WAICA REINSURANCE (KENYA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2024

WAICA REINSURANCE (KENYA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

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WAICA REINSURANCE (KENYA) LIMITED

COMPANY INFORMATION

DIRECTORS

Ezekiel Abiola Ekundayo*	Chairman
William Brownfield Coker**	
Eric Ato Botchway***	
George Otieno****	
Dr. Habil Olaka, EBS****	
Jacqueline Oyuyo Githinji****	
Charles Edwin Etemesi ****	

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

PRINCIPAL OFFICER

Charles Edwin Etemesi	Chief Executive Officer

SECRETARY

FCS Lazarus Kimang'a, EBS
PO Box 25426 – 00100
Nairobi

REGISTERED OFFICE

3rd Floor, Real Towers Annex
Hospital Road, Upper Hill
PO Box 20495 – 00100
Nairobi

BANKERS

Ecobank Kenya Limited
Stanbic Bank Kenya Limited
NCBA Bank Kenya PLC
Bank of Africa Kenya Limited
KCB Bank Kenya Limited
UBA Bank Kenya Limited
Co-operative Bank of Kenya Limited
Equity Bank Kenya Limited
I & M Bank Kenya Limited
Absa Bank Kenya PLC
Mauritius Commercial Bank

AUDITOR

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

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors submit their report together with the audited financial statements of WAICA Reinsurance (Kenya) Limited (the "Company") for the year ended 31 December 2024, which discloses the state of affairs of the Company.

1. 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.

2. 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.

3. Directors

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

4. Results

The results for the year are set out on page 13.

5. Business overview

During the year 2024, the Company performed well in the backdrop of an increasingly competitive business environment. The Company recorded Insurance Revenue growth of 9.04% from KShs 5.057 billion in 2023 to KShs 5.514 billion in 2024. The growth is attributable to expansion to new markets and treaties. The total asset base of the Company also improved by 11%, growing from KShs 4.965 billion in 2023 to Kshs 5.514 billion in 2024. The Company posted profit before tax of KShs 513.74 million during the year reflecting a significant drop of 50.17% on KShs 1.031 billion profit before tax recorded in 2023. This is majorly attributed to forex losses. Principal risks and uncertainties facing the Company are set out on Note 5 to the financial statements.

The Company in 2025 will focus on increased marketing in the country and within the East Africa region. This is expected to yield significant growth in 2025 as the Company seeks to increase its participation in Treaty businesses in addition to the Facultative businesses largely underwritten in 2024. The Directors are committed to achieving the laid down strategies and delivering value to the shareholders.

6. Dividend

The Directors do not recommend payment of a dividend for the period (2023 – Nil).

7. Share capital

Details of the Company's share capital are shown in Note 25 to these financial statements.

8. Environmental, Social and Governance (ESG) statement

WAICA Reinsurance (Kenya) Limited is a forward-looking reinsurance and financial services organisation committed to developing its people, enhancing the environment, and maintaining sound investing and underwriting principles.

The Board and Management are committed to integrating ESG into its business decisions, operations, investments, underwriting, products and services. We are committed to aligning our operations with the UN Sustainable Development Goals.

Our key ESG objectives include the following:

(a) Incorporating environmental, social and governance (ESG) related issues into our business selection, in particular our underwriting, investment and financial analysis, and decision-making processes.
(b) Incorporate ESG into our corporate governance and compliance, employee wellbeing, and reduce stakeholders' inequality.
(c) Providing economic and social development to the countries where we operate.
(d) Leading the digital transformation change in Africa's insurance industry.

WAICA Re will continue to build on its ESG practices, annually strive to reduce its carbon footprint, improve its community impact through corporate social responsibility, and ensure a well-diversified workforce and Board.

The Company is also a signatory to the UN Principles for Responsible Investing (PRI) to ensure that it follow the same principles and actions for responsible investing while accepting local laws and regulations.

9. Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the workplace. 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 salary increments made.

10. 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 has 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.

11. Auditor

The Company's auditor, KPMG Kenya, retires from office at the conclusion of the next annual general meeting in accordance with the current Insurance Regulatory Authority regulation.

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.

12. Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 18 February 2025

BY ORDER OF THE BOARD

FCS Lazarus Kimang'a, EBS
Secretary

Date: 18 February 2025

WAICA REINSURANCE (KENYA) LIMITED

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

The Shareholders being the ultimate owners of the entity appoint a Board of Directors to conduct the business of the Company 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 year are set out on Page 1. The current Board is made up of seven Directors inclusive of a non-executive Chairman.

The Board meets on a quarterly basis and for all meetings held in 2024, all members of the Board attended.

2. Board committees

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

Committee	Composition & membership		Main functions
Strategy and Operations Committee	George Otieno (Chairman) William Brownfield Coker Eric Ato Botchway	Non-Executive Non-Executive Non-Executive	Strategic decision making and strengthening the Enterprise risk management environment of the Company.
Finance and Investment Committee	Eric Ato Botchway (Chairman) Dr. Habil Olaka, EBS George Otieno	Non-Executive Non-Executive Non-Executive	Enhancing financial reporting and maximizing investment returns.
HR and Remuneration Committee	William Brownfield Coker (Chairman) Dr. Habil Olaka, EBS Jacqueline Oyuyo Githinji	Non-Executive Non-Executive Non-Executive	Management & development of human resources.
Audit and Risk Committee	Dr. Habil Olaka, EBS (Chairman) William Brownfield Coker Jacqueline Oyuyo Githinji	Non-Executive Non-Executive Non-Executive	Strengthening the control environment and ensuring compliance with all regulatory bodies.

The Board and Management Committees meet on a quarterly basis and for all meetings held in 2024, all members of the committees attended. The Chief executive officer attends all Board committees, and the Company Secretary is the Secretary of all the Board committees.

The Chief Finance Officer attends the meetings by invitation.

Charles Edwin Etemesi *Principal Officer*	Dr. Habil Olaka, EBS *Director*	Ezekiel Abiola Ekundayo *Chairman*

Date: 18 February 2025

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2024

The Directors are responsible for the preparation and presentation of the financial statements of WAICA Reinsurance (Kenya) Limited (the "Company") set out on pages 13 to 83 which comprise the statement of financial position as at 31 December 2024, 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 material accounting policies.

The Directors' responsibilities include determining that the basis of accounting described in Note 2 is an acceptable basis for preparation and presentation of financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting 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 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 18 February 2025.

Charles Edwin Etemesi	Dr. Habil Olaka, EBS	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

Date: 18 February 2025

WAICA REINSURANCE (KENYA) LIMITED

REPORT OF THE CONSULTING ACTUARY FOR THE YEAR ENDED 31 DECEMBER 2024

I have conducted an actuarial valuation of the reinsurance liabilities of WAICA Reinsurance (Kenya) Limited (the "Company") as at 31 December 2024.

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

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

In my opinion, the reinsurance liabilities reserves of the Company were adequate at 31 December 2024.

Abed Mureithi, FIA

Actuarial Services East Africa Ltd
PO Box 10472 – 00100
Nairobi

Date: 18 February 2025

KPMG

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 00100 GPO
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Email info@kpmg.co.ke
Website www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of WAICA Reinsurance (Kenya) Limited (the "Company") as set out on pages 13 to 83, which comprise the statement of financial position as at 31 December 2024, 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

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

Key audit matters

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

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matters (continued)

<table>
<tr><th colspan="2">Valuation of reinsurance and retrocessionaire contract liabilities</th></tr>
<tr><td colspan="2">See Notes 3(o) and 21 to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>At 31 December 2024, the Company held reinsurance and retrocessionaire contract liabilities as a result of its insurance operations. The Company applies IFRS 17 Insurance contracts (effective 1 January 2023) to reinsurance contracts and retrocessionaire contracts it issues, and retrocessionaire contracts it holds.

Determination of year-end reinsurance and retrocessionaire contract liabilities

As at 31 December 2024, the value of reinsurance and retrocessionaire contract liabilities was KShs 2.57 Billion. All contracts were accounted for under the simplified premium allocation approach. The reinsurance and retrocessionaire contract liabilities reflects, within the liability for remaining coverage component, the premiums received for which insurance cover should still be provided and outstanding premiums for which cover has already been provided. It also includes a liability for incurred claims element, which represents the estimate of unsettled claims for which the insured event has occurred plus a risk adjustment for non-financial risk.

