes in exchange rates	6	(13,559)	13,619
At end of year	**23**	**210,677**	**330,229**

The notes on pages 15 to 68 are an integral part of these financial statements.

Notes to the financial statements (hereafter "Notes")

1. General Information

Sanlam General Insurance Limited is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability Company and is domiciled in Kenya. The address of the registered office is included in page 1.

The Company transacts all classes of general insurance business except for medical business which was discontinued in 2021, aviation and micro-insurance.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Summary of significant accounting policies

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

a) Basis of preparation

The Company's financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies, Act, 2015. The financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss and investment properties which have been measured at fair value.

The preparation of financial statements in conformity with IFRS Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going concern

The financial performance of the Company is set out in the Director's report and in the statement of profit or loss and other comprehensive income. The financial position of the Company is set out in the statement of financial position and disclosures in respect of risk management are set out in Note 4.

During the year ended 31 December 2022, the Company reported an after tax loss of Shs 152 million (2021 an after tax loss of Shs 501 million). The cumulative losses as at 31 December 2022 was Shs 1,150 million (2021: Shs 998 million) and as at that date the company was in a net liability position of Shs 20 million and negative cash flows from operating activities of Shs 157 million. The Company has projected to return to profitability by the year 2023, projecting an after tax profit of Shs 144 million, which reflects the potential that the Company has and hence reaffirms the ability of the Company to continue as a going concern. Management has put in place a turnaround strategy aimed at improving the profitability of the Company. These include:

i. Repricing of the motor book so as to achieve profitable revenue growth.
ii. Focus on growing the non-motor book which has consistently made profit.
iii. Focus on SME business to drive profitability.
   The Company stopped underwriting the medical business so as to focus on its core strength in non-medical insurance.

During the year, the Company received a loan of loan of Shs 1,085,700,000 from the ultimate parent company, Sanlam Emerging Markets, to bridge the capital shortfall. The loan agreement between Sanlam General Insurance Limited (the borrower) and Sanlam Emerging Markets (Pty) Limited (the lender) provides that if the borrower fails to repay any principal or any interest outstanding when due under the agreement, the lender may elect to issue a notice to the borrower of the lender's intention to procure the settlement of all or part of the outstanding principal and interest amounts of the loan by the issuance of ordinary shares of the borrower to the lender on such terms as are set out in the notice from the lender.

The Directors have taken into account the initiatives above and are confident that the going concern assumption is appropriate in the preparation of the financial statements. The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The basis assumes that the Company will continue as a going concern and also its operations for the foreseeable future.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures

i. New standards, amendments and interpretations adopted by the Company

The following standards have been issued but do not have a material impact on the Company.

Number	Effective date	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021	The objective of the amendment is to provide lessees that have been granted Covid 19 related rent concessions by lessors with practical relief, while still providing useful information about leases to users of the financial statements.

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

The following standards have been issued but are not mandatory for the 31 December 2022 reporting periods.

Number	Effective date	Executive summary
Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after 1 January 2023 (Published October 2018)	The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include: – requiring companies to disclose their material accounting policies rather than their significant accounting policies; – clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and – clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. IFRS Practice Statement 2 was amended to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

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

Number	Effective date	Executive summary
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	Annual periods beginning on or after 1 January 2023 (Published May 2021)	Targeted amendments to IAS 12 *Income Taxes* clarify how companies should account for deferred tax on certain transactions, for example, leases and decommissioning provisions. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.
IFRS 17, 'Insurance contracts' and Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period. A side from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

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

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts' Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation which is already underway.
Classification of liabilities as current or non-current assets (Amendments to IAS 1); and Non-current liabilities with Covenants (Amendments to IAS 1)	Annual periods beginning on or after 1 January 2024 (Published January 2020)	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The standard removes the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early. A company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.
Definition of Accounting Estimate (Amendments to IAS 8)	Annual periods beginning on or after 1 January 2023 (Published February 2021)	The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

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

Number	Effective date	Executive summary
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	Annual periods beginning on or after 1 January 2024 (Published September 2022)	The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: – On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. – After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional (Published on May 2014)	The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Company). The above standards and interpretations are not expected to have a significant impact on the financial statements of the Company, except IFRS 17 'Insurance Contracts' and its subsequent amendments as explained below.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company will apply IFRS 17 for the first time on 01 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have a material impact on the Company's financial statements in the period of initial application.

The Company is currently assessing the impact that the adoption of IFRS 17 will have and will restate comparative information on adoption of IFRS 17. The actual impact is yet to be determined as certain milestones within the implementation roadmap are yet to be met.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

The transition work in progress includes:

— the Company is in the process of refining the new accounting processes and internal controls required for applying IFRS 17;
— the Company is testing and assessing controls over its new Information Technology systems and changes to its governance framework; and
— review of the new accounting policies, assumptions, judgements and estimation techniques is ongoing.

An assessment of the qualitative impact of the adoption of the Standard includes:

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts.
When identifying contracts in the scope of IFRS 17 in some cases, the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

ii. Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of issue) and each annual cohort into three groups:
— any contracts that are onerous on initial recognition;
— any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
— any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (CSM), against losses on groups of onerous contracts, which are recognised immediately (see (v)). Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e., portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

iii. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Company. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage). A substantive obligation to provide services ends when:

— the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
— the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

— has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
— has a substantive right to terminate the coverage.

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

iv. Measurement - Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cashflows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Company will apply the measurement model, see (v).

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) new standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

iv. Measurement – Overview (continued)

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Company will apply PAA to all contracts because the following criteria are expected to be met at inception:

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the Company is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

v. Measurement – general insurance business contracts

On initial recognition of each group of general insurance business insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Company will elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Impact assessment

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for general insurance business contracts:

- Under IFRS 17, the entity will discount the future cash flows when measuring liabilities for incurred claims unless they occur in one year or less from the date in which the claims occur.
- IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk.

— Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) new standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

vi. Measurement - Significant judgements and estimates

Estimates of future cash flows

In estimating future cashflows, the Company will incorporate all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Company will generally allocate insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts in each group.

Discount rates

The Company will generally determine risk-free discount rates using the observed mid-price swap yield curves for AA-rated banks (adjusted for the bank's credit risk). The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. For markets in which there is no reliable swap yield curve, government bond yields will be used. Although the ultimate forward rate will be subject to revision, it is expected to be updated only on significant changes to long-term expectations. To reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium. illiquidity premiums will generally be determined by comparing the spreads on corporate bonds with the costs of credit default swaps with matching critical terms for the same issuer.

The requirement to measure liabilities for insurance contracts using current discount rates will be a significant change from the Company's current practice. For general insurance business contracts, the Company does not currently discount future cash flows.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

vi. Measurement - Significant judgements and estimates (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. They are allocated to groups of contracts based on an analysis of the risk profiles of the Company. They reflect the effects of the diversification benefits which will be determined using a correlation matrix technique.

The risk adjustments for non-financial risk will be determined using liabilities for incurred claims of general insurance business contracts: a confidence level technique.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company will apply these techniques both gross and net of reinsurance and derive the amount of risk being transferred to the reinsurer as the difference between two results.

Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level will be 90 percent for liabilities for incurred claims of general insurance business contracts.

Applying a cost of capital technique, the Company will determine the risk adjustment for non-financial risk by applying a cost of capital rate to the amount of capital required for each future reporting date and discounting the result using risk-free rates adjusted for illiquidity, consistently with The Company's current practice. The required capital will be determined by estimating the probability distribution of the present value of future cash flows from the contracts at each future reporting date and calculating the capital that the Company would require to meet its contractual obligations to pay claims and expenses arising over the duration of the contracts at a 95 percent confidence level. The cost of capital rate represents the additional reward that investors would require for exposure to the non-financial risk.

