WAICA REINSURANCE (KENYA) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE FOURTEEN-MONTH PERIOD ENDED

31 DECEMBER 2018

WAICA REINSURANCE (KENYA) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

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WAICA REINSURANCE (KENYA) LIMITED

COMPANY INFORMATION

DIRECTORS

Ezekiel Abiola Ekundayo*	(Chairman – Appointed 3 November 2017)
William Brownfield Coker**	(Appointed 3 November 2017)
Eric Ato Botchway***	(Appointed 22 February 2018)
George Oduori Otieno****	(Appointed 3 November 2017)
William Olotch Owaka****	(Appointed 5 July 2018)
Dr. Habil Okunda Olaka****	(Appointed 24 July 2018)

* Nigerian
** Gambian
*** Ghanaian
**** Kenyan

PRINCIPAL OFFICER

Charles Edwin Etemesi (Chief Executive Officer – Appointed 4 April 2018)

SECRETARY

FCS Lazarus Kimang'a
Parker Randall Eastern Africa (With effect from 1 October 2018)
1st Floor, Cara House, Ground
Karen Road, Karen
PO Box 25426 – 00100
Nairobi

REGISTERED OFFICE

2nd Floor, Real Towers Annex
Hospital Road, Upper Hill
PO Box 20495 – 00100
Nairobi

BANKERS

Ecobank Kenya Limited
Standard Chartered Bank Kenya Limited
Stanbic Bank Limited
NIC Bank Limited
Commercial Bank of Africa Limited
Bank of Africa Kenya Limited
KCB Bank Kenya Limited
UBA Bank Kenya Limited

AUDITORS

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

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE DIRECTORS
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

The Directors submit their report together with the audited financial statements of the Company for the fourteen-month period ended 31 December 2018.

1. Directors' responsibility statement

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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Incorporation

The Company was incorporated on 3 November 2017 under the Kenyan Companies Act, 2015 as a private company limited by shares, and is domiciled in Kenya.

3. Principal activity

The principal activities of the Company are to provide reinsurance services and technical assistance to insurance and reinsurance institutions from around the world.

4. Directors

The Directors who served during the period up to the date of this report are set out on page 1.

5. Results

The results for the period are set out on page 9.

6. Business overview

The Company made a net loss before tax of KShs 22.4 million for the 3 months period ended 31 December 2018. This was largely due to the fact that the Company was licensed on 9 October 2018 to offer reinsurance services by the Insurance Regulatory Authority (IRA). The loss was driven by the initial set up and business running costs being relatively higher compared to the revenue generated during the period.

The Directors are committed to achieving the laid down strategies and delivering value to the Shareholders. The principal risks and uncertainties facing the Company as well as the risk management frame work are outlined in Note 5 of the financial statements.

7. Dividend

The Directors do not recommend payment of a dividend for the period.

8. Share capital

Details of the Company's share capital are shown in Note 23 to these financial statements.

9. Employment of disabled people

WAICA Reinsurance (Kenya) Limited does not discriminate against disabled persons as it is clearly stated in the Company's staff hand book, Section 1.2(j) 'The Company shall not discriminate against a qualified individual with disability with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment'.

There were no disabled persons in the employment of the Company during the period.

10. Health, safety and welfare at work

WAICA Reinsurance (Kenya) Limited has a medical scheme for all employees of the Company and a conducive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

11. Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the work place, these include unit meetings and regular general meetings.

There is an approved training schedule for staff and the Company also has a staff performance appraisal process through which staff are appraised and promotions and/or increments made.

12. Relevant audit information

The Directors confirm that with respect to each director at the time of approval of this report:

(a) there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) each director had taken all steps that ought to have been 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.

13. Auditors

KPMG Kenya have been appointed in office in accordance with the Company's Articles of Association and Section 717 of the Kenyan Companies Act, 2015 and continue in office in accordance to Section 719.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

14. 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

Secretary

Date: 22 March 2019

WAICA REINSURANCE (KENYA) LIMITED

CORPORATE GOVERNANCE REPORT
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

The Shareholders being the ultimate owners of the entity appoint a Board of Directors to conduct the business of reinsurance on their behalf. The Board executes its responsibilities through Management and Board Committees that it creates from time to time. The responsibilities for daily operations are delegated to a management team appointed by the Board. A clear segregation of responsibilities between the Board and management is always maintained. The Board makes all policy decisions while management implements the decisions of the Board.

1. Board of Directors

The directors who served during the period are set out on Page 1. The current Board is made up of six directors inclusive of a non-executive chairman.