In valuing reinsurance and retrocessionaire contract liabilities, management applies significant judgment. Various assumptions are made including best estimate assumptions regarding the expected claims and lapses, expected premiums on insurance contracts, expected expenses, commission and charges. Changes to these assumptions may result in material changes to the valuation.

The most significant assumptions made in the valuation of reinsurance and retrocessionaire contract liabilities arising from the Company's insurance contracts relate to:</td><td>Our audit of the reinsurance and retrocessionaire contract liabilities, actuarial assumptions, models and methodologies applied in the valuation of material lines of the insurance business included the following audit procedures that were executed with the assistance of our actuarial specialists:

Procedures over year-end reinsurance and retrocessionaire contract liabilities

Our procedures over the year-end reinsurance and retrocessionaire contract liabilities included the following:
— With the assistance of our actuarial specialists, we assessed the valuation methodology and assumptions for compliance against the latest actuarial guidance, legislation and Company accounting policy. We challenged key assumptions and the methodologies and processes used to determine and update these assumptions through comparison with externally observable data (discount rate and confidence levels) and our assessment of the Company's analysis of experience to date and allowance for future uncertainty. Our challenge focused on the assumptions around the discount rate (and associated illiquidity premium) and the confidence levels applied in the determination of the risk adjustment for non-financial risk.
— We assessed the appropriateness of management's allocation of groups of contracts into the various measurement buckets as required by IFRS 17. Where management applied the premium allocation approach (PAA) to measure a group of contracts, we assessed compliance of these groups with the eligibility criteria in IFRS 17.</td></tr>
</table>

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Key audit matters (continued)

<table>
<tr><td colspan="2">Valuation of reinsurance and retrocessionaire contract liabilities</td></tr>
<tr><td colspan="2">See Notes 3(o) and 21 to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Determination of year-end reinsurance and retrocessionaire contract liabilities (continued)

— Discount rates
— Confidence levels applied in determining the risk adjustment for non-financial risk.

We considered the valuation of reinsurance and retrocessionaire contract liabilities to be a key audit matter in our audit of the financial statements because of the following:

— The significant judgments and high degree of estimation uncertainty relating to the magnitude and timing of the projected cash flows and the use of significant unobservable assumptions applied in valuing reinsurance and retrocessionaire contract liabilities; and
— The material nature of the reinsurance and retrocessionaire contract liabilities in the Company's statement of financial position and resultant impact on the statement of comprehensive income for the year ended 31 December 2024.</td><td>Procedures over year-end reinsurance and retrocessionaire contract liabilities (continued)

— For the valuation of the liability for incurred claims (LIC) for PAA contracts across the Company, we assessed management's valuation models. We assessed the adequacy of the assumptions applied by management, e.g., claims triangles, and assessed the adequacy of the year-end valuation with amongst others reference to prior years and key ratios.
— We evaluated whether the associated disclosures of the reinsurance and retrocessionaire contract liabilities in the financial statements are adequate and in accordance with IFRS Accounting Standards.
— We evaluated the accuracy of the risk adjustment, including calculation method, and its related release by performing independent recalculation.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *WAICA Reinsurance (Kenya) Limited Annual Report and Financial Statements for the year ended 31 December 2024*, but does not include the financial statements and our auditor's report thereon.

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

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

Other information (continued)

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 other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal controls, as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WAICA REINSURANCE (KENYA) LIMITED (CONTINUED)

Report on the audit of the financial statements (Continued)

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

— Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on other legal and regulatory requirements

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

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Mr. Jacob Gathecha, practicing certificate No. P/1610.

For and on behalf of:

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

Date: 20 March 2025

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

In thousands of Kenya shillings	Note(s)	2024	2023
Insurance revenue	7	5,514,194	5,057,217
Insurance service expenses	8	(4,390,884)	(3,672,359)
Net income/(expense) from reinsurance contracts	9	68,841	(695,728)
Insurance service result		**1,192,151**	**689,130**
Investment return	10	316,436	209,057
Insurance service result and investment return		**1,508,587**	**898,187**
Net finance (expense)/income from reinsurance contracts issued	11	(354,567)	53,210
Net finance income/(expense) from retrocessionaire contracts held	12	21,453	(27,638)
Net financial result		**1,175,473**	**923,759**
Personnel expenses	13(a)	(208,687)	(156,104)
Other operating expenses	13(b)	(203,165)	(227,349)
Other finance (expense)/income	14	(264,167)	490,644
Other income	15	14,284	35
Profit before taxation		**513,738**	**1,030,985**
Income tax expense	17(a)	(182,621)	(356,855)
Total comprehensive income for the year		**331,117**	**674,130**

The notes set out on pages 17 to 83 form an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

In thousands of Kenya shillings	Note(s)	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	18	102,219	40,291
Investments	19	4,317,670	4,106,756
Other receivables	20	238,035	92,557
Reinsurance contract assets	21	318,502	589,391
Retrocessionaire contract assets	21	288,287	154
Deferred tax asset	22	185,634	-
Tax recoverable	17(b)	-	74,855
Property and equipment	23	63,554	60,725
Intangible assets	24	176	628
TOTAL ASSETS		**5,514,077**	**4,965,357**
EQUITY AND LIABILITIES			
Share capital	25	1,102,550	1,102,550
Retained earnings		1,564,445	1,233,328
Total equity		**2,666,995**	**2,335,878**
LIABILITIES			
Tax payable	17(b)	162,543	-
Other payables	26	109,674	130,422
Deferred tax liability	22	-	7,692
Reinsurance contract liabilities	21	1,718,835	1,427,562
Retrocessionaire contract liabilities	21	856,030	1,063,803
Total liabilities		**2,847,082**	**2,629,479**
TOTAL EQUITY AND LIABILITIES		**5,514,077**	**4,965,357**

The financial statements set out on pages 13 to 83 were approved and authorised for issue by the Board of Directors on 18 February 2025 and were signed on its behalf by:

Charles Edwin Etemesi	Dr. Habil Olaka, EBS	Ezekiel Abiola Ekundayo
Principal Officer	*Director*	*Chairman*

The notes set out on pages 17 to 83 form an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

In thousands of Kenya Shillings	Share capital	Retained earnings	Total
2024:			
Balance as at 1 January 2024	**1,102,550**	**1,233,328**	**2,335,878**
Total comprehensive income for the year			
Profit for the year	-	331,117	331,117
Balance as at 31 December 2024	**1,102,550**	**1,564,445**	**2,666,995**
2023:			
Balance as at 1 January 2023	**1,102,550**	**559,198**	**1,661,748**
Total comprehensive income for the year			
Profit for the year	-	674,130	674,130
Balance as at 31 December 2023	**1,102,550**	**1,233,328**	**2,335,878**

The notes set out on pages 17 to 83 form an integral part of these financial statements.

WAICA REINSURANCE (KENYA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

In thousands of Kenya shillings	Note(s)	2024	2023
Net cash flow from operating activities	27(a)	305,205	1,609,121
Investing activities			
Acquisition of property and equipment	23	(23,125)	(17,499)
Purchase of government securities	19	(304,491)	(156,817)
Liquidation/purchase of fixed deposits	19	93,577	(1,457,351)
Proceeds from sale of property and equipment		5,025	35
Net cash out flow from investing activities		**(229,014)**	**(1,631,632)**
Financing activities			
Payment of principal lease liabilities	30(d)	(2,674)	(2,778)
Net cash out flow from financing activities		**(2,674)**	**(2,778)**
Net increase in cash and cash equivalents		**73,517**	**(25,289)**
Cash and cash equivalents at the beginning of the year		40,291	54,264
Effect of exchange rate fluctuations on cash and cash equivalents		(11,589)	11,316
Cash and cash equivalents at the end of the year	18	**102,219**	**40,291**

The notes set out on pages 17 to 83 form 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 was incorporated 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards'') and in the manner required by the Kenyan Companies Act, 2015.