CSM

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the Company, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the Company, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date. The Company will determine the quantity of the benefits provided under each contract as follows;

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

vi. Measurement - Significant judgements and estimates (continued)

CSM - continued

Product	Basis for determining quantity of benefits provided
Quota share reinsurance	— The same basis as the underlying contracts, including expected new underlying contracts within the reinsurance contract boundary (see (iii))
Excess of loss and stop loss reinsurance	— Expected amount of underlying claims recoverable from

vii. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into;

1. an insurance service result, comprising insurance revenue and insurance service expenses; and
2. insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts. The requirements in IFRS 17 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with the Company's current practice of recognising revenue when the related premiums are written.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

vii. Presentation and disclosure (continued)

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service result, but information about these will be included in the disclosures.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For general insurance business contracts, the Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

viii. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognise and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts");
- recognise any resulting net difference in equity. The carrying amount of goodwill from previous business combinations will not be adjusted.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

viii. Transition (continued)

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Irrespective of the transition approach used, the following items will not be applied retrospectively.

- The risk mitigation option in IFRS 17 (see (v)) will be applied prospectively from 1January 2022. Certain groups of contracts to which the risk mitigation option is applied will be measured under the fair value approach at 1 January 2022 (see below).
- The consequential amendments to IFRS 3 introduced by IFRS 17 require the Company to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement will not be applied to business combinations before 1 January 2023, for which the Company classified contracts acquired as insurance contracts based on the conditions at contract inception.

Insurance contract and reinsurance contract

The Company will apply the full retrospective approach to all general insurance business contracts.

The Company considers the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons. Such information includes for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows (including insurance acquisition cash flows and other cash flows incurred before the recognition of the related contracts") and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Company's current accounting policies do not require such information; and
  - information about certain changes in assumptions and estimates because they were not documented on an ongoing basis.
- The full retrospective approach requires assumptions about what the company management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items required for identifying direct participating contracts;
  - assumptions about discount rates, because the Company was not subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2007; and
  - assumptions about the risk adjustment for non-financial risk. because the Company was not subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2016.

Notes (continued)

2. Summary of significant accounting policies (continued)

b) Changes in accounting policy and disclosures (continued)

iii) New standards, amendments and interpretations issued but not yet effective – continued

IFRS 17 Insurance Contracts (continued)

viii. Transition (continued)

Contracts without direct participation features

The Company will apply the following modifications to certain groups of contracts.

- For groups of contracts issued or initiated between 2011 and 2015, the future cash flows on initial recognition will be estimated by adjusting the amount at 1 January 2016 or an earlier date (determined retrospectively) for the cash flows that are known to have occurred before that date. The earliest date on which future cash flows can be determined retrospectively for these groups of contracts is 1 January 2012.
- For groups of contracts issued or initiated between 2011 and 2013 the illiquidity premiums applied to the risk- free yield curves on initial recognition will be estimated by determining an average spread between the risk-free yield curves and the discount rates determined retrospectively for the period between 1 January 2014 and 1 January 2022.
- For some groups of contracts, the risk adjustment for non-financial risk on initial recognition will be determined by adjusting the amount at 1 January 2022 for the expected release of risk before 1 January 2022. The expected release of risk will be determined with reference to the release of risk for similar contracts that the Company issued at 1 January 2022.

If any of these modifications is used to determine the CSM on initial recognition, then the amount of the CSM recognised in profit or loss before 1 January 2022 will be determined by comparing the coverage units provided before 1 January 2022 and the remaining coverage units at 1 January 2022.

Reinsurance of onerous underlying contracts

For groups of reinsurance contracts covering onerous underlying contracts that were entered into before or at the same time as the onerous underlying contracts, the Company will establish a loss- recovery component (see (v)) at 1 January 2022.

For reinsurance contracts initiated between 2011 and 2013, he Company will not identify a loss-recovery component because it does not have reasonable and supportable information to do so.

Insurance acquisition cash flows

The Company will apply the full retrospective approach to all other assets for insurance acquisition cash flows on transition to IFRS 17.

c) Insurance contracts

Premium income

For general insurance business, premium income is recognized on assumption of risk, and includes estimated premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premium 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 1/365th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Notes (Continued)

2. Summary of significant accounting policies (continued)

c) Insurance contracts (continued)

Claims payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date.

Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR").

The provision for IBNR is an estimation of claims that are expected to be reported subsequent to the date of the statement of financial position, for which the insured event has occurred prior to that date. The primary technique adopted by management in estimating this cost is that of using the past claims reporting and settlement trends to predict future claims for which the Company will be liable. A range of actuarial methods such as The Standard Development Method, The Loss Ratio Method, The Basic Chain Ladder Method and The Bornhuetter-Fergeson Method are used to determine these provisions.

Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement and settlement pattern of claims. The key assumptions that drive the determination of IBNR include discount rates, inflation rates, historical loss ratios used to forecast future losses, past claim experience and claim development factors used as a base for projecting future claims. Given the uncertainty associated with setting these assumptions, it is standard actuarial practice to calculate a best estimate risk margin that is added to the IBNR reserve to allow for these uncertainties and ensure that adequate provisions are held to allow for provisions as they arise.

Liability adequacy tests

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

Commissions

Commissions payable are recognized in the period in which the related premiums are written. Commissions receivable are recognized as income in the period in which they are earned.

Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classifications requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amount recovered from or due to reinsurers is measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

Notes (Continued)

2. Summary of significant accounting policies (continued)

c) Insurance contracts (continued)

Reinsurance contracts held - continued

The Company assesses its reinsurance assets for impairment on quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost.

Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders. The Company assesses the receivable for impairment by reducing the carrying amount of the insurance receivables and recognizes that impairment loss in the profit or loss. The expected credit loss is calculated using the simplified approach as detailed under the financial assets note.

Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

d) Investment and other income

Investment income comprises (i) Interest income (ii) Dividend income (iii) Rental income; and (iv) realized/unrealized gains and losses. Investment income is stated net of investment expenses.

- Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.
- Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as part of the carrying amount of properties in the statement of financial position.
- Divided income is recognised when the shareholders right to receive payment has been established.
- Realised/unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on 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) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the assets to its location and condition ready for its intended use.

Notes (continued)

2. Summary of significant accounting policies (Continued)

e) Property and equipment (continued)

Depreciation is calculated on the straight-line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Office equipment, furniture and fittings	8 years
Motor vehicles	4 years
Generator	4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognized in the statement of comprehensive income.

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

f) Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use and hence held for capital appreciation and/ or to earn rentals. Investment properties are initially recognized at cost and subsequently measured at fair value representing market value determined annually by independent external registered valuers. Changes in fair value are recorded in profit and loss.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is credited to profit or loss.

g) Financial assets

(i) Classification and impairment of financial assets

The Company classifies its financial assets into the following measurement categories;

- those to be measured subsequently at fair value through profit or loss (FVTPL);
- those to be measured subsequently at fair value through other comprehensive income (FVTOCI); and
- those to be measured at amortised cost.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Notes (continued)

2. Summary of significant accounting policies (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:
(i) the Company's business model for managing the financial assets; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/losses and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/losses in the period in which it arises.

Equity Instruments

The Company subsequently measures all equity investments at FVTPL. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is reclassified to retained earnings.

Dividends earned are recognized in the profit or loss statement and are included in the 'investment income' line item. During the year the company recognized dividend income of Shs 9,068 (2021: Shs Nil). The Company's assets in the FVTOCI category had a total carrying value of Shs Nil as at 31 December 2022 (2021: Nil).

Changes in the fair value of financial assets at FVTPL are recognized in investment income in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(iii) Measurement (continued)

(iv) Determination of fair value

Equity securities (quoted) and deposits with financial institutions are classified at fair value through profit or loss. Government securities are classified at FVTPL and at amortized cost. The Company's assets at FVTPL at the end of the year were Shs. 1,627,776,000 (2021: Shs. 1,817,506,000) while at amortized cost was Shs. 1,097,591,000 (2021: Nil).

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This includes listed equity securities and quoted debt instruments on major exchanges (Nairobi Securities Exchange). The quoted market price used for financial assets held by the Company is the current bid price.

