You are in safe hands

MAYFAIR
INSURANCE

ANNUAL REPORT 2023

GLOBAL CREDIT RATING AGENCY
A+
(KE)
MAYFAIR INSURANCE CO. LTD

MAYFAIR INSURANCE COMPANY LIMITED (KENYA) IS REGULATED BY INSURANCE REGULATORY AUTHORITY

Welcome to our Annual Report and Financial Statements

2023

TABLE OF CONTENTS PAGES

FINANCIAL STATEMENTS:

DIRECTORS:	Vishal Patel	- Chairman
	Joshua Chiira	- Managing Director
	Bharat V Shah	
	Diana Bird	
	Rajnikant Varia	
	Deepa Doshi	
	Shamil Manek	
	Alvin Rachier	
	Bhavik Patel	
MANAGEMENT:	Joshua Chiira	- Managing Director
	Kashif Chaudhry	- Executive Director
	Vivek Singh	- General Manager
	Andrea Kenneth	- Regional Coordination Manager
	Emma Mwangi	- Regional Head of Legal
	Sammy Kigo	- Regional Head of HR & Administration
	Gladys Gichogo	- Regional Head of Finance & Audit
	Darshna Patel	- Head of Finance
	Gibson Ndungu	- Head of Business Development
	James Macharia	- Head of Underwriting
	Eva Wambui	- Head of Claims
	Grace Njaaga	- Head of Bancassurance
	Steve Obiero	- Technical Manager
	Andrew Bett	- Risk Manager
	Fred Karanja	- Underwriting Manager
	Peter Ngugi	- ICT Manager
	Consolata Kiura	- Legal Manager
	Priya Shah	- Senior Branch Manager Mombasa
	Andrew Karanja	- Eldoret Branch Manager

SECRETARY:

Azali Certified Public Secretaries LLP
Adlife Plaza, 4th Floor, Suite 4E
Ring Road, Kilimani
P.O Box 6219 – 00200, Nairobi

REGISTERED OFFICE:

8th Floor, Mayfair Centre
Ralph Bunche Road
P O Box 45161 – 00100, Nairobi

AUDITOR:

KPMG Kenya
Certified Public Accountants
ABC Towers, 8th Floor
Waiyaki Way, Westland
P. O. Box 40612 – 00100, Nairobi

ADVOCATES:

LJA Associates LLP
3rd Floor, Cavendish Block
14 Riverside, Riverside Drive
P. O. Box 49594 – 00100, Nairobi

PRINCIPAL BANKERS:

Stanbic Bank Kenya Limited
Kenyatta Avenue
P. O. Box 72833 – 00200, Nairobi

OUR VALUES AND GOALS

OUR MISSION

To be distinguished as a reliable and Innovative Pan-African Financial Services Leader

OUR VISION

To provide financial security through reliable and innovative Insurance solutions

OUR VALUES

- Integrity
- Professionalism
- Reliability
- Respect

KENYA

RWANDA

ZAMBIA

UGANDA

TANZANIA

DR CONGO

Our Regional presence and growing customer base shows our commitment to deliver exceptional customer experience

BOARD OF DIRECTORS

Vishal Patel
Chairman

Joshua Chiira
Managing Director

Rajnikant Varia
Director

Diana Bird
Director

Bharat Shah
Director

Deepa Doshi
Director

Alvin Rachier
Director

Bhavik Patel
Director

Shamil Manek
Director

BOARD STRATEGY COMMITTEE

- Mr. Rajnikant Varia
- Ms. Diana Bird
- Mr. Shamil Manek
- Mr. Joshua Chiira

BOARD INVESTMENT & HR COMMITTEE

- Mr. Bharat Shah
- Mr. Alvin Rachier
- Mr. Bhavik Patel
- Mr. Joshua Chiira

BOARD AUDIT RISK & COMPLIANCE COMMITTEE

- Ms. Deepa Doshi
- Mr. Rajnikant Varia
- Mr. Alvin Rachier
- Mr. Joshua Chiira

MANAGEMENT TEAM

Joshua Chiira
Managing Director

Kashif Chaudhry
Executive Director

Vivek Singh
General Manager

Andrea Kenneth
Regional Coordination Manager

Gladys Gichogo
Regional Head of Finance and Audit

Emma Mwangi
Regional Head of Legal

Sammy Kigo
Regional Head of Human Resources

Grace Njaaga
Head of Bancassurance

Gibson Ndungu
Head of Business Development

MANAGEMENT TEAM CONT...

Darshna Patel
Head of Finance

James Macharia
Head of Underwriting

Eva Wambui
Head of Claims

Fred Karanja
Underwriting Manager

Consolata Kiura
Legal Manager

Steve Obiero
Technical Manager

Andrew Bett
Risk Manager

Peter Ngugi
ICT Manager

Joseph Karumba
Actuarial Manager

MANAGEMENT TEAM CONT...

Priya Shah
Senior Branch Manager
Mombasa

Andrew Karanja
Eldoret
Branch Manager

Joel Njeru
Deputy Manager
Reinsurance

Martin Maina
Assistant Manager
Business Development

Eric Kimutai
Assistant Manager
Claims

Christopher Kahiu
Assistant Manager
Claims

Success

is knowing you are well protected
you may stumble but never fall.

GCR
RATINGS

Certifies that

Mayfair Insurance Company Limited

Has a
Financial Strength Rating of

National Scale: A+ (KE) / Outlook: Stable

GCR RATINGS EST. 1995

31-May-24
DATE

Group Head of Ratings

GCR's ratings are subject to change.
To confirm the latest rating or to learn more about GCR, visit www.GCRratings.com

CSR ACTIVITIES

At Mayfair Insurance, we are deeply committed to creating a positive societal impact through our Corporate Social Responsibility initiatives. In 2023, we took great pride in sponsoring the education of high-achieving students from underserved communities at Illula Integrated Secondary School, Rift Valley Training Institute, and St. Ann Suresh Raja Girls Kairi Training Institute.
In collaboration with the Old Starehian Society (OSS), our golf and dinner activities have continued to support deserving students at Starehe Boys Center and Starehe Girls Center. Our mission is to empower individuals from diverse backgrounds by providing them with access to quality education and opportunities for a brighter future.

Furthermore, we extended our support to the conservation efforts of Rhino Ark Charitable Trust, contributing to the preservation of Kenya's precious wildlife and natural habitats.

Our partnership with Rhino Ark reflects our commitment to environmental sustainability and the protection of biodiversity for future generations. In addition, we actively participated in community health initiatives by taking part in the Mater Heart Run and supporting the Faraja Cancer Support Trust. Through these engagements, we strive to raise awareness about important health issues and provide assistance to individuals and families affected by heart disease and cancer.

Moreover, we contributed towards the empowerment of women through our support of the Enkiterunoto Women Group. By investing in women's economic empowerment initiatives, we seek to promote gender equality,
enhance livelihoods, and foster sustainable development within local communities.

At Mayfair Insurance, our commitment to Corporate Social Responsibility goes beyond business objectives. We believe in creating meaningful and lasting change by actively engaging with communities and supporting initiatives that address pressing social, environmental, and health challenges. Together, we can build a brighter and more inclusive future for all.

COMPANY ACTIVITIES

EVENTS WITH OUR PARTNERS

Anand Lakhani of Simia Insurance Agency receiving an award from Vishal Patel, Chairman, Mayfair Insurance during Mayfair Golf Day - Eldoret Golf Club

Mayfair Insurance hosted a charming high tea for valued partners in Nairobi

INTERMEDIARIES TRAINING

Intermediaries Training held in Nairobi

Intermediaries Training held in Mombasa

STAFF ACTIVITIES

Pacing our way to a healthier future.
Mayfair Insurance team at the Mater Heart Run

Members of staff participating at the annual AKI Games

REGIONAL COMPANY ACTIVITIES

UGANDA

Mayfair Uganda commemorates five years of operational excellence. This milestone marks a significant chapter in the company's journey, characterized by innovation, unwavering dedication, and substantial achievements. We celebrate the spirit of resilience that has propelled Mayfair Uganda forward, driving growth and surpassing numerous milestones. As we reflect on this remarkable half-decade, we recognize and commend the team's steadfast commitment to delivering excellence.

ZAMBIA

RWANDA

Mayfair Insurance is pleased to announce the relocation of its Zambia and Rwanda operations to new, state-of-the-art facilities. These strategic moves underscore our commitment to providing exceptional service and support to our valued customers in these dynamic markets.

- Mayfair Insurance Zambia has moved to Plot 6953/B Los Angeles Boulevard, Lusaka, Zambia.
- Mayfair Insurance Rwanda is now located at KG 7 Ave, Kigali Heights, Ground Floor, Kigali.

These new offices offer modern, efficient workspace environments that will enhance our ability to deliver innovative insurance solutions to our customers.

We look forward to continuing to serve our clients from these new locations.

REGIONAL COMPANY ACTIVITIES CONT...

TANZANIA

Mayfair Insurance brought the community together for an unforgettable night of music and entertainment in Dar es Salaam

DR CONGO

Right to Left Middle Mr. Passy Kasongo (Mayfair Deputy BD Manager, Lubumbashi), Rahul Goel- Mayfair Regional Director (Katanga) and Gaetan Falesse (EXPANAF)

Mayfair Insurance strengthens ties with valued partners at a vibrant cocktail event in Lubumbashi.

VISHAL PATEL - CHAIRMAN MAYFAIR INSURANCE

CHAIRMAN'S REPORT

On behalf of the Board of Directors, I am delighted to present to you the Company's Annual Report and Financial Statements for the year ended 31 December 2023.
These accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). Our reporting process is guided by the principles and requirements of IFRS, and the Kenyan Companies Act, 2015 (the Act).

2023 Economic Conditions

The Kenyan economy has been showing signs of recovery since the easing of containment measures implemented to curb the spread of the coronavirus (COVID-19). The country's real Gross Domestic Product (GDP) grew by 5.9 per cent in the third quarter of 2023, compared to 4.3 per cent in the corresponding quarter of 2022. This growth was mainly supported by a rebound in agricultural activities that had contracted in 2022.

The Kenyan Shilling depreciated against all major international trading currencies in the third quarter of 2023 compared to the corresponding quarter in 2022. On average, the Kenyan Shilling ceded ground against the Euro, Pound Sterling, US Dollar and Japanese Yen by 30.3 per cent, 29.7 per cent, 20.6 per cent, and 15.3 per cent, respectively. The local currency also notably depreciated against South African Rand, Tanzania Shilling and Uganda Shilling.

IFRS 17 Implementation

The Company successfully completed the implementation of the new International Financial Reporting Standard (IFRS) on insurance, IFRS 17 – Insurance Contracts. With this implementation, the audited financial statements of the Company for the financial year ended 31 December 2023 have been prepared and presented in compliance with the new reporting standard. The prior year numbers have also been restated to reflect the changes in the standard.

GCR Rating

The Global Credit Rating (GCR) affirmed the Company's financial strength rating of A+(KE); Outlook Stable in 2023. The financial strength rating reflects the Company's strong financial position attributed to very strong risk-adjusted capitalization, sound liquidity, and robust earnings. The Company's Risk-adjusted capitalization remains very strong, supported by solid internal capital generation and preservation.

Business and Financial Results

The Board takes note of our business resilience and is pleased with Mayfair Insurance Company's overall performance in the year.

Regional Performance

On the regional front the Company has continued with its enhanced efforts to strengthen customer relationships, scale our service teams and deliver a superior customer experience across the 6 countries. This is yielding result, with the 6 Companies posting a total Gross Written Premium of USD 105 M as at 31st December 2023, being a 29% growth from the prior period. The individual company performance on the Gross Written Premium was as below:

- Mayfair Tanzania posted a 28% growth to close at Gross Written Premiums of USD 17 M
- Mayfair Rwanda posted a 29% growth in Gross Premiums Written to close at USD 5.3 M
- Mayfair Uganda posted a 38% growth to close at Gross Written Premiums of USD 6.3 M

CHAIRMAN'S REPORT CONT...

- Mayfair DRC posted a 21% growth to close at Gross Written Premiums of USD 21.2M
- Mayfair Zambia posted a 38% growth to closed at Gross Written Premiums of USD 8.7M

With these results, we are optimistic about our regional business as they continue to post profitable results.

Board of Directors & Corporate Governance

Governance and leadership by the Board was of utmost importance to ensure effective oversight of implementation of strategy and operational performance against the company`s objectives. As a board, we ensured our direction and decision making was timely, well considered and balanced in the best interests of all our stakeholders. In the last couple of years, we have deliberately aimed at strengthening areas that we consider strategically important to the Company.
Three Committees sit Quarterly:

The Board Strategic Committee, chaired by Mr. Rajnikant Varia and includes Directors Mrs. Diana Bird, Mr. Shamil Manek and Mr. Joshua Chiira.

The Board Audit, Risk, and Compliance Committee, chaired by Ms. Deepa Doshi, and includes Directors, Mr. Rajnikant Varia, Mr. Alvin Rachier and Mr. Joshua Chiira.

The Board Investment & HR Committee, chaired by Mr. Bharat Shah and includes Directors Mr. Alvin Rachier, Mr. Bhavik Patel and Mr. Joshua Chiira.

The responsible Committees charged with compliance to corporate governance standards report regularly to the Board of Directors.
Once again, throughout the year under review, the Board has displayed great commitment, diligence and effectiveness in carrying out its responsibilities and providing wise guidance to management.

Human Resources

Our Human Capital continues to be a key focus area for our success as a business. We have strong, consistent people policies designed to make Mayfair Insurance Company a great place to work.

Very deliberate and clear initiatives aimed at having a workforce that is adequate and with the right skills and competencies will continue in place.
During the year, we continued with our deliberate efforts to engage with our employees and provide skill acquisition and training programs to ensure the continued growth of our employees.