For purposes of reporting under the Kenyan Companies Act, 2015 the balance sheet in these financial statements 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 material accounting policies are included on Note 3.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis of accounting unless otherwise stated.

(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 thousands of Kenya shillings (KShs '000).

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting 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. MATERIAL ACCOUNTING POLICIES

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

(a) Reinsurance contracts

A reinsurance contract 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.

(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

Cash and cash equivalents comprise cash in hand and deposits held at call with the banks net of bank overdrafts, investments in government securities and bank deposits with maturities of three months or less from the date of acquisition.

(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) Other income

Dividends receivable are recognised as income in the period in which the right to receive payment is established. Interest income is recognized on a time proportion basis that considers the effective yield on the asset.

(f) Financial instruments

Financial instruments include balances with banks, reinsurance and other receivables, balances due to related parties, and reinsurance and other payables.

(i) Recognition and initial measurement

Financial instruments are initially recognised when they are originated.

(ii) Classification and subsequent measurement

Financial assets

A financial instrument is a contract that gives rise to both a financial asset for one enterprise and a financial liability of another enterprise. On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through the comprehensive income (FVOCI) – debt investment; (FVOCI) – equity investment; or Fair value through profit and loss (FVTPL).

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Financial assets – continued

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

— contingent events that would change the amount or timing of cash flows;
— terms that may adjust the contractual coupon rate, including variable-rate features;
— prepayment and extension features; and
— terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(ii) Classification and subsequent measurement – continued

Assessment whether contractual cash flows are solely payments of principal and interest – continued

Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) De-recognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

(iii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when the Company has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(iv) 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.

(g) Impairment of assets

(i) Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Company considers a financial asset to be in default when:

— the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
— the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (continued)

(i) *Non-derivative financial assets – continued*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at Fair Value Through Other Comprehensive Income (FVOCI) are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) *Non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than insurance and reinsurance contract assets, deferred tax asset and employee benefits assets) to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (continued)

(ii) Non-financial assets – continued

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount.

Impairment losses are recognised in profit and loss. Impairment losses recognised for a CGU are allocated to reduce the carrying amounts of the assets in the CGU on a pro-rata basis.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) 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.

(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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(h) Income tax (continued)

(ii) Deferred tax – continued

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.

(i) Share capital

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

(j) 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.

(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.

3. MATERAIL ACCOUNTING POLICIES (Continued)

(j) Employee benefits (continued)

(iii) Gratuity

Gratuity provisions are made for both permanent and contracted staff. Gratuity on permanent staff is based on the current basic salary multiplied by the number of years the employee has served the Company whereas for the contracted staff it is calculated at 15% of annual basic pay.

(k) Provisions

(i) 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.

(l) Property and equipment

(i) Recognition and measurement

All property and equipment are initially recorded at cost. These are subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset.

(ii) Depreciation

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(l) Property and equipment (continued)

(iv) Disposal of property and equipment

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts.

(m) Intangible assets

An intangible asset arises from the purchases of accounting software. Acquired intangible assets are measured on initial recognition at cost.

The Company recognises an intangible asset at cost if, and only if, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

The intangible assets are amortised on a straight-line basis over their useful lives (5 years).

Amortisation method, useful lives and residual values are reviewed at each reporting date, and adjusted prospectively, if appropriate.

(n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into (or changed) on or after I January 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in "property and equipment" and lease liabilities are presented in other payables in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has selected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that companies contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(o) Reinsurance and retrocession contracts classification

(i) Reinsurance contracts

The Company issues reinsurance contracts in the normal course of business, under which it accepts significant insurance risk from a cedant by agreeing to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) occurs.

As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Reinsurance contracts can also transfer financial risk. The Company issues non-life reinsurance to cedants. Non-life reinsurance products offered include casualty, engineering, fire & property, motor, marine & aviation and oil & gas. These products protect cedant against ceded risks of claims made by primary policyholders.

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 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 compensate 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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(o) Reinsurance and retrocession contracts classification (continued)

(ii) Retrocession contracts held

Contracts entered into by the Company with retrocesisonaires 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 retrocessionaires.

(iii) Separating components from reinsurance and retrocessionaire contracts

The Company assesses its reinsurance and retrocession products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) reinsurance contract. Currently, the Company's products do not include any distinct components that require separation.

Some retrocession contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the retrocession contracts and are, therefore, non-distinct investment components which are not accounted for separately.

(iv) Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). No group of contracts for level of aggregation purposes contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(o) Reinsurance and retrocession contracts classification (continued)

(iv) Level of aggregation – continued

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(v) Recognition

The Company recognises groups of reinsurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of retrocession contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of retrocession contracts held. (However, the Company delays the recognition of a group of retrocession contracts held that provide proportionate coverage until the date any underlying retrocession contract is initially recognised, if that date is later than the beginning of the coverage period of the group of retrocession contracts held.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(o) Reinsurance and retrocession contracts classification (continued)

(v) Recognition – continued

— The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of retrocessionaire contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

(iv) Contract boundary

The Company includes in the measurement of a group of reinsurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of reinsurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

— The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or

— Both of the following criteria are satisfied:
— The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
— The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

(p) Reinsurance and retrocession contracts accounting treatment

(i) Measurement - Premium Allocation Approach

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for, accident, marine, aviation, motor and property reinsurance and liability retro insurance assumed is one year or less and so qualifies automatically for PAA. Engineering reinsurance includes contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(i) Measurement - Premium Allocation Approach – continued

	IFRS 17 Options	**Adopted approach**
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	Insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	There is no allowance as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For some claims within the Motor, accident, property product line, the incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money. For all other business, the LIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	The change in LIC as a result of changes in discount rates are captured within profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(ii) Reinsurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the reinsurance contracts that it issues and retrocession contracts that it holds, as:

— The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (refer to 3 (p)(i)

Or

— For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

— The premiums, if any, received at initial recognition
— Minus any insurance acquisition cash flows at that date,
— Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
— Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

There is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

(iii) Retrocession contracts held – initial measurement

The Company measures its retrocession assets for a group of retrocession contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(iii) Retrocession contracts held – initial measurement – continued

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

(iv) Reinsurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims.

The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(iv) Reinsurance contracts – subsequent measurement - continued

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

(v) Retrocession contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance.

contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(vi) Reinsurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

With the exception of the property insurance product line, for which the Company chooses to expense insurance acquisition cash flows as they occur, the Company uses a systematic and rational method to allocate:

(a) Reinsurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Reinsurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(vi) Reinsurance acquisition cash flows – continued

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

(vii) Reinsurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)
  Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(viii) Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

— *Reinsurance revenue*

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

— *Loss components*

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in note 3(o)(iv) indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(viii) Presentation – continued

— *Loss-recovery components*

where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

— *Reinsurance finance income and expense*

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For all business, the Company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL. The change in LIC as a result of changes in discount rates are captured within profit or loss.

— *Net income or expense from retrocession contracts held*

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

(ix) Other disclosures

— *Use of 80% confidence level for the risk adjustments*

The Company adjusts the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(ix) Other disclosures – continued

— *Use of 80% confidence level for the risk adjustments – continued*

The purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk. The risk adjustment for non-financial risk relates to risk arising from insurance contracts other than financial risk. Financial risk is included in the estimates of the future cash flows, or the discount rate used to adjust the cash flows. The risks covered by the risk adjustment for nonfinancial risk are insurance risk and other non-financial risks such as lapse risk and expense risk. The risk adjustment was calculated at the issuing entity level and then allocated down to each group of contracts using a marginal approach.

The risk adjustment has been derived based on a value at risk model based off the Solvency 2 standard model. The Company has chosen a confidence level based on the 80th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

— *Approach used to determine discount rates*

The bottom-up approach was used to derive the discount rate for the cash. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). However, due to lack of data the yield curve used has not been adjusted for an illiquidity premium hence the risk-free rates have been used to discount the liabilities.

— *Yield curves used*

The entity issues contracts in various underlying currencies therefore a multi-currency modelling approach was undertaken based on exposures representing 90% of the liabilities with the remaining liabilities modelled using the Kenya yield curve.