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, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

(v) Impairment

The Company assesses the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The impairment model applies to the following financial instruments that are not measured at FVTPL:

- Government securities at amortized cost;
- Receivables arising from reinsurance arrangements;
- Receivables arising from direct insurance arrangements;
- Rent and other receivables;
- Secured loans to employees;
- Deposits with financial institutions; and
- Cash and bank balances.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(v) Impairment – continued

No impairment loss is recognized on equity investments and financial assets measured at FVTPL.
The Company recognizes loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Company recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Company will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for most of the financial assets have been measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Company follows one of the approaches below:
- The general approach

The simplified approach

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(v) Impairment – continued

Expected credit losse

The Company applies the approaches below to each of its assets subject to impairment under IFRS 9:

Financial asset	Impairment approach
Receivables arising out of direct insurance arrangements	Simplified approach
Receivables arising out of reinsurance arrangements	General approach
Rent, Other receivables and intercompany receivables	Simplified approach
Government securities at amortised cost	General approach
Secured loans to employees	General approach
Deposits with financial institutions	General approach
Cash and bank balances	General approach

The General Approach

Under the general approach, at each reporting date, the Company determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognized.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Company will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Company will recognise lifetime ECL, but interest income will continue to be recognized on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

The Simplified approach

Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Company will consider a financial asset to be in default when:

- the counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company.

In assessing whether the counterparty or borrower is in default, the Company considers indicators that are:

- Qualitative: e.g., Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Company; and

Notes (continued)

2. Summary of significant accounting policies (continued)

(v) Impairment (continued)

The General Approach – continued

- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk (SIICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Notes (continued)

2. Summary of significant accounting policies (continued)

(v) Impairment (continued)

Measurement of ECL

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower. The groupings are subject to regular review to ensure that exposures within a group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Insurance receivables

The ECL of operating lease receivables are determined using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past five years.

(vi) Modification of contracts

The Company rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty
- Whether any substantial new terms are introduced that affect the risk profile of the instrument
- Significant extension of the contract term when the borrower is not in financial difficulty
- Significant change in interest rate
- Change in the currency the security is denominated in
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the contract.

If the terms are substantially different, the Company derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new EIR for the asset. The date of recognition is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SIICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

(vii) Write off policy

The Company writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Company is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

Notes (continued)

2. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(vii) Write off policy – continued

The Company may write-off financial assets that are still subject to enforcement activity if there is no reasonable expectation of recoverability. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was Shs 186,000,000 (2021: Nil). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

h) Leases

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

i) Financial liabilities

The Company's financial liabilities which include borrowings, trade and other payables and lease liabilities fall into the following categories:

Financial liabilities measured at amortised cost: these are initially measured at fair value and subsequent measured at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Notes (continued)

2. Summary of significant accounting policies (continued)

i) Financial liabilities – continued

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

All financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or expired.

j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

k) Impairment of non-financial assets and tangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash-generating units).

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts.

m) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Kenya Shillings rounded to the nearest thousand (Shs '000) which is the Company's functional and presentation currency.

Notes (continued)

2. Summary of significant accounting policies (continued)

m) Foreign currency translation (Continued)

Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

n) Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an overflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions for future opening losses are not recognized.

Where there are a number of similar obligations, the likelihood that an overflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an overflow with respect to any one item included in the same class of obligation may be small.

The amount recognized as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessment of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense in profit or loss under finance cost.

o) Employee benefits

(i) Retirement benefit obligations

The Company operates a defined contribution scheme for employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company's and employees. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The employees of the Company are also members of the National Social Security Fund ("NSSF").

The Company's contributions to the defined contribution scheme and NSSF are charged to profit or loss in the year to which they relate.

(ii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

p) Income tax expense

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

Notes (continued)

2. Summary of significant accounting policies (continued)

p) Income tax expense (continued)

(i) Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same entity.

q) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software
Computer software licences are capitalized on basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 (five) years.

Cost associated with maintaining computer software programmes are recognized as an expense as incurred. Cost that are directly associated with the acquisition of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding cost beyond one year, are recognized as intangible assets.

r) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

s) Share capital

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

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

Notes (continued)

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experiences and other factors, including expected future events that are believed be reasonable under the circumstances.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- The valuation of insurance contract liabilities (refer 2(c));
- Fair valuation of certain financial assets (refer 2 (g) (iv));
- Fair values of investment properties (refer 2(f));
- Classification of financial assets (refer 2 (g)(i)); and
- Impairment of financial assets (refer 2 (g)(v)).

Valuation of insurance contract liabilities - The estimation of future benefit payments from general insurance contracts around the Incurred But Not Reported (IBNR) is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay such claims. The determination of the liabilities under insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected amounts of claim to be paid in future.

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

The key assumptions that drive the determination of insurance contract liabilities (reserving calculations) include discount rates, inflation rates, historical loss ratios used to forecast future losses, past claim experience and claim development factors used as a base for projecting future claims.

Impairment of financial assets - the Company reviews their portfolio of financial assets measured at amortized cost on an annual basis. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product /market and associated ECL; and
- Establishing groups of similar assets for the purposes of measuring ECL.

Fair value measurement and valuation process- in estimating the fair value of the assets or a liability, the Company uses market-observed data to the extent it is available. Where level 1 inputs are not available, the Company makes use of financial models or engages third party qualified valuers to perform the valuation techniques and inputs to the model.

Income taxes – in determining the provision for income taxes, there are many transactions and calculations for which the ultimate tax determination is uncertain during ordinary course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Notes (continued)

4. Management of insurance and financial risk

The Company's activities expose it to a variety of risk, including insurance risk and financial risk (credit risk, and the effect of changes in debt and equity market prices, foreign currency exchange rates and interest rates). The Company's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity and seek to maximize return within an acceptable level of interest rate risk.

This section summarizes the way the Company manages key risks.

A. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and number 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 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 risk 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.

Notes (continued)

4. Management of insurance and financial risk (continued)

A. Insurance risk (continued)

The following tables disclose the concentration of insurance liabilities by the class of business represented by the maximum insured loss:

Year ended 31 December 2022		Maximum Insured Loss			
		Shs 0-15m	Shs 15 - 250m	Shs 250 - 1000m	Total
		000'	000'	000'	000'
Motor	Gross	38,376,432	7,698,927	1,160,737	47,236,096
	Net	4,809,165	964,796	145,458	5,919,419
Fire	Gross	36,221,879	83,604,702	614,535,525	734,362,106
	Net	23,398,043	54,005,658	396,968,048	474,371,749
Personal accident	Gross	1,860,992	34,683,587	87,832,710	124,377,289
	Net	1,608,297	29,974,073	75,906,336	107,488,706
Others	Gross	10,720,881	41,952,712	111,827,332	164,500,925
	Net	6,379,084	24,962,489	66,538,930	97,880,503
Total	**Gross**	**87,180,184**	**167,939,928**	**815,356,304**	**1,070,476,416**
	Net	**36,194,589**	**109,907,016**	**539,558,772**	**685,660,377**

Year ended 31 December 2021		Maximum Insured Loss			
		Shs 0-15m	Shs 15 - 250m	Shs 250 - 1000m	Total
		000'	000'	000'	000'
Motor	Gross	164,295,266	212,264,579	19,980,729	396,540,574
	Net	33,484,000	13,834,000	82,000	47,400,000
Fire	Gross	16,184,861	150,355,965	58,316,093	224,856,919
	Net	14,853,670	110,980,977	15,588,107	141,422,754
Personal accident	Gross	548,220	11,859,154	11,408,940	23,816,314
	Net	511,862	8,430,583	7,815,125	16,757,570
Others	Gross	9,832,059	74,845,681	46,612,692	131,290,432
	Net	9,141,622	46,821,589	19,579,176	75,542,387
Total	**Gross**	**190,860,406**	**449,325,379**	**136,318,454**	**776,504,239**
	Net	**57,991,154**	**180,067,149**	**43,064,408**	**281,122,711**

B. Financial risk

The Company is exposed to financial risk through its financial assets and 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 and investment contracts.
The most important types of risks are credit risk, liquidity risk, market risk and other operational risks. Market risks include currency risk, interest rate risk, equity price risk and other price risks. 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 Company primarily faces due to the nature of its investments and liabilities are; interest rate risk and credit risk.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States (US) Dollar. The Company has cash and bank balances in (US) Dollar. The assets denominated in US Dollar at year end amounted to Shs. 13,188,905 (2021: Shs 20,508,854) representing only 0.2% (2021: 0.4%) of total assets.