Strategic Direction

We continue to demonstrate our ability to deliver profits consistently, thereby maintaining the financial strength to increase access to insurance protection, pay benefits and claims as well as provide value to our shareholders.

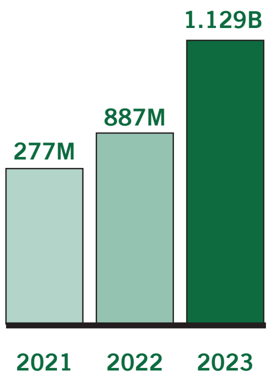
The Management has surpassed the robust 3-year Strategic plan that was hinged on 6 key pillars: Profitable Growth, Customer Centricity, Technology, People Management, Brand awareness as well as leveraging on Group synergy.
The next 3- year strategic plan will be in place this year, and the Board will continue to monitor the execution and implementation of the strategy closely. As we head into the future, the Board is optimistic about the opportunities arising from the various strategies underlying the pillars.

Acknowledgement

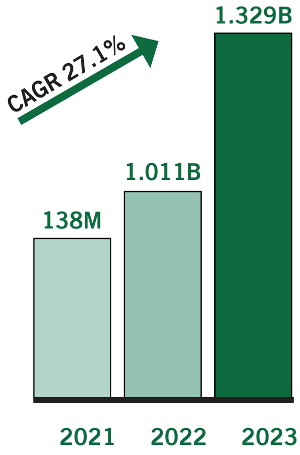
I am proud of what our company and employees across the region have achieved, collectively and individually.
The Board of Directors would like to recognize the efforts of all those employees who have remained so committed to delivering outstanding service to our customers and stakeholders over the past year.
The Board of Directors wishes to thank our loyal customers, partners, directors, and our dedicated staff for their continued confidence in the Company and we look forward to sharing more successes with you. We will strive to be worthy of the trust you have bestowed on us.
Moving forward, we remain steadfast in delivering on our strategy and growing shareholders' wealth.
Lastly, I thank my fellow board members for their contribution, dedication, and support as we together propel this great organization to higher heights.

Vishal Patel

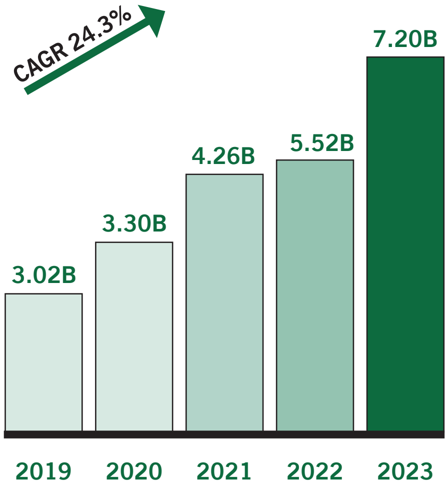
INSURANCE SERVICE RESULTS
(Figures in Kenyan Shillings)



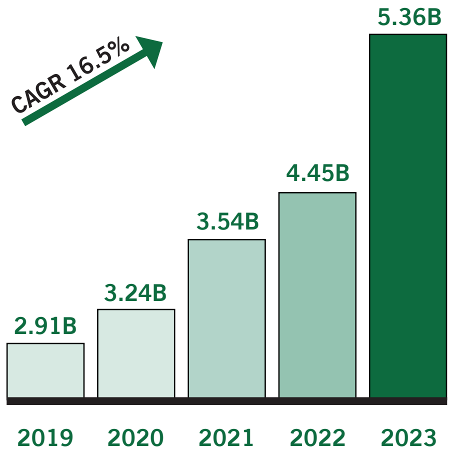
PROFIT BEFORE TAX
(Figures in Kenyan Shillings)



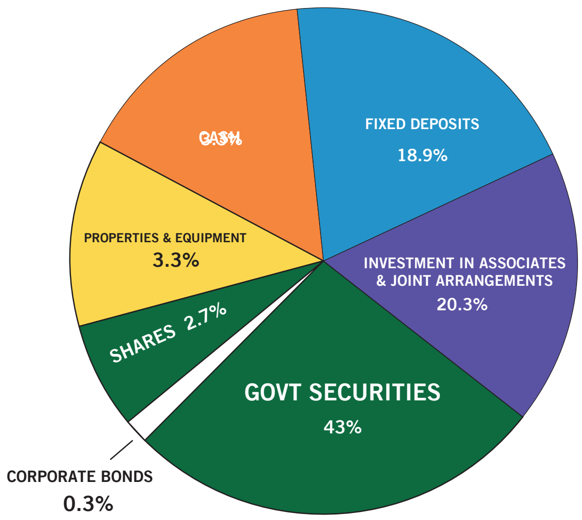
GROSS WRITTEN PREMIUM
(Figures in Kenyan Shillings)



SHAREHOLDERS FUNDS
(Figures in Kenyan Shillings)



DISTRIBUTION OF ASSETS
(Figures in Kenyan Shillings)



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of Mayfair Insurance Company Limited ("the Company"). The annual report and financial statements have been prepared in accordance with IFRS Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act, 2015.

Business review

Principal activity

The principal activity of the Company is the underwriting of general classes of insurance business as defined by the Insurance Act.

Principal risks and mitigation strategies

Key risks that the Company is exposed to are included in Note 4 of the financial statements.

The following are also risks faced by the Company:

Capital adequacy risk – The Company's Capital Adequacy Ratio at 31 December 2023 was 218% (2022 - 193%).
Credit risk – The Company's credit control policy is to maintain outstanding premiums days to less than 90 days.

Company's performance

The Company recorded a profit before tax of Shs 1,329 million (restated 2022 – Shs 1,011 million).

Key performance indicators

The table below highlights some of the key performance indicators over a period of 3 years.

Performance Indicator	2021	2022	2023
	Shs 000	Shs 000	**Shs 000**
Insurance service result	227,265	886,968	**1,128,824**
Gross loss ratio %	47%	55%	**34%**
Profit before income tax	137,691	1,011,151	**1,328,762**
Net assets	3,567,515	4,450,244	**5,359,275**
Capital adequacy ratio %	195%	193%	**218%**

Dividend

The Directors recommend a first and final cash dividend of Shs 25 per share amounting to Shs 375,000,000 (2022 – Cash dividend of Shs 23.33 per share amounting to Shs 350,000,000).

Directors

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

REPORT OF THE DIRECTORS CONT...

Relevant audit information

The Directors in office as at the date of this report can confirm that:

There is no relevant information of which the Company's auditor is unaware; and
Each Director has taken all the steps that they 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.

Employees

The average number of employees in 2023 was 121 (2022: 105). 2023 managerial staff averaged at 24 (2022: 16) while non-managerial staff averaged at 97 (2022: 89). During the year the key strategic plan was to ensure proper talent sourcing, career development, performance management, culture, engagement and workforce planning. Very deliberate and clear initiatives aimed at having a workforce that is adequate and with the right skills and competencies were put in place.

Auditor

The Company auditor, KPMG Kenya, who were appointed to office during the year continues in office by virtue of section 719 of the Kenyan Companies Act, 2015.

Professional indemnity cover

This is provided in line with best market practice to provide protection for the non-executive directors in undertaking their duties in such capacity.

Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 27 March 2024.

By order of the Board

Company Secretary

Date: 27th March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its profit or loss for that year. The Directors are responsible for ensuring that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; disclose with reasonable accuracy at any time the financial position of the company; and that enables them to prepare financial statements of the company that comply with prescribed financial reporting standards and the requirements of the Companies Act. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2015. They also accept responsibility for:

(a) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
(b) Selecting suitable accounting policies and then apply them consistently; and
(c) Making judgements and accounting estimates that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of Directors on 27th March 2024 and signed on its behalf by:

Vishal Patel
Chairman

Alvin Rachier
Director

Joshua Chiira
Managing Director

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the insurance contract liabilities of Mayfair Insurance Limited (the "Company") as at 31 December 2023.

The valuation was conducted in accordance with generally accepted actuarial principles, in accordance with the requirements of the Kenya Insurance Act and the IFRS 17 Standard requirements that came into effect on 1 January 2023.

These principles require 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 of the IFRS 17 Statutory liabilities, I have relied upon the audited financial statements of the Company.

In my opinion, the Company was financially sound, and the insurance liabilities booked were adequate as at 31 December 2023.

James I. O. Olubayi
Statutory Actuary
Fellow of the Institute of Actuaries

REPORT OF THE AUDITOR

Independent auditor's report to the shareholders of Mayfair Insurance Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mayfair Insurance Company Limited (the "Company") as set out on pages 12 to 81, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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.

Independent auditor's report to the shareholders of Mayfair Insurance Company Limited (Continued)

Key audit matters (continued)

Valuation of insurance contract liabilities (being insurance and reinsurance contract assets and liabilities) SEE NOTES 2A(V) AND 22 TO THE FINANCIAL STATEMENTS	
THE KEY AUDIT MATTER	**HOW THE MATTER WAS ADDRESSED**
At 31 December 2023, the Company held insurance contract assets and liabilities as well as reinsurance contract assets and liabilities as a result of its insurance operations. The Company applies IFRS 17 Insurance contracts (effective 1 January 2023) to insurance contracts and reinsurance contracts it issues, and reinsurance contracts it holds (together the "insurance contract liability balances"). ***Transition from IFRS 4 - Insurance contracts ('IFRS 4') to IFRS 17 - Insurance contracts ('IFRS 17')*** With the transition to the new insurance standard IFRS 17 Insurance contracts, the Company has restated the insurance contract liability balances and disclosures to reflect the requirements of the new standard. In retrospectively applying IFRS 17, the Company has restated insurance contract liability balances to reflect the requirements of the new standard and in doing so, has made certain key judgments and assumptions to develop its accounting policies. The key judgments applied on transition were: - The determination of the transition approach applied for the insurance contracts issued by the Company, being the fully retrospective approach; and - The valuation of policy liability balances including related and the resultant effect on opening retained earnings. This includes various assumptions made including best estimate assumptions regarding expected claims and lapses, expected premiums on insurance contracts, expected expenses, commissions and charges.	Our audit of the policy liability balances, actuarial assumptions, models and methodologies applied in the valuation of material lines of the business included the following audit procedures, amongst others, that were executed with the assistance of our actuarial specialists: ***Our audit procedures over the transition from IFRS 4 to IFRS 17*** - We obtained an understanding of the Company's chosen key accounting policies and methodologies and assessed whether these comply with the requirements of IFRS 17. This included an assessment of the appropriateness of management's elected transition approach applied (i.e., full retrospective approach) for the groups of insurance contracts it holds; and - We assessed the appropriateness of management's data and assumptions applied in valuing insurance contract liability balances as at the transition date (being 1 January 2022) and related opening adjustment in retained earnings for groups of contracts for which the fully retrospective approach was applied; and - We evaluated the adequacy of transition disclosures in accordance with IFRS 17. ***Our procedures over year-end balances included:*** - With the assistance of our actuarial specialists, we assessed the valuation methodology and assumptions for compliance against the latest actuarial guidance, legislation and approved Company accounting policy. We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data and our assessment of the Company's analysis of experience to date and allowance for future uncertainty. Our challenge focused on the assumptions around the discount rate (and associated illiquidity premium) and the confidence levels applied in the determination of the risk adjustment for non-financial risk.

REPORT OF THE AUDITOR CONT...

Independent auditor's report to the shareholders of Mayfair Insurance Company Limited (Continued)

Key audit matters (continued)

Valuation of insurance contract liabilities (being insurance and reinsurance contract assets and liabilities)	
SEE NOTES 2A(V) AND 22 TO THE FINANCIAL STATEMENTS	
THE KEY AUDIT MATTER	**HOW THE MATTER WAS ADDRESSED**
Determination of year-end balances of insurance contract liability balances As at 31 December 2023, the value of Insurance contract liabilities balances was KShs 5.54 Billion while that of reinsurance contract assets was KShs 1.75 billion. All contracts were accounted for under the simplified premium allocation approach. The insurance contract liability balance reflects, within the liability for remaining coverage component, the premiums received for which insurance cover should still be provided. It also includes a liability for incurred claims element, which represents the estimate of unsettled claims for which the insured event has occurred plus a risk adjustment for non-financial risk. In valuing the insurance contract liability balances, management applies significant judgment. Various assumptions are made including best estimate assumptions regarding the expected claims and lapses, expected premiums on insurance contracts, expected expenses, commission and charges. Changes to these assumptions may result in material changes to the valuation. The most significant assumptions made in the valuation of insurance contract liability balances arising from the Company's insurance contracts relate to: - Discount rates - Confidence levels applied in determining the risk adjustment for non-financial risk We considered the valuation of insurance contract liability balances (including the transition from IFRS 4 to IFRS 17) to be a key audit matter in our audit of the financial statements because of the following:	***Our procedures over year-end balances included: (continued)*** - We assessed the appropriateness of management's allocation of groups of contracts into the various measurement buckets as required by IFRS 17. Where management applied the premium allocation approach (PAA) to measure a group of contracts, we assessed compliance of these groups with the eligibility criteria in IFRS 17. - We evaluated the accuracy of the risk adjustment, including calculation method, and its related release by conducting walkthroughs of the risk adjustment models and assessing the movement in claims experience and the concurrent changes on the risk adjustment factors. - For the valuation of the liability for incurred claims (LIC) for PAA contracts across the Group, we assessed management's valuation models. We assessed the adequacy of the assumptions applied by management, e.g., claims triangles, and assessed the adequacy of the year-end valuation with amongst others reference to prior years and key ratios. - We evaluated whether the IFRS 17 specific disclosures in the financial statements are adequate and in accordance with IFRS Accounting Standards.

REPORT OF THE AUDITOR CONT...

