

*Flying high with
a solid team*



LIVE LIFE CONFIDENT

Occidental Insurance Company

Annual Report & Financial
Statements 2018

What guides us



Vision

To be the most reliable protector of wealth and health in the East African Region.

Mission

To bring peace of mind to our clients by providing the best insurance solutions.

Our Core Values

INTEGRITY

We are fair and honest; we do what we say and say what we do.

INNOVATION

We apply our imagination and modern technology to anticipate and respond to our customers' needs.

EMPOWERMENT

We create an enabling environment for our staff so they can serve our customers exceptionally well.

CUSTOMER FOCUS

All our products, business processes and relationships are engineered to yield maximum value for our customers.

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Company Information

Board of Directors

Mike Eldon	-	Chairman
Asok Ghosh	-	Managing Director
Jimnah Mbaru		
Dipak Shah		
Tejal Ketul Dodhia		
Mayank Patel		
Archna Bulsara	-	(Alternate Maganlal Dodhia)
Fukunda Mbaru		
Isaac P. Ngaru		
Shailen M. Shah		

Registered Office

Plot No. L.R. 1870/III/42, School Lane, Westlands
P.O. Box 66249, 00800 NAIROBI

Principal Place of Business

Crescent Business Centre
7th Floor, Parklands Road, Parklands
P.O. Box 39459, 00623 NAIROBI

Independent Auditors

KPMG Kenya
Certified Public Accountants
P. O. Box 40612, 00100 NAIROBI

Company Secretaries

D & M Management Services LLP
Certified Public Secretaries
P.O. Box 66249, 00800 NAIROBI

Consulting Actuaries

Agency Advisory Actuarial Services
P.O. Box 45607, 00200 NAIROBI

Principal Bankers

Guaranty Trust Bank (Kenya) Limited
P.O. Box 20613, 00200 NAIROBI

Diamond Trust Bank Kenya Limited
P.O. Box 66213, 00800 NAIROBI

Habib Bank A. G. Zurich
P.O. Box 90131, 80100 NAIROBI

Guardian Bank Limited
P.O. Box 30584, 00100 NAIROBI

Principal Legal Advisors

Boniface Masinde & Company Advocates
Shirika Co-op House, 3rd Floor, Wing B
P.O. Box 15226, 00100 NAIROBI

C.W. Ngala & Company Advocates
2nd Floor, Town House, Kaunda Street
P.O. Box 14102, 00100 NAIROBI



Mike Eldon – Chairman

“The development of our people continues to be a major priority in ensuring the sustainable growth of our company. We assist our staff in undertaking continuous professional development programmes to help them fulfil their potential, and carry out uplifting performance management reviews with them.”

Chairman's Statement

I am delighted to present to you our 31st Annual Report and Financial Statements of Occidental Insurance Company Limited (the 'Company') for the year ended 31st December 2018.

The Economy: The economy is estimated to have grown by 5.8% in 2018 compared to 4.9% in the previous year. The reasons cited for the improved growth include improved weather conditions, which led to a robust expansion in the agriculture sector, and a more tranquil political environment that led to improved business confidence. According to the Central Bank of Kenya, the Kenyan economy is expected to grow by 6.3 % in 2019, mainly driven by further improvements in the agricultural sector.

In 2018 the average rate of inflation was 4.7% (compared to 8.0% in 2017), which is within the government's annual target of 2.5% - 7.5%. Going forward, it is expected to remain within this target range in the near term, mainly due to expected lower food prices thanks to favourable weather conditions, the decline in international oil prices, and the recent downward revision in electricity tariffs.

Interest rates remained stable throughout the year, with the Central Bank Rate being maintained at either 9.5% or 9.0%. In the latest interest rate review, the Monetary Policy Committee maintained the rate at 9.0%, citing that inflation expectations remained well anchored within the target range, and that the economy was operating close to its potential. Private sector credit grew by just 2.4 % in the 12 months to December 2018, according to the Central Bank. This growth however remained below its target rate of 12%-15%, the one it cited as being adequate to support sustainable economic development.

The Kenyan Shilling remained resilient in 2018, gaining 1.4% against the US Dollar to close at 101.8 in 2018, compared to 103.2 at the end of 2017. It was the only major African currency to appreciate against the dollar. This was supported by sufficient foreign exchange reserves and open market operations. Looking ahead, high forex reserves, which currently stand at USD 8.0 billion (5.3 months of import cover) continue to provide adequate cover, and provide an adequate buffer against short-term shocks in the foreign exchange market.

During the year under review, the equity market was on a downward trend, with the NASI, NSE 25 and NSE 20 indices declining by 18.0%, 17.1% and 23.7% respectively. This was due to negative investor sentiment, as international investors exited the broader emerging markets due to the expectation of rising US interest rates coupled with a strengthening of the US Dollar. The yield curve on fixed income instruments experienced downward pressure during the year, as the Kenya Government contained rates by rejecting expensive bids in the auction market. The real estate sector experienced continued investment across all elements, mainly driven by political stability following the conclusion of the electioneering period in 2017.

The Insurance Industry: The Insurance Regulatory Authority industry release for Q3 2018 showed that insurance premiums grew by only 2.5% during the period to September 2018, compared to a growth of 10.7% in September 2017. This growth

was largely driven by a growth of 3.9% in the long term insurance business segment compared to a growth of only 1.7% in general insurance. The insurance industry premium stood at KShs 164.27 billion by the end of the third quarter of 2018, with 61.8% of the industry business comprising of general insurance, while long-term business equated to 38.2%. The insurance industry asset base grew by 8.7% to KShs 624.87 billion as at September 2018, from the KShs 574.71 billion held as at the end of September 2017. 81.7% (KShs 510.44 billion) of these assets were held in income generating investments. The total insurance industry's liabilities grew by 10.9% to KShs 475.93 billion, from KShs 429.03 billion registered in September 2017.

Our Financial Performance: During the year under review, the Company performed commendably well despite the daunting challenges our industry faced and an increasingly competitive business environment. The Company experienced a premium growth of 0.19%, from KShs 2.597 billion in 2017 to KShs 2.602 billion in 2018. The total asset base of the Company also grew, from KShs 3.77 billion in 2017 to KShs 3.94 billion in 2018, while shareholders' funds grew from KShs 1.12 billion to KShs 1.32 billion. The Company posted an underwriting profit of KShs 27.18 million during the year, up from the KShs 38.66 million underwriting loss recorded in 2017.

Our ongoing expansion and our rebranding initiative led to a rise in our management expenses, which subsequently depressed our underwriting profitability. We however expect an improvement in the underwriting result in the coming period, given our prudent underwriting practices and cost management initiatives. Our investment income grew by 69 %, from KShs 193.46 million to KShs 327.96 million. Profit before tax posted in 2018 was KShs 290.71 million, up from the KShs 115.03 million recorded in the previous year. Our profit after tax grew by 162%, to close at KShs 245 million, up from the KShs 93 million posted in the previous year.

Strategic Plan Review: Following the formulation of a Balanced Scorecard based 5-year strategic plan at the beginning of 2015, the board and senior management have been constantly managing and reviewing all aspects of the strategy. In a spirit of continuous improvement we have re-engineered our business policies, processes and technology support to strengthen the Company and improve both the top and bottom lines. I am extremely pleased with the progress achieved, and I am confident that the Company will continue working at achieving the targets stipulated in the Strategic Plan. Further, our national claims paying ability was affirmed at A-(KE) by the Global Credit Rating Company, a major milestone as we focus on business excellence and achieving market leadership.

Going to the Counties and Going Retail: In line with our expansion plans and the need for improved service delivery and close customer interaction, I am delighted with the opening and subsequent success of our Kisumu branch and by the retail business segment generally. I am pleased to inform all stakeholders that we shall further increase our presence at the county level by opening more branches and satellite offices to serve our wide network of clients and other intermediaries.

Chairman's Statement (continued)

Developing our People: The development of our people continues to be a major priority in ensuring the sustainable growth of our company. We assist our staff in undertaking continuous professional development programmes to help them fulfil their potential, and carry out uplifting performance management reviews with them. During the year in review, training programmes were undertaken at all levels of staff to enhance their skills and professionalism, including a leadership and management training initiative with Strathmore University for our senior management team. These training programmes have covered all aspects of our business and will continue in future. The consequence is that our expectation of being an "employer of choice" is seeing fulfilment through us earning the right to attract and retain the highest quality staff at all levels, from fresh millennials to senior professionals.

The Company's relentless pursuit of excellence, not only in the insurance business but also in social activities, saw our sports team perform well in last year's Association of Kenya Insurance competition. We also participated in industry-oriented quiz competitions where we witnessed several notable individual performances. We congratulate all staff members who participated in such events as we aspire to maintain our pre-eminence not only in our core business of insuring risks but also in promoting social activities.

Active Corporate Social Responsibility: Our business philosophy is strongly anchored on being a responsible and supportive corporate citizen. During the year in review, we supported various initiatives spanning education, health and social and children's welfare. Notable activities included drilling a community borehole at Mbuvo, Makueni; donating shoes and school bags to less fortunate children at Beacon of Hope, Kajiado; and a donation of desks, chairs and tables to Nyweri Primary School, Meru. Stationery was also donated to needy students at Kaumoni

Primary School, Makueni. Giving back to the community is our joy at Occidental. In the coming period we will incorporate more environmental and mentorship programmes aimed at spreading our Corporate Social Responsibility outreach further.

LIVE LIFE CONFIDENT: It was our increased spirit of dynamism and ambitiousness that led us to our highly successful rebranding programme. Through this, with our vibrant new logo and colours and our inspiring tag line of LIVE LIFE CONFIDENT, we reinforced that spirit among our staff, our customers and other stakeholders. We strongly believe that it is by living our vision and values we continue to strengthen the positive relationship between us all.

Appreciation: Finally, I wish to extend my sincere appreciation to all our customers, business associates and service providers for their endearing trust, support and loyalty to our company, which inspires our commitment to provide the best insurance solutions in the region. I am equally grateful to my fellow directors for their wise counsel, and not least to Jimnah Mbaru for his exemplary leadership during the time that he was our chairman. I also wish to appreciate CEO Asok Ghosh and his management team for their excellent leadership, and the entire staff for their dedication throughout the year. I am also thankful to the Insurance Regulatory Authority for their supervisory support and guidance, and while expecting this to continue in future I assure them of our company's commitment to the industry's robust development in all respects.