2. Board Committees

Tabulated below are Board and Management Committees, their composition and membership and functions.

Committee	Composition & Membership		Main Functions
Strategy and Operations & Enterprise Risk Management Committee	George Oduori Otieno (Chairman) William Brownfield Coker William Olotch Owaka	Non Executive Non Executive Non Executive	Strategic decision making and strengthening the Enterprise risk management environment of the Company.
Finance and Audit Committee	Eric Ato Botchway (Chairman) Dr. Habil Okunda Olaka George Oduori Otieno	Non Executive Non Executive Non Executive	Strengthening the control environment, financial reporting and Audit function.
Remuneration Committee	William Brownfield Coker (Chairman) Dr. Habil Okunda Olaka Eric Ato Botchway	Non Executive Non Executive Non Executive	Management & development of human resources.

The Chief Executive Officer and the Secretary attend the meetings by invitation.

Charles Edwin Etemesi	Eric Ato Botchway	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

Date: 22 March 2019

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

The Directors are responsible for the preparation and presentation of the financial statements of WAICA Reinsurance (Kenya) Limited set out on pages 9 to 37 which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other compressive income, statement of changes in equity and statement of cash flows for the fourteen-month period then ended, and a summary of significant accounting policies and other explanatory information.

The Directors' responsibilities include determining that the basis of accounting described in Note 2 as an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of 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 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 period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Company.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with 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 state of the financial position of the Company and of its profit or loss.

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

The 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.

Charles Edwin Etemesi	Eric Ato Botchway	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

Date: 22 March 2019

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

WAICA REINSURANCE (KENYA) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of WAICA Reinsurance (Kenya) Limited (the "Company") set out on pages 9 to 37 which comprise the statement of financial position 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 fourteen-month period then ended, and 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 WAICA Reinsurance (Kenya) Limited as at 31 December 2018 and of its financial performance and its cash flows for the fourteen-month period 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 matter

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. We have determined that there were no key audit matters to communicate in our report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *Report and Financial Statements*, 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 that we have performed, we conclude that there is a material misstatement of this information, then we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Directors' responsibility for the financial statements

As stated on pages 5, the directors are responsible for the preparation of financial statements that give a true and fair view 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' responsibility 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 auditors' 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (continued)

Auditors' responsibility for the audit of the financial statements (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, that:

(a) In our opinion, the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements; and

(b) We have issued an unqualified audit report on the financial statements.

The Signing Partner responsible for the audit resulting in this independent auditors' report is CPA Jacob Gathecha – P/1610.

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

Date:

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	14 months to 31.12.2018 KShs
Gross earned premium	7	10,460,054
Reinsurance ceded		(2,524,659)
Net earned premium		**7,935,395**
Investment income	8	29,856,322
Commissions earned	9	1,663,319
Total income		**39,455,036**
Net claims incurred	10	(773,865)
Personnel expenses	11(a)	(28,247,959)
Other expenses	11(b)	(53,189,991)
Commissions expense	12	(3,541,279)
Results from operating activities		**(46,298,058)**
Finance cost	13	23,917,522
Loss before income tax	14	**(22,380,536)**
Income tax charge	15	3,763,667
Loss for the period		**(18,616,869)**

Charles Edwin Etemesi	Eric Ato Botchway	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

Date: 22 March 2019

The notes on pages 13 to 37 are an integral part of these financial statements

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	At 31.12.2018 KShs
ASSETS		
Cash and cash equivalent	16	7,598,858
Investments	17	946,681,885
Deferred acquisition costs	12	2,102,258
Other receivables	18	2,713,774
Reinsurance premium receivables	19	21,790,828
Retrocessonaires' share of technical provisions	20	1,408,291
Deferred tax asset	21	8,117,047
Property and equipment	22	29,221,047
TOTAL ASSETS		**1,019,633,988**
EQUITY AND LIABILITIES		
EQUITY (Page 11)		
Share capital	23	1,000,000,000
Retained earnings		(18,616,869)
TOTAL EQUITY		**981,383,131**
LIABILITIES		
Tax payable	15(b)	2,032,395
Other payables	24	16,800,656
Payables arising from reinsurance arrangements	25	7,568,196
Provision for unearned premium	26	11,075,745
Insurance contract liabilities	10	773,865
TOTAL LIABILITIES		**38,250,857**
TOTAL EQUITY AND LIABILITIES		**1,019,633,988**

The financial statements set out on pages 9 to 37 were approved and authorised for issue by the Board of Directors on 22 March 2019 and were signed on its behalf by:

Charles Edwin Etemesi	Eric Ato Botchway	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

The notes on pages 13 to 37 are an integral part of these financial statements

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

	Share capital KShs	Retained earnings KShs	Total KShs
At 3 November 2017	-	-	-
Total comprehensive income			
Loss for the period	-	(18,616,869)	(18,616,869)
Dealings with the owners of the company			
Issued and paid up capital	1,000,000,000	-	1,000,000,000
At 31 December 2018	**1,000,000,000**	**(18,616,869)**	**981,383,131**

The notes on pages 13 to 37 are an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	14 months to 31.12.2018 KShs
Net cash flows from operating	27(a)	**(8,725,052)**
Investing activities		
Acquisition of property and equipment	22	(36,994,204)
Purchase of government securities	17	(192,315,258)
Purchase of fixed deposit	17	(754,366,628)
Net cash out flow from investing activities		**(983,676,090)**
Financing activities		
Proceeds from issue of capital	23	1,000,000,000
Net cash flow from financing activities		**1,000,000,000**
Net increase in cash and cash equivalents	27(b)	**7,598,858**

The notes on pages 13 to 37 are an integral part of these financial statements.

1. REPORTING ENTITY

The Company is incorporated as a limited company in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The entity commenced operations on 3 November 2017 and was licensed to offer reinsurance services in accordance with the regulations on 9 October 2018. The address of the Company's registered office is set out on page 1.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Kenyan Companies Act.

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.

Details of the entity's accounting policies are included on Note 3.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Kenya shillings (KShs), which is the Company's functional currency. Except as otherwise indicated, financial information presentation is in Kenya shillings.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported 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 judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4 - *Critical accounting estimates and judgements.*

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Revenue recognition

Revenue is recognised as follows:

Revenue arising from underwriting and other related services offered by the Company are recognised in the accounting period in which the services are rendered.

(i) The underwriting result is net of reinsurance, provisions for unearned premium and outstanding claims.

(ii) Investment income is shown gross before the deduction of income tax and is accounted for on an accruals basis.

(b) Translation of foreign currencies

Transactions in foreign currencies during the period are converted into Kenya shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the reporting date. Resulting exchange differences are recognised in the profit or loss for the period.

Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the date of the transaction.

(c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with the banks net of bank overdrafts.

(d) Finance income and expenses

Finance income and expenses comprises net foreign currency gains and losses and interest expenses. Interest expenses are recognised on a time proportion basis in profit or loss using the effective interest method.

Foreign currency gains and losses are recognised on a net basis.

(e) Financial instruments

Financial instruments include balances with banks, loans and receivables and held to maturity treasury bills.

(i) Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The Company recognises its financial instruments on amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (continued)

(ii) Classification and measurement

The company classifies its financial assets and liabilities at amortised cost. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

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 those that the company intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale.

Loans and receivables comprise trade and other receivables, cash and bank balances and balances due from group companies. These are measured at amortised cost using the effective interest method, less any impairment losses.

Held to maturity treasury bills

The Company holds treasury bills that are measured at amortised cost using effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost using effective interest method. Other financial liabilities comprise trade and other payables, and amounts due to group.

(iii) De-recognition

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicate that one or more events have had a negative effect on the estimated future cash flows of that asset.

In assessing impairment, the company considers impairment at both individual and collective level. All individually significant assets are individually assessed for impairment. Assets that are not individually impaired are assessed collectively. Collective assessment is carried out by grouping together assets with similar credit characteristics. Impairment loss is calculated as the difference between the assets carrying amount and present value of estimated future cash flows discounted at original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax, are reviewed at each financial reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets and groups.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(g) Income tax

Income tax expense comprises current tax and change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income tax (continued)

(i) Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date. Current tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

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

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Reinsurance contracts

A reinsurance contracts is a contract under which the Company accepts significant insurance risks from a cedant by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) occurs.

(i) Short-term reinsurance contracts

These contracts are casualty, property and personal accident reinsurance contracts.

Casualty reinsurance contracts protect the cedants against ceded risk of claims made by primary policyholders for causing harm to third parties as a result of the legitimate activities of the primary policyholder.

Under property reinsurance contracts, the Company mainly compensates cedants of a portion of claims payable to primary policyholders for damage suffered to their properties or for the value of property lost or the loss of earnings caused by the inability of the primary policyholder to use the insured properties in their business activities (business interruption cover).