Independent auditor's report to the shareholders of Mayfair Insurance Company Limited (Continued)

Key audit matters (continued)

Valuation of insurance contract liabilities (being insurance and reinsurance contract assets and liabilities) SEE NOTES 2A(V) AND 22 TO THE FINANCIAL STATEMENTS	
THE KEY AUDIT MATTER	**HOW THE MATTER WAS ADDRESSED**
- The judgment applied in determining the transition approach and balances as a consequence of the transition from IFRS 4 to IFRS 17; - The significant judgments and high degree of estimation uncertainty relating to the magnitude and timing of the projected cash flows and the use of significant unobservable assumptions applied in valuing it; and - The material nature of the insurance contract liability balances on Mayfair Insurance Company Limited's statements of financial position and resultant impact on the statements of profit or loss and other comprehensive income for the year ended 31 December 2023.	

Other information

The directors are responsible for the other information. The other information comprise the information included in the Mayfair Insurance Company Limited Annual Report and Financial Statements for the year ended 31 December 2023, 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 identified 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 Accounting 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.

REPORT OF THE AUDITOR CONT...

Independent auditor's report to the shareholders of Mayfair Insurance Company Limited (Continued)

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.
- 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 OF THE AUDITOR CONT...

Independent auditor's report to the shareholders of Mayfair Insurance Company Limited (Continued)

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

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 pages 2 and 3 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. P2172.

For and on behalf of:

KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi, Kenya

Date: 30th March 2024

STATEMENT OF PROFIT OR LOSS

Statement of profit or loss for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 Shs'000	2022 Shs'000 Restated
Insurance revenue	5	6,669,131	5,267,942
Insurance service expenses	8	(3,479,543)	(4,077,860)
Net expenses from reinsurance contracts	22	(2,060,764)	(303,114)
Insurance service result		**1,128,824**	886,968
Interest revenue calculated using the effective interest method	6(b)	647,143	493,151
Other investment revenue	6(c)	(100,490)	44,928
Net impairment loss on financial assets	6(d)	(42,892)	(4,009)
Investment return		**503,761**	**534,070**
Net financial result		**1,632,585**	**1,421,038**
Other income	7	199,292	38,369
Other operating expenses	8	(860,775)	(633,461)
Share of profit of equity-accounted investees, net of tax	14	357,660	185,205
Profit before income tax		**1,328,762**	**1,011,151**
Income tax expense	9	**(234,695)**	(249,374)
Profit for the year		**1,094,067**	**761,777**

The notes set out on pages 31 to 95 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Statement of other comprehensive income for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 Shs'000	2022 Shs'000 Restated
Profit for the year		1,094,067	761,777
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value gains/(loss) on equity investment at FVOCI	11(d)	(25,688)	120,902
Exchange gain equity investments at FVOCI	11(d)	2,411	5,317
(Deficit)/surplus on revaluation of building	16	(48,730)	9,848
Deferred income tax	20	(66,933)	(88,528)
Items that are or may be reclassified subsequently to profit or loss			
Net finance income from insurance contracts	6(a)	**337,017**	451,795
Net finance expense from reinsurance contracts	6(a)	**(33,113)**	(226,829)
Other comprehensive income for the year, net of tax		**164,964**	**272,505**
Total comprehensive income for the year		**1,259,031**	1,034,282

The notes set out on pages 31 to 95 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2023 Shs'000	31 December 2022 Shs'000 Restated	1 January 2022 2022 Shs'000 Restated
ASSETS				
Cash and cash equivalents	10	1,059,463	319,350	264,097
Financial investments				
• Measured at fair value	11	250,339	253,316	373,844
• Measured at amortised cost	11	5,712,579	4,886,732	3,910,193
Other receivables	12	1,013,977	1,036,880	883,240
Reinsurance contract assets	22	1,753,878	1,968,512	1,106,058
Investment property	13	403,073	564,656	426,089
Equity-accounted investees	14	1,582,589	1,225,531	971,716
Investment in joint arrangements	15	279,714	278,162	321,288
Right -of-use assets	18	23,095	9,342	7,660
Property and equipment				
• Owner-occupied property at fair value	16	206,928	265,884	265,884
• Other	16	91,884	84,583	87,141
Current tax assets	9	74,816	-	-
Intangible assets	17	13,481	9,995	15,137
Total assets		**12,465,816**	**10,902,943**	**8,632,347**
Liabilities				
Payables	21	1,266,703	643,335	889,623
Current tax liabilities	9	-	59,489	31,382
Insurance contract liabilities	22	5,535,880	5,557,082	4,063,241
Lease liability	19	23,442	10,230	9,085
Deferred tax liabilities	20	280,516	182,563	98,054
Total liabilities		**7,106,541**	**6,452,699**	**5,091,385**
Equity				
Share capital	23	1,500,000	1,500,000	1,500,000
Retained earnings		2,880,330	2,141,165	1,504,388
Other reserves		978,945	809,079	536,574
Total equity		**5,359,275**	**4,450,244**	**3,540,962**
Total liabilities and equity		**12,465,816**	**10,902,943**	**8,632,347**

The financial statements on pages 26 to 95 were approved for issue by the board of Directors on 27th March 2024 and signed on its behalf by:

VIshal Patel *Chairman*	**Bharat Shah** *Director*	**Joshua Chiira** *Managing Director*

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Note	Attributable to owners of the Company		Attributable to			
		Share capital	Fair value reserve	Property revaluation reserve	Insurance finance reserve	Retained earnings	Total equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Balance at 1 January 2022, as previously reported	23	1,500,000	11,449	133,994	-	1,833,562	3,479,005
Adjustment on initial application of IFRS 17		-	-	-	558,759	(470,249)	88,510
Related tax					(167,628)	141,075	(26,553)
Restated balance at 1 January 2022		**1,500,000**	**11,449**	**133,994**	**391,131**	**1,504,388**	**3,540,962**
Total comprehensive income for the year (restated)							
Profit for the year		-	-	-	-	761,777	761,777
Other comprehensive income for the year		-	126,219	(78,680)	224,966	-	272,505
Total comprehensive income for the year (restated)		**-**	**126,219**	**(78,680)**	**224,966**	**761,777**	**1,034,282**
Transactions with owners of the Company							
Dividends	26	-	-	-	-	(125,000)	(125,000)
Restated balance at 31 December 2022		**1,500,000**	**137,668**	**60,216**	**616,097**	**2,136,263**	**4,450,244**
Balance at 1 January 2023		**1,500,000**	**137,668**	**60,216**	**616,097**	**2,136,263**	**4,450,244**
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,094,067	1,094,067
Other comprehensive income for the year		-	(23,277)	(115,663)	303,904	-	164,964
Total comprehensive income for the year		**-**	**(23,277)**	**(115,663)**	**303,904**	**1,094,067**	**1,259,031**
Transactions with owners of the Company							
Dividends	26	-	-	-	-	(350,000)	(350,000)
Balance at 31 December 2023		**1,500,000**	**114,391**	**(55,447)**	**920,001**	**2,880,330**	**5,359,275**

The notes set out on pages 31 to 95 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Statement of cash flows for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 Shs'000	2022 Shs'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	24(a)	2,060,964	1,123,662
Income tax paid	9	(337,980)	(225,286)
Net cashflows generated from operating activities		**1,722,984**	**898,376**
Cash flows from investing activities			
Purchase of property and equipment	16	(26,650)	(14,177)
Purchase of intangible assets	17	(15,590)	(9,265)
Purchase of investment property	13	-	(157,859)
Proceeds from sale of property and equipment	16	1,268	554
Proceeds from sale of equity investments	11(d)	-	246,747
Proceeds from sale of joint arrangements	15	-	46,000
Net investment in associates	14	(602)	(68,610)
Purchase of equity investments	11(d)	(20,300)	-
Purchase of joint arrangements	15	(1,552)	(590)
Net investments in treasury bonds maturing after 90 days		(38,028)	(546,254)
Net cashflows used in investing activities		**(101,454)**	**(503,454)**
Cash flows used in financing activities			
Payment of lease liabilities	19	(5,962)	(5,212)
Dividends paid to shareholders	26	(350,000)	(125,000)
Net cashflows from financing activities		**(355,962)**	**(130,212)**
Net increase in cash and cash equivalents		1,265,568	264,710
Effect of movements in exchange rates on cash and cash equivalents held		99,663	10,967
Cash and cash equivalents at beginning of year		1,450,736	1,175,059
Cash and cash equivalents at end of year	24(b)	**2,815,967**	**1,450,736**

The notes set out on pages 31 to 95 form an integral part of these financial statements.

NOTES

1. Reporting entity

Mayfair Insurance Company Limited (the Company) is domiciled in Kenya. The Company transacts in general insurance business and is incorporated in Kenya under the Companies Act, 2015 as a private limited liability Company. The Company's registered office is as below:

Mayfair Centre, 8th Floor
Ralph Bunche Road
PO Box 45161 – 00100
Nairobi

2. Material accounting policies

(a) Basis of accounting

(i) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015. For the Kenyan Companies Act 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss is represented by the statement of profit or loss.This is the first set of the Company's annual financial statements in which IFRS 17 - Insurance Contracts has been applied.

(ii) Functional and presentation currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional currency of the company. Except as otherwise indicated, financial information presentation in Kenya shillings has been rounded to the nearest thousand (KShs '000').

(iii) Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Company financial statements is included in the following notes:

- Impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;

- Classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding;

NOTES (CONTINUED)

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(iii) Use of judgements and estimates (continued)

(a) Judgements (continued)

- Interests in associates: whether the Company has significant influence over an investee;
- Interest in joint arrangements: whether the Company has contractual rights and obligations to the investee;
- Classification of insurance and reinsurance contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features;
- Level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
- Measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract;
- Transition to IFRS 17: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;
- Measurement of the fair value of financial instruments and investment properties.
- Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used.

Information about assumptions made in measuring insurance and reinsurance contracts is included in the noted. Changes in the following key assumptions may change the fulfilment cash flows materially during 2024. However, these changes would adjust the profitability and would not affect the carrying amounts of the contracts, unless they arise from onerous contracts or do not relate to future services:

- Assumptions about claims development; and
- Assumptions about discount rates, including any illiquidity premiums.

(iv) 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. Based on the financial performance and position of the Company and its risk management policies the Directors are of the opinion that the Company is well placed to continue in business for the foreseeable future. As a result, the financial statements are prepared on going concern basis.

NOTES

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures

New standards, amendments, and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2023:

(a) New standards or amendments

New standard or amendments	Effective for annual periods beginning on or after
Initial application of IFRS 17 and IFRS 9 Comparative information Amendments to IFRS 17	1 Jan 2023
Amendments to IFRS 17	1 Jan 2023
Classification of liabilities as current or non-current (IAS1 amendment)	1 Jan 2023
Definition of Accounting Estimates (IAS 8 amendment)	1 Jan 2023
Disclosure Initiative: Accounting Policies	1 Jan 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – (Amendments to IAS 12)	1 Jan 2023

Except for IFRS 17, these new standards and amendments have no material impact on the Company's financial statements. The transition to IFRS has been disclosed under

(b) Standards issued but not yet effective

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

The following new standards and amendments were not yet effective as at 31 December 2023:

New standard or amendments	Effective for annual periods beginning on or after
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 Jan 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 Jan 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 Jan 2024
Lack of Exchangeability (Amendments to IAS 21)	1 Jan 2025
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	Optional
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 Jan 2024

The Company does not expect other amendments to standards issued by the IASB, but not yet effective, to have a material impact.

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations (continued)

(a) IFRS 17 – Insurance Contracts

The Company has initially applied IFRS 17, including any consequential amendments to other standards, from 1 January 2023. This standard has brought material changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 are summarised below.

1. Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, and an explicit risk adjustment for non-financial risk.

Under IFRS 17, insurance revenue in each reporting period 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.

The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts groups of acquired contracts. When measuring liabilities for remaining coverage, the Premium Allocation Approach (PAA) is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

NOTES

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts

2. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- Identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- Derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts;
- Recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity

Details of the impact on initial application on equity IFRS 17 are as follows:

	Shs'000	Shs'000
Retained Earnings (IFRS 4) at 1 January		**1,833,562**
Changes in equity		
Discounting of future cash flows when measuring liabilities for incurred claims	558,759	
Risk adjustment for non-financial risk	(453,091)	
Loss component	(4,836)	
Deferred insurance revenue	(12,322)	
Deferred tax	(26,553)	
Impact of initial application of IFRS 17, net of tax		61,957
Retained earnings and insurance finance reserve (IFRS 17) at 1 January		**1,895,519**

NOTES

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(b) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts

3. Assets for insurance acquisition cash flows

The Company has also applied the full retrospective approach to identify, recognise and measure assets for insurance acquisition cash flows at 1 January 2022.

4. Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts
Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

(i) Any contracts that are onerous on initial recognition;
(ii) Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
(iii) any remaining contracts in the annual cohort.

An insurance contract issued by the Company is recognised from the earliest of:
- The beginning of its coverage period (i.e. the period during which the Company provides services in respect of any premiums within the boundary of the contract);
- When the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder;
- When facts and circumstances indicate that the contract is onerous; and
- An insurance contract acquired in a transfer of contracts, or a business combination is recognised on the date of acquisition.

When the 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 are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts

Groups of reinsurance contracts are established such that each group comprises a single contract. Some reinsurance contracts provide cover for underlying contracts that are included in different groups. However, the Company concludes that the reinsurance contract's legal form of a single contract reflects the substance of the Company's contractual rights and obligations, considering that the different covers lapse together and are not sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups.
A group of reinsurance contracts is recognised on the following date.

- *Reinsurance contracts initiated by the Company that provide proportionate coverage:* The date on which any underlying insurance contract is initially recognised. This applies to the Company's quota share reinsurance contracts.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts

4. Aggregation and recognition of insurance and reinsurance contracts (continued)
Reinsurance contracts

A group of reinsurance contracts is recognised on the following date.

- *Other reinsurance contracts initiated by the Company:* The beginning of the coverage period of the group of reinsurance contracts. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.

This applies to the Company's excess of loss reinsurance contracts.