Mike Eldon
CHAIRMAN

22 March 2019

Company Rebranding & Staff Team Building



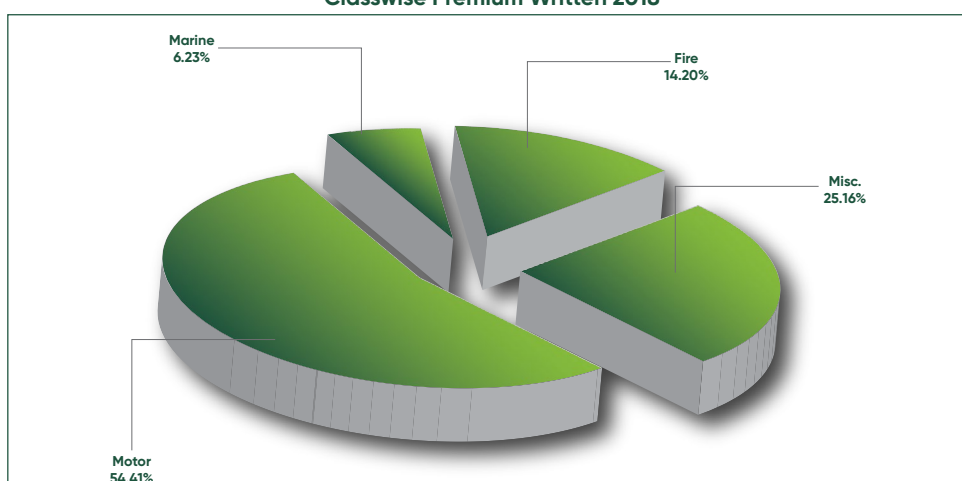
Gross Premium Written (Millions)



Total Assets (Millions)



Classwise Premium Written 2018



1. **Mike Eldon** is the founder and chairman of management consultancy, The DEPOT (The Dan Eldon Place of Tomorrow), which supports change management by aligning energy around common visions and healthy values. His earlier career was in the ICT sector, in London and from 1977 in Kenya where he also now sits on other boards.

He is an economics graduate and Sloan Masters Fellow at the London Business School.

He is former Chairman of the Council of the Kenya Institute of Management, where he is a Fellow. He chairs the council of KCA University and he was founder director and later Vice Chairman of KEPSA, where he is now on the advisory council. He writes a regular column in the Business Daily.

2. **Mr Asok Ghosh** is a post graduate in economics and an Insurance Fellow with extensive experience in the insurance industry, both locally and abroad.

He is a board member of AKI, where he has also served on various committees. He works closely with them, contributing to the strengthening of the Kenyan insurance industry.

3. **Jimnah Mbaru** is one of the leading investment bankers in Kenya. He has a wealth of experience in banking and insurance, as well as in leadership.

He sits on the boards of several major investment, insurance and other companies in Kenya.

He is a graduate in Management holding a Bachelor of Commerce degree, an LLB degree in addition to having an MBA degree from IMD Switzerland. He is a former chairman of the Nairobi Securities Exchange.

Board of Directors

1 **MIKE ELDON**
CHAIRMAN

2 **ASOK GHOSH**
MANAGING DIRECTOR

3 **JIMNAH MBARU**
DIRECTOR



4. **Dipak Shah** has deep experience in management and marketing.

He leads Dodhia Packaging Limited, which enjoys a significant market share in the sector. As a result of this, he is very conversant with Kenya's manufacturing and service sectors.

5. **Tejal Dodhia** is well known for the role she has played and continues to play as an investor and a leader in Kenya's textile industry. She owns and leads Thika Cloth Mills Ltd, one of the most prominent textile companies in Kenya, one that employs a substantial local workforce.

She also sits on the boards of a number of companies, whose activities range from manufacturing to real estate.

She is a business administration graduate with a wealth of knowledge in company management.

6. **Mayank Patel** is an economics graduate and a Chartered Accountant with wide knowledge in finance. He currently runs a business consultancy company offering financial advisory services .

7. **Shailen Shah** is an experienced administrator, marketer and financial planner with knowledge in banking and finance.

He currently runs a number of companies, ranging from manufacturing to real estate.

4 **DIPAK SHAH**
DIRECTOR

5 **TEJAL DODHIA**
DIRECTOR

6 **MAYANK PATEL**
DIRECTOR

7 **SHAILEN SHAH**
DIRECTOR



8. **Archna Bulsara** is an economics graduate, a chartered accountant from the Institute of Wales, a strategic planner and a management consultant. She is well conversant with financial matters in the daily running of corporations both locally and abroad.

She sits on the boards of various other companies in Kenya and overseas.

9. **Isaac Ng'aru** has over 40 years' experience in insurance and risk Management. A well-known figure in the local insurance industry. He has been instrumental in formulating strategy documents for both listed and non-listed insurance companies.

He currently runs his own consultancy, which specialises in risk and insurance management.

He holds a Master of Science Degree in risk management and insurance.

10. **Fukunda Mbaru** is a graduate in economics, politics and international studies. He is quite knowledgeable on various economic aspects of corporations across the world.

He is an economic investment analyst in various companies around the globe.

He has also sat in the councils of a number of global organizations with mandates to drive economic and political agenda in various countries.

11. **Ismail Mawji** was appointed as the Company Secretary in August 2013. He is the founder and senior partner of Mawji Sennik and Company, Certified Public Accountants.

He is a member of the Institute of Certified Public Secretaries of Kenya, a Chartered Accountant from the United Kingdom and a member of the Kenya Chapter of the Institute of Directors.

For many years he has served in the Insurance Committee of the Institute of Certified Public Accountants of Kenya and on the Corporate Governance Committee of The Institute of Certified Public Secretaries of Kenya.

Board of Directors

8 **ARCHNA BULSARA**
DIRECTOR

9 **ISAAC NG'ARU**
DIRECTOR

10 **FUKUNDA MBARU**
DIRECTOR

11 **ISMAIL MAWJI**
COMPANY SECRETARY



Report of the Directors

The Directors submit their report together with the audited financial statements of Occidental Insurance Company Limited (the Company) for the year ended 31 December 2018, which disclose the state of affairs of the Company.

1. Principal activities

The Company conducts all classes of general insurance business as defined by the Kenyan Insurance Act, 2015.

2. Incorporation

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private Company limited by shares, and is domiciled in Kenya.

3. Results and dividend

Profit for the year of KShs 244,878,582 (2017: KShs 93,410,756) has been added to retained earnings. The Directors propose a final dividend of KShs 51,975,000 (2017: KShs 12,474,000) and an interim dividend of KShs 6,029,100 proposed (2017: KShs 20,097,000) for the year.

4. Directors

The Directors who held office during the year and to the date of this report are shown on page 4. In accordance with the Company's Articles of Association, no directors are due for retirement by rotation.

5. Business review

During the year 2018, the Company performed commendably well despite the challenges and an increasingly competitive business environment. The Company experienced a premium growth of 0.19% from KShs 2.59 billion in 2017 to KShs 2.60 billion in 2018. The total asset base of the Company also improved by 4.66%, growing from KShs 3.77 billion in 2017 to KShs 3.94 billion in 2018. The Company posted an underwriting profit of KShs 27.18 million during the year versus a loss of KShs 38.66 million recorded in 2017 as we improved our reserves and increased management expenses to cater for growth. Profit before tax posted in 2018 was KShs 290.71 million against KShs 115.03 million recorded in 2017.

6. Relevant audit information

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

- There is no relevant audit information of which the Company's auditor is unaware of; 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.

7. Employees

The Directors are pleased to record their appreciation for the untiring efforts of all employees of the Company. The average number of employees in 2018 was 158 (2017 – 143).


8. Independent auditor

The Company's auditors, KPMG Kenya, will continue in office in accordance with the Kenyan Companies Act, 2015.

9. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 22 March 2019.

By order of the board



D & M Management Services LLP
Certified Public Secretaries
Secretary
Nairobi

22 March 2019

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements of Occidental Insurance Company Limited set out on pages 19 to 56 which comprise the statement of financial position of the Company as at 31 December 2018, and the Company's statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and fairly presenting the financial statements in the circumstances, preparation and presentation of the Company financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of Company financial statements that are free from material misstatements, whether due to fraud or error.

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Company and of the Company operating results.

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

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 22 March 2019.



Mike Eldon
Director



Mayank Patel
Director

22 March 2019

Report of the Independent Auditors to the Members of Occidental Insurance Company Limited



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Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
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Nairobi, Kenya

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Report on the audit of the financial statements

Opinion

We have audited the financial statements of Occidental Insurance Company Limited (the "Company") set out on pages 19 to 56 which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Occidental Insurance Company Limited as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 Auditors Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our 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.

Premium income and receivables	
See Notes 4(b) and 5 to the financial statements.	
The key audit matter	How the matter was addressed
"Significant judgment is involved in premium revenue recognition, determination of unearned premiums and estimation of provisions for uncollected premiums receivables. There are inherent risks in the valuation of insurance and reinsurance receivables and these balances require judgement to be applied by the Directors and Management in the valuation. In addition their processing requires manual adjustments to be made. Due to the above factors, we considered premium income and receivables to be a key audit matter.	Our audit procedures in this area included, among others; <ul style="list-style-type: none"> - Evaluation and testing of key controls over the processes designed to record and monitor premium income and insurance and reinsurance receivables; - Inspection of management's aged premium receivable analysis and recoveries as at 31 December 2018 - Understanding the terms of the reinsurance programmes in place and conducting relevant substantive procedures and substantive analytical procedures to assess the reasonableness of the reinsurance assets relative to gross provisions. - Testing of the manual adjustments on a sample basis by tracing back to supporting documentation.

KPMG Kenya is registered partnership and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Partners
(British*)

EE Aholi
BC D'Souza
JM Galhecha
JI Kariuki
PI Kinuthia

AM Mbai
JL Mwaura
BM Ndung'u
JM Ndunyu
AW Pringle*

Report of the Independent Auditors to the Members of Occidental Insurance Company Limited (continued)



Insurance contract liabilities

See Note 3 and 25 to the financial statements.