The list below summarizes the yield curves which have been used to discount the liabilities.

(i) KES – Kenya Government bond yield curve
(ii) USD – US Government Bond Yield Curve
(iii) UGX – Uganda Government bond Yield Curve
(iv) TZS – Tanzania Government Bond Yield Curve
(v) ZMW – Zambia Government Bond Yield Curve
(vi) MUR – Mauritius Government Bond Yield Curve

The tables below set out the yield curves used to discount the cash flows of insurance contracts.

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Reinsurance and retrocession contracts accounting treatment (continued)

(ix) Other disclosures – continued

— *Use of 80% confidence level for the risk adjustments – continued*

2024	1year	2years	3years	4years	5years	>5years
USD	4.17%	4.27%	4.39%	4.51%	4.61%	4.69% to 4.95%
MUR	4.01%	4.53%	4.91%	5.18%	5.37%	5.50% to 5.83%
UGX	15.39%	15.89%	16.30%	16.64%	16.92%	17.1% to 17.96%
KES	11.79%	13.54%	14.44%	14.90%	15.14%	15.30% to 15.40%
ZMW	15.89%	20.58%	22.67%	23.60%	24.01%	24.18% to 24.3%
TZS	11.79%	13.54%	14.44%	14.90%	15.14%	15.3% to 15.40%

2023	1year	2years	3years	4years	5years	>5years
USD	4.77%	3.76%	3.46%	3.54%	3.72%	3.87% to 4.15%
MUR	4.30%	4.64%	4.90%	5.12%	5.31%	5.47% to 5.89%
UGX	12.67%	14.23%	15.25%	15.90%	16.29%	16.51% to 16.59%
KES	16.98%	18.68%	17.73%	16.79%	16.20%	15.88% to 15.58%
ZMW	16.96%	21.57%	24.63%	26.67%	27.97%	28.75% to 29.31%
TZS	16.98%	18.68%	17.73%	16.79%	16.20%	15.88% to 15.58%

(q) New standards, amendments and interpretations

(i) New standards, amendments and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2024:

New standard **or amendments**	**Effective for annual periods beginning on or after**
— Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 *Leases*	1 January 2024
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants — Amendments to IAS 1 *Presentation of Financial Statements*	1 January 2024
— Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements*	1 January 2024

These new standards and amendments have no material impact on the Company's financial statements.

3. MATERIAL ACCOUNTING POLICIES (Continued)

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

(ii) Standards issued but not yet effective

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

The following new standards and amendments were not yet effective as at 31 December 2024:

New standard or amendments	**Effective for annual periods beginning on or after**
— Lack of Exchangeability – Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*	1 January 2025
— Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*	1 January 2026
Annual Improvements to IFRS Accounting Standards – Amendments to: — IFRS 1 *First-time Adoption of International Financial Reporting Standards*; — IFRS 7 *Financial Instruments: Disclosures* and its accompanying *Guidance on implementing IFRS 7*; — IFRS 9 *Financial Instruments*; — IFRS 10 *Consolidated Financial Statements*; and — IAS 7 *Statement of Cash flows*	1 January 2026
— Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
— IFRS 18 *Presentation and Disclosure in Financial Statements*	1 January 2027
— IFRS 19 *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures**	To be determined

We expect that the above standards and amendments, issued but not yet effective, will have no material impact on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

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

- Notes 3(g)(i) – impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;
- Notes 3(f) (ii) – classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding;
- Notes 21 and 3(o) – classification of reinsurance, retrocessionaire and investment contracts: assessing whether the contract transfers significant insurance risk.
- Notes 3(o) – level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
- Notes 21 and 3(o) – measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk
- operational risk
- Reinsurance 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 AND REINSURANCE RISK MANAGEMENT(Continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations and arises principally from the trading activities and reinsurance contract assets as well as placement and balances with other counterparties, security deposits, staff expense advances, other receivables 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.

5. FINACIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

The amounts that best represent the Company's maximum exposure to the credit risk as at 31 December 2024 and 31 December 2023 are made up as follows:

	2024			2023		
All figures are in thousands of Kenya shillings	**Gross**	**ECL**	**Net**	**Gross**	**ECL**	**Net**
Classification of credit risk bearing assets:						
Cash in the bank (Note 18)	103,194	(975)	102,219	40,918	(628)	40,290
Due from related party (Note 20)	159,066	-	159,066	65,266	-	65,266
Sundry receivables	18,764	-	18,764	21,971	-	21,971
Deposits with financial institutions (Note 19)	3,267,559	(50,641)	3,216,918	3,088,014	(33,879)	3,054,135
Investment in government securities (Note 19)	1,126,105	(25,255)	1,100,850	1,055,775	(3,154)	1,052,621
Reinsurance contract assets (Note 21)	340,798	(22,295)	318,503	589,798	(407)	589,391
Retrocessionaire contract assets (Note 21)	288,287	-	288,287	154	-	154
	5,303,773	**(99,166)**	**5,204,607**	**4,861,896**	**(38,068)**	**4,823,828**

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument.

All figures are in thousands of Kenya shillings	**Cash in bank**	**Deposits with financial institutions**	**Investment in government securities**	**Reinsurance contract assets**
2024:				
Balance as at 1 January	628	33,879	3,154	407
Net additions to expected credit losses	347	16,762	22,101	21,888
Balance as at 31 December	**975**	**50,641**	**25,255**	**22,295**
2023:				
Balance as at 1 January	830	17,472	2,699	1,328
Net additions to expected credit losses	(202)	16,407	455	(921)
Balance as at 31 December	**628**	**33,879**	**3,154**	**407**

5. FINACIAL AND REINSURANCE RISK MANAGEMENT (Continue

(a) Credit risk (continued)

Impairment approach

The expected credit loss for each asset was determined by estimating the probability of default, loss given default and the exposure at default. The probability of default for each of the assets was determined using the following approaches:

Low risk financial assets

- Reference to external credit ratings published by Standards & Poor. The default rates based on the tier of the banks was used for cash and bank deposits.
- For unrated banks in the same tier as a rated bank, a similar rating has been applied to banks in the same tier. For example, Standards & Poor has given a B+ rating to a Bank – all other unrated banks in the same tier have been rated as B+.
- For Government T-bills, Standards & Poor B+ Sovereign grade was used to determine the default rate based on Kenya's rating obtained from S&P.
- The government's bond rating was taken as the maximum rating for all other financial institutions.
- The loss given default was derived from the Moody's analytical global LGD tables for banking institutions.

Reinsurance receivables

- Analysis of historical ageing of premium receivables, with the assumption that receivables that are outstanding for over two years are defaulted. The assumed the minimum default rate for receivables is 0.1%. The historic default rates are determined based on the movements between March 2019 and December (2024).
- The loss given default was derived from the Moody's analytical global LGD tables for insurance counterparties.

Other receivables

- No impairment was assessed for the other receivables as they relate mostly to intercompany balances with WAICA Reinsurance Corporation PLC and staff loans with insignificantly low risk of default.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated insurance and reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset. 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.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

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

All figures are in thousands of Kenya shillings

2024:	Due on demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Total
Liabilities						
Other payables	-	16,608	4,367	31,001	36,469	88,445
Related party	-	64	-	-	-	64
Lease liabilities	-	514	1,543	4,115	22,093	28,265
Reinsurance contract liabilities	-	-	-	369,842	1,348,993	1,718,835
Retrocessionaire contract liabilities		-	-	179,742	676,288	856,030
Total financial liabilities	-	**17,186**	**5,910**	**584,700**	**2,083,843**	**2,691,639**

2023:	Due on demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Total
Liabilities						
Other payables	-	13,338	11,193	4,686	36,107	65,324
Related party	-	-	18,142	-	-	18,142
Lease liabilities	-	662	1,867	2,165	55,758	60,452
Reinsurance contract liabilities	-	-	-	285,512	1,142,050	1,427,562
Retrocessionaire contract liabilities	-	-	-	212,761	851,042	1,063,803
Total financial liabilities	-	**14,000**	**31,202**	**505,124**	**2,084,957**	**2,635,283**

(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.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Currency risk – continued

The following exchange rates were applied during the period:

	Average rate		Closing rates	
	2024 KShs	2023 KShs	2024 KShs	2023 KShs
USD Dollar	134.82	139.85	129.29	156.46

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

All figures are in thousands of Kenya shillings

	2024 USD	2023 USD
Assets		
Cash and cash equivalents	54,710	23,402
Deposits with financial institutions	2,778,803	2,734,320
	2,833,513	**2,757,722**
Liabilities		
Other payables	(662)	(18,142)
Net position	**2,832,851**	**2,739,580**

Sensitivity analysis on exchange rates

A 10 percent strengthening of the shilling against US Dollar at 31 December 2024 and 31 December 2023 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 on profit or loss before tax and in equity

	On profit or loss		On equity	
	2024 KShs'000	2023 KShs'000	2024 KShs'000	2023 KShs'000
USD Dollar	**(283,285)**	**(273,958)**	**(198,300)**	**(191,771)**

On the same basis, a 10 percent weakening of the shilling against the above currencies at 31 December 2023 and 31 December 2024 would have had equal but opposite effect on the currencies to the amounts shown above.