- *Reinsurance contracts acquired:* The date of acquisition.

5. Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

The commission expenses are classified as Insurance acquisition cash flows. The insurance acquisition cash flows are directly attributable to a group of contracts (e.g. non-refundable commissions paid on issuance of a contract) and are allocated to that group and to the groups that will include renewals of those contracts.

There Company does not incur any pre-coverage expenses, and therefore there are no insurance acquisition cashflows that arise before the recognition of the related group of contracts.

6. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows;

<table>
<tr><td>Insurance contracts (continued)</td><td>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 and any investment services).

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.

The reassessment of risks considers only risks transferred from policyholders to the Company.</td></tr>
</table>

NOTES

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts (continued)

6. Contract boundaries (continued)

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.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

7. Measurement – Contracts measured under the PAA

The Company uses the PAA to simplify the measurement of groups of contracts when the following criteria are met at inception.

- Insurance contracts: The coverage period of each contract in the group is one year or less.
- Loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

(a) Insurance contracts

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premiums written on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows. The Company has chosen not to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums written and the amortisation of insurance acquisition cash flows recognised as expenses and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk..

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts (continued)

7. Measurement – Contracts measured under the PAA (continued)

(a) Insurance contracts (continued)

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases 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 are discounted if the liability for incurred claims is also discounted.

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

(b) Reinsurance contracts

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

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage.

8. Derecognition and contract modification

The Company derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

9. Presentation

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. 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 are included in the carrying amount of the related portfolios of contracts.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts

9. Presentation (continued)

The Company disaggregates amounts recognised in the statement of profit or loss and OCI into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Company does not 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 are included in the insurance service result.

10. Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items.

- Incurred claims and other insurance service expenses
- Amortisation of insurance acquisition cash flows: The Company amortises insurance acquisition cash flows arising from commission expenses on a straight-line basis over the coverage period of the group of contracts.
- Losses on onerous contracts and reversals of such losses.
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

11. Net expenses from reinsurance contracts

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- On recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognised; and
- For changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

NOTES

2. Material accounting policies (continued)

(a) Basis of accounting (continued)

(v) Changes in accounting policies and disclosures (continued)

New standards, amendments, and interpretations effective and adopted through the year (continued)

(a) IFRS 17 – Insurance Contracts (Continued)

11. Net expenses from reinsurance contracts (continued)

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contracts.

12. Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. The Company presents insurance finance income or expenses in other comprehensive income.

(b) 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.

(c) Investment property

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined periodically by external independent valuers. Fair value is based on open market basis determined using the highest and best use valuation model.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

NOTES

2. Material accounting policies (continued)

(d) Property, plant and equipment

(i) Cost model

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Partitioning	12.5%
Buildings	2.5%
Motor vehicles	25%
Furniture, fittings and equipment	12.5%
Computer hardware	30%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(ii) Revaluation model

Buildings are stated at valuation less accumulated depreciation and any accumulated impairment losses and are revalued annually. Any surplus arising on the revaluation is recognised in other comprehensive income and accumulated in the revaluation reserve. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and charged against the revaluation surplus; all other decreases are charged to profit or loss. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

The annual depreciation on the revaluation surplus element of property, plant and equipment is transferred from the revaluation surplus to retained earnings net of the resultant deferred tax.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss.

(e) Intangible assets

Intangible assets represent computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over the useful economic life from the date it is available for use, currently at 30% and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at each financial year end.

2. Material accounting policies (continued)

(e) Intangible assets (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss.

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

(f) Financial assets

(i) Classification

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Those to be measured subsequently at fair value through other comprehensive income, an
- Those to be measured at amortised cost.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights 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. Transaction costs of financial assets carried at fair value through other comprehensive income are expensed in profit or loss.

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 two measurement categories:

- Amortised 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 amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised 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.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(iii) Measurement (continued)

(iv) Debt instruments (continued)

- 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 recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised 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.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(iii) Determination of fair value

Equity Instruments

The Company subsequently measures all equity investments at FVTOCI. 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 recognised 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 recognised in the profit or loss statement and are included in the 'investment income' line item.

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 (NSE). 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. E.g. 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.

Fair values are categorised 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).

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(iv) Determination of fair value (continued)

Equity Instruments (continued)

- 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 recognised by the Company at the end of the reporting period during which the change occurred.

(v) Impairment

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

The Company recognises 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 impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:
- Government securities measured at amortised cost
- Receivables arising from direct insurance arrangements
- Receivables arising from reinsurance arrangements
- Rent receivables;
- Staff loans;
- Corporate bonds at amortised cost;
- Deposits with financial institutions at amortised cost; and
- Cash and bank balances.

The Company recognises loss allowances 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 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 recognised 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 premium and rent receivables are 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.

No impairment loss is recognised on equity investments and financial assets measured at FVTPL.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(v) Impairment (continued)

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

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

Financial asset	Impairment approach
Government securities	General approach
Receivables arising out of direct insurance arrangements	Simplified approach
Rent and inter-company receivables	General approach
Loans receivable	General approach
Corporate bonds at amortised cost	General approach
Deposits with financial institutions at amortised cost	General approach
Cash and bank balances	General approach
Receivables arising out of direct reinsurance arrangements	Simplified approach

The general approach

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

- **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 recognised on a gross basis.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(v) Impairment (continued)

The general approach

- **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 recognised 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; or

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
- 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.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(v) Impairment (continued)

Significant increase in credit risk (SIICR) (continued)

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 a variety of external actual and forecast information. 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.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables;

(i) Probability of Default; (ii) Loss given default (LGD); and (iii) Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses internally developed PD tables based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings (see (i)).The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(v) Impairment (continued)

Measurement of ECL (continued)

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 amortisation, 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 classified on the basis of shared risk characteristics, which include: instrument type; credit risk grading; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower. The classifications are subject to regular review to ensure that exposures within a particular Company 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 insurance receivables are determined at using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past few years and incorporation of forward looking information.

(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; or
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

NOTES (CONTINUED)

2. Material accounting policies (continued)

(f) Financial assets (continued)

(vi) Modification of contracts (continued)

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2023 was Nil (2022 – 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.

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.

(g) Financial liabilities

A financial liability is initially measured at fair value. The Company classifies its financial liabilities as subsequently measured at amortised cost. Amounts due to related parties and other payables are classified at amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the entity operates (the Functional Currency'). The financial statements are presented in currency' Kenya Shillings' which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency of the respective entity using the exchange rates prevailing at the dates of the transactions. 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 the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income'.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities

NOTES (CONTINUED)

2. Material accounting policies (continued)

(j) 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.

(k) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(l) Income tax expense

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

(i) Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act. The current income tax charge is calculated on the basis of the tax 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, 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, deferred income tax is not accounted for if it 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 either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(m) Employee benefits

Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer, with the employer contributing 10% while the employee contribution is voluntary.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(m) Employee benefits (continued)

Retirement benefit obligations (continued)

The Company also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to these schemes are determined by local statute and are currently limited to Shs 1,080 per employee per month.

(n) Leases

Leases under which the Company is the 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 include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. 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.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

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 remeasurement 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.

Leases where the Company assumes substantially all the risks and rewards incidental to ownership were classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

NOTES (CONTINUED)

2. Material accounting policies (continued)

(n) Leases (continued)

Measurement of lease liabilities

Lease liability were measured at the liability accruing from over the lease period adjusted for by the amount of payments and the interest on the liability discounted at the rate of 13%.

Measurement of right of use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet.

The Company's leasing activities and how these are accounted for

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

To determine the incremental borrowing rate, the Company:
- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. Material accounting policies (continued)

(n) Leases (continued)

The Company's leasing activities and how these are accounted for (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less

(o) Impairment on non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(p) Associates

Associates are all entities over which the Company has significant influence but not control or joint control.

The Company holds 40% of the voting rights in the Associate Companies.

Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. The share of profits from the associates is presented in the profit and loss accounts.

(q) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has investments in joint operations. The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

NOTES (CONTINUED)

3. Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The ultimate liability arising from claims made under insurance contracts

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the statement of financial position date. It can take a significant period of time before the ultimate claims cost can be established with certainty.

All contracts are subject to a liability adequacy test, which reflects management's best current estimate of future cash flows. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, as well as by significant business lines. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

NOTES (CONTINUED)

4. Financial risk management objectives and policies

4.1 Insurance risk

The Company's activities expose it to a variety of insurance and financial risks. Financial risks include credit risk, liquidity risk and market risk which includes the effects of changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates.

The Company's overall risk management programme focuses on the unpredictability of financial markets, identification and management of risks. It seeks to minimise 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 maximise return within an acceptable level of interest rate risk.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

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

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

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.

Insurance risk in the Company arises from;

- Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves

(a), (b) and (c) can be classified as the core insurance risk, (d) relates to reinsurance planning, while (e) is about reserving.

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;

NOTES (CONTINUED)

4 Financial risk management objectives and policies (Continued)

4.1 Insurance risk (continued)

Core insurance risk (continued)

- Having a business acceptance criteria which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the Company. The bases of these purchases is underpinned by the Company's experience, financial modelling by and exposure of the reinsurance broker. Reinsurance is placed with providers who meet the Company's counter-party security requirements.

Claims reserving

The Company's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information upon registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

The table below sets out the concentration of insurance liabilities by the class of business represented by the maximum insured loss (gross and net of reinsurance) arising from insurance contracts.

NOTES (CONTINUED)

4 Financial risk management objectives and policies (Continued)

4.1 Insurance risk (continued)

Claims reserving (continued)

Year ended 31 December 2023		Below 100M Shs'000	100M - 250M Shs'000	Over 250M Shs'000	Total Shs'000
Fire	Gross	133,708,865	125,643,871	2,184,365,154	2,443,717,890
	Net	18,083,280	16,992,540	295,421,594	330,497,414
Motor	Gross	41,489,700	8,424,533	10,570,503	60,484,736
	Net	40,238,043	8,170,382	10,251,613	58,660,038
Workmen's compensation	Gross	52,371,288	19,169,751	35,727,307	107,268,346
	Net	51,940,927	19,012,224	35,433,717	106,386,868
Engineering	Gross	34,462,478	35,162,145	403,620,953	473,245,576
	Net	12,205,999	12,453,808	142,955,383	167,615,190
Marine	Gross	83,950,810	22153973	205882106	311,986,889
	Net	52,649,423	13,893,778	129,118,158	195,661,359
Theft	Gross	37,525,710	19,939,793	62,127,611	119,593,114
	Net	6,038,607	3,208,696	9,997,526	19,244,829
Miscellaneous	Gross	22,456,639	14,599,028	24,389,424	61,445,091
	Net	7,594,399	4,937,108	6,278,021	18,809,528
Liability	Gross	26,592,525	22,050,088	58,910,235	107,552,848
	Net	14,963,625	12,407,594	33,148,816	60,520,035
Personal accident	Gross	17,574,814	4,015,611	18,130,289	39,720,714
	Net	8,495,222	1,941,045	8,763,725	19,199,992
Aviation	Gross	91,010	987,817	369,363,984	370,442,811
	Net	646	7,009	2,620,785	2,628,440
Gross		**450,223,839**	**272,146,610**	**3,373,087,566**	**4,095,458,015**
Net		**212,210,171**	**93,024,184**	**673,989,338**	**979,223,693**

NOTES (CONTINUED)

4 Financial risk management objectives and policies (Continued)

4.1 Insurance risk (continued)

Claims reserving (continued)

Year ended 31 December 2022		Below 100M Shs'000	100M - 250M Shs'000	Over 250M Shs'000	Total Shs'000
Fire	Gross	103,393,081	88,493,704	1,258,898,509	1,450,785,294
	Net	21,868,463	18,717,126	266,267,095	306,852,684
Motor	Gross	30,468,951	3,698,620	5,377,261	39,544,832
	Net	29,767,360	3,613,454	5,253,441	38,634,255
Workmen's compensation	Gross	38,903,311	14,533,313	21,465,231	74,901,855
	Net	38,512,841	14,387,443	21,249,787	74,150,071
Engineering	Gross	28,514,919	24,637,832	320,589,240	373,741,991
	Net	10,080,875	8,710,209	113,337,865	132,128,949
Marine	Gross	221,993,332	-	-	221,993,332
	Net	143,512,063	-	-	143,512,063
Theft	Gross	28,675,729	14,881,138	19,330,357	62,887,224
	Net	8,019,292	4,161,575	5,405,817	17,586,684
Miscellaneous	Gross	12,656,928	5,567,411	10,892,822	29,117,161
	Net	5,154,438	2,267,286	4,436,020	11,857,744
Liability	Gross	19,482,396	8,889,918	49,061,997	77,434,311
	Net	10,809,712	4,932,528	27,221,810	42,964,050
Personal accident	Gross	9,405,185	1,180,903	6,056,834	16,642,922
	Net	5,712,293	717,228	3,678,653	10,108,174
Aviation	Gross	110,220,185	-	-	110,220,185
	Net	698,382	-	-	698,382
Gross		**603,714,017**	**161,882,839**	**1,691,672,251**	**2,457,269,107**
Net		**274,135,719**	**57,506,849**	**446,850,488**	**778,493,056**

The table below analyses how the profit or loss and equity would have increased/(decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	2023 Shs '000		2022 Shs '000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
Ultimate claims (5% increase)	122,712	85,898	157,535	110,275
Ultimate claims (5% decrease)	(122,712)	(85,898)	(157,535)	(110,275)
Ultimate net claims (5% increase)	82,352	57,646	91,924	64,347
Ultimate net claims (5% decrease)	(82,352)	(57,646)	(91,924)	(64,347)

NOTES (CONTINUED)

4. Financial risk management objectives and policies

4.2 Insurance risk

(a) Market risk – Insurance contracts and financial instruments

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk and currency risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk. Appraisal of investment portfolio is done on a regular basis and the investment spread reviewed depending on the existing interest rates

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and comprises of three types of risk: interest rate risks, equity price risk and foreign exchange currency risk. The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant:

(i) Interest rate risk

Interest rate risk on financial instruments arises primarily from the Company's investments in debt securities. These investments are exposed to the risk of adverse changes in fair values or future cash flows because of changes in market interest rates.