Personal accident reinsurance contracts compensates the cedants for a portion of claims made by primary policyholders for bodily injuries suffered by the primary policyholder or his/her family members or employees.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

(ii) Retrocession contracts held

Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses which meet the classification requirement for reinsurance contracts are classified as retrocession insurance contracts held. Contracts that do not meet these classifications are classified as financial assets.

The Company uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce its risk of catastrophic loss on reinsurance assumed. The ceding of risk to retrocessionaires does not relieve the Company of its obligation to its cedants. The Company regularly reviews the financial condition of its retrocessionnaires. Premiums and losses ceded to retrocessionaires are reported as reductions in gross premium and claims incurred.

Amounts recoverable from or due to retrocessionaires are measured consistently with the amounts associated with the retroceded reinsurance contracts and in accordance with the terms of each retrocession contract. Retrocession liabilities are primarily premiums payable for retrocession contracts and are recognised as an expense when due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Reinsurance contracts (continued)

(ii) Retrocession contracts held - continued

The Company assesses its retrocession assets for impairment on a quarterly basis. If there is objective evidence that the retrocession asset is impaired, the Company reduces the carrying amount of the retrocession asset to its recoverable amount and recognises that impairment loss in the income statement.

The Company gathers the objective evidence that a retrocession 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.

(iii) Receivables and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants, brokers and retrocessionaires. If there is objective evidence that a cession/retrocession receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

The Company gathers the objective evidence that a cession/retrocession receivable is impaired using the same process adopted for loans and receivables.

(j) Claims

Claims incurred comprise of claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payment made during the period, whether arising from events during that or earlier years.

Provision is made by management for the estimated cost of claims notified but not settled at the date of the financial position date using all the information available at that time. Provision is also made by management for claims incurred but not yet reported (IBNR) at financial position date. The IBNR claims are computed at as per the IRA guidelines where there is no data of reported claims at the financial position date.

(k) Employee benefits

(i) Pension obligations

The Company operates a defined contribution scheme. The scheme is generally funded through payments to the National Social Security Fund. A defined contribution is a pension plan under which the company pays fixed contribution into the separate entity. The Company has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employees' service in the current and prior period.

The Company makes contribution for all staff at the rate prescribed by the pension laws of Kenya.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee benefits (continued)

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Gratuity

Gratuity provisions are made for staff who are employed on contractual basis. The gratuity provisions are calculated at 15% of annual basic pay.

(l) Provisions

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise those termination penalties and employee termination payments.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(m) Leases

Leases in which a significant portion of the risks and renewals of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(n) Property and equipment

(i) Recognition and measurement

All property and equipment are initially recorded at cost. Buildings are subsequently carried at their revalued amounts based on valuations by external independent valuers, less accumulated depreciation. All other property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Property and equipment (continued)

(i) Recognition and measurement - continued

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

(ii) Depreciation

Freehold land is not depreciated. Depreciation is calculated on other property and equipment on the straight line basis to write down the cost of each asset, or the revalued amount to its residual value over its estimated useful life, as follows:

Motor vehicle	4 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

(iii) Subsequent costs

The cost of replacing a component of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iv) Disposal of property and equipment

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(o) New standards, amendments and interpretations

New Standards, amendments and interpretations in issue but not yet effective for the period ended 31 December 2018

IAS 1	Presentation of Financial Statements - Amendments requiring interest revenue, which is calculated using the effective interest method, to be presented separately on the face of the statement of comprehensive income. This only includes interest earned on financial assets measured at amortised cost or at FVOCI.
IFRS 15	Revenue from Contracts with Customers replaces the previous revenue recognition standards and interpretations, including IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 establishes a single approach for the recognition and measurement of revenue, and requires an entity to recognise revenue as performance obligations are satisfied. It applies to all contracts with customers except for transactions specifically scoped out, which includes interest, dividends, leases, and insurance contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

New Standards, amendments and interpretations in issue but not yet effective for the period ended 31 December 2018 - continued

IFRIC 22 — Foreign Currency Transactions and Advance Consideration - Interpretation clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

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 57% as at 31 December 2018. Although the Company has not met the eligibility criteria based on the above ratio, the deferral criteria was applicable, given the short period in operations and will defer the adoption of IFRS 9 to 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 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

New Standards, amendments and interpretations in issue but not yet effective for the period ended 31 December 2018 - continued

IFRS 9 (continued)

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 (80 per cent) of the Company's investments are valued at FVTPL 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.