The key audit matter	How the matter was addressed
<p>Short term insurance contract liabilities constitute about 55% of the Company's total liabilities. Valuation of these liabilities is highly judgmental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognized in respect of claims that have occurred, but have not yet been reported to the Company. Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation and reserving of insurance liabilities. The key assumptions that drive the reserving calculations include graduate development factors, loss ratios, inflation assumptions and claims expense assumptions. The valuation of insurance contract liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.</p> <p>Consequently, we have determined the valuation of short term insurance contract liabilities to be a key audit matter."</p>	<p>Our audit procedures in this area included, among others;</p> <ul style="list-style-type: none"> - Evaluating and testing key controls around the claims handling and reserve setting processes of the Company; - Checking for any unrecorded liabilities at the end of the period; - Checking samples of claims reserves through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters; - Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations; - Re-projecting the incurred but not reported reserve balances using the actuarially-determined reserve percentages per class of business; - Using our actuarial specialists to review the reserving methodology applied and analytically reviewing the valuation results presented and movements since the previous year end. We focused on understanding the methodologies applied and examined areas of judgement such as changes in valuation assumptions; and - Considering the validity of management's liability adequacy testing by assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of Company and industry experience data and specific product features

Information Technology (IT) systems and controls

The key audit matter	How the matter was addressed
<p>Many financial reporting controls depend on the correct functioning of related elements of the operational and financial IT systems, for example interfaces between policy administration and financial reporting systems or automated controls which are designed to prevent inaccurate or incomplete transfers of financial information. This is an area of significant risk in our audit due to the complexity of the IT infrastructure, particularly where systems require increased manual inputs.</p>	<p>In this area our audit procedures included, among others:</p> <ul style="list-style-type: none"> - Testing general IT controls around system access and change management and testing controls over computer operations within specific applications which are required to be operating correctly to mitigate the risk of misstatement in the financial statements; - With the support of our own IT specialists, we tested these controls through examining whether changes made to the systems were appropriately approved, and assessing whether appropriate restrictions were placed on access to core systems through testing the permissions and responsibilities of those given that access; - Where IT controls were not operating effectively and we were therefore unable to rely on certain automated IT controls, we considered whether financial information was impacted and extended the scope of our work by performing additional audit procedures; and - In the areas where we performed additional procedures we evaluated reliance on manual compensating controls, such as reconciliations between systems and other information sources, and performed additional testing, such as extending the size of our sample sizes.

Report of the Independent Auditors to the Members of Occidental Insurance Company Limited (continued)



Other information

The Directors are responsible for the other information. The other information obtained at the date of this auditors' report is the Chairman's statement, the Report of the Directors, Statement of Directors' responsibilities, Company Information and Supplementary Information, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Directors' responsibilities for the financial statements

As stated on page 14, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Company's audit. We remain solely responsible for our audit opinion.

Report of the Independent Auditors to the Members of Occidental Insurance Company Limited (continued)



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 auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you, based on our audit:-

- In our opinion, the information given in the Directors report on page 13 is consistent with the financial statements.
- Our report on the financial statements is unqualified.

The signing partner responsible for the audit resulting in this independent auditors' report is CPA Alexander Mbai – P/2172.

KPMG Kenya

**KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612
00100 Nairobi GPO
22 March 2019**

Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31st December 2018

	Notes	2018 KShs	2017 KShs
Gross written premium		2,602,359,380	2,597,391,543
Net decrease/(increase) in unearned premium reserves	26	31,589,230	(227,235,446)
Gross earned premiums	5	2,633,948,610	2,370,156,097
Less: reinsurance premium ceded		(640,612,513)	(674,257,650)
Net earned premiums		1,993,336,097	1,695,898,447
Investment and other income	6	327,962,007	193,459,265
Gain on revaluation of investment properties	15	30,000,000	40,000,000
Commissions earned		180,324,530	205,519,693
Net income		2,531,622,634	2,134,877,405
Claims payable	7	(1,700,077,921)	(1,599,095,440)
Less: amounts recoverable from reinsurers		475,760,472	446,694,504
Net claims payable		(1,224,317,449)	(1,152,400,936)
Operating and other expenses	8	(643,350,965)	(490,006,205)
Commissions payable		(373,248,696)	(377,441,537)
Profit before tax		290,705,524	115,028,727
Income tax expense	10	(45,826,942)	(21,617,971)
Profit for the year after tax		244,878,582	93,410,756
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of quoted shares	22(a)	(39,757,223)	34,726,509
Deferred tax on fair value loss/(gain)	23	5,836,096	(10,417,953)
Total other comprehensive income		(33,921,127)	24,308,556
Total comprehensive income for the year attributable to shareholders of the Company		210,957,455	117,719,312
Earnings per share	30	304.41	169.87
Interim dividend proposed for the year	32	6,029,100	20,097,000
Final dividend proposed for the year	32	51,975,000	12,474,000

The notes on pages 23 to 56 form an integral part of these financial statements.

Statement of Financial Position

For the year ended 31st December 2018

	Notes	2018 KShs	2017 KShs
CAPITAL EMPLOYED			
Share capital	11	693,000,000	693,000,000
Retained earnings	12	588,632,649	401,758,167
Revaluation reserve	13	(18,797,265)	15,123,862
Proposed dividend	32	58,004,100	12,474,000
Shareholders' funds		1,320,839,484	1,122,356,029
REPRESENTED BY:			
Assets			
Vehicles and equipment	14	79,476,974	46,143,867
Investment properties	15	540,000,000	531,000,000
Intangible assets	16	39,199,334	38,467,446
Deferred acquisition cost	17	126,752,444	131,268,908
Kenya Motor Insurance Pool	18	11,599,648	11,441,155
Reinsurers' share of technical provisions and reserves	19	369,089,497	369,255,664
Other receivables and prepayments	20	30,096,715	27,994,093
Current tax recoverable	10	3,247,319	30,526,885
Government securities - 'Held to maturity'	21(a)	1,376,750,506	1,201,393,528
Corporate bonds	21(b)	10,962,922	14,545,321
Equity investments 'Available-for-sale':-			
- quoted investments	22(a)	176,676,531	131,380,284
Unquoted equity investments held at cost	22(b)	824,875	100,824,875
Receivables arising out of reinsurance arrangements		245,233,004	285,666,748
Receivables arising out of direct insurance arrangements	4(b)	738,478,979	666,589,231
Deposits with financial institutions	24	112,780,687	135,152,196
Cash and cash equivalents	24	81,847,714	47,747,447
TOTAL ASSETS		3,943,017,149	3,769,397,648
Liabilities			
Deferred tax liabilities	23	6,462,672	11,782,349
Insurance contract liabilities	25	1,449,888,441	1,381,759,180
Unearned premium reserve	26	919,037,227	960,191,548
Creditors arising from reinsurance arrangements		159,220,657	198,486,566
Other payables	27	87,568,668	94,821,976
Total liabilities		2,622,177,665	2,647,041,619
NET ASSETS		1,320,839,484	1,122,356,029

The financial statements on pages 19 to 56 were approved and authorised for issue by the Board of Directors on 22 March, 2019 and were signed on its behalf by:


Mike Eldon
Director


Mayank Patel
Director


Asok Ghosh
Principal Officer

The notes on pages 23 to 56 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st December 2018

	Share capital	Retained earnings	Fair value reserve	Proposed dividends	Total
Year ended 31 December 2018	KShs	KShs	KShs	KShs	KShs
At 1 January 2018	693,000,000	401,758,167	15,123,862	12,474,000	1,122,356,029
Total comprehensive income:					
Profit for the year	-	244,878,582	-	-	244,878,582
Other comprehensive income:					
Change in fair value of 'Available-for-sale' investments (Note 22(a))	-	-	(39,757,223)	-	(39,757,223)
Deferred income tax relating to components of other comprehensive income (Note 23)	-	-	5,836,096	-	5,836,096
Total comprehensive income for the year	-	244,878,582	(33,921,127)	-	210,957,455
Transaction with owners					
Dividends:					
- Final dividend paid for 2017 (Note 32)	-	-	-	(12,474,000)	(12,474,000)
- Interim dividend proposed 2018 (Note 32)	-	(6,029,100)	-	6,029,100	-
- Final dividend proposed 2018 (Note 32)	-	(51,975,000)	-	51,975,000	-
Total transaction with owners	-	(58,004,100)	-	45,530,100	(12,474,000)
At 31 December 2018	693,000,000	588,632,649	(18,797,265)	58,004,100	1,320,839,484

	Share capital	Retained earnings	Fair value reserve	Proposed dividends	Total
	KShs	KShs	KShs	KShs	KShs
At 1 January 2017	693,000,000	340,918,411	(9,184,694)	30,000,000	1,054,733,717
Total comprehensive income:					
Profit for the year	-	93,410,756	-	-	93,410,756
Other comprehensive income:					
Change in fair value of 'Available-for-sale' investments (Note 22(a))	-	-	34,726,509	-	34,726,509
Deferred income tax relating to components of other comprehensive income (Note 23)	-	-	(10,417,953)	-	(10,417,953)
Total comprehensive income for the year	-	93,410,756	24,308,556	-	117,719,312
Transaction with owners					
Dividends:					
- Final dividend paid for 2016 (Note 32)	-	-	-	(30,000,000)	(30,000,000)
- Interim dividend proposed 2017 (Note 32)	-	(20,097,000)	-	20,097,000	-
- Interim dividend paid 2017 (Note 32)	-	-	-	(20,097,000)	(20,097,000)
- Final dividend proposed 2017 (Note 32)	-	(12,474,000)	-	12,474,000	-
Total transaction with owners	-	(32,571,000)	-	(17,526,000)	(50,097,000)
At 31 December 2017	693,000,000	401,758,167	15,123,862	12,474,000	1,122,356,029

The notes on pages 23 to 56 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st December 2018

	Notes	2018 KShs	2017 KShs
Operating activities			
Cash from operations	28	(39,638,620)	59,751,993
Tax paid	10	(18,030,957)	(27,557,864)
Net cash from operations		(57,669,577)	32,194,129
Investing activities			
Net purchase in government securities		(175,356,978)	(144,718,040)
Interest received from current bank accounts	6	10,204,146	1,566,217
Interest income from fixed deposits	6	12,781,982	15,165,301
Interest income from Held-to-Maturity investments	6	149,837,654	120,304,808
Share of profit from Kenya Motor Insurance Pool	6	158,493	821,896
Proceeds from disposal of vehicles and equipment		755,485	519,000
Purchase of vehicles and equipment	14	(58,348,488)	(21,461,178)
Proceeds on disposal of shares	22(b)	203,500,000	5,882,792
Proceeds from disposal of investment property		20,543,000	-
Purchase of intangible assets	16	(731,888)	(5,514,573)
Net movement in corporate bonds	21(b)	3,582,399	(3,362,500)
Purchase of quoted shares	22(a)	(85,053,470)	(6,575,400)
Net cash from investing activities		81,872,335	(37,371,677)
Financing activities			
Dividend paid	32	(12,474,000)	(50,097,000)
Net cash (used in) financing activities		(12,474,000)	(50,097,000)
Net decrease in cash and cash equivalents		11,728,758	(55,274,548)
Movement in cash and cash equivalents			
At start of year		182,899,643	238,174,191
Increase/(decrease)		11,728,758	(55,274,548)
At end of year	24	194,628,401	182,899,643

The notes on pages 23 to 56 form an integral part of these financial statements.