The sensitivity analysis presented below shows how profit and equity would change if the interest rates had increased/(decreased) on the reporting date with all other variables held constant.

	2023 Shs '000		2022 Shs '000	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
+5 percentage point movement	**10,066**	**7,046**	5,636	5,636
- 5 percentage point movement	**(10,066)**	**(7,046)**	(5,636)	(5,636)

(ii) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.The Company is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Company has a defined investment policy which sets limits on the company's exposure to equity securities both in aggregate terms and by category/share. This policy of diversification is used to manage the Company's price risk arising from its investments in equity securities.

NOTES (CONTINUED)

4 Financial risk management objectives and policies (Continued)

4.2 Financial risk (continued)

(a) Market risk (continued)

(ii) Equity price risk (continued)

Changes in the price of equities would have the following impact on the other comprehensive income with all other variables held constant:

	Gross portfolio	% change in price	Impact to OCI
	Shs'000		Shs'000
31 December 2023	**250,339**	**+/- 5%**	12,666
31 December 2022	253,316	+/- 5%	18,692

(iii) Foreign exchange currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations.

The following sensitivity analysis shows how profit before tax and equity would change if the exchange rates changed at the reporting date with all other variables held constant, mainly as a result of translation of US Dollar denominated equity investments and cash balances.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed by local management to be both practical and appropriate. The Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

	Gross portfolio	% change in price	Impact to equity	Effect on profit
	Shs'000		Shs'000	Shs'000
31 December 2023	**1,048,866**	**+/- 5%**	**41,640**	**59,486**
31 December 2022	807,937	+/- 5%	26,063	37,233

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations and arises principally from the Company's financial instruments with intermediaries, and reinsurance contract assets. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties i.e. limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held.
- Reinsurance is placed with counterparties that have a good credit rating.
- Ongoing monitoring by the management credit committee.

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Directors include details of provisions for impairment on receivables and subsequent write offs.

NOTES (CONTINUED)

4. Financial risk management objectives and policies

4.2 Insurance risk

(b) Credit risk (continued)

Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

The table below shows the carrying amounts of financial assets bearing credit risk

Maximum exposure to credit risk before collateral held	**2023**	**2022**
	Shs'000	Shs'000
Bank balances	1,059,463	319,350
Deposits with financial institutions	1,763,183	1,131,966
Government securities at amortised cost	3,953,002	3,731,085
Corporate bonds at amortised cost	29,556	29,556
Reinsurance contract assets	1,753,878	1,968,512
Other receivables	1,055,706	1,063,000
	7,860,910	**6,274,957**

No collateral is held for the above amounts.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Company's management through the Managing Director.

The Company has no significant concentrations of credit risk. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved periodically by the Board Investment Committee (BIC) and ratified quarterly by the Board of Directors.

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

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. BIC makes regular reviews to assess the degree of compliance with the Company procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Management of the Company.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rates.Owing to the fact that there is no readily available credit rating information, the Company assesses the credit quality of the institution, taking into account its financial position, pas experience and other factors.

NOTES (CONTINUED)

4 Financial risk management objectives and policies (Continued)

4.2 Financial risk (continued)

(b) Credit risk (continued)

The table below provides the information regarding the credit risk exposure of the Company.

31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Other receivables arising out of insurance arrangements	867,085	-	33,142	900,227
Other receivables arising out of reinsurance arrangements	50,888	-	8,587	59,475
Government securities	3,943,530	-	4,736	3,948,266
Corporate bonds	26,066	-	1,743	27,809
Deposits with financial institutions	1,709,825	-	26,679	1,736,504
Staff loans	15,197	-	-	15,197
Rent & other receivables	39,078	-	-	39,078
Cash and bank balances	1,059,463	-	-	1,059,463
	7,711,132		**74,887**	**7,786,019**

31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Shs'000	Shs'000	Shs'000	Shs'000
Other receivables arising out of insurance arrangements	595,783	-	26,120	621,903
Other receivables arising out of reinsurance arrangements	125,735	-	-	125,735
Government securities	3,720,495	-	5,295	3,725,790
Corporate bonds	29,550	-	6	29,556
Deposits with financial institutions	1,130,806	-	580	1,131,386
Staff loans	18,803	-	-	18,803
Rent & other receivables	270,439	-	-	270,439
Cash and bank balances	319,350	-	-	319,350
Cash and bank balances	**6,210,961**	**-**	**32,001**	**6,242,962**

NOTES (CONTINUED)

4. Financial risk management objectives and policies

4.2 Financial risk (continued)

(b) Credit risk (continued)

31 December 2023		Stage 1	Stage 2	Stage 3	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Other receivable arising out of insurance arrangements	Gross	900,226	-	33,142	933,368
	ECL	-		(33,142)	(33,142)
	Net	900,226	-	-	900,226
Other receivable arising out of reinsurance arrangements	Gross	59,475	-	8,587	68,062
	ECL	-	-	(8,587)	(8,587)
	Net	59,475	-	-	59,475
Government securities	Gross	3,948,266	-	4,736	3,953,002
	ECL	-	-	(4,736)	(4,736)
	Net	3,948,266	-	-	3,948,266
Corporate Bonds	Gross	27,809	-	1,743	29,552
	ECL	-	-	(1,743)	(1,743)
	Net	27,809	-	-	27,809
Deposits with financial institutions	Gross	1,736,504	-	26,679	1,763,183
	ECL	-	-	(26,679)	(26,679)
	Net	1,736,504	-	-	1,736,504
Staff loans	Gross	15,197	-	-	15,197
	ECL	-	-	-	-
	Net	15,197	-		15,197
Rent & other receivables	Gross	39,078	-	-	39,078
	ECL	-	-	-	-
	Net	33,790	-		39,078
Cash and bank balances	Gross	1,059,463	-	-	1,059,463
	ECL	-	-	-	-
	Net	1,059,463	-		1,059,463

NOTES (CONTINUED)

4. Financial risk management objectives and policies (continued)

4.2 Financial risk (continued)

(b) Credit risk (continued)

31 December 2023		Stage 1	Stage 2	Stage 3	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Other receivable arising out of insurance arrangements	Gross	648,023	-	-	648,023
	ECL	(26,120)	-	-	(26,120)
	Net	621,903	-	-	621,903
Other receivable arising out of reinsurance arrangements	Gross	125,735	-	-	125,735
	ECL	-	-	-	-
	Net	125,735	-	-	125,735
Government securities	Gross	3,731,085	-	-	3,731,085
	ECL	(5,295)	-	-	(5,295)
	Net	3,725,790	-	-	3,725,790
Corporate Bonds	Gross	29,562	-	-	29,562
	ECL	(6)	-	-	(6)
	Net	29,556	-	-	29,556
Deposits with financial institutions	Gross	1,131,966	-	-	1,131,966
	ECL	(580)	-	-	(580)
	Net	1,131,386	-	-	1,131,386
Staff loans	Gross	18,803	-	-	18,803
	ECL	-	-	-	-
	Net	18,803	-		18,803
Rent & other receivables	Gross	33,790	-	-	33,790
	ECL	-	-	-	-
	Net	33,790	-		33,790
Cash and bank balances	Gross	319,350	-	-	319,350
	ECL	-	-	-	-
	Net	319,350	-		319,350

NOTES (CONTINUED)

4. Financial risk management objectives and policies

4.2 Financial risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset. The Company manages this risk by carrying a portfolio of highly liquid assets, diversified by currency and maturity, that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.

At 31 December 2023	**Less than 12 months**	**Over 12 months**	**Total**
	Shs'000	**Shs'000**	**Shs'000**
Payables arising from			
- reinsurance arrangements	799,497	-	799,497
- insurance arrangements	179,692	-	179,692
Insurance contract liabilities	5,535,880	-	5,535,880
Lease liability	3,613	19,829	23,442
Other payables	287,514	-	287,514
	6,826,025		**6,826,025**

At 31 December 2022	Less than 12 months	Over 12 months	Total
	Shs'000	Shs'000	Shs'000
Payables arising from			
- reinsurance arrangements	380,112	-	380,112
- insurance arrangements	47,853	-	47,853
Insurance contract liabilities	5,557,082	-	5,557,082
Lease liability	4,153	6,077	10,230
Other payables	215,370	-	215,370
	6,210,647	**-**	**6,210,647**

4.3 Risk and Capital Management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the financial position are to:

- To allocate capital efficiently to support growth;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk;
- To comply with the capital requirements as set out in the Insurance Act; and
- To comply with the regulatory solvency requirements as set out in the Insurance Act.

An important aspect of the Company's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the Company is focused on the creation of value for shareholders.

NOTES (CONTINUED)

4. Financial risk management objectives and policies (continued)

4.3 Risk and capital management (continued)

The Company has a number of sources of capital available to it and seeks to optimise its debt-to-equity structure in order to ensure that it can consistently maximise returns to shareholders. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

Externally imposed capital requirements

The Insurance Act in Kenya 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 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 of the Company as at 31 December 2023 and 2022 is illustrated below.

	2023	2022
	Ratio (%)	Ratio (%)
Capital adequacy ratio	218%	193%

4.4 Fair value estimation

(a) Fair value hierarchy of financial assets at fair value

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
31 December 2022	Shs'000	Shs'000	Shs'000	Shs'000
Equity instruments at FVTOCI	82,407	167,932	-	250,339

NOTES (CONTINUED)

4. Financial risk management objectives and policies

4.4 Fair value estimation (continued)

(a) Fair value hierarchy of financial assets at fair value (continued)

	Level 1	Level 2	Level 3	Total
31 December 2021	Shs'000	Shs'000	Shs'000	Shs'000
Equity instruments at FVOCI	**115,039**	**138,277**	**-**	**253,316**

Level 2 Assets Valuation Technique

Assets under level 2 comprise unquoted shares that are valued using the OTC (Over The Counter) prices issued by the counterparty based on recent shares traded.

Level 3 Movement

The table below shows the movement in Level 3 Equity Instruments

	2023	2022
	Shs'000	Shs'000
At 1 January	-	100,963
Additions	**-**	-
Disposals	-	(246,747)
Fair value gain/(loss)	-	145,784
At 31 December	**-**	**-**

(b) Fair value hierarchy of financial assets at amortised cost

The following table presents the fair value of the Company's financial assets measured at amortised cost at 31 December 2023 and 31 December 2022:

At 31 December 2023	**Amortised cost**	**Fair value**
	Shs'000	**Shs'000**
Financial assets		
Cash and bank balances	1,059,463	1,059,463
Deposits with financial institutions	1,736,504	1,736,504
Government securities	3,948,266	3,473,683
Corporate bonds	27,809	29,214
Other receivables	998,780	998,780
Loans receivable	15,197	15,197
Total	**7,786,019**	**7,312,841**

NOTES (CONTINUED)

4. Financial risk management objectives and policies (continued)

4.4 Fair value estimation (continued)

(b) Fair value hierarchy of financial assets at amortised cost (continued)

At 31 December 2022	Amortised cost	Fair value
	Shs'000	Shs'000
Financial assets		
Cash and bank balances	319,350	319,350
Deposits with financial institutions	1,131,386	1,131,386
Government securities	3,725,790	3,478,145
Corporate bonds	29,556	20,063
Other receivables	771,330	1,518,968
Loans receivable	18,803	18,803
Total	**5,996,215**	**5,739,077**

5. Insurance revenue

At 31 December 2023	2023	2022
	Shs'000	Shs'000
Contracts measured under the PAA		
Fire	2,474,117	1,786,591
Motor	1,287,797	1,227,330
Workmen's compensation	618,199	529,598
Marine	372,408	324,814
Personal accident	52,008	49,971
Engineering	559,771	551,614
Aviation	372,323	183,417
Miscellaneous	445,462	292,247
Theft	286,903	190,900
Liability	200,143	131,460
Total	**6,669,131**	**5,267,942**

NOTES (CONTINUED)

6 Net financial result

The following table analyses the Company's net financial result in profit or loss and OCI.

At 31 December 2023

Investment return	**2023 Shs'000**	**2022 Shs'000**
Interest revenue calculated using the effective interest method	679,899	533,891
Other investment revenue	(133,246)	4,188
Net impairment loss on financial assets	(42,892)	(4,009)
Total investment return	503,761	534,070
Net finance expense from insurance contracts	337,017	451,795
Net finance income from reinsurance contracts	(33,113)	(226,829)
Total	**807,665**	**759,036**

Represented by:	**2023 Shs'000**	**2022 Shs'000**
Amounts recognised in profit or loss	503,761	534,070
Amounts recognised in OCI	303,904	224,966
	807,665	**759,036**

(a) Insurance finance income and expenses

	2023 Shs'000	**2022 Shs'000**
Net finance expenses from insurance contracts		
Amounts recognised in OCI	337,017	451,795
Net finance income from reinsurance contracts		
Amounts recognised in OCI	(33,113)	(226,829)
Net finance expense	**303,904**	**224,966**

NOTES (CONTINUED)

6 Net financial result

(b) Interest revenue calculated using the effective interest method

	2023 Shs'000	2022 Shs'000
Financial assets measured at amortised cost		
Deposits with financial institutions	163,188	81,157
Government bonds	480,393	408,448
Corporate Bonds	3,562	3,546
Total	**647,143**	**493,151**

(c) Other investment revenue

Lease income from investment property	28,337	23,480
Net change in fair value of investment property	(161,583)	(19,292)
Dividends receivable on equity instruments	32,756	40,740
	(100,490)	**44,928**

(d) Net impairment loss on financial assets

	2023 Shs'000	2022 Shs'000
Government securities	559	(2,321)
Corporate bonds	(1,743)	-
Deposits with financial institutions	(26,099)	(134)
Other receivables arising out of direct insurance arrangements	(7,022)	(1,554)
Other receivables arising out of reinsurance arrangements	(8,587)	-
	(42,892)	**(4,009)**

7 Other income

Gain on disposal of property and equipment	732	111
Miscellaneous income	198,560	38,258
	199,292	**38,369**

The miscellaneous income relates to interest on staff loans and unrealized gains at year end.