  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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

New Standards, amendments and interpretations in issue but not yet effective for the period ended 31 December 2018 - continued

Financial assets that meet SPPI test under IFRS 9	Note	Original classification under IAS 39	Preliminary assessment of classification under IFRS 9	Carrying amount under IAS 39 KShs'000	Fair value KShs'000
Cash and bank balances	16	Loans and receivables	Amortised cost	7,598,858	7,598,858
Investments	17	Held-to-Maturity (HTM)	Amortised cost	946,681,866	946,681,866
Reinsurance premium receivables	19	Reinsurance premium receivables	Amortised cost	21,790,828	21,790,828
Other receivables	18	Other receivables	Amortised cost	2,713,774	2,713,774
Total				**978,785,326**	**978,785,326**

Please see Note 5(a) for the credit risk grades of the financial assets that meet the SPPI test under IFRS 9.

Standard	Description	Annual periods beginning on or after
IFRIC 23	Uncertainty Over Income Tax Treatments - Interpretation clarifying the accounting for uncertainties in income taxes. The adoption of IFRIC 23 is not expected to have a significant impact on the Bank	1 January 2019
IFRS 9	Amendments to IFRS 9: Prepayment features with negative contracts: 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.	1 January 2019
	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:	1 January 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

New Standards, amendments and interpretations in issue but not yet effective for the period ended 31 December 2018 - continued

Standard	Description	Annual periods beginning on or after
IFRS 9 (continued)	– 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.	
IFRS 16	Sets out the principles for the recognition, measurement, presentation and disclosure of leases. One of the key changes brought by IFRS 16 is the elimination of the classification of leases as either operating leases or finance leases for a lessee, and the introduction a single lessee accounting model.	1 January 2019
IAS 19	Employee Benefits - Amendments to clarify the determination of current service cost and net interest in the instance that a defined benefit plan amendment, curtailment or settlement takes place, as well as the effect on the asset ceiling of a plan amendment, curtailment or settlement	1 January 2019
IFRS 3	Business Combinations - Amendments to the definitions included in the appendix to IFRS 3 which will assist entities in determining whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.	Acquisitions on or after 1 January 2020

The Company is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and judgements

Income taxes

The Company is subject to income taxes in Kenya. Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment losses

At the end of each reporting period, the Company reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Provisions and contingent liabilities

The Company reviews its obligations at the end of the reporting period to determine whether provisions need to be made and if there are any contingent liabilities.

5. FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This section provides details of the company's exposure to risk and describes the methods used by management to control risk.

The most important types of financial risk to which the company is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trading activities as well as placement and balances with other counterparties, security deposits, staff expense advances, other receivables, prepayments, and bank balances. The board of directors has the responsibility of managing the company's credit risk.

For risk management reporting purposes, the company considers and consolidates all elements of credit risk exposure.

The amount that best represent the company's maximum exposure to the credit risk as at 31 December 2018 are made up as follows:

Classification of credit risk bearing assets:	**2018 KShs**
Cash and cash equivalents (See Note 16)	7,598,858
Term deposits (See Note 17)	754,366,628
Investment in treasury bills (Note 17)	192,315,257
Reinsurance premium receivable (See Note 19)	21,790,828
	976,071,571

The company only places significant amounts of funds with recognised financial institutions with strong credit ratings and does not consider the credit risk exposure arising from cash and cash equivalents and treasury bills to be significant.

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations from its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

The table below shows the contractual maturity of financial liabilities at the reporting date:

	Due on demand KShs	**Up to 1 month KShs**	**1-3 months KShs**	**3-12 months KShs**	**1-5 years KShs**	**Total KShs**
Liabilities						
Other creditors	-	-	2,287,232	1,992,987	1,889,667	6,169,886
Due to related parties	-	-	-	-	10,630,770	10,630,770
Claims provisions	-	-	-	-	773,865	773,865
Reinsurance payable	-	-	-	7,568,196	-	7,568,196
Total financial liabilities	**-**	**-**	**2,287,232**	**9,561,183**	**13,294,302**	**25,142,717**

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on cash balances, fixed deposits, related party balances, underwriting income and expenses and management expenses that are denominated in a currency other than the respective functional currency. The currencies in which these transactions primarily are denominated are KShs.

The following exchange rates were applied during the period:

	2018	
	Average rate KShs	**Closing rates KShs**
USD Dollar	101.43	102.50

The Company's exposure to foreign currency risk was as follows: based on notional amounts

All figures are in Kenya shillings (KShs)

As at 31 December 2018	**USD**
Assets	
Cash and cash equivalents	5,483,992
Fixed deposits	754,366,628
	759,850,620
Liabilities	
Amounts due to related party	(10,630,770)
Net position	**749,219,850**

Sensitivity analysis on exchange rates

A 10 percent strengthening of the shilling against the following currencies at 31 December 2018 would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant.