Interest risk

The Company's has fixed interest rate financial instruments which are government securities and deposits with financial institutions. Included in the table below are the Company's assets at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Interest risk – continued

2024: *All figures are in thousands of Kenya Shillings*	**Due within 3 months**	**Due after 3 months but within 12 months**	**Due between 1 and 5 years**	**Over 5 years**	**Total**	**Impairment**	**Net amount**
Government securities	162,031	659,876	-	304,198	1,126,105	(25,255)	1,100,850
Deposits with financial institutions	628,970	2,509,200	-	129,389	3,267,559	(50,641)	3,216,918
Total assets	**791,001**	**3,169,076**	-	**433,587**	**4,393,664**	**(75,896)**	**4,317,768**

2023: *All figures are in thousands of Kenya Shillings*	**Due within 3 months**	**Due after 3 months but within 12 months**	**Due between 1 and 5 years**	**Over 5 years**	**Total**	**Impairment**	**Net amount**
Government securities	14,918	423,036	157,264	460,557	1,055,775	(3,154)	1,052,621
Deposits with financial institutions	569,797	2,518,217	-	-	3,088,014	(33,879)	3,054,135
Total assets	**584,715**	**2,941,253**	157,264	**460,557**	**4,143,789**	**(37,033)**	**4,106,756**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Interest risk – continued

The Company's approach to managing interest rate risk is the maintenance of a highly liquid short-term investment portfolio. The Company monitors the investment portfolio closely to redirect investments to those instruments with higher returns.

The Company does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss. The Company did not have any variable-rate instruments at the year-end (2023 – Nil).

Market stress risk

To address stress risk, the Company has undertaken relevant analysis, equal to the nature, scale and complexity of the business. Stress testing has been used to assess the Company's ability to meet liabilities requirements in stressed conditions, as a key component of effective risk management.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Market stress risk – continued

The table below shows results for different scenarios.

	31 December 2024		31 December 2023	
	LIC at end period	Impact on LIC	LIC at end period	Impact on LIC
Base result				
Reinsurance contract liabilities (net)	2,417,884	-	1,370,084	-
Retrocessionaire contract liabilities (net)	529,928	-	919,609	-
Net insurance contract liabilities	**2,947,812**		**2,289,693**	
Yields - 1% decrease	-	-	-	-
Reinsurance contract liabilities (net)	2,393,486	(24,398)	1,402,555	32,471
Retrocessionaire contract liabilities (net)	532,937	3,009	918,176	(1,433)
Net insurance contract liabilities	**2,926,423**	**(21,389)**	**2,320,731**	**31,038**
Yields - 1% increase				
Reinsurance contract liabilities (net)	2,263,605	(154,279)	1,313,553	(56,531)
Retrocessionaire contract liabilities (net)	546,125	16,197	921,592	1,983
Net insurance contract liabilities	**2,809,730**	**(138,082)**	**2,235,145**	**(54,548)**
Yields - Foreign exchange decrease 10%				
Reinsurance contract liabilities (net)	2,291,443	(126,441)	1,297,345	(72,739)
Retrocessionaire contract liabilities (net)	462,654	(67,274)	836,217	(83,392)
Net insurance contract liabilities	**2,754,097**	**(193,715)**	**2,133,562**	**(156,131)**
Yields – Foreign exchange increase 10%				
Reinsurance contract liabilities (net)	2,544,325	126,441	1,442,823	72,739
Retrocessionaire contract liabilities (net)	597,201	67,273	1,003,001	83,392
Net insurance contract liabilities	**3,141,526**	**193,714**	**2,445,824**	**156,131**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(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 because these instruments are short term in nature, except for investments whose fair value is disclosed below.

2024: *All figures are in thousands of Kenya Shillings*	**Financial liabilities at amortised cost**	**Financial assets at amortised cost**	**Total carrying value**	**Fair value**	**Fair value hierarchy**
Financial assets					
Due from related party	-	159,066	159,066	159,066	Level 2
Other receivables	-	20,129	20,129	20,129	Level 2
Investments	-	4,317,670	4,317,670	4,314,080	Level 1
Cash and bank balances	-	102,219	102,219	102,219	Level 2
	-	**4,599,084**	**4,599,084**	**4,595,494**	
Financial liabilities					
Other liabilities	88,509	-	88,509	88,509	Level 2
	88,509	**-**	**88,509**	**88,509**	

2023: *All figures are in thousands of Kenya Shillings*	**Financial liabilities at amortised cost**	**Financial assets at amortised cost**	**Total carrying value**	**Fair value**	**Fair value hierarchy**
Financial assets					
Due from related party	-	65,266	65,266	65,266	Level 2
Other receivables	-	21,971	21,971	21,971	Level 2
Investments	-	4,106,756	4,106,756	4,082,358	Level 1
Cash and bank balances	-	40,291	40,291	40,291	Level 2
	-	**4,234,284**	**4,234,284**	**4,209,886**	
Financial liabilities					
Other liabilities	94,602	-	94,602	94,602	Level 2
	94,602	**-**	**94,602**	**94,602**	

5. FINANCIAL AND REINSURANCE 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 a minimum level of paid up capital determined as the higher of the following for general business:

- One billion 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 and Capital Adequacy Ratio (CAR) of 142% (2023 – 229%).

Capital	**2024 KShs'000**	**2023 KShs'000**
Tier-1 Capital	2,666,995	2,335,878
Tier-2 Capital	-	-
Deductions	(456,064)	(44,231)
Total Capital Available (TCA)	**2,210,931**	**2,291,647**
Absolute amount minimum (A)	1,000,000	1,000,000
Volume of business minimum (B)	867,982	507,289
Risk based capital minimum (C)	1,558,788	819,597
Minimum required capital: higher of (A, B, C)	**1,558,788**	**1,000,000**
Capital adequacy ratio	**142%**	**229%**

(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.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(f) Operational risk (continued)

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.

(g) Reinsurance risk

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

For a portfolio of reinsurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its reinsurance contracts is that the actual claims and benefit payments may exceed the carrying amount of the reinsurance liabilities and the pricing is inadequate to meet its obligations. 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 reinsurance 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 reinsurance underwriting strategy to diversify the type of 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 reinsurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company minimizes its exposure by purchasing retrocession protection from credible counter parties.