At 31 December 2022, if the shilling had weakened/strengthened by 5% against the US dollar with all other variables held constant, the pretax profit movement for the year would have been Shs 659,000 (2021: Shs 1,025,000) higher/lower as a result of cash and bank balances.

	2022	2021
	Shs'000	Shs'000
Foreign exchange movement	659	1,025
Exchange Rates		
Closing rate in Shs per 1 USD	122.18	113.14
Average rate in Shs per 1 USD	122.78	109.65

(ii) Price risk

The Company is exposed to equity securities price risk because of investment in quoted securities and treasury bonds classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its risk arising from investments in equity the Company diversifies its portfolio on several counters. Diversification of the portfolio is done in accordance with limits set by the Company and guidelines as per the Insurance Act. All quoted shares and treasury bonds held by the Company are traded on the Nairobi Securities Exchange (NSE).

As at 31 December 2022, the Company had quoted equities of Shs 797,000 (2021: Shs 516,000).If the NSE index had increased/decreased by 5% (2021: 5%) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation to the index, the post-tax profit movement would have been Shs 39,850 (2021: Shs 25,800) higher/lower.

	2022	2021
	Shs'000	Shs'000
Quoted equities impact	40	26

(iii) Cash flow and fair value interest rate risk

Fixed interest rate financial instruments expose the Company to fair value interest rate risk. Variable interest rate financial instruments expose the Company to cash flow interest rate risk.

The Company's fixed interest rate financial instruments are government securities and deposits with financial institutions. The Company has no variable interest rate instruments.

No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

The following assets were subject to fair value interest risk at the end of the year:

	2022	2021
	Shs'000	Shs'000
Government securities at fair value through profit or loss	1,627,776	1,817,506
Deposits with financial institutions	147,448	171,100
	1,775,224	**1,988,606**

As at 31 December 2022, if the interest rates applicable to the above mentioned financial instruments had increased/decreased by 5% (2021: 5%) with all other variables held constant, the change to the post tax profit would not have been significant as the instruments are placed in fixed interest rate instruments.

(iv) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The areas where the Company is exposed to credit risk are:

- receivables arising out of direct insurance arrangements;
- receivables arising out of reinsurance arrangements:
- Secured loans to employees;
- reinsurer's share of insurance liabilities; and
- Deposits with financial institutions.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liabilities as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The credit worthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalization of any contract. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

In addition, management assesses the creditworthiness of all insurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

Other areas where credit risk arises include deposits with banks and other receivables. The Company has no significant concentrations of credit risks. The Company structures the levels of credit risks it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

(iv) Credit risk (continued)

Maximum exposure to credit risk

The maximum exposure of the Company to credit risk (financial instruments subject to impairment as at the balance sheet date) is as follows:

	2022 Shs'000	2021 Shs'000
Government securities at amortised cost	1,097,591	-
Receivables arising out of direct insurance arrangements	197,430	216,080
Receivables arising out of reinsurance arrangements	207,190	212,733
Secured loans to employees	194	194
Other receivables (excluding prepaid expenses)	72,515	78,515
Deposits with financial institutions	147,448	171,100
Cash and bank balances	63,229	159,129
	1,785,597	**837,751**

No collateral is held for the above assets. No expected credit loss has been accounted for these balances as the impact would be immaterial.

The staging of the Company's premium debtors arising from direct insurance arrangements and subject to impairment is as follows:

At 31 December 2022	**Stage 1 Shs'000**	**Stage 2 Shs'000**	**Stage 3 Shs'000**	**Total Shs'000**
Receivables arising out of direct insurance arrangements	53,594	143,836	68,555	265,985
Receivables arising out of reinsurance arrangements	(34,937)	242,127	57,076	264,266
Expected credit loss	-	-	(125,631)	(125,631)
	18,657	**385,963**	**-**	**404,620**

At 31 December 2021	**Stage 1 Shs'000**	**Stage 2 Shs'000**	**Stage 3 Shs'000**	**Total Shs'000**
Receivables arising out of direct insurance arrangements	100,009	116,071	448,574	664,654
Receivables arising out of reinsurance arrangements	144,170	68,563	153,422	366,155
Expected credit loss	-	-	(601,996)	(601,996)
	244,179	**184,634**	**-**	**428,813**

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

(iv) Credit risk (continued)

Maximum exposure to credit risk (continued)

The staging of the Company's other financial instruments subject to impairment is as follows:

At 31 December 2022	Stage 1 Shs'000	Stage 2 Shs'000	Stage 3 Shs'000	Total Shs'000
Government securities at amortised cost	1,097,591	-	-	1,097,591
Secured loans to employees	194	-	-	194
Other receivables (excluding prepaid expenses)	72,515	-	-	72,515
Deposits with financial institutions	147,448	-	-	147,448
Cash and bank balances	63,229	-	-	63,229
	1,380,977	**-**	**-**	**1,380,977**

At 31 December 2021	Stage 1 Shs'000	Stage 2 Shs'000	Stage 3 Shs'000	Total Shs'000
Secured loans to employees	194	-	-	194
Other receivables (excluding prepaid expenses)	78,515	-	-	78,515
Deposits with financial institutions	171,100	-	-	171,100
Cash and bank balances	159,129	-	-	159,129
	408,938	**-**	**-**	**408,938**

v) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Company does not maintain cash resources to meet all of these needs as experience shows that maximum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

v) Liquidity risk (continued)

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities (other than insurance liabilities which are based on expected maturities) at the reporting date.

At 31 December 2022	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Insurance contract liabilities	67,313	679,462	937,390	825,759	187,340	2,697,264
Borrowings	-	-	1,085,700	-	-	1,085,700
Creditors arising from reinsurance arrangements	-	33,639	-	-	-	33,639
Other payables	-	196,135	-	-	-	196,135
Lease liabilities	2,237	4,472	20,841	8,864	-	36,414
	69,550	**913,708**	**2,043,931**	**834,623**	**187,340**	**4,049,152**

At 31 December 2021	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Insurance contract liabilities	53,578	540,818	746,114	657,261	149,110	2,146,881
Creditors arising from reinsurance arrangements	-	93,079	-	-	-	93,079
Other payables	-	167,848	-	-	-	167,848
Lease liabilities	2,652	9,070	22,114	25,539	-	59,375
	56,230	**810,815**	**768,228**	**682,800**	**149,110**	**2,467,183**

vi) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

IFRS 7 : Financial Instruments Disclosure requires disclosure of fair value measurements by the following levels of hierarchy for financial instruments that are measured in the statement of financial position at fair value into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 inputs are Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs) (level 3).

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

vi) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active 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.

The following table represents the Company's assets that are measured at fair value at 31 December 2022 and 31 December 2021.