Effect in Kenya shillings	**Profit or loss/equity before tax 2018 KShs**
As at 31 December 2018	
USD	**(74,219,850)**

On the same basis, a 10 percent weakening of the shilling against the above currencies at 31 December 2018 would have had equal but opposite effect on the currencies to the amounts shown above.

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Interest rate risk

The company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

KShs	On demand	Due within 3 months	Due within 3 and 12 months	Due between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Treasury bills	-	-	192,315,257	-	-	-	192,315,257
Fixed deposits	-	-	754,366,628	-	-	-	754,366,628
Total assets	**-**	**-**	**946,681,865**	**-**	**-**	**-**	**946,681,865**

(d) Fair value

The fair values of financial assets and financial liabilities approximate to the carrying amounts as shown in the statement of financial position.

	Other liabilities KShs	Loans and receivables KShs	Total carrying value KShs	Fair value KShs
Financial assets				
Reinsurance receivable	-	21,790,828	21,790,828	21,790,828
Other receivables	-	2,713,774	2,713,774	2,713,774
Investments	-	946,621,970	946,621,970	946,621,970
Cash and bank balances	-	7,598,858	7,598,858	7,598,858
	-	**978,725,430**	**978,725,430**	**978,725,430**
Finacial liabilities				
Payables arising from reinsurance arrangement	7,568,196	-	7,568,196	7,568,196
Other creditors	16,800,656	-	16,800,656	16,800,656
Less: provision for unearned premiums	(11,075,745)	-	(11,075,745)	(11,075,745)
Claims provisions	(773,865)	-	(773,865)	(773,865)
	12,519,242	**-**	**12,519,242**	**12,519,242**

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) 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.
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Kenyan Insurance Act requires each reinsurance company to hold the minimum level of paid up capital as follows for general business:

- One billing shillings; or
- Risk based capital determined by the Authority from time to time; or
- 20% of the net earned premium or the preceding financial year

During the year the Company held the minimum paid up capital required.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including reinsurance whether this is effective.

6. OPERATING SEGMENTS

(a) Basis of segmentation

The Company has the following five strategic divisions, which are reportable segments. These divisions offer different products and are managed separately based on the Company's management and internal reporting structure.

Reportable segment

- Fire and Property
- Engineering
- Motor
- Accident
- Marine and Aviation
- Special risks

The Company's Management Committee reviews internal management reports from each division at least monthly.

(b) Information about reportable segments

Information relating to each reportable segment is set out in appendix 1 on page 38. Segment profit before tax, as included in management reports reviewed by the Company's management, is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

7. GROSS PREMIUM EARNED

	14 months to 31.12.2018 KShs
Gross premium written	20,127,509
Less: Unearned premium reserve (Note 26)	(9,667,455)
Gross premium earned	**10,460,054**

8. INTEREST INCOME

Interest income from investments	**29,856,322**

9. COMMISSION EARNED

Commission income	**1,663,319**

10. CLAIMS

There were no claims reported during the period. However, Incurred But Not Reported (IBNR) estimate has been provided for as follows:

	Engineering KShs	Marine KShs	Motor KShs	Fire & property KShs	Special risk KShs	Total KShs
Claims at start of the period	-	-	-	-	-	-
IBNR provision	537,835	24,602	37,791	20,419	153,218	773,865
Claims at end of period	**537,835**	**24,602**	**37,791**	**20,419**	**153,218**	**773,865**

11. MANAGEMENT EXPENSES

(a) Staff cost	14 months to 31.12.2018 KShs
Salaries and wages	24,080,745
Other employee benefits	2,187,387
Other staff costs	1,979,826
	28,247,958

Other employee benefits comprises of provisions made for the period for staff gratuity for staff on contract basis at 15% of annual basic pay and staff travelling allowances. During the period, there were no outstanding leave days.