Financial Statements

For the year ended 31st December 2018

Notes

1. GENERAL INFORMATION

The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 as a private limited liability Company and is domiciled in Kenya. The address of its registered office is:

Plot No. LR 1870/III/42, School Lane, Westlands
P.O. Box 66249, 00800
Nairobi

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) *Statement of compliance*

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and in the manner required by the Kenya Companies Act, 2015. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (KShs).

For 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 account is presented in the statement of profit or loss and other comprehensive income.

(ii) *Basis of measurement*

The financial statements are prepared under the historical cost basis.

(iii) *Functional presentation currency*

The financial statements are presented in Kenya Shillings, which is the Company's functional and presentation currency.

(iv) *Use of estimates and judgements*

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The estimates and assumptions are based on the directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements is described in Note 3.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations

(i) New standards, amendments and interpretations effective and adopted during the year

The Company has adopted the following new standards and amendments during the year ended 31 December 2018, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2018. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
- IFRS 15 Revenue from Contracts with Customers	1 January 2018
- Classification and Measurement of Share-based	1 January 2018
- Payment Transactions (Amendments to IFRS 2)	1 January 2018
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
- IAS 40 Transfers of Investment Property	1 January 2018
- Annual improvements cycle (2014–2016)	1 January 2018

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when the Company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The Company applied IFRS 15 on 1 January 2018 using the modified retrospective approach in which the cumulative effect of initially applying this Standard is recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2018 without restating comparative periods.

There was no material impact of application of IFRS 15 and no adjustment to retained earnings was required.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The following clarifications and amendments are contained in the pronouncement:

- *Accounting for cash-settled share-based payment transactions that include a performance condition*

Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations (continued)

(i) *New standards, amendments and interpretations effective and adopted during the year (continued)*

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (continued)

- *Accounting for modifications of share-based payment transactions from cash-settled to equity-settled*

Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The adoption of this standard did not have a material impact on the Company's financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations (continued)

(i) New standards, amendments and interpretations effective and adopted during the year

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

- (a) at fair value; or
- (b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of this standard did not have a material impact on the Company's financial statements.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment property on when a Company should transfer a property asset to, or from, investment property.

The adoption of this standard did not have a material impact on the amounts and disclosures of the Company's financial statements.

Annual improvement cycle (2014 – 2016) – various standards

Standards	Amendments
IFRS 1 First-time Adoption of IFRS	Outdated exemptions for first-time adopters of IFRS are removed. The amendments apply prospectively for annual periods beginning on or after 1 January 2018.
IAS 28 Investments in Associates and Joint Ventures	A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments apply retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

The adoption of these standards did not have a material impact on the amounts and disclosures of the Company's financial statements.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations (continued)

(ii) New standards, amendments and interpretations effective but not yet adopted for the year ended 31 December 2018

IFRS 9, 'Financial instruments: Classification and measurement'

In July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

In September 2016, the IASB published Amendments to IFRS 4, 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' to address the temporary consequences of the different effective dates of IFRS 9 and IFRS 17, 'Insurance Contracts'.

The amendments include an optional temporary exemption from applying IFRS 9 and the associated amendments until IFRS 17 comes into effect in 2021. This temporary exemption is available to companies whose predominant activity is to issue insurance contracts based on meeting the eligibility criteria as at 31 December 2015 as set out in the amendments.

Qualification for the temporary exemption under the Amendments to IFRS 4, 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'

The Company assessed its predominance ratio – i.e. the percentage of its liabilities connected with insurance relative to all of its liabilities – and determined that the ratio is 97% as at 31 December 2018. The Company therefore met the eligibility criteria and will defer the adoption of IFRS 9 on or before 1 January 2022 on adoption of IFRS 17, 'Insurance Contracts'.

Comparability disclosure

When adopted, IFRS 9 replaces the existing IAS 39, 'Financial Instruments – Recognition and Measurement', and will affect the following three areas:

The adoption of these standards did not have a material impact on the amounts and disclosures of the Company's financial statements.

- The classification and the measurement of financial assets and liabilities
Under IFRS 9, the classification of financial assets is redefined. Based on the business model in which the assets are held and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' or SPPI), financial assets are classified into one of the following categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). An option is also available at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces accounting mismatches. At present a significant proportion (68%) of the Company's investments are valued at amortised cost and the Company's current expectation is that a significant proportion will continue to be designated as such under IFRS 9. The existing IAS 39 amortised cost measurement for financial liabilities is largely maintained under IFRS 9 but for financial liabilities designated at FVTPL, changes in fair value due to changes in entity's own credit risk, required by IFRS 13, are to be recognised in other comprehensive income.

The calculation of the impairment charge relevant for financial assets held at amortised cost or FVOCI. A new impairment model based on an expected credit loss approach replaces the existing IAS 39 incurred loss impairment model, resulting in earlier recognition of credit losses compared to IAS 39. The impairment charge recognition under the new model is in three stages:

- Stage 1 – at initial recognition, and for each subsequent reporting period when there has been no significant increase in credit risk since initial recognition, recognise 12 month expected credit losses;
- Stage 2 – recognise lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition; or
- Stage 3 – recognise incurred losses for credit-impaired assets, similar to IAS 39.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations (continued)

(iii) New standards, amendments and interpretations effective but not yet adopted for the year ended 31 December 2018 (continued)

IFRS 9, 'Financial instruments: Classification and measurement' (continued)

Comparability disclosure - continued

This aspect is the most complex area of IFRS 9 to implement and will involve significant judgements and estimate processes.

The hedge accounting requirements which are more closely aligned with the risk management activities of the Company. This is however not anticipated to have an effect on the Company as the Company does not practice hedge accounting.

Management have performed a preliminary assessment of the classification of financial assets under IFRS 9. For comparability, the following table shows the fair value at the reporting date of:

- Financial assets that meet the SPPI test in IFRS 9, excluding any financial assets that meet the definition of held for trading and that are managed and evaluated on a fair value basis; and
- All other financial assets.
- *The classification and the measurement of financial assets and liabilities*

	Note	Original classification under IAS 39	Preliminary assessment of classification under IFRS 9 as at 31 December 2018	Carrying amount under IAS 39 as at 31 December 2018	Carrying amount under IFRS 9 as at 31 December 2018
Financial assets that meet SPPI test under IFRS 9				KShs	KShs
Other receivables and prepayments		Loans and receivables	Amortised cost	30,096,715	30,096,715
Government securities	21(a)	Held to Maturity (HTM)	Amortised cost	1,376,750,506	1,376,750,506
Corporate bonds	21(b)	Held to Maturity (HTM)	Amortised cost	10,962,922	10,962,922
Receivables arising out of reinsurance arrangements		Loans and receivables	Amortised cost	245,233,004	245,233,004
Receivables arising out of direct insurance	4(b)	Loans and receivables	Amortised cost	738,478,979	738,478,979
Deposits with financial institutions	24	Loans and receivables	Amortised cost	112,780,687	112,780,687
Cash and cash equivalents	24	Loans and receivables	Amortised cost	81,847,714	81,847,714
Total				2,596,150,527	2,596,150,527
	Note	Original classification under IAS 39	Preliminary assessment of classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Other financial assets				KShs	KShs
Equity investments -Quoted	22(a)	Available-for-sale	FVOCI	176,676,531	176,676,531
Equity investments -Unquoted	22(b)	Available-for-sale	FVOCI	824,875	824,875
Total				177,501,406	177,501,406

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations (continued)

(ii) *New standards, amendments and interpretations effective but not yet adopted for the year ended 31 December 2018 (continued)*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, and have not been applied in preparing these financial statements.

The Company does not plan to adopt these standards early. These are summarised below;

Standard	Application date
- IFRS 16 Leases	01 January 2019
- IFRIC 23 Uncertainty over income tax treatments	01 January 2019
- IFRS 9 Prepayment Features with Negative Compensation	01 January 2019
- IAS 28 Long-term Interests in Associates and Joint Ventures	01 January 2019
- Annual improvements cycle (2015-2017)	01 January 2019
- IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	01 January 2019
- IFRS 3 Definition of a Business	01 January 2020
- Amendments to references to the Conceptual Framework in IFRS Standards	01 January 2020
- Amendments to IAS 1 and IAS 8 Definition of Material	01 January 2020
- IFRS 17 Insurance contracts	01 January 2022
- Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	To be determined

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A Company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A Company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.
- depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) New standards, amendments and interpretations (continued)

(ii) *New standards, amendments and interpretations effective but not yet adopted for the year ended 31 December 2018 (continued)*

IFRS 16: Leases – continued

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a Company to recognise assets and liabilities for:

- (a) short-term leases (i.e. leases of 12 months or less); and
- (b) leases of low-value assets

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 Clarification on accounting for income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The entity will also need to provide disclosures, under existing disclosure requirements, about

- (a) judgments made;
- (b) assumptions and other estimates used; and
- (c) potential impact of uncertainties not reflected.

The new Standard is effective for annual periods beginning on or after 1 January 2019.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New standards, amendments and interpretations (continued)

(ii) *New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)*

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

The adoption of these amendments will not have an impact on the financial statements of the Company.

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The adoption of these standards will not have an impact on the financial statements of the Company.

Annual improvement cycle (2015 – 2017) – various standards

Standards	Amendments
IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	Clarifies how a Company accounts for increasing its interest in a joint operation that meets the definition of a business: <ul style="list-style-type: none"> - If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. - If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
IAS 12 Income taxes	Clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
IAS 23 Borrowing costs	Clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

Annual improvement cycle (2015 – 2017) – various standards (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The adoption of these amendments is not expected to affect the amounts and disclosures of the Company's financial statements.

IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a Company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

Consistent with the calculation of a gain or loss on a plan amendment, entities will now use updated actuarial assumptions to determine the current service cost and net interest for the period. Previously, entities would not have updated the calculation of these costs until the year-end.

Further, if a defined benefit plan is settled, any asset ceiling would be disregarded when determining the plan assets as part of the calculation of gain or loss on settlement.

The amendments apply for plan amendments, curtailments or settlements that occur on or after 1 January 2019, or the date on which the amendments are first applied. Earlier application is permitted.