At 31 December 2022	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Equity investments	797	-	-	797
Investment property	-	-	44,000	44,000
Government securities at fair value through profit or loss	-	1,627,776	-	1,627,776
Deposits with financial institutions	-	147,448	-	147,448
	797	**1,775,224**	**44,000**	**1,820,021**

At 31 December 2021	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Equity investments	516	-	-	516
Investment property	-	-	50,000	50,000
Government securities at fair value through profit or loss	-	1,817,506	-	1,817,506
Deposits with financial institutions	-	171,100	-	171,100
	516	**1,988,606**	**50,000**	**2,039,122**

The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments in entities listed at the Nairobi Securities Exchange. If inputs, other than quoted prices included in level 1 are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There was no movement between the levels during the year. Level 1 financial instruments are measured using quoted market prices or dealer quotes for similar instruments.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

Financial assets by category

Financial assets at 31 December 2022	**Amortized cost Shs'000**	**Fair value through profit and loss Shs'000**	**Total Shs'000**	**Fair value Shs'000**
Equity investments	-	797	797	797
Government securities	1,097,591	1,627,776	2,725,367	2,686,068
Receivables arising out of reinsurance arrangements	207,190	-	207,190	207,190
Receivables arising out of direct insurance arrangements	197,430	-	197,430	197,430
Deposits with financial institutions	147,448	-	147,448	147,448
Other receivables	72,515	-	72,515	72,515
Secured loans to employees	194	-	194	194
Cash and cash equivalents	63,229	-	63,229	63,229
	1,785,597	**1,628,573**	**3,414,170**	**3,374,871**

Financial assets at 31 December 2021	**Amortized cost Shs'000**	**Fair value through profit and loss Shs'000**	**Total Shs'000**	**Fair value Shs'000**
Equity investments	-	516	516	516
Government securities	-	1,817,506	1,817,506	1,817,506
Receivables arising out of reinsurance arrangements	212,733	-	212,733	212,733
Receivables arising out of direct insurance arrangements	216,080	-	216,080	216,080
Deposits with financial institutions	171,100	-	171,100	171,100
Other receivables	87,142	-	87,142	87,142
Secured loans to employees	194	-	194	194
Cash and cash equivalents	159,129	-	159,129	159,129
	846,378	**1,818,022**	**2,664,400**	**2,664,400**

Except for government securities measured at amortized cost, the fair value of the other financial assets measured at amortized cost reasonably approximates their fair values as these financial instruments are short term. Government securities measured at amortized cost are level 2 instruments. Fair value of government securities is based on a yield curve based on trends at the Nairobi Securities Exchange.

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

Financial liabilities by category

Financial liabilities at amortised cost	**2022** **Shs'000**	**2021** **Shs'000**
Borrowings	1,085,700	-
Creditors arising from reinsurance arrangements	33,639	93,079
Other payables	196,135	165,529
Lease liabilities	32,515	53,529
	1,347,989	**312,137**

The carrying value of financial liabilities not carried at fair value reasonably approximate their fair values.

vii) Capital management

Internally imposed capital requirements

The Company's objectives when managing capital, which is a broader concept than shareholders' funds on the statement of financial position are:

- to comply with the capital requirements as set out in the Insurance Act;
- to comply with regulatory solvency requirements as set out in the Insurance Act.
- to safeguard the Company's ability to continue as going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurate with the level of risk.

Externally imposed capital requirements

The Insurance Act requires a general insurance Company to hold the minimum level paid up capital as the higher of:
- Shs 600 million;
- Risk based capital determined from time to time; or
- 20% of the net earned premiums of the preceding financial year.

During the year the Company met the requirements for the minimum paid up capital for an insurance business as prescribed by section 41 (1) of the Insurance Act.

The capital adequacy ratio at the end of the year was 100% (2021: -81%).

Notes (continued)

4. Management of insurance and financial risk (continued)

B. Financial risk (continued)

vii) Capital management (continued)

	2022 Shs'000	2021 Shs'000
Tier 1 Capital	(20,401)	131,264
Tier 2 Capital	1,085,700	-
Deductions	(467,492)	(614,576)
Total capital available	**597,807**	**(483,312)**
Minimum capital required	600,000	600,000
Capital adequacy ratio (%)	**100%**	**-81%**

5. Gross earned premium

	2022 Shs'000	2021 Shs'000
Engineering	163,432	131,595
Fire domestic	71,396	70,969
Fire industrial	522,157	488,626
Liability	165,835	211,173
Marine	52,533	45,672
Motor private	857,120	945,784
Motor commercial	1,222,323	1,071,778
Motor PSV	203,009	312,750
Personal accident	32,706	10,840
Medical	66,907	751,679
Theft	119,281	154,748
Workmen compensation	312,802	425,681
Miscellaneous	53,913	51,461
	3,843,414	**4,672,756**

6. Investment and other income

	2022	2021
Interest from government securities	290,055	165,120
Interest from deposit with financial institutions	13,878	13,674
	303,933	**178,794**
Rental income from investment properties	1,533	(5,405)
Dividend received from equity investments	9	-
Fair value loss on investment property	(6,000)	(20,000)
Fair value loss on government securities	(52,863)	(24,972)
Other income	-	11,065
Foreign exchange (loss)/gain	(13,559)	13,619
	233,053	**153,101**

Notes (continued)

7. Net claims incurred

	2022 Shs'000	2021 Shs'000
Engineering	31,551	7,528
Fire domestic	7,435	12,335
Fire industrial	58,743	51,536
Liability	33,817	13,752
Marine	14,677	940
Motor private	623,552	967,476
Motor commercial	880,320	842,243
Motor PSV	388,613	393,005
Personal accident	28,003	26,036
Medical	76,494	150,665
Theft	(21,116)	21,989
Workmen compensation	80,427	30,278
Miscellaneous	1,047	1,769
	2,203,563	**2,519,552**

8. Operating and other expenses

	2022 Shs'000	2021 Shs'000
Staff costs (note 9)	332,552	358,340
Office and administrative expenses	174,026	316,304
Audit fees	4,329	3,935
Depreciation of property and equipment (note 12(a))	16,861	17,667
Amortisation of intangible assets (note 13)	40,244	3,833
Penalties and fines	668	201
Amortisation of right of use asset (note 12 (b))	18,387	17,626
Marketing expenses	66,015	56,051
(Recovery)/provision for doubtful insurance receivables	(112,587)	55,045
(Recovery)/provision for doubtful reinsurance receivables	(51,569)	153,422
Other expenses	-	46,814
	488,926	**1,029,238**

9. Staff costs

	2022 Shs'000	2021 Shs'000
Staff costs comprise of:		
Salaries and wages	279,451	299,337
Pension and retirement benefits		
-Defined benefit cost	29,946	28,789
-National Social Security Fund (NSSF)	192	191
Other staff costs	22,963	30,023
	332,552	**358,340**

The number of staff employed by the company as at end of the period was 75 (2021: 77).

Notes (continued)

10. Income tax expense/(credit)

	2022 Shs'000	2021 Shs'000
Current tax	-	-
Deferred tax		
Deferred tax charge/(credit) (Note 14)	70,024	(165,789)
Prior year adjustment of deferred tax	17,018	(2,250)
Total tax charge/(credit)	**87,042**	**(168,039)**

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2022 Shs'000	2021 Shs'000
Loss before tax	(64,623)	(668,951)
Tax calculated at a tax rate of 30% (2021: 30%)	(19,387)	(200,685)
Tax effects of:		
Income not subject to tax	(8,133)	(7,357)
Expenses not deductible for tax purposes	97,544	42,253
Prior year adjustment of deferred tax	17,018	(2,250)
	87,042	**(168,039)**

The current tax movement during the year was as follows:

	2022 Shs'000	2021 Shs'000
At start of year	152,130	42,671
Paid in the year	34,317	109,459
At end of the year	**186,447**	**152,130**

11. Share capital and share premium

	Number of shares	Ordinary share capital Shs'000	Share premium Shs'000
Balance at 31 December 2022 and 31 December 2021	205,799,630	1,028,998	100,362

The total authorized and issued number of ordinary shares is 205,799,630 with a par value of Shs 5. All issued shares are fully paid.

Share premium arose on issue of shares at a premium and is not distributable.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares ranked equally with regards to the Company residual assets.