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk (continued)

Concentration of reinsurance exposure by the main classes of business in which the Company operates (gross and net of retrocession):

31 December 2024

Class of business		0 – 20 Million KShs'000	20 – 250 Million KShs'000	250 – 1000 Million KShs'000	Over 1000 Million KShs'000	Totals KShs'000
Aviation	Gross	265,577	2,196,714	6,145,000	-	**8,607,291**
	Net	265,577	1,166,948	506,520	-	**1,939,045**
Engineering	Gross	1,785,079	29,626,909	77,830,733	167,831,394	**277,074,115**
	Net	1,785,079	14,388,199	7,458,289	3,258,118	**26,889,685**
Fire Domestic	Gross	7,461	1,238,908	1,334,667	-	**2,581,036**
	Net	7,461	946,097	101,595	-	**1,055,153**
Fire Industrial	Gross	2,004,888	66,474,307	257,959,606	1,120,834,455	**1,447,273,256**
	Net	2,004,888	27,935,895	23,002,319	15,735,078	**68,678,180**
Liability	Gross	4,362,334	42,081,461	53,808,322	16,057,431	**116,309,548**
	Net	4,362,334	21,567,875	6,022,869	339,452	**32,292,530**
Marine	Gross	1,749,063	19,112,892	41,499,233	5,781,263	**68,142,451**
	Net	1,749,063	9,115,950	3,912,966	183,984	**14,961,963**
Motor Private	Gross	1,214,833	839,204	-	-	**2,054,037**
	Net	1,214,833	579,057	-	-	**1,793,890**
Motor Commercial	Gross	712,021	1,068,487	-	-	**1,780,508**
	Net	712,021	682,950.00	-	-	**1,394,971**
Personal Accident	Gross	585,918	4,402,306	3,742,427	1,229,491	**9,960,142**
	Net	585,918	2,829,068	416,936	56,306	**3,888,228**
Theft	Gross	771,996	11,059,162	12,928,462	67,191,169	**91,950,789**
	Net	771,996	4,728,037	1,245,480	941,055	**7,686,568**
Workmen Compensation	Gross	130,299	2,380,861	763,334	-	**3,274,494**
	Net	130,299	1,048,797	94,500	-	**1,273,596**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk (continued)

Class of business		0 – 20 Million KShs'000	20 – 250 Million KShs'000	250 – 1000 Million KShs'000	Over 1000 Million KShs'000	Totals KShs'000
Medical	Gross	68,498	-	-	-	**68,498**
	Net	68,498	-	-	-	**68,498**
Miscellaneous	Gross	4,252,080	24,246,349	89,925,673	124,817,100	**243,241,202**
	Net	4,252,080	13,707,891	7,753,932	3,088,371	**28,802,274**
Total	**Gross**	**17,910,047**	**204,727,560**	**545,937,457**	**1,503,742,303**	**2,272,317,367**
Total	**Net**	**17,910,047**	**98,696,764**	**50,515,406**	**23,602,364**	**190,724,581**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk (continued)

Concentration of reinsurance exposure by the main classes of business in which the Company operates (gross and net of retrocession):

31 December 2023

Class of business		0 – 20 Million KShs'000	20 – 250 million KShs'000	250 – 1000 Million KShs'000	Over 1000 Million KShs'000	Totals KShs'000
Aviation	Gross	369,805	2,130,285	8,153,010	4,959,630	**15,612,730**
	Net	369,805	819,540	329,700	70,650	**1,589,695**
Engineering	Gross	2,502,766	34,620,611	71,317,120	137,003,652	**245,444,149**
	Net	2,502,766	9,785,798	3,438,300	1,318,800	**17,045,664**
Fire Domestic	Gross	-	1,221,233	715,402	-	**1,936,635**
	Net	-	541,650	23,550	-	**565,200**
Fire Industrial	Gross	2,253,258	68,073,219	243,127,074	801,002,798	**1,114,456,349**
	Net	2,253,258	15,203,314	10,526,850	7,371,150	**35,354,572**
Liability	Gross	3,180,719	38,522,626	41,612,627	33,065,680	**116,381,652**
	Net	3,180,719	9,974,666	2,048,850	282,600	**15,486,835**
Marine	Gross	2,008,022	20,332,779	23,206,281	4,003,500	**49,550,582**
	Net	2,008,022	5,266,978	942,000	47,100	**8,264,100**
Motor Private	Gross	510,916	1,141,707	-	-	**1,652,623**
	Net	510,916	471,000	-	-	**981,916**
Motor Commercial	Gross	810,869	2,699,394	-	-	**3,510,263**
	Net	810,869	871,350	-	-	**1,682,219**
Personal Accident	Gross	793,175	7,084,249	4,771,879	3,132,368	**15,781,671**
	Net	793,175	2,358,801	164,850	47,100	**3,363,926**
Theft	Gross	268,173	9,289,706	8,273,029	36,513,527	**54,344,435**
	Net	268,173	2,370,212	353,250	400,350	**3,391,985**
Workmen Compensation	Gross	105,384	4,190,764	989,959	-	**5,286,107**
	Net	105,384	1,036,200	70,650	-	**1,212,234**

5. FINANCIAL AND REINSURANCE RISK MANAGEMENT (Continued)

(g) Reinsurance risk (continued)

31 December 2023

Class of business		0 – 20 Million KShs'000	20 – 250 Million KShs'000	250 – 1000 Million KShs'000	Over 1000 Million KShs'000	Totals KShs'000
Medical	Gross	72,168	-	-	-	72,168
	Net	72,168	-	-	-	72,168
Miscellaneous	Gross	3,829,499	19,190,014	61,499,006	88,632,528	173,151,047
	Net	3,829,499	7,277,746	2,731,800	753,600	14,592,645
Total	**Gross**	**16,704,754**	**208,496,587**	**463,665,387**	**1,108,313,683**	**1,797,180,411**
Total	**Net**	**16,704,754**	**55,977,255**	**20,629,800**	**10,291,350**	**103,603,159**

6. OPERATING SEGMENTS

(a) Basis of segmentation

The Company has the following 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

- Aviation
- Engineering
- Fire domestic
- Fire industrial
- Liability
- Marine
- Motor private
- Motor commercial
- Personal accident
- Theft
- Workmens' compensation
- Medical
- Miscellaneous

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

Information about reportable segments

Information relating to each reportable segment is set out in Appendices on pages 84 to 85. 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.

7. INSURANCE REVENUE

Contracts measured under the PAA	2024 KShs'000	2023 KShs'000
Aviation	66,054	55,831
Engineering	513,873	840,250
Fire domestic	12,702	9,873
Fire industrial	2,727,461	2,125,035
Liability	482,588	679,097
Marine	167,559	176,606
Motor private	29,822	15,335
Motor commercial	167,276	86,017
Accidents and others	179,228	252,209
Theft	339,265	105,200
Workmen compensation	117,907	165,919
Medical	360,429	458,276
Miscellaneous	350,030	87,569
Total insurance revenue (Note 21)	**5,514,194**	**5,057,217**

8. INSURANCE SERVICE EXPENSES

(a) Incurred claims and reinsurance contracts expenses

	2024 KShs'000	2023 KShs'000
Recognition of claims incurred in the period (current service cost) (Note 21)	2,557,399	2,179,491
Change in risk adjustment for incurred claims (Note 21)	64,706	61,711
Losses on onerous contracts (Note 21)	9,631	9,163
Reversal of losses on onerous contracts (Note 21)	(9,584)	(12,326)
	2,622,152	**2,238,039**

(b) Reinsurance contract acquisition cashflows

Amount attributed to insurance acquisition cashflows incurred during the year	-	-
Amortisation of insurance acquisition cashflows (Note 21)	1,768,732	1,434,320
Totals	**1,768,732**	**1,434,320**
Total reinsurance service expense (Note 21)	**4,390,884**	**3,672,359**

9. NET EXPENSES FROM REINSURANCE CONTRACTS HELD

(a) Allocation of reinsurance premiums

	2024 KShs'000	2023 KShs'000
Retro premium allocation	(701,822)	(875,658)
Release retro commission	408,815	158,353
Net amount (Note 21)	**(293,007)**	**(717,305)**
(b) Amounts recoverable from reinsurers for incurred claims (Note 21)	361,848	21,577
Totals net expense from reinsurance contracts held (Note 21)	**68,841**	**(695,728)**

10. INVESTMENT RETURN

Interest revenue calculated using the effective interest method	355,614	225,623
Other investment revenue	51	74
Net impairment loss on financial assets	(39,229)	(16,640)
	316,436	**209,057**