(b) Other expenses	14 months to 31.12.2018 KShs
Auditors' fees	1,850,000
Advertising	765,325
Depreciation (Note 22)	7,773,157
Legal and professional fees	5,343,708
Motor running expenses	284,364
Directors' remuneration	10,953,406
Board expenses	7,594,297
Travelling and marketing	6,146,460
Communication	314,899
Insurance	609,414
Rent	5,220,000
Printing and stationery	133,973
Meetings, conferences and trainings	2,232,930
Repairs and maintenance	144,950
Other office running costs	3,823,107
	53,189,990

12. COMMISSION EXPENSES

Gross commission expense	5,643,537
Deferred acquisition cost	(2,102,258)
	3,541,279

	14 months to 31.12.2018 KShs
13. FINANCE COST	
Forex exchange gain	**23,917,522**

14. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

Depreciation (See Note 22)	7,773,157
Directors' remuneration (See Note 29(a))	7,511,945
Auditors' remuneration (See Note 11 (b))	1,850,000

15. TAXATION

(a) Income tax credit

Current tax charge	4,353,380
Deferred tax movement (Note 21)	(8,117,047)
Income tax expense	**(3,763,667)**

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

	14 months to 31.12.2018 KShs
Accounting loss before tax	**22,380,536**
Tax at the applicable rate of 30%	6,714,160
Tax effect of expenses not deductible for tax purposes	(2,950,494)
	3,763,667

(b) Current tax payable

Balance at 3 November 2017	-
Current period charge	4,353,380
Tax paid	(2,320,985)
Tax payable	**2,032,395**

	At 31.12.2019 KShs
16. CASH AND CASH EQUIVALENTS	
Bank balance	7,552,098
Cash at hand	46,760
	7,598,858

17. INVESTMENTS

Term deposits	754,366,628
Treasury bills	192,315,257
	946,681,885

The treasury bills (Government securities) are invested with the Central Bank of Kenya. The term deposits are held to maturity with other commercial banks incorporated in Kenya and governed by the Central Bank of Kenya.

The fair value of the held to maturity financial assets approximate to the carrying amount.

18. OTHER RECEIVABLES

	At 31.12.2018 KShs
Sundry receivables	2,713,774
	2,713,774

19. REINSURANCE PREMIUM RECEIVABLES

Due from cedants and brokers	20,127,509
Due from retrocessonaires	1,663,319
	21,790,828
Ageing of unimpaired receivables	
0-90 days	**21,790,828**

The total amount of receivables is deemed current, and no provision for impairment has been made in the period.

20. RETROCESSIONAIRES SHARE OF TECHNICAL PROVISIONS

	At 31.12.2018 KShs
Deferred retrocession premium	**1,408,291**

21. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	14 months to 31.12.2018 KShs
At the beginning of period	-
Recognised in profit or loss (Note 15(a))	8,117,047
At end of period	**8,117,047**

	At 3 November 2017 KShs	Recognised in profit or loss KShs	At 31 December 2018 KShs
Period ended 31 December 2018			
Property, plant and equipment	-	(467,469)	(467,469)
Provisions	-	(566,900)	(566,900)
Tax losses	-	(14,257,935)	(14,257,935)
Unrealised exchange gain	-	7,175,257	7,175,257
	-	**8,117,047**	**8,117,047**

Tax losses expire after nine (9) years following the period in which they arose under the current tax legislation.

22. PROPERTY AND EQUIPMENT

	Motor vehicle KShs	Computer equipment KShs	Furniture and equipment KShs	Total KShs
Cost				
At 3 November 2017	-	-	-	-
Additions	12,796,875	1,957,736	22,239,593	36,994,204
At 31 December 2018	12,796,875	1,957,736	22,239,593	36,994,204
Depreciation				
At 3 November 2017	-	-	-	-
Charge for the period	2,932,617	246,906	4,593,634	7,773,157
At 31 December 2018	2,932,617	246,906	4,593,634	7,773,157
Net book amount				
At 31 December 2018	**9,864,258**	**1,710,830**	**17,645,959**	**29,221,047**

Fixed assets are capitalized if the purchase cost is equal to or higher than KShs 100,000. Where assets are of lower values but purchased in bulk in excess of the KShs 100,000, they are capitalized. Depreciation is on straight line basis and the rates are as follows:

(a) Motor vehicles 25%
(b) Computer equipment 33%
(c) Furniture and equipment 20%

Depreciation is provided for in full in the month of purchase and nil in the month of disposal.

23. SHARE CAPITAL

	KShs
Authorised, issued and fully paid:	
1,000,000 Ordinary shares of KShs 1,000 each	
Balance at 3 November 2017	-
Issued for cash during the period	1,000,000,000
At 31 December 2018	**1,000,000,000**

The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at general meetings of the company. All shares rank equally with regards to residual assets.

As at 31 December 2018, the company has complied with the Insurance Act on the minimum capital required for an insurance company carrying out reinsurance business in Kenya.