Notes (continued)

12 (a). Property and equipment

Year ended 31 December 2022

	Motor vehicles Shs'000	Office, equipment and fittings Shs'000	Computer equipment Shs'000	Total Shs'000
Cost				
At start of year	1,375	142,581	46,336	190,292
Additions	-	1,158	1,392	2,550
At end of year	**1,375**	**143,739**	**47,728**	**192,842**
Depreciation				
At start of year	1,375	81,615	43,181	126,171
Charge for the year	-	13,715	3,146	16,861
At end of year	**1,375**	**95,330**	**46,327**	**143,032**
Carrying amount	**-**	**48,409**	**1,401**	**49,810**

Notes (continued)

12 (a). Property and equipment (continued)

Year ended 31 December 2021

	Motor vehicles Shs'000	Office, equipment and fittings Shs'000	Computer equipment Shs'000	Generator Shs'000	Total Shs'000
Cost					
At start of year	1,375	141,035	43,842	2,745	188,997
Additions	-	1,546	2,494	-	4,040
Disposals	-	-	-	(2,745)	(2,745)
At end of year	**1,375**	**142,581**	**46,336**	**-**	**190,292**
Depreciation					
At start of year	1,375	67,045	40,084	2,745	111,249
Charge for the year	-	14,570	3,097	-	17,667
Disposals	-	-	-	(2,745)	(2,745)
At end of year	**1,375**	**81,615**	**43,181**	**-**	**126,171**
Carrying amount	**-**	**60,966**	**3,155**	**-**	**64,121**

Notes (continued)

12 (b). Leases

Company is a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk-free borrowing rate adjusted for country premium.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease. The leases typically run for a period of 6 years from the commencement date. The tenant is not permitted to transfer, sub-let or part with possession of the premises. Subsequently the right-of-use asset is measured at cost less accumulated depreciation and impairment.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Company at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised as finance cost in the statement of profit or loss under operating expenses.

Company as a lessor

The Company leases out certain properties under finance leases in its capacity as a lessor. The Company leases out its investment property and has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Investment property comprises one commercial property that is leased out to third parties. Each of the leases contains an initial non-cancellable period of 6 years. Subsequent renewals are negotiated with the lessee and historically the average renewal period is 6 years.

Measurement of right of use asset and lease liabilities	**2022 Shs'000**	**2021 Shs'000**
Right of use asset – office buildings		
At start of year	39,052	53,875
New lease	2,750	2,803
Amortization of right of use asset	(18,387)	(17,626)
At end of year	**23,415**	**39,052**
Lease liabilities		
At start of year	51,211	65,111
New lease	2,750	2,803
Finance charge	5,357	7,281
Principal lease payments	(21,446)	(16,703)
Finance charge payments	(5,357)	(7,281)
At end of year	**32,515**	**51,211**

Notes (continued)

13. Intangible assets

	2022 Shs '000	2021 Shs '000
Cost		
At start of year	48,663	48,663
Additions	49,464	-
At end of year	**98,127**	**48,663**
Amortisation		
At start of year	47,656	43,823
Charge for the year	40,244	3,833
At end of year	**87,900**	**47,656**
Carrying amount as at 31 December	**10,227**	**1,007**

The intangible assets comprise software.

14. Deferred tax asset

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

	2022 Shs'000	2021 Shs'000
At start of the year	309,583	141,544
Credit/(charge) to profit or loss (Note 10)	(70,024)	165,789
Prior year adjustment	(17,018)	2,250
At end of year	**222,541**	**309,583**

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

Year ended 31 December 2022	At start of year Shs'000	Charge / (credit) to profit or loss Shs'000	Prior year adjustment Shs'000	At end of year Shs'000
Property and equipment:	(14,097)	(9,034)	17,018	(6,113)
Provision for doubtful debts	(180,034)	146,344	-	(33,690)
IFRS 16	(3,648)	918	-	(2,730)
Fair value gains on investment property	3,267	(300)	-	2,967
Trading losses	(106,311)	(67,904)	-	(174,215)
Other temporary differences	(6,991)	(1,769)	-	(8,760)
Under provision in prior year	(1,769)	1,769	-	-
	(309,583)	**70,024**	**17,018**	**(225,541)**
Year ended 31 December 2021				
Property and equipment:	(11,962)	(2,135)	-	(14,097)
Provision for doubtful debts	(98,119)	(80,665)	(1,250)	(180,034)
IFRS 16	(2,473)	(1,175)	-	(3,648)
Deferred tax through other comprehensive income	4,267	-	(1,000)	3,267
Trading losses	-	(106,311)	-	(106,311)
Other temporary differences	(33,738)	26,747	-	(6,991)
Prior year adjustment	481	(2,250)	-	(1,769)
	(141,544)	**(165,789)**	**(2,250)**	**(309,583)**

Notes (continued)

15. Investment property

15.1 Reconciliation of carrying amount

	2022 Shs'000	2021 Shs'000
At start of year	50,000	70,000
Fair value loss	(6,000)	(20,000)
At end of year	**44,000**	**50,000**

At 31 December 2022, the property located in Mombasa was measured as per the guidelines of IAS 40 'Investment Properties'.

Changes in fair value are recognized as loss in profit or loss and included as part of investment income.

15.2 Amounts recognized in profit or loss

	2022 Shs'000	2021 Shs'000
Rental income	2,060	2,249
Rental expenses:		
Management expenses	(405)	(4,299)
Legal fee	-	(3,181)
Valuation costs	(122)	(174)
	(527)	(7,654)
Net rental income	**1,533**	**(5,405)**

During the year Shs 1.5 million (2021: Shs (5.4) million) net of property expenses was recognized as rental income. The lease receivable was Shs 11.4 million (2021: Shs 11.2 million).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022 Shs'000	2021 Shs'000
Maturing as follows:		
Due within one year	12,650	13,200
Due between one and five years	50,600	53,200
Due after five years	22,560	33,400
	85,810	99,800

Measurement of fair values

i. Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, Knight Frank Valuers Ltd, who have appropriate recognized professional qualifications and recent experience in the location and category of the property valued. Investment property is valued annually by the independent valuers.

The fair value measurement for the investment property has been categorized as a level 3 fair value based on the inputs to the valuation techniques used (see note 4(B)).

Notes (continued)

15. Investment property (continued)

ii. Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.	Expected market rental growth 5%. Holding period of 6 years. Occupancy rate 60%. Discount rate 14%.	The estimated fair value would increase (decrease) if: – expected market rental growth were higher (lower); – void periods were shorter (longer); – the occupancy rate were higher (lower); – rent-free periods were shorter (longer); or – the discount rate were lower (higher).

16. Equity investments

	2022 Shs'000	2021 Shs'000
At start of year	516	547
Fair value gain/(loss)	281	(31)
At end of year	**797**	**516**

17 (a). Receivables arising out of reinsurance arrangements

	2022 Shs'000	2021 Shs'000
At start of year	212,733	263,690
Movement during the year	51,533	102,465
Expected credit loss allowance	(57,076)	(153,422)
At end of year	**207,190**	**212,733**

17 (b). Receivables arising out of direct insurance arrangements

	2022 Shs'000	2021 Shs'000
Gross receivables	257,599	656,268
Due from related parties (Note 28)	8,386	8,386
Expected credit loss allowance	(68,555)	(448,574)
Net receivables	**197,430**	**216,080**

The carrying value of receivables above approximates their fair value.

Notes (continued)

18. Reinsurers' share of insurance liabilities and reserves

	2022 Shs'000	2021 Shs'000
Reinsurers' share of:		
Notified claims outstanding (note 24)	429,462	476,112
Unearned premium reserve (note 25)	407,043	544,203
Additional unexpired risk reserve (AURR) (note 24)	8,539	6,087
Claims incurred but not reported (IBNR) (note 24)	412,207	116,752
	1,257,251	**1,143,154**

19. Other receivables

	2022 Shs'000	2021 Shs'000
Prepayments	8,385	8,627
Sundry debtors	72,515	78,515
	80,900	**87,142**

20. Deferred acquisition costs

	2022 Shs'000	2021 Shs'000
At start of year	243,969	198,477
(Charge)/credit for the year	(58,505)	45,492
At end of year	**185,464**	**243,969**

21 (a). Government securities at FVTPL

	2022 Shs'000	2021 Shs'000
At start of year	1,817,506	1,524,439
Additions	1,053,164	345,809
Disposals	(1,190,031)	(27,770)
Fair value loss	(52,863)	(24,972)
At end of year	**1,627,776**	**1,817,506**

21 (b). Government securities at amortised cost

	2022 Shs'000
At start of year	-
Additions	1,097,591
At end of year	**1,097,591**

Notes (continued)

21. Government securities (continued)

Treasury bills and bonds maturing:

	2022 Shs'000	2021 Shs'000
Within 1 year from the reporting date	300,510	140,000
Between 1 and 5 years of the reporting date	2,424,857	1,677,506
	2,725,367	**1,817,506**

Treasury bonds amounting to Shs. 360,000,000 (2021: Shs. 360,000,000) are held with Central Bank of Kenya under lien in accordance with Section 32 of the Insurance Act.