11. NET FINANCE EXPENSE/(INCOME)FROM REINSURANCE CONTRACTS ISSUED

	2024 KShs'000	2023 KShs'000
Finance income/expense from contracts issued within the scope of IFRS 17		
Interest accretion on liability for incurred claims (best estimate liability)	269,177	39,261
Effect on changes in interest rates and other financial assumptions	67,088	(25,134)
Interest accretion on LIC (Risk adjustment)	18,302	6,669
Exchange differences on insurance contracts	-	(74,006)
	354,567	**(53,210)**

12. NET FINANCE EXPENSE FROM RETROCESSIONAIRE CONTRACTS HELD

	2024 KShs'000	2023 KShs'000
Interest accretion on reinsurance liability for incurred Claims (best estimate liability) recognised in profit or loss	(18,342)	(4,912)
Effects of changes in interest rates and other financial assumptions	(2,352)	1,852
Interest accretion on reinsurance liability for incurred claims (risk adjustment) recognised in profit or loss	(759)	(448)
Exchange differences on reinsurance contracts	-	31,146
	(21,453)	**27,638**

13. MANAGEMENT EXPENSES

(a) Personnel expenses

Salaries and wages	193,954	142,281
Other employee benefits	10,550	9,876
Other staff costs	4,183	3,947
	208,687	**156,104**

	2024	2023
Number of staff	14	13

Other employee benefits comprise of provisions made for the period for staff gratuity for staff on contract basis at 15% of annual basic pay. As at 31 December 2024, staff outstanding leave days have been provided at KShs 2.34 million (2023 – Nil).

13. MANAGEMENT EXPENSES (Continued)

(b) Other operating expenses

	2024 KShs'000	2023 KShs'000
Travelling and marketing	12,848	18,500
Directors' remuneration	33,455	25,208
Board expenses	22,669	32,911
Other operating costs	77,770	47,851
Legal and professional fees	8,080	17,435
Depreciation on property and equipment (Note 23)	17,525	12,679
Communication	7,062	4,812
Meetings, conferences, and trainings	7,700	9,701
Auditors' fees	3,955	7,014
Short term lease payments	4,051	2,970
Insurance	4,403	3,211
Repairs and maintenance	1,898	1,085
Motor running expenses	696	927
Advertising	549	549
Amortisation of intangible assets (Note 24)	452	510
Actuarial difference	-	41,958
Printing and stationery	52	28
	203,165	**227,349**

14. OTHER FINANCE INCOME

	2024 KShs'000	2023 KShs'000
Forex exchange (loss)/gain	(260,669)	497,162
Finance cost on investment	-	(1,945)
Interest expenses on lease liability (Note 30(b))	(3,498)	(4,573)
	(264,167)	**490,644**

15. OTHER INCOME

	2024 KShs'000	2023 KShs'000
Gain on disposal of property and equipment	5,025	35
Gain on lease modification	9,210	-
Other Income	49	-
	14,284	**35**

16. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following:

	2024 KShs'000	2023 KShs'000
Depreciation on property and equipment (Note 23)	17,525	12,679
Amortisation of intangible assets (Note 24)	452	510
Directors' remuneration (Note 29(a))	33,455	25,208
Auditor's remuneration (Note 13(b))	3,955	7,014
Gain on disposal of property and equipment	(5,025)	(35)
Gain on lease modification	(9,210)	-

17. TAXATION

(a) Income tax charge

	2024 KShs'000	2023 KShs'000
Current income tax		
Current tax charge	375,947	192,935
Deferred income tax (Note 22)		
Prior year deferred tax adjustment	-	166
Current year movement	(193,326)	163,754
Total current tax charge	**182,621**	**356,855**

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

	2024 KShs'000	2023 KShs'000
Accounting profit before taxation	513,738	1,030,985
Tax at the applicable rate of 30%	154,122	309,296
Tax effect of expenses not deductible and exempt income for tax purposes	(15,616)	(13,142)
Prior year deferred tax adjustment	-	166
Impact of IFRS 17 adoption	44,115	60,535
	182,621	356,855

(b) Current tax

	2024	2023
Balance brought forward	(74,855)	107,767
Current period charge	375,947	192,935
Tax paid	(138,549)	(375,557)
Tax payable/(recoverable)	**162,543**	**(74,855)**

18. CASH AND CASH EQUIVALENTS

	2024	2023
Cash in the bank	102,212	40,290
Cash at hand	7	1
	102,219	40,291

19. INVESTMENTS

	2024	2023
Balance 1 January	4,106,756	2,492,588
Purchase of government securities	304,491	156,817
Changes in fixed deposits with financial institutions:		
– Classified as investments in statement of cash flows	(93,577)	1,457,351
Balance 31 December	**4,317,670**	**4,106,756**
Maturity analysis:		
Due within 3 months	782,576	915,957
Due after 3 months but within 12 months	2,984,327	2,572,921
Due after 12 months	550,767	617,878
	4,317,670	4,106,756

19. INVESTMENTS (Continued)

The treasury bills (Government securities) are invested with the Central Bank of Kenya. The bonds are held both within Kenya with the Central Bank of Kenya and internationally in Mauritius. The term deposits are held to maturity with other commercial banks incorporated in Kenya and governed by the Central Bank of Kenya. The investments are measured at amortised cost.

20. OTHER RECEIVABLES

	2024 KShs'000	2023 KShs'000
Due from related party (Note 29(b))	159,066	65,266
Sundry receivables*	78,969	27,291
	238,035	**92,557**

*Sundry receivables include staff loans, prepayments and accountable imprest.

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES

Movement in retrocessionaire contract balances

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

2024:	Asset for remaining coverage excluding loss recovery component	Loss recovery component	Asset for incurred claims	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Opening retrocessionaire contract liabilities	(144,040)	-	(919,763)	(1,063,803)
Opening retrocessionaire contract assets	-	-	154	154
Net retrocessionaire contract liabilities3 opening balance	**(144,040)**	**-**	**(919,609)**	**(1,063,649)**
Allocation of retrocession premiums	**(293,007)**	**-**	**-**	**(293,007)**
Amounts recoverable from reinsurers for incurred claims	-	-	361,848	361,848
Amounts recoverable for incurred claims and other expenses	-		82,276	82,276
Changes to amounts recoverable for incurred claims	-		279,572	279,572
Loss-recovery on onerous underlying contracts and adjustments				
Retrocession investment components	-	-	-	-
Net income or expense from reinsurance contracts held	**(293,007)**	**-**	**361,848**	**68,841**
Retrocession finance income	**17,445**	**-**	**137,243**	**154,688**
Total changes in the statement of comprehensive income	**(275,562)**	**-**	**499,091**	**223,529**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in retrocessionaire contract balances (continued)

2024:	Asset for remaining coverage excluding loss recovery component KShs'000	Loss recovery component KShs'000	Asset for incurred claims KShs'000	Total KShs'000
Cash flows				
Premiums paid	440,285	-	-	440,285
Amounts received	(69,776)	-	(98,132)	(167,908)
Total cash flows	**370,509**	-	**(98,132)**	**272,377**
Other movements	11,278	-	(11,278)	-
Net retrocessionaire contract assets/(liabilities) closing balance	**(37,815)**	-	**(529,928)**	**(567,743)**
Closing retrocessionaire contract liabilities	(37,815)	-	(818,215)	(856,030)
Closing retrocessionaire assets	-	-	288,287	288,287
Net retrocessionaire contract liabilities closing balance	**(37,815)**	-	**(529,928)**	**(567,743)**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in reinsurance contract balances (continued)

2024:	Liability for remaining coverage excluding loss component KShs'000	Loss component KShs'000	Liability for incurred claims KShs'000	Total KShs'000
Opening reinsurance Contract Liabilities	(375,178)	10,342	1,792,398	1,427,562
Opening reinsurance Contract Assets	(167,484)	407	(422,314)	(589,391)
Net reinsurance contract (asset)/liabilities opening balance	**(542,662)**	**10,749**	**1,370,084**	**838,171**
Insurance revenue	**(5,514,194)**	**-**	**-**	**(5,514,194)**
Insurance service expenses	**1,768,732**	**47**	**2,622,105**	**4,390,884**
Incurred claims and other directly attributable expenses	-	(9,584)	2,970,245	2,960,661
Changes to liabilities for incurred claims	-	-	(348,140)	(348,140)
Losses on onerous contracts and reversal of those losses	-	9,631	-	9,631
Amortisation of insurance acquisition cash flows	1,768,732	-	-	1,768,732
Investment components	-	-	-	-
Net income or expense from insurance contracts held	**(3,745,462)**	**47**	**2,622,105**	**(1,123,310)**
Reinsurance finance expenses	30,467	(1,613)	156,809	185,663
Total changes in the statement of comprehensive income	**(3,714,995)**	**(1,566)**	**2,778,914**	**(937,647)**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in reinsurance contract balances (continued)