The adoption of this standard will not have an impact on the financial statements of the Company.

IFRS 3 Definition of a Business

With a broad business definition, determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. These amendments to IFRS 3 Business Combinations seek to clarify this matter as below however complexities still remain.

- Optional concentration test

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

- Substantive process

If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The definition of a business is now narrower and could result in fewer business combinations being recognised.

The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The adoption of this standard will not have an impact on the financial statements of the Company.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

Amendments to References to the Conceptual Framework in IFRS Standards

This amendment sets out amendments to IFRS Standards (Standards), their accompanying documents and IFRS practice statements to reflect the issue of the International Accounting Standards Board (IASB) revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 (Framework) or the Conceptual Framework for Financial Reporting issued in 2010. Amendments to References to the Conceptual Framework in IFRS Standards updates some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are based on proposals in the Exposure Draft Updating References to the Conceptual Framework, published in 2015, and amend Standards, their accompanying documents and IFRS practice statements that will be effective for annual reporting periods beginning on or after 1 January 2020.

The adoption of these changes will not affect the amounts and disclosures of the Company's financial statements.

IAS 1 and IAS 8 Definition of Material

The amendment refines the definition of Material to make it easier to understand and aligning the definition across IFRS Standards and the Conceptual Framework.

The amendment includes the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the amendments also adds the increased threshold of 'could influence' to 'could reasonably be expected to influence' as below.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

However, the amendment has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of the refined definition of materiality.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

- (a) insurance contracts, including reinsurance contracts, it issues;
- (b) reinsurance contracts it holds; and
- (c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New standards, amendments and interpretations (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

IFRS 17 Insurance Contracts – continued

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

- (a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
- (b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

- (a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
- (b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The Company expects to incrementally provide more disclosures to facilitate an understanding of the changes and the impact that such changes have on the Company as the implementation programme progresses. At implementation, extensive disclosures will be provided to explain the transition approach followed as well as the calculation basis for the fulfilment cash flow components. IFRS 17 requires considerable additional disclosures including the nature and extent of risks arising from insurance contracts; detailed reconciliations for the liability for incurred claims and each measurement component of the liability for remaining coverage; as well as significant judgements made in applying the standard.

Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Company meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

The adoption of these changes will not affect the amounts and disclosures of the Company's financial statements.

The Company did not early adopt new or amended standards in the year ended 31 December 2018.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Insurance contracts

Recognition and measurement

Premium income

Premium income is recognized on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date, and is computed using the 365th method. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims payable

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims.

Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted. The methods used estimating the provision for IBNR include;

- Basic Chain-Ladder Method ("BCL")
- Bornhuetter-Ferguson Method ("BF")
- IRA Standard Development Model ("SD")

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

Commissions and deferred acquisition costs ("DAC")

A proportion of commission's payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

Reinsurance contracts held

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

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

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. (Note 2 (g)).

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Insurance contracts (continued)

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets (Note 2 (g)).

Salvage and subrogation reimbursements

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

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

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled.

Other income

- Investment income is stated net of investment expenses.
- Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.
- Rental income is recognised as income in the period in which it is earned.
- Dividend income is recognised when the shareholders right to receive payment has been established.

d) Vehicles and equipment

All vehicles and equipment are initially recorded at cost. All vehicles and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life. The vehicles and equipment are depreciated over a period of between 3 and 8 years.

Vehicles and equipment are reviewed at each reporting date for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Asset residual values and their estimated useful lives are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of vehicles and equipment are determined immediately by reference to their carrying amounts.

e) Financial assets *Classification*

The Company classifies its financial assets in the following categories: loans and receivables, held-to-maturity financial assets, and 'Available-for-sale' financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial assets (continued)

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the Company upon initial recognition designates as available-for-sale; or (b) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The Company's loans and receivables comprise receivables arising out of reinsurance arrangements, receivables arising out of direct insurance arrangements, other receivables and prepayments and 'cash and cash equivalents' in the statement of financial position.

(ii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale.

(iii) *Available-for-sale financial assets*

'Available-for-sale' investments are those non-derivative financial assets that are not classified under any of categories (i) – (ii) above and are neither classified as fair value through profit or loss.

Recognition and derecognition

Regular way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and 'Available-for-sale' are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, transaction costs for all financial assets except those carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of investment income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as 'Available-for-sale' are recognised in other comprehensive income.

Dividends on 'Available-for-sale' equity instruments are recognised in profit or loss when the Company's right to receive payments is established. Both are included in the investment income line.

(f) *Investment properties*

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognised at cost and subsequently measured at fair value representing open market value at the reporting date and is determined annually by independent external registered valuers. Changes in fair value are recorded in profit or loss. Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining profit before tax.

(g) *Impairment of financial assets*

(i) *Financial assets carried at amortised cost*

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective.

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost (continued)

Evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events;
- significant financial difficulty of the issuer;
- a breach of contract, such as default or delinquency in interest or principal repayments;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

(ii) Assets carried at fair value

In the case of equity investments classified as 'Available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for 'Available-for-sale' financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as 'Available-for-sale' increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

(iii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(i) Accounting for leases

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

Financial Statements

For the year ended 31st December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Employee benefits

(i) Retirement benefit obligations

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

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

(ii) Other entitlements

The estimated monetary liability for employees accrued gratuity entitlement at the reporting date is recognised as an expense accrual.

(k) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income, in which case, the tax is also recognised in the statement of other comprehensive income.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

(l) 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.

(m) Share capital

Ordinary shares are classified as equity.

(n) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimation of future benefit payments from general insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

Financial Statements

For the year ended 31st December 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

The determination of the liabilities under general insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected amounts of claims to be paid in future. Judgment is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the Company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. The assumption, methodology and risks managed in the determination of insurance contract liabilities are described in note 2(c) and note 4.

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

- **Impairment of receivables**
The Company reviews their portfolio of receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.
- **Fair value measurement and valuation process**
In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available.
- **Useful lives of vehicles and equipment**
Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the Directors determined no significant changes in the useful lives and residual values.
- **Held to maturity financial assets**
The Directors have reviewed the Company's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Company's positive intention and ability to hold those assets to maturity.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company's activities expose it to a variety of risks, including insurance risk and financial risk (credit risk, and the effect changes in debt and equity market prices and interest rates).

The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, 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.

This section summarises the way the Company manages key risks:

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Financial Statements

For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported claims (IBNR) for each successive year at each reporting date, together with cumulative payments to date from the short term insurance contracts.

	2013 Kshs	2014 Kshs	2015 Kshs	2016 Kshs	2017 Kshs	2018 Kshs	Total Kshs
At end of accident year	360,170,372	537,988,066	471,704,462	494,218,430	653,378,127	713,450,953	
One year later	767,230,368	917,203,792	910,290,749	899,847,040	1,230,632,688		
Two years later	838,962,777	997,414,620	1,040,229,968	1,043,487,950			
Three years later	878,871,786	1,102,295,579	1,111,396,276				
Four years later	935,413,671	1,140,873,855					
Five years later	969,022,606						
Ultimate Claims Estimate	969,022,606	1,140,873,855	1,154,783,924	1,207,524,334	1,517,888,742	1,565,220,492	7,555,313,953
Reserves relating to years before 2013							102,257,276
Less:- Cumulative payments to date	(969,022,606)	(1,140,873,855)	(1,111,396,276)	(1,043,487,950)	(1,230,632,688)	(713,450,953)	(6,208,864,328)
Total gross claims liability in financial statements	-	-	43,387,648	164,036,383	287,256,054	851,769,539	1,448,706,901

The liabilities included in the claims development table above considers the gross incurred but not reported reserve (IBNR). Below is a reconciliation to insurance contract liabilities disclosed in the financial statements:

Claims reported and claims handling expenses (Note 25)
Gross claims Incurred but not reported (IBNR)

As above

Less reinsurance share of IBNR (Note 19)

Insurance contract liabilities

2018 Kshs	2017 Kshs
868,726,191	869,935,696
579,980,710	510,641,944
1,448,706,901	1,380,577,640
(131,124,609)	(88,090,528)
1,317,582,292	1,292,487,112

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For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The concentration of insurance risk before and after reinsurance by territory in relation to the type of casualty insurance risk accepted is summarised on page 31, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts. The Company is exposed to financial risk through its financial assets and financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate risk and price risks. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and credit risk.

(a) Market risk

(i) Price risk

The Company is exposed to equity securities price risk because of investments in quoted securities classified as 'Available-for-sale'. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity the Company diversifies its portfolio on several counters.

Diversification of the portfolio is done in accordance with limits set by the Company and guidelines per the Insurance Act. All quoted shares held by the Company are traded on the Nairobi Securities Exchange (NSE).

The table below summarises the impact of increases/decreases of the NSE on the Company's post-tax profit for the year. The analysis is based on the assumption that the equity indexes had increased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Impact on other comprehensive income:

Index

Increase/decrease

2018 KShs	2017 KShs
8,833,827	6,569,014

(ii) Cash flow and fair value interest rate risk

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

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

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

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

The government securities, cash and equivalents and deposits with financial institutions at year end totalled KShs 1,571,378,907 (2017: KShs 1,384,293,171) representing a significant portion of total assets.

At 31 December 2018, if the interest rates had been 5 percent basis points higher/lower with all other variables held constant, the effect on the post tax profit for the year would have been an increase/decrease by KShs 78,568,945 (2017: KShs 69,214,658).

Financial Statements

For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk (continued)

(b) Credit risk

Other areas where credit risk arises are deposits with banks and other receivables. 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 counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Maximum exposure to credit risk before collateral held

	2018 KShs	2017 KShs
Receivables arising out of direct insurance arrangements	738,478,979	666,589,231
Receivables arising out of reinsurance arrangements	245,233,004	285,666,748
Reinsurers' share of insurance liabilities	369,089,497	369,255,664
Government securities	1,376,750,506	1,201,393,528
Corporate bonds	10,962,922	14,545,321
Deposits with financial institutions	112,780,687	135,152,196
Cash and cash equivalents	81,847,714	47,747,447
Kenya Motor Insurance Pool	11,599,648	11,441,155
Other receivables	30,096,715	27,994,093
	2,976,839,672	2,759,785,383

All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

No collateral is held for the remaining assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts in receivables arising out of direct insurance arrangements.