Weighted average interest rates at the reporting date were as follows:

	2022 %	2021 %
Government securities	11.72%	11.68%
Deposits with financial institutions	8.02%	7.70%

22. Secured loans to employees

	2022 Shs'000	2021 Shs'000
Secured loans to employees	194	194

The staff loans are short term advances given to the staff for three months and are secured by the salary and other benefits payable.

23. Cash and cash equivalents

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise of the following:

	2022 Shs'000	2021 Shs'000
Cash and bank balances	63,229	159,129
Deposits with financial institutions	147,448	171,100
	210,677	**330,229**

Notes (continued)

24. Movements in insurance contract liabilities and reinsurance assets are shown:

	2022			2021		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
Notified claims	1,617,240	476,112	1,141,128	1,151,499	549,352	602,147
Additional unexpired risk (AURR)	27,403	6,087	21,316	-	-	-
Incurred but not reported (IBNR)	502,238	116,752	385,486	221,845	78,118	143,727
Total at start of year	2,146,881	598,951	1,547,930	1,373,344	627,470	745,874
Cash paid for claims settled in year	(2,665,111)	(760,673)	(1,904,438)	(2,881,690)	(1,164,193)	(1,717,497)
Movement in liabilities						
– arising from IBNR	(24,677)	(11,581)	(13,096)	280,393	38,708	241,685
– arising from AURR	(7,476)	(2,453)	(5,023)	27,403	6,087	21,316
– arising from current year claims	3,247,647	1,025,963	2,221,684	3,347,431	1,090,879	2,256,552
Total at end of year	**2,697,264**	**850,207**	**1,847,057**	**2,146,881**	**598,951**	**1,547,930**
Notified claims	1,827,221	429,462	1,397,759	1,617,240	476,112	1,141,128
Additional unexpired risk (AURR)	19,926	8,539	11,387	27,403	6,087	21,316
Incurred but not reported (IBNR)	850,117	412,206	437,911	502,238	116,752	385,486
Total at end of year	**2,697,264**	**850,207**	**1,847,057**	**2,146,881**	**598,951**	**1,547,930**

Notes (continued)

24. Insurance contract liabilities (continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year ends.

Shs'000	2016	2017	2018	2019	2020	2021	2022
Accident year	129,163	342,599	445,384	342,627	553,048	1,031,841	789,096
One year later	129,916	376,066	344,163	316,169	750,242	1,111,066	-
Two years later	28,772	75,022	83,117	164,853	179,450	-	-
Three years later	30,419	46,695	53,385	65,818	-	-	-
Four years later	9,375	27,908	47,466	-	-	-	-
Five years later	12,336	18,413	-	-	-	-	-
Six years later	7,775	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-
Cumulative payments to date	347,756	886,703	973,515	889,467	1,482,740	2,142,907	789,096
Current outstanding reserve	13,997	22,647	58,444	81,419	256,378	362,376	1,038,125
Current estimate of cumulative claims	**361,753**	**909,350**	**1,031,959**	**970,886**	**1,739,118**	**2,505,283**	**1,827,221**
Incurred but not reported + Claims Handling Expense Reserve	2,212	16,151	13,007	3,789	4,018	96,327	870,043
Total gross claims liability included in the statement of financial position	**16,208**	**38,798**	**71,451**	**85,208**	**260,396**	**458,703**	**2,697,264**

25. Unearned premium

These provisions represent the liability for short-term business contracts where the Company's obligations have not expired at the year end.

	2022			2021		
	Gross Shs'000	Reinsurance Shs'000	Net Shs'000	Gross Shs'000	Reinsurance Shs'000	Net Shs'000
At start of year	1,965,924	(544,203)	1,421,721	1,847,958	(607,376)	1,240,582
(Decrease)/increase in the period (net)	(682,038)	137,160	(544,878)	117,966	63,173	181,139
At end of year	**1,283,886**	**(407,043)**	**876,843**	**1,965,924**	**(544,203)**	**1,421,721**

Notes (continued)

26. Deferred reinsurance commission

	2022 Shs '000	2021 Shs '000
At start of year	111,209	119,189
Movement during the year	(18,238)	(7,980)
At end of year	**92,971**	**111,209**

27. Other payables

	2022 Shs'000	2021 Shs'000
Rent deposits	97	508
Other liabilities	109,416	95,090
Provision for outstanding leave	6,531	4,648
Intercompany –Sanlam Life Insurance Limited	3,051	1,892
Accruals	77,041	65,710
	196,136	**167,848**

28. Related party transactions and balances

Sanlam General Insurance Limited is controlled by Sanlam Kenya Plc, a company incorporated in Kenya. The Company's ultimate parent is Sanlam Limited, incorporated in South Africa. There are other companies related to Sanlam General Insurance Limited through common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to all other clients.

i. Transactions with related parties

Gross earned premium	**Relationship**	**2022 Shs'000**	**2021 Shs'000**
Sanlam Investment E.A. Limited	Common ultimate parent	3,938	4,473
Sanlam Life Insurance Limited	Common parent	8,868	21,925
Sanlam PLC Staff Retirement Benefit Scheme	Common parent	342	176
Sanlam Kenya PLC	Parent	18	503
Isaac G Wanjohi	Director	-	609
		13,166	**27,686**

Notes (continued)

28. Related party transactions and balances (continued)

ii. Outstanding balances with related parties

	Relationship	2022 Shs'000	2021 Shs'000
Amounts due from related parties			
Saham Re	Common ultimate parent	17,496	2,511
Sanlam Pan Africa	Ultimate parent	189	19,051
		17,685	**21,562**
Amounts due to related parties			
Sanlam Life Insurance Company Ltd	Common parent	3,051	1,892
Sanlam Emerging Markets	Ultimate parent	24,105	2,143
Sanlam Securities	Common ultimate parent	920	920
		28,076	**4,955**
Premiums receivable from related parties	Directors	**8,386**	**8,386**

Related party balances are payable on demand and are non-interest bearing.

iii. Borrowings

During the year, the company received a loan of Shs 1,085,700,000 from the ultimate parent company, Sanlam Emerging Markets. The loan is for a period of 18 months from 05 May 2022 at a rate of 3% per annum. The loan will mature on 05 November 2023 with an option of conversion to ordinary shares of the company if not repaid. There is no collateral issued for this borrowing.

iv. Directors' remuneration

	2022 Shs'000	2021 Shs'000
Directors' fees and allowances	9,039	7,151
Directors' other remuneration	29,048	26,586
	38,087	33,737

v. Key management compensation

Key management includes members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2022 Shs'000	2021 Shs'000
Remuneration of senior management	113,216	130,657

Notes (continued)

29. Cash generated from operations

	Notes	2022 Shs'000	2021 Shs'000
Reconciliation of loss before tax to cash from operations:			
Loss before tax		(64,623)	(668,951)
Adjustments for:			
Depreciation of property and equipment	12(a)	16,861	17,667
Depreciation of right of use asset	12(b)	18,387	17,626
Amortisation of intangible assets	13	40,244	3,833
Finance charge on lease liabilities	12(b)	5,357	7,281
Interest income	6	(303,933)	(178,794)
Foreign exchange loss/(gain)	6	13,559	(13,619)
Fair value (gain)/loss on quoted shares	16	(281)	31
Fair value loss on investment property	6	6,000	20,000
Fair value loss on government securities	6	52,863	24,972
Changes in working capital:			
Insurance contract liabilities		550,383	773,537
Unearned premium reserve		(682,038)	117,966
Deferred acquisition cost		58,505	(45,492)
Deferred reinsurance commissions		(18,238)	(7,980)
Receivables arising out of reinsurance arrangements		5,543	50,957
Receivables arising out of direct insurance arrangements		18,650	146,844
Reinsurers' share of insurance contract liabilities		(114,097)	91,692
Creditors arising from reinsurance arrangements		(59,440)	28,472
Other payables		28,288	(17,028)
Other receivables		6,242	(48,617)
Cash (used in)/generated from operations		**(421,768)**	**320,397**

30. Subsequent events

Events subsequent to the financial position date are disclosed only to the extent that they relate directly to the financial statements and their effect is material. There were no such events post year end to the date the financial statements were signed.