24. OTHER PAYABLES

	At 31.12.2018 KShs
Other creditors	6,169,886
Due to related party (Note 29(b))	10,630,770
	16,800,656

The estimated fair values of accounts due to other trading parties and trade payables are the amounts repayable on demand. All trade and other payables are current liabilities.

25. REINSURANCE PAYABLES

	At 31.12.2018 KShs
Due to ceding companies	5,643,537
Due to retrocessionaires	1,924,659
	7,568,196

26. PROVISION FOR UNEARNED PREMIUM

	14 months to 31.12.2018 KShs
Gross unearned premium 3 November 2017	-
Gross unearned premium 31 December 2018	(11,075,745)
Gross unearned premium movement (A)	**(11,075,745)**
Deferred gross retrocessions at 3 November 2017	-
Deferred gross retrocessions at 31 December 2018	1,408,291
Deferred gross retrocessions movement (B)	**1,408,291**
Net unearned premium movement (A-B)	**(9,667,454)**

The gross unearned premium provision represents the liability for reinsurance business contracts where the Company's obligations are not expired at the period end.

27. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash flows from operating activities

	14 months to 31.12.2018 KShs
Loss before taxation	(22,380,536)
Adjusted for:	
Depreciation (Note 22)	7,773,157
Reinsurance receivables (Note 19)	(21,790,828)
Retrocessonaires share of technical provision (Note 20)	(1,408,291)
Deferred acquisition cost (Note 12)	(2,102,258)
Other receivables (Note 18)	(2,713,774)
Reinsurance payable (Note 25)	7,568,196
Other payables (Note 24)	16,800,656
Provision for unearned premium (Note 26)	11,075,747
Insurance contract liabilities (Note 10)	773,865
Net cash flows from operating activities before tax	**(6,404,067)**
Income tax paid (Note 15(b))	(2,320,985)
Net cash flows from operating activities	**(8,725,052)**

(b) Analyses of cash and cash equivalents

Cash in the bank (Note 16)	7,552,098
Cash at hand (Note 16)	46,760
	7,598,858

28. CONTINGENT LIABILITIES

The Company has no legal matters either for or against pending in any courts.

29. RELATED PARTY TRANSACTIONS

	At 31.12.2018 KShs
(a) Director's remuneration	
Directors' fees	7,511,945
Directors' sitting allowance	3,441,461
	10,953,406

(b) Balances due to and from related parties

Due to related party	**10,630,770**

The Company is majority owned by WAICA Reinsurance Corporation PLC, a company incorporated in Sierra Leone.

There are other companies, which are related to the company through common shareholding or common directorships. Transactions with related parties are priced at arm's length basis and are in the ordinary course of business. The amounts due from related parties are non-interest bearing.

30. SUBSEQUENT EVENTS

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

WAICA REINSURANCE (KENYA) LIMITED

APPENDIX 1- REVENUE ACCOUNTS
FOR THE FOURTEEN-MONTH PERIOD ENDED 31 DECEMBER 2018

Class of business	Engineering	Marine & aviation	Motor	Fire & property	Special risk	Total
	KShs	KShs	KShs	KShs	KShs	KShs
Underwriting income						
Gross premium written	11,377,528	984,098	755,812	3,519,880	3,490,191	20,127,509
Retrocession premiums	(620,817)	-	-	(1,478,016)	(425,826)	(2,524,659)
Change in unexpired risk liabilities	(5,327,771)	(888,150)	(413,467)	(681,931)	(2,356,136)	(9,667,455)
Net earned premiums	**5,428,940**	**95,948**	**342,345**	**1,359,933**	**708,229**	**7,935,395**
Commission on retrocession premiums	1,112,492	115,885	-	125,619	309,323	1,663,319
Net premium and commission earned	**6,541,432**	**211,834**	**342,345**	**1,485,552**	**1,017,552**	**9,598,714**
Underwriting expense						
Claims	537,836	24,602	37,791	20,419	153,218	773,865
Commissions	1,404,477	238,629	148,335	945,657	804,181	3,541,279
Total underwriting expense	**1,942,312**	**263,232**	**186,126**	**966,075**	**957,399**	**4,315,144**
Underwriting profit/(loss) before management expenses	4,599,119	(51,398)	156,219	519,476	60,153	5,283,569
Management expenses	49,764,925	4,552,838	3,496,694	9,446,495	14,176,998	81,437,948
Underwriting profit/(loss) transferred to statement of comprehensive income	**(45,165,805)**	**(4,604,237)**	**(3,340,475)**	**(8,927,019)**	**(14,116,845)**	**(76,154,379)**