Receivables arising out of direct insurance arrangements are summarised as follows:

	2018 KShs	2017 KShs
Past due but not impaired	738,478,979	666,589,231

Receivables arising out of direct insurance arrangements past due but not impaired:

	2018 KShs	2017 KShs
Past due but not impaired:		
- by up to 30 days	137,107,084	199,445,763
- by 31 to 60 days	259,601,360	247,830,017
- by 61 to 90 days	132,496,007	88,801,088
- over 90 days	209,274,528	130,512,363
Total past due but not impaired	738,478,979	666,589,231

The Company does not hold any collateral for receivables arising out of direct insurance arrangements.

Receivables arising out of direct insurance arrangements individually impaired relates to brokers.

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For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk (continued)

(c) Liquidity risk

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

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

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

Short term insurance business maturing between 1 to 5 years

As at 31 December

	2018	2017
Insurance contract liabilities (Note 25)	1,449,888,441	1,381,759,180
Creditors arising from reinsurance arrangements	159,220,657	198,486,566
Other payables	87,568,668	94,821,976
Total liabilities	1,696,677,766	1,675,067,722

(d) Fair value estimation

IFRS 7 and IFRS 13 require disclosure of fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

- 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).

The following table presents the company's assets that are measured at fair value:

2018	Level 1	Level 2	Level 3	Total Balances
	KShs	KShs	KShs	KShs
Financial assets at fair value				
Equity investments	176,676,531	-	824,875	177,501,406
Investment property	-	-	540,000,000	540,000,000
Deposits with financial institutions	-	112,780,687	-	112,780,687
Cash and cash equivalents	-	81,847,714	-	81,847,714
Other receivables	-	23,101,987	-	23,101,987
Total	176,676,531	217,730,388	540,824,875	935,231,794
2017	Level 1	Level 2	Level 3	Total Balances
	KShs	KShs	KShs	KShs
Assets				
Financial assets at fair value				
Equity investments	1,366,088	-	61,996	1,428,084
Investment property	-	-	531,000,000	531,000,000
Deposits with financial institutions	-	135,152,196	-	135,152,196
Cash and cash equivalents	-	47,747,447	-	47,747,447
Other receivables	-	23,785,333	-	23,785,333
Total assets	1,366,088	206,684,976	531,061,996	739,113,060

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For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk (continued)

(d) Fair value estimation (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments.

Financial instruments measured at fair value that are not traded in active markets relate to the company's investment in investment properties. Fair value estimate is based on external valuation which relies on discounted cash flows. The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth, occupancy rates and other costs not paid by tenants. The net cash flows are discounted using the risk adjusted discount rate. There were no transfers into or out of this category in the year (2017: nil). The movements in these assets are summarized in note 22.

(e) Financial assets by category

Financial assets

	Receivables	Available for sale equity investments	Equity Investments at cost	Held to maturity	Total
As at 31 December 2018	KShs	KShs	KShs	KShs	KShs
Investments at fair value through profit or loss:					
- unquoted investments	-	-	824,875	-	824,875
- quoted investments	-	176,676,531	-	-	176,676,531
Government securities	-	-	-	1,376,750,506	1,376,750,506
Commercial paper	10,962,922	-	-	-	10,962,922
Receivables arising out of reinsurance arrangements	245,233,004	-	-	-	245,233,004
Receivables arising out of direct insurance arrangements	738,478,979	-	-	-	738,478,979
Deposits with financial institutions	112,780,687	-	-	-	112,780,687
Cash and cash equivalents	81,847,714	-	-	-	81,847,714
Other receivables	23,101,987	-	-	-	23,101,987
Kenya Motor Insurance Pool	11,599,648	-	-	-	11,599,648
	1,224,004,941	176,676,531	824,875	1,376,750,506	2,778,256,853

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For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Financial risk (continued)

(e) Financial assets by category (continued)

	Receivables	Available for sale equity investments	Equity Investments at cost	Held to maturity	Total
As at 31 December 2017	KShs	KShs	KShs	KShs	KShs
Investments at fair value through profit or loss:					
- unquoted investments	-	100,824,875	-	-	100,824,875
- quoted investments	-	131,380,284	-	-	131,380,284
Government securities	-	-	-	1,201,393,528	1,201,393,528
Commercial paper	14,545,321	-	-	-	14,545,321
Receivables arising out of reinsurance arrangements	285,666,748	-	-	-	285,666,748
Receivables arising out of direct insurance arrangements	666,589,231	-	-	-	666,589,231
Deposits with financial institutions	135,152,196	-	-	-	135,152,196
Cash and cash equivalents	47,747,447	-	-	-	47,747,447
Other receivables	23,785,333	-	-	-	23,785,333
Kenya Motor Insurance Pool	11,441,155	-	-	-	11,441,155
	1,184,927,431	232,205,159	-	1,201,393,528	2,618,526,118

(f) Capital management

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

- to comply with the capital requirements as set out in the Insurance Act;
- to comply with regulatory solvency requirements as set out in the Insurance Act.
- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders.
- benefits for other stake holders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Kenyan Insurance Act requires each insurance company to hold the minimum level of paid up capital as follows;

- Composite insurance companies Shs 1 Billion;
- General insurance business companies Shs 600 million; and
- Long term business companies Shs 400 million

The Insurance (Capital Adequacy) Guidelines, 2018 requires an insurer to maintain a capital adequacy ratio of at least 100 percent of the minimum capital prescribed under the Act. The capital required for an insurer shall be equivalent to the minimum capital required under the Act.

During the year the Company held the minimum paid up capital required as well as met the required solvency margins.

Capital adequacy and solvency margin are monitored regularly by management. The required information is filed with the Insurance Regulatory Authority on a quarterly basis. The Company's paid up Capital at the end of 2018 and 2017 is presented on note 16.

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For the year ended 31st December 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

(f) Capital management (continued)

The table below summarises the solvency margin of the Company at 31 December:

	2018 KShs	2017 KShs
Tier-1 Capital	1,338,394,268	1,107,232,167
Tier-2 Capital	(12,706,194)	15,123,862
Deductions	219,390,443	189,173,615
Total Capital Available (TCA)	1,106,297,631	933,182,414
Absolute Amount Minimum	600,000,000	600,000,000
Volume of Business Minimum	339,161,537	281,891,763
Risk Based Capital Minimum	1,023,643,774	967,689,085
Minimum Required Capital	1,023,643,774	967,689,085
Capital Adequacy Ratio (%)	108%	96%

5. GROSS EARNED PREMIUMS

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

	2018 KShs	2017 KShs
General insurance business:		
Motor	1,455,027,637	1,144,437,941
Fire and engineering	462,886,200	500,287,386
Personal accident	55,208,541	49,439,596
Marine	160,521,721	171,374,285
Theft	124,628,505	130,890,354
Workmens compensation	328,802,521	326,915,031
Public liability	14,147,346	12,168,657
Miscellaneous	32,726,139	34,642,847
Gross earned premiums	2,633,948,610	2,370,156,097

6. INVESTMENT AND OTHER INCOME

	2018 KShs	2017 KShs
Interest from government securities	155,079,161	129,710,553
Amortisation of government bond	(5,241,507)	(9,405,745)
Interest from bank deposits	12,781,982	15,165,301
Interest on current bank accounts	10,204,146	1,566,217
Net rental income from investment properties	38,848,962	42,423,316
Dividends received from equity investments	6,914,288	10,261,403
Gain on disposal of quoted equity investments	-	669,489
Gain on disposal of unquoted equity investments	103,500,000	-
Gain on disposal of investment property	4,943,000	-
Gain on disposal of vehicles and equipment	583,218	519,000
Share of profit from Kenya Motor Insurance Pool (Note 18)	158,493	821,896
Other income	190,264	1,727,835
	327,962,007	193,459,265

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7. CLAIMS PAYABLE

Net claims payable by principal class of business comprises of:

	2018 KShs	2017 KShs
Motor	815,063,004	720,926,704
Fire and engineering	371,415,005	279,498,439
Personal accident	31,853,227	28,508,717
Marine	240,684,403	134,264,869
Theft	93,153,776	121,067,052
Workmen's compensation	114,646,916	280,291,530
Public liability	12,352,609	2,725,492
Miscellaneous	20,908,981	31,812,637

Total claims and policyholder benefits payable

1,700,077,921 1,599,095,440

8. OPERATING AND OTHER EXPENSES

	2018 KShs	2017 KShs
Staff costs (Note 9)	312,085,160	229,922,130
Marketing expenses	49,219,688	13,565,912
Printing and stationery	47,745,494	42,323,870
Directors remuneration	42,099,247	41,852,790
Rent	36,353,233	27,827,728
Depreciation on vehicles and equipment	24,843,114	14,608,515
Premium tax	24,730,580	28,765,517
Legal and professional fees	16,918,823	10,242,152
Repairs and maintenance	12,356,845	7,882,996
Bank charges, interest on overdraft and commission	10,800,863	1,992,217
Travelling and transport	8,253,063	3,082,647
Insurance and licenses	7,740,794	5,058,259
Advertising	6,811,206	8,058,660
Policy holder compensation	6,305,008	6,493,556
Postages and telephones	5,978,485	8,039,151
Subscriptions, newspapers and periodicals	5,256,493	899,076
Entertainment	5,235,909	4,646,465
Miscellaneous	4,560,333	4,070,935
Audit fees	4,155,630	3,310,712
Other administrative expenses	3,244,682	132,390
Security expenses	2,535,092	2,273,012
Vehicle running expenses	2,399,206	2,859,189
Donations	1,853,490	4,470,464
Secretarial fees	1,113,600	1,113,600
Association charges	554,927	1,029,673
Fines and penalties	200,000	1,451,449
Impaired reinsurance amounts	-	14,033,140

Total expenses

643,350,965 490,006,205

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For the year ended 31st December 2018

9. STAFF COSTS

Staff costs include the following:

Salaries and wages	291,268,582	214,849,950
Defined benefit scheme and National Social Security Fund	14,307,500	10,845,250
Other staff expenses	6,509,078	4,226,930
	312,085,160	229,922,130

The average staff numbers categorised per department during the period is as shown below:

Accounts	12	11
Audit	3	2
Claims and legal	26	20
Human resource and administration	18	18
Information technology	7	6
Marketing	7	5
Retail	15	21
Risk and compliance	3	3
Underwriting and reinsurance	41	43
Branches	26	14

Average number of staff

2018 KShs	2017 KShs
291,268,582	214,849,950
14,307,500	10,845,250
6,509,078	4,226,930
312,085,160	229,922,130
2018	2017
12	11
3	2
26	20
18	18
7	6
7	5
15	21
3	3
41	43
26	14
158	143