NOTES (CONTINUED)

8 Expenses

	2023 Shs'000	2022 Shs'000 (Restated)
Claims and benefits	2,402,562	3,217,319
Fees and commissions	1,076,981	860,541
Employee benefits	402,497	309,683
Depreciation and amortisation	41,144	40,547
Leases	5,273	4,803
Advertising	64,186	31,996
Professional and consultancy fees	13,528	9,133
Auditors remuneration	15,193	6,770
Travelling and entertainment	27,406	19,668
Director's emoluments	20,794	11,407
Premium tax	80,484	61,008
Other	190,270	138,446
	4,340,318	**4,711,321**
Represented by:		
Insurance service expenses	3,479,543	4,077,860
Other operating expenses	860,775	633,461
	4,340,318	**4,711,321**

The other expenses majorly relate to miscellaneous office expenses, electricity and consultancy fees.

(a) Employee benefit expenses

	2023 Shs'000	2022 Shs'000
Salaries and wages	368,609	284,455
Social security contributions	4,012	247
Contributions to defined contribution plans	29,876	24,981
	402,497	**309,683**
The average number of employees during the year was as follows:		
Underwriting and claims	67	60
Management and administration	54	45
Total	**121**	**105**

NOTES (CONTINUED)

9 Income tax expense

(a) Taxation charge

	2023 Shs'000	2022 Shs'000
Current tax expense in respect of the year	203,675	253,393
Deferred income tax (Note 20)		
- Current year charge/(credit)	29,985	(4,019)
- Prior year under provision	1,035	-
Total	**234,695**	**249,374**

(b) Reconciliation of taxation charge to expected based on accounting profit

The Company's income tax expense is computed in accordance with income tax rules applicable to general insurance companies.

	2023 Shs'000	2022 Shs'000 (Restated)
Profit before income tax	1,328,762	1,011,151
Tax calculated at a tax rate of 30% (2022 – 30%)	398,629	303,345
Tax effect of:		
- Income not subject to tax	(220,132)	(52,473)
- Expenses not deductible for tax purposes	75,565	4,844
Under provision of deferred tax in prior years	1,035	-
- Impact of IFRS 17 adoption	(20,402)	(6,342)
Total	**234,695**	**249,374**

(c) Current income tax

	2023 Shs'000	2022 Shs'000
Current tax expense in respect of the year	59,489	31,381
Taxation charge – Note (9(a))	203,675	253,393
Tax paid	(337,980)	(225,286)
Total	**(74,816)**	**59,489**

10 Cash and cash equivalents

Cash and balances with banks	22,708	80,781
Call Deposits	1,036,755	238,569
At 31 December	**1,059,463**	**319,350**

NOTES (CONTINUED)

11 Financial investments

		2023 Shs'000	2022 Shs'000
Deposits with financial institutions	(a)	1,736,504	1,131,386
Government bonds	(b)	3,948,266	3,725,790
Corporate Bonds	(c)	27,809	29,556
Equity securities	(d)	250,339	253,316
At 31 December		**5,962,918**	**5,140,048**
Measured at fair value		250,339	253,316
Measured at amortised cost		5,712,579	4,886,732
		5,962,918	**5,140,048**

(a) Deposits with financial institutions

Deposits maturing within 3 months	1,736,504	1,131,386
Movement in deposits with financial institutions		
At 1 January	1,131,386	910,962
Additions	692,813	346,485
Redemptions	(61,016)	(125,481)
Impairment provision	(26,679)	(580)
At 31 December	**1,736,504**	**1,131,386**

(b) Government securities – amortised cost

Within 90 days	10,557	20,770
In 1 to 5 years	556,139	420,100
More than 5 years	3,381,570	3,284,920
	3,948,266	**3,725,790**
Movement in government securities		
At 1 January	3,725,790	2,969,675
Additions	264,874	801,410
Maturities/redemptions	(37,662)	(40,000)
Impairment provision	(4,736)	(5,295)
At 31 December	**3,948,266**	**3,725,790**

Government Bonds of Shs 550 million (2022: Shs 490 million) are held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act.

NOTES (CONTINUED)

11 Financial investments (Continued)

(c) Corporate Bonds – amortised cost

	2023	2022
	Shs'000	Shs'000
East Africa Breweries Limited	27,809	29,556
At 1 January	29,556	29,556
Additions	-	-
Impairment provision	(1,747)	-
At 31 December	**27,809**	**29,556**

Weighted average effective interest rates

The following table summarises the weighted average effective interest rates realised during the year on interest-bearing investments:

	2023	2022
	%	%
Government securities	12.6	12.3
Deposits with financial institutions	11.6	7.6
Corporate Bonds	12.3	12.3

(d) Equity investments at FVOCI

	Quoted-shares	Unquoted equity investments	Total
2023	Shs'000	Shs'000	Shs'000
At 1 January	115,039	138,277	253,316
Additions	-	20,300	20,300
Disposals	-		
Exchange losses	-	2,411	2,411
Fair value (loss)/gain through other comprehensive income	(32,632)	6,944	(25,688)
At 31 December	**82,407**	**167,932**	**250,339**

	Quoted-shares	Unquoted equity investments	Total
2022	Shs'000	Shs'000	Shs'000
At 1 January	139,291	234,553	373,844
Additions	-	-	-
Disposals	-	(246,747)	(246,747)
Exchange losses	-	5,317	5,317
Fair value (loss)/gain through other comprehensive income	(24,252)	145,154	120,902
At 31 December	**115,039**	**138,277**	**253,316**

NOTES (CONTINUED)

11. Financial investments (Continued)

(d) Equity investments at FVOCI (continued)

The unquoted investments relate to ordinary shares in PTA Reinsurance Company Limited, Family Bank Company Limited, UAP Holdings. The investments are carried at fair value and are denominated in US Dollar in the case of the investment in PTA Reinsurance and in Kenya shillings in all other cases. The investments denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of reporting period. The exchange gains and losses are dealt with through other comprehensive income.

12. Other receivables

Other receivables are measured in accordance with the classification categories below:

	2023	2022
	Shs'000	**Shs'000**
Other receivables arising out of insurance arrangements	900,227	621,903
Other receivables arising out of reinsurance arrangements	59,475	125,735
Prepayments and deposits	1,521	1,749
Loans receivable	15,197	18,803
Rent and other receivables	15,293	12,396
Receivables from associate companies	22,264	9,547
Other receivables	-	246,747
	1,013,977	**1,036,880**

(a) Other receivables arising out of insurance arrangements

	2023	2022
	Shs '000	**Shs '000**
Premium receivables	933,368	648,023
Provision for impairment	(33,142)	(26,120)
	900,226	**621,903**

(b) Other receivables arising out of reinsurance arrangements

Reinsurance receivables	68,062	125,735
	(8,587)	-
	59,475	**125,735**

13 Investment properties

Revaluation		
At 1 January	564,656	426,089
Additions	-	157,859
Revaluation loss	(161,583)	(19,292)
At 31 December	**403,073**	**564,656**

NOTES (CONTINUED)

13. Investment properties (Continued)

Investment properties comprise a building and leasehold land. The building constructed on the land is held for the purposes of earning rental income and capital appreciation. The investment properties are held at fair value. The properties were valued on 31 December 2023 by GoInvest Property Consultants Ltd, registered valuers, on an open market value basis using the highest and best use valuation principle. The valuation technique used was the income approach method, which provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is by the asset determined by reference to the value of income, cash flow or cost savings generated.

Rental income arising from investment properties during the year amounted to Shs 28,337,424 (2022 – Shs 23,479,961) as disclosed in Note 6. Expenses relating to investment property amounted to Shs 1,473,858 (2022 – Shs 854,175).

Details of the fair value hierarchy of the Company's Investment property held at fair value as at 31 December 2021 are as follows:

	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
31 December 2023	-	-	403,073	403,073
31 December 2022	-	-	564,656	564,656

14. Equity-accounted investees

The Company has a 40% equity interest in Mayfair Insurance Company Zambia Limited, Mayfair Insurance Company Tanzania Limited, Mayfair Insurance Company Rwanda Limited, Mayfair Insurance Uganda Limited, Mayfair Insurance Congo and Mayfair Asset Managers.

The share of net assets of the associate as at 31 December is as shown below:

	2023	2022
	Shs '000	Shs '000
		(Restated)
At 1 January	1,225,531	971,716
Movement in Company's share of net assets (40%)		
- Mayfair Zambia	45,725	44,196
- Mayfair Rwanda	26,207	34,303
- Mayfair Tanzania	76,888	25,434
- Mayfair Uganda	46,455	26,235
- Mayfair Congo	177,286	55,037
- Mayfair Asset Managers	(14,901)	-
Total	**357,660**	**185,205**
Additions	28,000	68,610
Disposal	(28,602)	-
At 31 December	**1,582,589**	**1,225,531**

NOTES (CONTINUED)

14. Equity-accounted investees (Continued)

Company	% owned	Country of incorporation
Mayfair Insurance Company Zambia Limited	40	Zambia
Mayfair Insurance Company Tanzania Limited	40	Tanzania
Mayfair Insurance Company Rwanda Limited	40	Rwanda
Mayfair Insurance Company Uganda Limited	40	Uganda
Mayfair Insurance Company Congo Limited	40	Congo
Mayfair Asset Managers	40	Kenya

The year ends of all the associates is 31 December, which coincides with the year end of the Company. There are no immaterial associates and no significant restrictions on transfer of funds, cash, or dividends on any of the associates at both 31 December 2023 and 31 December 2022. A summary of financial information as of 31 December 2023 in respect of the associate companies is set out below:

	Zambia Shs'000	Rwanda Shs'000	Tanzania Shs'000	Uganda Shs'000	Congo Shs'000	Asset Managers Shs'000
Total assets	2,068,492	1,340,844	2,920,217	1,531,555	5,002,138	72,433
Total liabilities	(1,604,015)	(841,743)	(2,204,531)	(914,515)	(3,374,716)	(39,685)
Net assets	464,477	499,101	715,686	617,040	1,627,422	32,748
Company's share of net assets (40%)	185,791	199,640	286,274	246,816	650,969	13,099
Revenue	1,781,950	805,835	2,674,582	966,212	3,430,293	4,146
Expenses	(1,701,294)	(723,095)	(2,442,393)	(935,667)	(3,328,926)	(29,301)
Income Tax expense	(43,566)	(24,112)	(69,657)	(15,744)	(30,410)	4,675
Profit from continuing operations	37,090	58,628	162,532	14,801	70,957	(20,480)
Company's share of total comprehensive income (40%)	14,836	23,451	65,013	5,920	28,383	(8,192)
Dividends received by the Company	10,985	-	12,120	-	-	-

NOTES (CONTINUED)

15 Investment in joint arrangements

The Company holds interests in joint operations for the acquisition and the development of real estate projects in the above companies. Currently, the Company has deposited funds with the Companies that are serving as vehicles for execution of joint arrangement projects. The joint operations have not yet commenced full operation.

	2023	2022
	Shs'000	Shs'000
At 1 January	278,162	321,288
Additions	1,552	590
Disposals	-	(43,716)
At 31 December	**279,714**	**278,162**

				Maximum loss exposure	
Name of joint arrangement	**Principal activity**	**Place of incorporation**	**Proportion of ownership interest held by the Company**	**2023 Shs'000**	**2022 Shs'000**
Mayfair Estates Limited	Real Estate	Kenya	50%	70,350	70,350
Kitisuru Development Limited	Real Estate	Kenya	30%	140,505	138,953
Sealine Holdings Limited	Real Estate	Kenya	30%	68,859	68,859
				279,714	**278,162**

The maximum loss exposure is the cost invested by the company in the joint arrangements. The carrying amounts of the joint investment in the joint arrangement are carried at cost as they have not commenced any operations.