General business revenue account 2022

(Amount in Shs'000)	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Motor PSV	Personal Accident	Medical	Theft	Workmens' Compensation	Miscellaneous	Total
Gross premium	157,457	70,006	539,857	170,901	48,241	734,327	980,100	93,390	35,512	2,825	119,624	293,237	53,058	3,298,535
Reinsurance expense	(123,332)	(20,111)	(373,839)	(132,720)	(21,046)	(90,521)	(133,949)	(2,078)	(30,690)	(2,281)	(119,278)	(54,630)	(49,704)	(1,154,179)
Net written premium	**34,125**	**49,895**	**166,018**	**38,181**	**27,195**	**643,806**	**846,151**	**91,312**	**4,822**	**544**	**346**	**238,607**	**3,354**	**2,144,356**
Unearned premiums b/f.	17,843	29,796	55,889	13,698	10,434	420,787	598,870	125,047	533	64,082	212	81,858	2,674	1,421,723
Unearned premiums c/f.	(11,867)	(28,407)	(73,589)	(18,764)	(6,142)	(297,994)	(356,647)	(15,429)	(3,338)	-	(555)	(62,292)	(1,820)	(876,844)
Net earned premium	**40,101**	**51,284**	**148,318**	**33,115**	**31,487**	**766,599**	**1,088,374**	**200,930**	**2,017**	**64,626**	**3**	**258,173**	**4,208**	**2,689,235**
Claims paid	(4,845)	(8,255)	(29,377)	(9,288)	(6,433)	(621,956)	(811,542)	(270,476)	(24,240)	(93,880)	(267)	(23,578)	(299)	(1,904,436)
Claims o/s - end of period	(37,066)	(2,567)	(52,645)	(37,344)	(10,494)	(531,106)	(607,839)	(424,301)	(27,177)	(15,966)	(8,480)	(89,961)	(2,111)	(1,847,057)
Claims o/s - start of period	10,360	3,387	23,279	12,815	2,250	529,511	539,060	306,161	23,414	33,352	29,863	33,112	1,366	1,547,930
Total claims incurred	**(31,551)**	**(7,435)**	**(58,743)**	**(33,817)**	**(14,677)**	**(623,551)**	**(880,321)**	**(388,616)**	**(28,003)**	**(76,494)**	**21,116**	**(80,427)**	**(1,044)**	**(2,203,563)**
Commissions	(1,005)	17,134	(52,999)	20,696	(3,860)	(84,111)	(120,283)	(20,057)	10,867	12,266	2,042	(68,681)	20,785	(267,206)
Management expenses	2,328	(15,563)	(3,544)	2,461	(5,206)	(193,361)	(89,134)	(34,486)	(186)	(146,823)	5,505	(11,249)	332	(488,926)
Total expenses	**1,323**	**1,571**	**(56,543)**	**23,157**	**(9,066)**	**(277,472)**	**(209,417)**	**(54,543)**	**10,681**	**(134,557)**	**7,547**	**(79,930)**	**21,117**	**(756,132)**
Underwriting profit /(loss)	**9,873**	**45,420**	**33,032**	**22,455**	**7,744**	**(134,424)**	**(1,364)**	**(242,229)**	**(15,305)**	**(146,425)**	**28,666**	**97,816**	**24,281**	**(270,460)**
Ratios														
Reinsurance ratio	78%	29%	69%	78%	44%	12%	14%	2%	86%	81%	100%	19%	94%	35%
Loss ratio	79%	14%	40%	102%	47%	81%	81%	193%	1388%	118%	-703867%	31%	25%	82%
Commission(net) ratio	3%	-33%	36%	-62%	12%	11%	11%	10%	-539%	-19%	-68067%	27%	-494%	10%
Management expense ratio	-6%	30%	2%	-7%	17%	25%	8%	17%	9%	227%	-183500%	4%	-8%	18%

General business revenue account 2021

(Amount in Shs'000)	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Motor PSV	Personal Accident	Medical	Theft	Workmens Compensation	Miscellaneous	Total
Gross premium	133,928	70,077	512,179	201,596	52,945	923,164	1,208,056	332,912	8,213	736,067	147,268	474,864	52,634	4,853,903
Reinsurance expense	(102,035)	(19,296)	(397,948)	(169,118)	(17,023)	(52,864)	(103,146)	-	(6,566)	(556,126)	(147,227)	(99,297)	(51,287)	(1,721,933)
Net written premium	**31,893**	**50,781**	**114,231**	**32,478**	**35,922**	**870,300**	**1,104,910**	**332,912**	**1,647**	**179,941**	**41**	**375,567**	**1,347**	**3,131,970**
Unearned premiums b/f.	15,509	30,688	32,336	23,276	3,161	443,407	462,591	104,894	3,052	79,694	7,692	32,782	1,492	1,240,574
Unearned premiums c/f.	(17,843)	(29,796)	(55,889)	(13,698)	(10,434)	(420,787)	(598,870)	(125,047)	(533)	(64,082)	(212)	(81,858)	(2,672)	(1,421,721)
Net earned premium	**29,559**	**51,673**	**90,678**	**42,056**	**28,649**	**892,920**	**968,631**	**312,759**	**4,166**	**195,553**	**7,521**	**326,491**	**167**	**2,950,823**
Claims paid	(2,936)	(10,693)	(36,009)	(6,337)	(4,347)	(729,490)	(583,003)	(181,324)	(3,379)	(143,837)	(3,409)	(12,190)	(542)	(1,717,496)
Claims o/s - end of period	(10,360)	(3,387)	(23,279)	(12,815)	(2,250)	(529,511)	(539,060)	(306,161)	(23,414)	(33,352)	(29,863)	(33,112)	(1,366)	(1,547,930)
Claims o/s - start of period	5,768	1,745	7,752	5,400	5,658	291,524	279,821	94,480	757	26,524	11,283	15,024	138	745,874
Total claims incurred	**(7,528)**	**(12,335)**	**(51,536)**	**(13,752)**	**(939)**	**(967,477)**	**(842,242)**	**(393,005)**	**(26,036)**	**(150,665)**	**(21,989)**	**(30,278)**	**(1,770)**	**(2,519,552)**
Commissions	3,599	(9,187)	14,593	(6,520)	(3,471)	(89,279)	(99,787)	(20,834)	1,366	45,290	10,152	(74,355)	4,348	(224,085)
Management expenses	(15,008)	(23,643)	(69,395)	(18,621)	(13,066)	(337,104)	(234,203)	(50,061)	(2,573)	(174,319)	(4,688)	(80,415)	(6,142)	(1,029,238)
Total expenses	**(11,409)**	**(32,830)**	**(54,802)**	**(25,141)**	**(16,537)**	**(426,383)**	**(333,990)**	**(70,895)**	**(1,207)**	**(129,029)**	**5,464**	**(154,770)**	**(1,794)**	**(1,253,323)**
Underwriting profit /(loss)	**10,622**	**6,508**	**(15,660)**	**3,163**	**11,173**	**(500,940)**	**(207,601)**	**(151,141)**	**(23,077)**	**(84,141)**	**(9,004)**	**141,443**	**(3,397)**	**(822,052)**
Ratios														
Reinsurance ratio	76%	28%	78%	84%	32%	6%	9%	0%	80%	76%	100%	21%	97%	35%
Loss ratio	25%	24%	57%	33%	3%	108%	87%	126%	625%	77%	292%	9%	1060%	85%
Commission(net) ratio	-12%	18%	-16%	16%	12%	10%	10%	7%	-33%	-23%	-135%	23%	-2604%	8%
Management expense ratio	51%	46%	77%	44%	46%	38%	24%	16%	62%	89%	62%	25%	3678%	35%