10. TAX CHARGE

Recognised in profit or loss

Current tax	45,310,523	19,153,756
Deferred tax charge (Note 23)	516,419	2,464,215
	45,826,942	21,617,971

Recognised in other comprehensive income

Deferred tax charge (Note 23)	(5,836,096)	10,417,953
	39,990,846	32,035,924

Total tax charge

KShs	KShs
45,310,523	19,153,756
516,419	2,464,215
45,826,942	21,617,971
(5,836,096)	10,417,953
39,990,846	32,035,924

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

Profit before tax	290,705,524	115,028,727
Profit & loss	(39,757,223)	34,726,509
Other comprehensive income	250,948,301	149,755,236

Tax calculated at a tax rate of 30% (2017: 30%)

Tax effect of:

- expenses not allowable for tax purposes	3,890,115	6,450,406
- non-taxable gain on investment property	(9,000,000)	(12,000,000)
- fair value gain on investment property (taxed at 5%)	1,500,000	2,000,000
- non-taxable gain on sale of shares	(31,050,000)	-
- fair value gain on disposal of shares (taxed at 5%)	5,175,000	-
- fair value gain on disposal of investment property (taxed at 5%)	(1,482,900)	-
- non-taxable gain on sale of investment property	247,150	-
- non-taxable loss on listed equity investments	11,927,167	-
- prior year under provision of deferred tax (OCI)	(5,836,096)	-
- income not subject to tax	(10,664,080)	(9,341,054)
	39,990,846	32,035,924

Movement in tax balances

At the beginning of the year

Tax charge

Tax paid

At the end of the year

2018 KShs	2017 KShs
290,705,524	115,028,727
(39,757,223)	34,726,509
250,948,301	149,755,236
75,284,490	44,926,572
3,890,115	6,450,406
(9,000,000)	(12,000,000)
1,500,000	2,000,000
(31,050,000)	-
5,175,000	-
(1,482,900)	-
247,150	-
11,927,167	-
(5,836,096)	-
(10,664,080)	(9,341,054)
39,990,846	32,035,924
30,526,885	22,122,777
(45,310,523)	(19,153,756)
18,030,957	27,557,864
3,247,319	30,526,885

*Fair value gains on investment property in Kenya are taxed at the enacted capital gains tax rate of 5%.

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11. SHARE CAPITAL

Authorised:

1,000,000 (2017: 1,000,000)

Ordinary shares of KShs 1,000 each

Issued and fully paid:

693,000 (2017: 693,000)

Ordinary shares of KShs 1,000 each

2018 KShs	2017 KShs
1,000,000,000	1,000,000,000
693,000,000	693,000,000

12. RETAINED EARNINGS

Included within retained earnings of 2018 are surpluses arising from the revaluation of investment properties whose distribution is subject to restrictions imposed by legislation. The Commissioner has placed restrictions on distribution on gains arising from revaluation of investment properties. As at 31 December 2018, the cumulative fair value gains on the investment properties amounted to KShs 302,395,300 (2017: KShs 273,712,372).

13. FAIR VALUE RESERVE

The revaluation reserve relates to unrealized gains/losses on the Company's equity investments that are carried at fair value through other comprehensive income. Movements in the revaluation reserve are shown in the statement of changes in equity. The fair value reserve is not distributable to the shareholders of the Company. The fair value reserves were KShs (18,797,265) (2017: KShs 15,123,862).

14. VEHICLES AND EQUIPMENT

	Motor vehicles KShs	Computers KShs	Fittings and equipment KShs	Total KShs
2018				
Cost				
At start of year	10,502,575	42,901,339	73,505,751	126,909,665
Additions	110,685	17,236,036	41,001,767	58,348,488
Disposals	(764,100)	(849,359)	(15,980)	(1,629,439)
At end of year	9,849,160	59,288,016	114,491,538	183,628,714
Depreciation				
At start of year	6,768,795	37,172,449	36,824,554	80,765,798
Charge for the year	1,459,637	10,704,134	12,679,343	24,843,114
Disposals	(598,075)	(849,359)	(9,738)	(1,457,172)
At end of year	7,630,357	47,027,224	49,494,159	104,151,740
Net book value	2,218,803	12,260,792	64,997,379	79,476,974
2017				
Cost				
At start of year	9,850,577	36,773,745	61,498,885	108,123,207
Additions	1,501,998	7,927,555	12,031,625	21,461,178
Disposals	(850,000)	(1,799,961)	(24,759)	(2,674,720)
At end of year	10,502,575	42,901,339	73,505,751	126,909,665
Depreciation				
At start of year	5,895,804	33,673,480	29,262,719	68,832,003
Charge for the year	1,722,991	5,298,930	7,586,594	14,608,515
Disposals	(850,000)	(1,799,961)	(24,759)	(2,674,720)
At end of year	6,768,795	37,172,449	36,824,554	80,765,798
Net book value	3,733,780	5,728,890	36,681,197	46,143,867

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15. INVESTMENT PROPERTIES

At start of year
Fair value gain
*Disposal

At end of year

2018 KShs	2017 KShs
531,000,000	491,000,000
30,000,000	40,000,000
(21,000,000)	-
540,000,000	531,000,000

Investment properties include property held under finance leases which are classified and accounted for as investment properties. The fair value of investment property was determined using the market approach by reference to the market prices of similar properties of the type and in the area in which the property is situated. The valuation was carried out on 31 December 2018 by Milligan Limited, an independent professional valuer with recent experience in the location and category of the investment property being valued. These are categorized as Level 3 in the fair value hierarchy. The estimated fair values would increase/ (decrease):

- If property prices near the location of the property were higher/ (lower).
- With improvements/ (deterioration) in infrastructure development

The book values of properties was adjusted and the resultant surplus was credited to the statement of profit or loss. Direct operating expenses arising on the investment property amounted to KShs 7,462,016 (2017: KShs 7,030,970).

*During the year, the Company disposed of its investment property (Kiambu Villa) which had a valuation of KShs 21,000,000 as at 31 December 2017 for net disposal proceed of KShs 25,943,000, realising a gain of KShs 4,943,000.

16. INTANGIBLE ASSETS - WORK IN PROGRESS

At start of year
Additions
At end of year

2018 KShs	2017 KShs
38,467,446	32,952,873
731,888	5,514,573
39,199,334	38,467,446

The above work in progress relates to a computer software (Agilis) being implemented by the Company.

17. DEFERRED ACQUISITION COSTS

At start of year
(Decrease)/increase during the year
At end of year

2018 KShs	2017 KShs
131,268,908	107,743,000
(4,516,464)	23,525,908
126,752,444	131,268,908

18. KENYA MOTOR INSURANCE POOL (KMIP)

At start of year
Share of profit (Note 6)

2018 KShs	2017 KShs
11,441,155	10,619,259
158,493	821,896
11,599,648	11,441,155

19. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

Reinsurer's share of

- Unearned premium reserves
- Outstanding claims
- Incurred but not reported
- Deferred acquisition costs

2018 KShs	2017 KShs
191,897,010	201,462,102
83,705,834	117,850,795
131,124,609	88,090,528
(37,637,956)	(38,147,761)
369,089,497	369,255,664

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For the year ended 31st December 2018

20. OTHER RECEIVABLES AND PREPAYMENTS

Prepayments
Staff loans and advances
Rent receivable
Deposits
Restricted cash amounts
Other receivables

2018 KShs	2017 KShs
6,994,728	4,208,760
7,681,097	7,703,787
5,247,052	6,980,514
6,001,894	4,606,636
10,000	10,000
4,161,944	4,484,396
30,096,715	27,994,093

21. (a) Government securities – 'Held to maturity'

Between 1 and 5 years of the reporting date
After 5 years of the reporting date

2018 KShs	2017 KShs
748,995,663	731,470,708
627,754,843	469,922,820
1,376,750,506	1,201,393,528

(b) Corporate bonds

At start of year
Additions
Disposal

At end of year

2018 KShs	2017 KShs
14,545,321	11,182,821
-	7,000,000
(3,582,399)	(3,637,500)
10,962,922	14,545,321

(c) Weighted average effective interest rates

Government securities
Deposits with financial institutions
Commercial paper

2018 %	2017 %
12.05	11.53
7.96	9.16
13.34	12.50

22. EQUITY INVESTMENTS

(a) Quoted investments

At start of year

Additions
Disposal
Fair value (loss)/gain

At end of year

2018 KShs	2017 KShs
131,380,284	95,961,167
85,053,470	6,575,400
-	(5,882,792)
(39,757,223)	34,726,509
176,676,531	131,380,284

(b) Unquoted equity investments held at cost

At start of year

Disposal proceeds
Fair value gain on disposal

At end of year

2018 KShs	2017 KShs
100,824,875	100,824,875
(203,500,000)	-
103,500,000	-
824,875	100,824,875

The investment in unquoted investments can be summarised as:

Spire Bank Limited

22,347 (2017 : 22,347) Ordinary shares

Victoria Commercial Bank Limited:

100,000 (2017 : 100,000) Ordinary shares of in

At end of year

2018 KShs	2017 KShs
824,875	824,875
-	100,000,000
824,875	100,824,875

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For the year ended 31st December 2018

23. DEFERRED TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2017 – 30%). The movement on the deferred income tax account is as follows:

	2018 KShs	2017 KShs
At start of year	11,782,349	(1,099,819)
Charge to profit or loss (Note 10)	516,419	2,464,215
Prior year under provision – OCI	(5,836,096)	-
Charge to other comprehensive income	-	10,417,953
At end of year	6,462,672	11,782,349

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

2018	At start of year	Prior year over provision recognised in other comprehensive income	Recognised in profit or loss	At end of year
	KShs	KShs	KShs	KShs
Deferred income tax				
Excess depreciation over capital allowances	(4,228,020)	-	(1,718,708)	(5,946,728)
Provisions	(3,511,346)	-	800,981	(2,710,365)
Fair value loss on quoted investments	5,836,096	(5,836,096)	-	-
Fair value gain on investment properties	13,685,619	-	1,434,146	15,119,765
Net deferred tax	11,782,349	(5,836,096)	516,419	6,462,672

2017	At start of year	Recognised in profit or loss	Recognised in OCI	At end of year
	KShs	KShs	KShs	KShs
Deferred income tax				
Excess depreciation over capital allowances	(3,742,268)	(485,752)	-	(4,228,020)
Provisions	(4,461,313)	949,967	-	(3,511,346)
Fair value loss on quoted investments	(4,581,857)	-	10,417,953	5,836,096
Fair value gain on investment properties	11,685,619	2,000,000	-	13,685,619
Net deferred tax	(1,099,819)	2,464,215	10,417,953	11,782,349

24. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 KShs	2017 KShs
Cash and bank balances	81,847,714	47,747,447
Fixed deposits maturing within 90 days	112,780,687	135,152,196
	194,628,401	182,899,643

25. INSURANCE CONTRACT LIABILITIES

Short term insurance contracts:

- claims reported and claims handling expenses
- claims incurred but not reported (IBNR)

Long term insurance contracts:

- claims reported and claims handling expenses

Total gross insurance liabilities

	2018 KShs	2017 KShs
	868,726,191	869,935,696
	579,980,710	510,641,944
	1,448,706,901	1,380,577,640
	1,181,540	1,181,540
	1,449,888,441	1,381,759,180

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26. UNEARNED PREMIUM RESERVES

At start of year

Net (decrease)/increase

Reinsurance share

At end of year

2018 KShs	2017 KShs
960,191,548	736,952,000
(31,589,230)	227,235,446
(9,565,091)	(3,995,898)
919,037,227	960,191,548

27. OTHER PAYABLES

Rental deposits

Other accrued expenses

Deposit on sale of property

Accrued leave due

Other liabilities

2018 KShs	2017 KShs
7,216,008	6,847,521
19,221,365	12,397,391
-	5,400,000
9,034,551	11,704,488
52,096,744	58,472,576
87,568,668	94,821,976

28. CASH FROM OPERATIONS

Reconciliation of profit before tax to cash from operations:

Profit before tax

Adjustments for:

- Interest income
- Gain on revaluation of investment property (Note 15)
- Gain on disposal of unquoted equity investments (Note 22(b))
- Gain on disposal of investment property
- Amortisation of government bonds
- Gain on disposal of vehicles and equipment
- Depreciation on vehicles and equipment (Note 14)

Changes in:

- insurance contract liabilities
- provisions for unearned premium
- receivables arising out of direct insurance arrangements
- other receivables and prepayments
- other payables
- increase in creditors arising out of reinsurance arrangements
- movement in reinsurance debtors
- movement in deferred acquisition costs
- net movement in Kenya Motor Insurance Pool
- receivables arising out of reinsurance arrangements

Cash from operations

2018 KShs	2017 KShs
290,705,524	115,028,727
(172,823,782)	(147,263,967)
(30,000,000)	(40,000,000)
(103,500,000)	-
(4,943,000)	-
5,241,507	9,405,745
(583,218)	(519,000)
24,843,114	14,608,515
68,129,261	145,396,718
(41,154,321)	223,239,548
(71,889,748)	(191,528,914)
(2,102,622)	9,340,821
(7,253,308)	1,629,374
(39,265,909)	44,274,805
166,167	(10,155,049)
4,516,464	(23,525,908)
(158,493)	(821,896)
40,433,744	(89,357,526)
(39,638,620)	59,751,993

Financial Statements

For the year ended 31st December 2018

29. RELATED PARTY TRANSACTIONS

The following companies are related to Occidental Insurance Company Limited through common directorships.

The following transactions were carried out with related parties:

Gross earned premium:

	2018 KShs	2017 KShs
Dyer & Blair Limited	965,915	1,006,504
Dodhia Packaging Limited	8,669,778	15,341,136
Biashara Development Limited	253,473	507,617
Paramount Chief Estate Limited	143,857	112,928
VIP Holding	1,031,983	1,302,703
Capet Management Services Limited	181,424	233,879
Reef Securities Limited	59,865	59,865
Eagle Investments Limited	83,200	83,200
Bhagwanji & Company Limited	226,387	324,247
Thika Cloth Mills Limited	10,743,417	13,556,760
Total	22,359,299	32,528,839

Net claims incurred:

Dodhia Packaging Limited	981,005	1,777,459
Biashara Development Limited	-	48,600
Thika Cloth Mills Limited	2,313,213	710,482
Total	3,294,218	2,536,541

Key management personnel compensation

The remuneration of directors and other key management during the year were as follows:

Fees for services as directors	12,550,000	7,050,000
Other remuneration	29,549,247	34,802,790
	42,099,247	41,852,790

In the normal course of business, the Company has entered into transactions with certain related parties. These transactions are at commercial terms and conditions.

30. EARNINGS PER SHARE

Basic earnings per share is calculated on the profit attributable to the shareholders and on the weighted average number of shares outstanding during the year adjusted for the effect of the bonus shares issued if any.

	2018 KShs	2017 KShs
Net profit for the year attributable to shareholders (KShs)	210,957,455	117,719,312
Adjusted weighted average number of ordinary shares in issue	693,000	693,000
Earnings per share - basic and diluted (KShs)	304.41	169.87

There were no potential dilutive shares outstanding as at 31 December 2018 and 2017.

Financial Statements

For the year ended 31st December 2018

31. OPERATING LEASE COMMITMENTS

Company as a lessee

Rental expenses incurred during the year was KShs 36,353,233 (2017: KShs 27,827,728). At the end of the reporting period the Company had outstanding commitments under operating leases which fall due as follows:

	2018 KShs	2017 KShs
Not later than 1 year	39,518,322	18,455,407
Later than 1 year and not later than 5 years	186,062,516	47,573,361
	225,580,838	66,028,768

Company as a lessor

Rental income earned during the year was KShs 46,310,978 (2017: KShs 49,454,286). At the end of the reporting period the Company had contracted with tenants for the following future lease receivables:

	2018 KShs	2017 KShs
Within 1 year	43,959,546	38,032,575
In the second to fifth year inclusive	110,495,216	100,142,027
	154,454,762	138,174,602

32. DIVIDENDS

The Directors propose a final dividend of KShs 51,975,000 (2017: KShs 12,474,000) for the year. In accordance with the Kenyan Companies Act, 2015, these financial statements reflect this dividend payable, which is accounted for in the shareholders' funds as an appropriation of retained profits in the year ended 31 December 2018.

Payment of dividend is subject to withholding tax at a rate of 0%, 5% or 10% depending on the tax status or residency of the shareholder. Below is a summary of dividends paid in the year:

	2018 KShs	2017 KShs
2017 and 2016 final dividends paid	12,474,000	30,000,000
2018 and 2017 interim dividends proposed	6,029,100	20,097,000
	18,503,100	50,097,000

33. CONTINGENT LIABILITIES

As is common with the insurance industry in general, the Company is subject to litigation arising in the normal course of insurance business. The Directors are of the opinion that this litigation will not have a material effect on the financial position or profits of the Company.

The Company has issued various custom bonds. No material loss is anticipated from these.

34. CAPITAL COMMITMENTS

Capital expenditure commitments that had been authorized and contracted for as at the year end were as follows:

	2018 KShs	2017 KShs
Software upgrade	-	2,304,000

35. SUBSEQUENT EVENTS

There are no material events after the reporting date which require to be disclosed.

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For the year ended 31st December 2018

General insurance business revenue account

Class of insurance business	Engineering KShs	Fire Domestic KShs	Fire Industrial KShs	Public Liability KShs	Marine KShs	Motor Private KShs	Motor Commercial KShs	Personal Accident KShs	Theft KShs	Workmen's Compensation KShs	Miscellaneous KShs	2018 Total KShs	2017 Total KShs
Gross premiums written	94,682,629	66,098,300	303,324,389	14,339,419	162,147,922	771,269,808	644,748,526	56,035,164	126,996,860	325,526,978	37,189,385	2,602,359,380	2,597,391,543
Change in gross UPR	(145,533)	(1,995,698)	922,113	(192,073)	(1,626,201)	8,922,224	30,087,079	(826,623)	(2,368,355)	3,275,543	(4,463,246)	31,589,230	(227,235,446)
Gross earned premiums	94,537,096	64,102,602	304,246,502	14,147,346	160,521,721	780,192,032	674,835,605	55,208,541	124,628,505	328,802,521	32,726,139	2,633,948,610	2,370,156,097
Less:													
Reinsurance payable	74,883,747	22,666,949	243,903,123	10,579,999	101,530,348	5,333,074	5,203,000	42,037,019	68,790,777	45,652,265	20,032,212	640,612,513	674,257,650
Net earned premiums	19,653,349	41,435,653	60,343,379	3,567,347	58,991,373	774,858,958	669,632,605	13,171,522	55,837,728	283,150,256	12,693,927	1,993,336,097	1,695,898,447
Gross claims paid	80,536,985	81,851,652	183,195,677	11,767,345	238,054,799	391,694,373	335,104,829	30,658,609	89,977,410	177,123,598	20,872,503	1,640,837,780	1,467,149,430
Change in gross o/s claims	5,514,462	10,496,687	9,819,542	585,264	2,629,604	101,104,971	(12,841,169)	1,194,618	3,176,366	(62,476,682)	36,478	59,240,141	131,946,010
Less: Reinsurance recoverable	50,246,257	20,278,846	91,194,378	9728,085	170,478,280	520,172	25,289716	23,865,315	61,247,782	90,69,043	13,842,598	475,760,472	446,694,504
Net claims incurred	35,805,190	72,069,493	101,820,841	2,624,524	70,206,123	492,279,172	296,973,944	7,987,912	31,905,994	105,577,873	7,066,383	1,224,317,449	1,152,400,936
Commissions receivable	(22,590,783)	(7,095,640)	(81,572,978)	(2,789,408)	(25,535,004)	-	-	(11,275,409)	(18,641,543)	(9,043,608)	(5,786,816)	(184,331,189)	(181,293,546)
Commissions payable	18,852,039	13,079,540	72,840,409	2,862,382	28,336,368	76,703,048	64,536,153	10,146,938	17,270,456	64,953,518	3,667,845	373,248,696	377,441,537
Less:- Change													
Deferred acquisition cost	(63,847)	(290,840)	(18,176)	(37,452)	(277,877)	1,744,110	3,031,313	(140,325)	(213,450)	741,463	(468,260)	4,006,659	(24,226,147)
Expenses of management	5,412,080	11,410,425	16,617,177	982,365	16,244,865	213,378,314	184,401,399	3,627,134	15,376,425	77,973,060	3,495,617	548,918,861	410,238,135
Total expenses and commissions	1,609,489	17,103,485	7,866,432	1,017,887	18,768,352	291,825,472	251,968,865	2,358,338	13,791,888	134,624,433	908,386	741,843,027	582,159,979
Underwriting profit/(loss)	(17,761,330)	(47,737,325)	(49,343,894)	(75,064)	(29,983,102)	(9245,686)	120,689,796	2,825,272	10,139,846	42,941,950	4,719,158	27,775,621	(38,662,468)

Notes

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