NOTES (CONTINUED)

16. Property and equipment

	Building	Partitioning	Motor Vehicle	Computer equipment	Furniture-fittings & equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cost or valuation						
At 1 January 2022	265,884	101,642	16,214	36,330	77,476	497,546
Additions	-	2,156	1,795	8,356	1,870	14,177
Disposals	-	(605)	(1,238)	-	(54)	(1,897)
At 31 December 2022	265,884	103,193	16,771	44,686	79,292	509,826
At 1 January 2023	265,884	103,193	16,771	44,686	79,292	509,826
Additions	-	1,028	12,900	4,855	7,867	26,650
Revaluation loss	(48,730)	-	-	-	-	(48,730)
Disposals	-	-	(3,500)	(257)	(30)	(3,787)
At 31 December 2023	217,154	104,221	26,171	49,284	87,129	483,959
Comprising						
At cost	82,708	104,221	26,171	49,284	87,129	349,513
At valuation 2023	134,446	-	-	-	-	134,446
At 31 December 2023	217,154	104,221	26,171	49,284	87,129	483,959

	Building	Partitioning	Motor Vehicle	Computer equipment	Furniture-fittings & equipment	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation						
At 1 January 2022	-	56,759	12,492	27,491	47,779	144,521
Charge for the year	9,848	5,846	1,349	5,158	3,939	26,140
Eliminated on disposal	-	(333)	(1,114)	-	(7)	(1,454)
Reversal on revaluation	(9,848)	-	-	-	-	(9,848)
At 31 December 2022	-	62,272	12,727	32,649	51,711	159,359
At 1 January 2023	-	62,272	12,727	32,649	51,711	159,359
Charge for the year	10,226	5,244	4,149	4,990	4,430	29,039
Eliminated on disposal	-	-	(3,150)	(77)	(24)	(3,251)
At 31 December 2023	10,226	67,516	13,726	37,562	56,117	185,147
Net book value						
At 31 December 2023	**206,928**	**36,705**	**12,445**	**11,722**	**31,012**	**298,812**
At 31 December 2022	**265,884**	**40,921**	**4,044**	**12,037**	**27,581**	**350,467**
Net book value (cost basis)						
At 31 December 2023	**72,482**	**36,705**	**12,445**	**11,722**	**31,012**	**164,366**
At 31 December 2022	**56,770**	**40,921**	**4,044**	**12,037**	**27,581**	**141,353**

NOTES (CONTINUED)

16. Property and equipment (Continued)

The building was valued on 31 December 2023 by GoInvest Property Consultants Ltd, registered valuers, on an open market value basis using the highest and best use valuation principle. The valuation technique used was the income approach method, which provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is by the asset determined by reference to the value of income, cash flow or cost savings generated. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Details of the fair value hierarchy of the Company's property held at fair value as at 31 December 2023 are as follows:

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Property, plant and equipment	-	-	206,928	206,928
31 December 2022				
Property, plant and equipment	-	-	265,884	265,884

17. Intangible assets – computer software

	2023	2022
	Shs'000	Shs'000
Cost		
At 1 January	109,941	100,676
Additions	15,590	9,265
At 31 December	**125,531**	**109,941**
Amortisation		
At 1 January	99,946	85,539
Charge for the year	12,104	14,407
At 31 December	**112,050**	**99,946**
Net book value	13,481	9,995

18. Right-of-use assets

At 1 January	9,342	7,660
Lease modification	18,353	5,905
Depreciation	(4,600)	(4,223)
At 31 December	**23,095**	**9,342**

The Company leases rental property in the two branches-Eldoret and Mombasa.

NOTES (CONTINUED)

19. Lease liabilities

	2023 Shs'000	2022 Shs'000
Opening balance	10,230	9,085
Lease modification	18,501	5,777
Interest on lease liability	673	580
Lease payments	(5,962)	(5,212)
	23,442	**10,230**

The balance sheet shows the following amounts relating to leases

Current	3,613	4,153
Non-current	19,829	6,077
	23,442	**10,230**

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	4,600	4,223
Interest expense	673	580
Expense relating to short-term leases (included in administrative expenses)	2,588	573

The total cash outflow for leases in 2023 was Shs 5.9 million (2022: Shs 5.2 million) that related to principal portion of lease payments, expenses related to short term leases and interest expense on the leases.

Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. If the extension option is taken up, the impact in our books is Shs 4.9 million (2022 Shs 4.2 million)

20. Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% (2022: 30%). Deferred tax assets and liabilities, and the deferred tax charge/(credit) in the statement of profit or loss (P/L) and in other comprehensive income (OCI) are attributable to the following items:

	2023 Shs'000	2022 Shs'000
At 1 January	182,563	71,501
Charge/(credit) to statement of profit or loss	29,985	(4,019)
Under provision in prior year	1,035	-
Charge to statement of comprehensive income	66,933	88,528
Impact of initial IFRS 17 adoption	-	26,553
At 31 December	**280,516**	**182,563**

NOTES (CONTINUED)

20. Deferred income tax (continued)

Year ended 31 December 2023	At 1 January 2023 Shs'000	Initial application of IFRS 17 Shs'000	Prior year under provision Shs'000	(Credited/ charged to P/L Shs'000	(Credited)/ charged to OCI Shs'000	At 31 December 2023 Shs'000
Deferred income tax asset						
Leave pay provision	(3,476)	-	-	(4,256)	-	(7,732)
Unrealised exchange losses	(670)	-	-	57,840	-	57,170
Provisions	(10,621)	-	-	(13,945)	-	(24,566)
Deferred income tax asset	**(14,767)**	**-**	**-**	**39,639**	**-**	**24,872**
Deferred income tax liability						
PPE at historical cost basis	62,729	-	1,035	6,330	-	70,094
Revaluation surplus	49,910	-	-	-	(24,238)	25,672
Right of use asset	(3,009)	-	-	4,418	-	1,409
Insurance contracts	87,700	-	-	(20,402)	91,171	158,469
Deferred income tax liability	**197,330**	**-**	**1,035**	**(9,654)**	**66,933**	**255,644**
Net deferred tax liability	**182,563**	**-**	**1,035**	**29,985**	**66,933**	**280,516**

Year ended 31 December 2022	At 1 January 2022 Shs'000	Initial application of IFRS 17 Shs'000	Prior year under provision Shs'000	(Credited/ charged to P/L Shs'000	(Credited)/ charged to OCI Shs'000	At 31 December 2023 Shs'000
Deferred income tax asset						
Leave pay provision	(3,425)	-	-	(51)	-	(3,476)
Unrealised exchange losses	(5,937)	-	-	5,267	-	(670)
Provisions	(5,198)	-	-	(5,423)	-	(10,621)
Deferred income tax asset	**(14,560)**	**-**	**-**	**(207)**	**-**	**(14,767)**
Deferred income tax liability						
PPE at historical cost basis	34,830	-	-	4,027	23,872	62,729
Revaluation surplus	54,452	-	-	(1,709)	(2,833)	49,910
Right of use asset	(3,221)	-	-	212	-	(3,009)
Insurance contracts	-	26,553	-	6,342)	67,489	87,700
Deferred income tax liability	**86,061**	**26,553**	**-**	**(3,812)**	**88,528**	**197,330**
Net deferred tax liability	**71,501**	**26,553**	**-**	**(4,019)**	**88,528**	**182,563**

The charge to other comprehensive income relates to:	2023 Shs'000	2022 Shs'000
Items that will not be reclassified subsequently to profit or loss:		
(Deficit)/surplus on revaluation of property and equipment	(24,238)	21,039

NOTES (CONTINUED)

21. Other payables

Accrued expenses	281,979	198,388
Other liabilities	5,535	16,982
Payables arising out of direct insurance arrangements	179,692	47,853
Payables arising out of reinsurance arrangements	799,497	380,112
	1,266,703	**643,335**

22. Insurance and reinsurance contracts

	2023	2022
	Shs'000	**Shs'000**
		Restated
Insurance contract liabilities		
– Insurance contract balances	5,535,880	5,557,082
Reinsurance contracts		
– Reinsurance contract assets	**1,753,878**	**1,968,512**

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be (re-covered)/ settled more than 12 months after the reporting date.

	2023	2022
	Shs'000	**Shs'000**
		Restated
Insurance contract liabilities	3,505,173	4,018,791
Reinsurance contract assets	815,257	1,282,865
	4,320,430	**5,301,656**

(a) Movement in insurance and reinsurance contract balances

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and OCI.

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

NOTES (CONTINUED)

22 Insurance and reinsurance contracts (Continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) Insurance contracts

Analysis by remaining coverage and incurred claims

		2023 (Shs'000)				2022 (Shs'000)			
		Liabilities for remaining coverage	Liabilities for incurred claims		Total	Liabilities for remaining cov-erage	Liabilities for incurred claims		Total
	Note		Estimates of present value of future cash flows	Risk adjust-ment for non-financial risk		Liabilities for remaining cov-erage	Estimates of present value of future cash flows	Risk adjust-ment for non-financial risk	Total
Opening liabilities		1,538,291	3,448,339	570,452	**5,557,082**	1,341,909	2,285,385	435,947	**4,063,241**
Changes in the statement of profit or loss and OCI									
Insurance revenue	5	(6,669,131)	-	-	**(6,669,131)**	(5,267,942)	-	-	**(5,267,942)**
Insurance service expenses									
Incurred claims and other insurance service expenses		-	2,454,244	(51,682)	**2,402,562**	-	3,033,359	183,960	**3,217,319**
Amortisation of insurance acquisition cash flows		1,076,981	-	-	**1,076,981**	860,541	-	-	**860,541**
Insurance service result		(5,592,150)	2,454,244	(51,682)	**(3,189,588)**	(4,407,401)	3,033,359	183,960	**(1,190,082)**
Net finance expenses from insurance contracts	6(a)	-	(298,648)	(38,369)	**(337,017)**	-	(402,340)	(49,455)	**(451,795)**

NOTES (CONTINUED)

22. Insurance and reinsurance contracts (Continued)

(a) Movement in insurance and reinsurance contract balances (continued)

(i) Insurance contracts (continued)

Analysis by remaining coverage and incurred claims (Continued)

	2023 (Shs'000)				2022 (Shs'000)			
	Liabilities for remaining coverage	Liabilities for incurred claims		Total	Liabilities for remaining coverage	Liabilities for incurred claims		Total
		Estimates of present value of future cash flows	Risk adjustment for non-financial risk			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Total changes in the statement of profit or loss and OCI	(5,592,150)	2,155,596	(90,051)	**(3,526,605)**	(4,407,401)	2,631,019	134,505	**(1,641,877)**
Cash flows								
Premiums received	7,200,725	-	-	**7,200,725**	5,522,317	-	-	**5,522,317**
Claims and other insurance service expenses paid	-	(2,579,163)	-	**(2,579,163)**	-	(1,468,065)	-	**(1,468,065)**
Insurance acquisition cash flows	(1,116,159)	-	-	**(1,116,159)**	(918,534)	-	-	**(918,534)**
Total cash flows	6,084,566	(2,579,163)	-	**3,505,403**	4,603,783	(1,468,065)	-	**3,135,718**
Closing liabilities	**2,030,707**	**3,024,772**	**480,401**	**5,535,880**	**1,538,291**	**3,448,339**	**570,452**	**5,557,082**

NOTES (CONTINUED)

22. Insurance and reinsurance contracts (Continued)

(b) Reinsurance contracts (continued)

Analysis by remaining coverage and incurred claims (Continued)

		2023 (Shs'000)				2022 (Shs'000)			
		Assets for remaining coverage	Assets for incurred claims		Total	Assets for remaining coverage	Assets for incurred claims		Total
	Note		Estimates of present value of future cash flows	Risk adjustment for non-financial risk			Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
Opening assets		685,646	1,095,231	187,635	**1,968,512**	674,673	358,411	72,974	**1,106,058**
Changes in the statement of profit or loss and OCI									
Allocation of reinsurance premiums paid		(3,591,538)	-	-	**(3,591,538)**	(2,574,632)	-	-	**(2,574,632)**
Amounts recoverable from reinsurers									
Recoveries of incurred claims and other insurance service expenses		841,189	755,529	-	**1,596,718**	746,699	1,378,843	-	**2,125,542**
Effect of changes in non-performance risk of reinsurers		-	-	(65,944)	**(65,944)**	-	-	145,976	**145,976**
Net expenses from reinsurance contracts		**(2,750,349)**	**755,529**	**(65,944)**	**(2,060,764)**	**(1,827,933)**	**1,378,843**	**145,976**	**(303,114)**

NOTES (CONTINUED)

22. Insurance and reinsurance contracts (Continued)

(b) Reinsurance contracts (continued)

Analysis by remaining coverage and incurred claims (continued)

		2023 (Shs'000)				2022 (Shs'000)			
		Assets for remaining coverage	Assets for incurred claims		Total	Assets for remaining coverage	Assets for incurred claims		Total
Net finance income from reinsurance contracts	6(a)	-	(29,623)	(3,490)	**(33,113)**	-	(195,513)	(31,315)	**(226,828)**
Total changes in the statement of profit or loss and OCI		(2,750,349)	725,906	(69,434)	**(2,093,877)**	(1,827,933)	1,183,330	114,661	**(529,942)**
Cash flows									
Premiums paid		3,991,466	-	-	**3,991,466**	2,605,057	-	-	**2,605,057**
Amounts received		(988,143)	(1,124,080)	-	**(2,112,223)**	(766,151)	(446,510)	-	**(1,212,661)**
Total cash flows		3,003,323	(1,124,080)	-	**1,879,243**	1,838,906	(446,510)	-	**1,392,396**
Closing assets		938,620	697,057	118,201	**1,753,878**	685,646	1,095,231	187,635	**1,968,512**

NOTES (CONTINUED)

22. Insurance and reinsurance contracts (Continued)

(c) Claims development

The table below illustrates how estimates of cumulative claims for the Company have developed over time on a gross and net of reinsurance basis. Each table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

31 December 2023

Gross

Estimates of discounted net cumulative claims	**2014 Shs'000**	**2015 Shs'000**	**2016 Shs'000**	**2017 Shs'000**	**2018 Shs'000**	**2019 Shs'000**	**2020 Shs'000**	**2021 Shs'000**	**2022 Shs'000**	**2023 Shs'000**	**Total Shs'000**
At end of accident year	651,573	727,803	769,828	669,456	905,351	1,105,694	1,275,204	1,316,704	2,385,563	2,059,085	
One year later	575,794	845,832	854,394	679,124	1,665,869	1,174,217	1,419,870	1,698,248	2,474,164	-	
Two years later	625,718	906,607	927,010	665,893	3,110,757	1,181,284	1,489,299	1,812,089	-	-	
Three years later	651,729	902,555	877,114	702,758	3,502,732	1,186,832	1,485,954	-	-	-	
Four years later	655,531	966,981	887,687	715,327	3,529,236	1,193,229	-	-	-	-	
Five years later	655,732	975,483	873,780	787,334	3,546,258	-	-	-	-	-	
Six years later	657,209	1,029,150	889,410	837,349	-	-	-	-	-	-	
Seven years later	656,534	1,027,024	891,948	-	-	-	-	-	-	-	
Eight years later	646,903	1,023,071	-	-	-	-	-	-	-	-	
Nine years later	638,262	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	638,262	1,023.071	891,948	837,349	3,546,258	1,193,229	1,485,954	1,812,089	2,474,164	2,059,085	
Less: Cumulative payments to date	(572,748)	(905,360)	(819,322)	(639,965)	(3,449,487)	(959,827)	(1,164,620)	(1,382,974)	(1,685,686)	(937,715)	
Liability in the statement of financial position	65,514	117,711	72,626	197,384	96,771	233,402	321,333	429,115	788,478	1,121,370	**3,443,704**
Liability in respect of prior years											**99,122**
Gross IBNR											**705,739**
Effect of discounting											**(1,223,793)**
Total gross claims liability included in the statement of financial position											**3,024,772**

NOTES (CONTINUED)

22. Insurance and reinsurance contracts (Continued)

(c) Claims development (continued)

31 December 2023

Net of reinsurance

Estimates of discounted net cumulative claims	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At end of accident year	492,363	556,572	491,751	493,385	693,119	686,581	692,335	883,863	1,644,944	1,521,680	
One year later	384,344	566,076	517,042	472,451	985,901	586,277	733,332	1,019,956	1,781,590	-	
Two years later	406,094	609,834	584,163	443,893	1,421,086	603,818	699,598	1,139,242	-	-	
Three years later	424,979	584,163	501,811	460,281	1,541,817	557,169	728,001	-	-	-	
Four years later	413,055	580,656	502,317	479,797	1,524,928	583,835	-	-	-	-	
Five years later	403,507	580,271	486,708	505,518	1,545,924	-	-	-	-	-	
Six years later	402,607	646,581	486,418	558,717	-	-	-	-	-	-	
Seven years later	419,269	605,458	495,088	-	-	-	-	-	-	-	
Eight years later	389,802	613,992	-	-	-	-	-	-	-	-	
Nine years later	390,141	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	390,141	613,992	495,088	558,717	1,545,924	583,835	728,001	1,139,242	1,781,590	1,521,680	
Less: Cumulative payments to date	(338,901)	(521,926)	(438,285)	(404,336)	(1,470,236)	(401,283)	(476,675)	(803,616)	(1,164,894)	(644,618)	
Liability in the statement of financial position	51,240	92,066	56,803	154,381	75,688	182,552	251,326	335,626	616,696	877,062	**2,693,440**
Liability in respect of prior years											**77,527**
Gross IBNR											**501,241**
Effect of discounting											**(944,493)**
Total gross claims liability included in the statement of financial position											**2,327,715**

22 Insurance and reinsurance contracts (Continued)

(d) Significant judgements and estimates

(i) Fulfilment cash flows

Fulfilment cash flows comprise:

- Estimates of future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- A risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

(ii) Estimates of future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, 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 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 takes 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 are not taken into account until the change in legislation is substantively enacted. The Company derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds.

Cash flows within the boundary of a contract 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 arise from the activities of underwriting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- Claims handling, maintenance and administration costs;
- Recurring commissions payable on instalment premiums receivable within the contract boundary;

NOTES (CONTINUED)

22 Insurance and reinsurance contracts (Continued)

(d) Significant judgements and estimates (Continued)

(ii) Estimates of future cash flows (continued)

Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company generally allocates 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 within each group. Other costs are recognised in profit or loss as they are incurred.

(iii) Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company's substantive rights and obligations under the contract.

(iv) Reinsurance contracts

Each of the Company's quota share reinsurance contracts has an annual term, covers underlying contracts issued within the term on a risk-attaching basis and provides unilateral rights to both the Company and the reinsurer to terminate the cession of new business at any time by giving three months' notice to the other party. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Company expects to issue and cede under the reinsurance contract within the next three months. Subsequently, expected cash flows beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within the rolling three-month notice period.

Each of the Company's excess of loss and stop loss reinsurance contracts has an annual term and covers claims from underlying contracts incurred within the year (i.e. loss- occurring). Cash flows within the contract boundary are those arising from underlying claims incurred during the year.

(v) Discount rates

All cash flows are discounted using risk-free yield curves using the bottom – up approaches. In determining the Forex Differential, the Company has adopted a 10-year annualized forex movement to filter out short-term currency fluctuations while accurately reflecting current market conditions.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

2023					2022				
1 Year	5 Years	10 Years	15 Years	20 Years	1 Year	5 Years	10 Years	15 Years	20 Years
16.10%	17.45%	15.70%	15.73%	15.89%	10.31%	13.53%	13.77%	13.93%	14.05%

NOTES (CONTINUED)

22 Insurance and reinsurance contracts (Continued)

(d) Significant judgements and estimates (Continued)

(vi) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using the confidence level technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

23 Share capital and reserves

(a) Share capital

	Total no. of shares	Shs'000
At 1 January 2022	15,000,000	1,500,000
At 31 December 2022	15,000,000	1,500,000
At 1 January 2023	15,000,000	1,500,000
At 31 December 2023	15,000,000	1,500,000

The total authorised number of ordinary shares is 15,000,000 (2022: 15,000,000), with a par value of Shs 100 per share (2022: Shs 100 per share). All issued shares are fully paid. All the ordinary shares rank equally with regards to Company's residual assets and are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company.

(b) Fair value revaluation reserve

The fair value revaluation reserve comprises the cumulative fair value changes for equity instruments measured at fair value through other comprehensive income (FVOCI). This reserve is not distributable.

(c) Property revaluation reserve

The property revaluation reserve comprises the cumulative fair value changes on the occupied property. This reserve is not distributable.

NOTES (CONTINUED)

23. Share capital and reserves (Continued)

(d) Retained earnings

Retained earnings represent the percentage of net earnings not paid out as dividends, but retained by the Company to be reinvested in its core business activities.

24. Notes to the statement of cashflows

	2023	2022
(a) Cash generated from operations	**Shs'000**	**Shs'000**
		(Restated)
Reconciliation of profit before income tax to cash generated from operations;		
Profit before income tax	**1,328,762**	**1,011,151**
Adjustments for:		
Depreciation	29,039	26,140
Amortisation of intangible asset	12,104	14,407
Fair value loss on investment properties	161,583	19,292
Amortisation of leases	4,600	4,223
Finance charge on leases	673	580
Impairment of financial assets as per IFRS 9	42,892	4,009
Share of profit of associate after tax	(357,660)	(185,205)
Gain/ loss on disposal of property & equipment	(732)	(111)
Gain on disposal of joint arrangement	-	(2,283)
Changes in:		
- Receivables	22,903	(153,640)
- Insurance contract liabilities	(21,202)	1,493,841
- Reinsurance contract assets	214,634	(862,454)
- Other payables	623,368	(246,289)
Cash generated from operations	**2,060,964**	**1,123,661**

(b) Analysis of cash and cash equivalents		
Cash and bank balances	1,059,463	319,350
Deposits with financial institutions maturing in 3 months	1,736,504	1,131,386
Government Bonds maturing within 3 months	20,000	-
At 31 December	**2,815,967**	**1,450,736**

NOTES (CONTINUED)

25. Related parties

The following transactions were carried out with related parties	2023	2022
	Shs'000	Shs'000
Directors' fees	20,794	11,407
Directors and key management remuneration	203,007	144,305
Other related party transactions	31,795	4,236

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a defined benefit plan.

The other related party transactions relate to insurance covers given to shareholders. The policies are all issued at the standard prescribed rates.

26. Dividents

The Directors recommend a first and final cash dividend of Shs 25.00 per share amounting to Shs 350,000,000 in respect of the year ended 31 December 2023 (2022: Shs 350,000,000). The movement in the dividend account is as follows:

	2023	2022
	Shs'000	Shs'000
Proposed at 1 January	350,000	125,000
Final dividend declared	375,000	350,000
Declared dividends paid	(350,000)	(125,000)
At 31 December	**375,000**	**350,000**

The dividends paid to a Kenyan resident attract a 5% withholding tax, unless the recipient is a Kenya resident company holding 12.5% or more of voting power of the company paying the dividend.

Dividends paid to non-residents and any overseas holding company attract a 15% withholding tax

APPENDIX B: REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

Class of insurance business	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	Workmens Compensation	Miscellaneous	2022 Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Gross Written Premium	170,549	559,094	114,968	1,795,328	147,042	330,774	678,576	607,770	51,492	205,718	559,948	298,833	5,520,093
Direct debtors				(2,225)									(2,225)
Opening Gross Unearned Premium	33,353	275,388	6,368	399,933	39,857	39,889	230,816	166,651	11,754	50,545	166,928	138,332	1,589,813
Closing Gross Unearned Premium	20,486	282,868	41,739	520,491	55,440	45,849	260,192	196,291	13,275	65,364	197,278	144,918	1,844,189
Insurance revenue	**183,417**	**551,614**	**109,596**	**1,676,995**	**131,459**	**324,814**	**649,200**	**578,130**	**49,971**	**190,900**	**529,598**	**292,247**	**5,267,942**
Claims and benefits through PnL	65,519	160,229	65,043	1,381,662	51,381	131,402	439,856	443,692	9,584	65,346	179,904	223,699	3,217,319
Insurance acquisition cash flows amortisation	9,783	98,209	20,700	373,361	21,829	48,765	62,560	55,866	9,076	33,993	101,592	24,807	860,541
Total insurance service expenses	**75,302**	**258,438**	**85,743**	**1,755,024**	**73,210**	**180,166**	**502,416**	**499,558**	**18,660**	**99,340**	**281,497**	**248,507**	**4,077,860**
Reinsurance revenue	169,469	366,158	48,652	1,457,601	65,457	116,939	5,685	23,935	20,218	148,188	5,620	177,135	2,605,057
Re-insurance acquisition cash flows amortisation	(31,432)	(133,829)	(8,768)	(436,344)	(10,286)	(16,739)	26	(2,560)	(6,529)	(35,792)	(1,625)	(62,820)	(746,699)
Reinsurance Claims and benefits through PnL	64,535	41,606	22,813	1,088,309	11,593	16,492	427	6,389	1,920	57,878	21,288	191,570	1,524,819
Net expenses from reinsurance contracts	**86,471**	**219,594**	**15,807**	**(147,031)**	**34,012**	**80,777**	**5,017**	**21,141**	**11,582**	**44,465**	**(11,101)**	**(57,620)**	**303,115**
Insurance service result	**21,644**	**73,582**	**8,047**	**69,002**	**24,237**	**63,871**	**141,767**	**57,431**	**19,729**	**47,095**	**259,202**	**101,361**	**886,967**
Expenses of management	7,303	67,772	8,187	80,452	16,232	40,501	117,291	34,664	9,104	34,891	83,712	95,960	596,069
Underwriting (loss)/profit	**14,341**	**5,810**	**(140)**	**(11,451)**	**8,005**	**23,371**	**24,476**	**22,767**	**10,625**	**12,204**	**175,491**	**5,401**	**290,899**

APPENDIX B: REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023

Class of insurance business	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Theft	Workmens' Compensation	Miscellaneous	2023 Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Gross Written Premium	556,526	579,293	132,843	2,459,744	222,785	391,810	735,532	625,080	52,570	308,571	633,246	502,724	7,200,725
Opening Gross Unearned Premium	20,486	282,868	41,739	520,491	55,440	45,849	260,192	196,291	13,275	65,364	197,278	144,918	1,844,189
Closing Gross Unearned Premium	204,689	302,390	48,021	632,680	78,083	65,251	279,683	249,614	13,837	87,031	212,324	202,180	2,375,782
Insurance revenue	**372,323**	**559,771**	**126,562**	**2,347,555**	**200,142**	**372,408**	**716,041**	**571,757**	**52,008**	**286,903**	**618,199**	**445,462**	**6,669,131**
Claims and benefits through PnL	(8,113)	361,170	25,484	339,364	26,637	159,631	498,622	635,249	1,089	155,792	107,933	99,705	2,402,562
Insurance acquisition cash flows amortisation	15,029	116,649	23,896	497,051	33,988	56,633	69,205	61,360	9,840	49,525	117,254	26,550	1,076,981
Total insurance service expenses	**6,916**	**477,819**	**49,380**	**836,415**	**60,625**	**216,264**	**567,827**	**696,609**	**10,930**	**205,317**	**225,186**	**126,255**	**3,479,543**
Reinsurance revenue	552,577	374,117	44,728	2,127,079	97,424	146,088	6,604	18,857	27,159	258,916	5,204	332,712	3,991,466
Re-insurance acquisition cash flows amortisation	**(32,356)**	**(77,588)**	**(11,300)**	**(572,256)**	**(18,646)**	**(30,067)**	**(300)**	**(1,933)**	**(6,294)**	**(52,292)**	**(486)**	**(37,670)**	**(841,189)**
Reinsurance Claims and benefits through PnL	**(8,578)**	249,533	**(8,121)**	237,232	**(6,294)**	18,281	**(1,154)**	**(4,217)**	797	133,803	5,442	72,861	689,584
Net expenses from reinsurance contracts	**345,919**	**39,545**	**43,044**	**1,193,145**	**75,603**	**89,620**	**7,126**	**22,968**	**18,133**	**46,882**	**(89)**	**178,868**	**2,060,765**
Insurance service result	**19,489**	**42,407**	**34,138**	**317,995**	**63,914**	**66,524**	**141,087**	**(147,820)**	**22,946**	**34,704**	**393,102**	**140,338**	**1,128,824**
Expenses of management	19,362	37,391	18,119	229,098	17,528	63,546	124,595	70,103	6,662	23,711	207,834	36,105	854,050
Underwriting (loss)/profit	**127**	**5,016**	**16,019**	**88,897**	**46,386**	**2,979**	**16,493**	**(217,923)**	**16,284**	**10,993**	**185,268**	**104,234**	**274,773**

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Felistus Karanja
CEO & Managing Director

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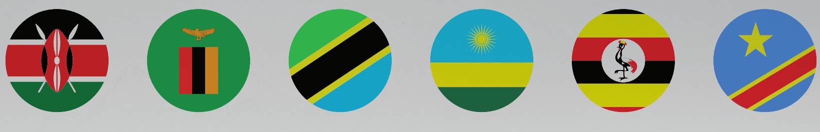

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