2024:	Liability for remaining coverage excluding loss component KShs'000	Loss component KShs'000	Liability for incurred claims KShs'000	Total KShs'000
Cash flows				
Premiums received	4,420,578	-	-	4,420,578
Claims and other expenses paid	-	-	(1,571,695)	(1,571,695)
Insurance acquisition cash flows	(1,349,075)	-	-	(1,349,075)
Total cash flows	**3,071,503**	**-**	**(1,571,695)**	**1,499,808**
Other movements	**159,419**	**-**	**(159,419)**	**-**
Net reinsurance contract (asset)/liabilities closing balance	**(1,026,734)**	**9,183**	**2,417,884**	**1,400,333**
Closing reinsurance contract liabilities	(904,777)	8,912	2,614,700	1,718,835
Closing reinsurance contract assets	(121,957)	271	(196,816)	(318,502)
Net reinsurance contract (asset)/liabilities closing balance	**(1,026,734)**	**9,183**	**2,417,884**	**1,400,333**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in retrocessionaire contract balances (continued)

2023:	Asset for remaining coverage excluding loss recovery component KShs'000	Loss recovery component KShs'000	Asset for incurred claims KShs'000	Total KShs'000
Opening retrocessionaire contract liabilities	(98,102)	-	(425,835)	(523,937)
Opening retrocessionaire contract assets	(21,903)	-	28,025	6,122
Net retrocessionaire contract assets/(liabilities) opening balance	**(120,005)**	**-**	**(397,810)**	**(517,815)**
Allocation of retrocession premiums	**(717,305)**	**-**	**-**	**(717,305)**
Amounts recoverable from reinsurers for incurred claims	**-**	**-**	**21,577**	**21,577**
Amounts recoverable for incurred claims and other expenses	-	-	(15,406)	(15,406)
Changes to amounts recoverable for incurred claims	-	-	36,983	36,983
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-
Retrocession investment components	**-**	**-**	**-**	**-**
Net income or expense from reinsurance contracts held	**(717,305)**	**-**	**21,577**	**(695,728)**
Retrocession finance income	(32,225)	-	(103,639)	(135,864)
Total changes in the statement of comprehensive income	**(749,530)**	**-**	**(82,062)**	**(831,592)**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in retrocessionaire contract balances (continued)

2023:	Asset for remaining coverage excluding loss recovery component KShs'000	Loss recovery component KShs'000	Asset for incurred claims KShs'000	Total KShs'000
Cash flows				
Premiums paid	439,188	-	-	439,188
Amounts received	(146,789)	-	(6,643)	(153,432)
Total cash flows	**292,399**	-	**(6,643)**	**285,756**
Other movements	**433,095**	-	**(433,095)**	-
Net retrocessionaire contract assets/(liabilities) closing balance	**(144,040)**	-	**(919,609)**	**(1,063,649)**
Closing retrocessionaire contract liabilities	(144,040)	-	(919,763)	(1,063,803)
Closing retrocessionaire contract assets	-	-	154	154
Net retrocessionaire contract assets/(liabilities) closing balance	**(144,040)**	-	**(919,609)**	**(1,063,649)**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND IABILITIES (Continued)

Movement in reinsurance contract balances (continued)

2023:	Liability for remaining coverage excluding loss component KShs'000	Loss component KShs'000	Liability for incurred claims KShs'000	Total KShs'000
Opening reinsurance contract liabilities	(123,630)	11,008	944,301	831,679
Opening reinsurance contract assets	(191,256)	1,323	(190,269)	(380,202)
Net reinsurance contract (asset)/liabilities opening balance	**(314,886)**	**12,331**	**754,032**	**451,477**
Insurance revenue	**(5,057,217)**	**-**	**-**	**(5,057,217)**
Insurance service expenses	**1,434,320**	**(3,163)**	**2,241,202**	**3,672,359**
Incurred claims and other directly attributable expenses	-	(12,326)	2,559,431	2,547,105
Changes to liabilities for incurred claims	-	-	(318,229)	(318,229)
Losses on onerous contracts and reversal of those losses	-	9,163	-	9,163
Amortisation of insurance acquisition cash flows	1,434,320	-	-	1,434,320
Investment components	**-**	**-**	**-**	**-**
Net income or expense from insurance contracts held	**(3,622,897)**	**(3,163)**	**2,241,202**	**(1,384,858)**
Reinsurance finance expenses	(54,917)	1,581	105,277	51,941
Total changes in the statement of comprehensive income	**(3,677,814)**	**(1,582)**	**2,346,479**	**(1,332,917)**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in reinsurance contract balances (continued)

2023:	Liability for remaining coverage excluding loss component KShs'000	Loss component KShs'000	Liability for incurred claims KShs'000	Total KShs'000
Cash flows				
Premiums received	4,143,651	-	-	4,143,651
Claims and other expenses paid	-	-	(1,229,516)	(1,229,516)
Insurance acquisition cash flows	(1,194,525)	-	-	(1,194,525)
Total cash flows	**2,949,126**	**-**	**(1,229,516)**	**1,719,610**
Other movements	**500,912**	**-**	**(500,912)**	**-**
Net reinsurance contract (asset)/liabilities closing balance	**(542,662)**	**10,749**	**1,370,084**	**838,171**
Closing reinsurance contract liabilities	(375,178)	10,342	1,792,398	1,427,562
Closing reinsurance contract assets	(167,484)	407	(422,314)	(589,391)
Net reinsurance contract (asset)/liabilities closing balance	**(542,662)**	**10,749**	**1,370,084**	**838,171**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in reinsurance contract balances (continued)

The table below shows the breakdown of Net Liability for incurred claims into PVFCF(Present value future cashflows) and risk adjustment.

2024:

	Liability for remaining cover		Liability for incurred claims		
Calculation of reinsurance liability	**Non-onerous KShs'000**	**Loss component KShs'000**	**Risk adjustment KShs'000**	**PVFCF KShs'000**	**Reinsurance contract liability KShs'000**
Opening balance	**(542,662)**	**10,749**	**150,051**	**1,220,033**	**838,171**
Insurance revenue	(5,514,194)	-	-	-	(5,514,194)
Insurance service expenses	1,768,732	47	64,706	2,557,399	4,390,884
Paid claims net of recoveries	-	-	-	1,571,694	-
Maintenance expenses allocated	-	-	-	985,705	985,705
Change in the liability for remaining coverage	-	9,631	-	-	9,631
Change in loss component - new loss arising in period	-	(9,584)	-	-	(9,584)
Change in loss component - reversal	-	-	-	-	-
Change in risk adjustment	-	-	64,706	-	64,706
Amortised deferred acquisition costs	-	-	-	-	-
Other immediate acquisition costs	-	-	-	-	-
Investment component	-	-	-	-	-
Insurance finance expenses	-	-	18,302	336,265	354,567
Cash outflows - claims, commissions and expenses paid	(1,349,075)	-	-	(1,571,694)	(2,920,769)
Outstanding balances transferred to LIC at expiry of cover	159,419	-	-	(159,419)	-
Currency impact	30,467	(1,613)	(16,373)	(181,384)	(168,903)
Closing balance	**(1,026,734)**	**9,183**	**216,686**	**2,201,198**	**1,400,333**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in reinsurance contract balances (continued)

The table below shows the breakdown of Net Liability for incurred claims into PVFCF (Present value future cashflows) and risk adjustment;

2024:

	Liability for remaining cover		Liability for incurred claims		
Calculation of retrocession liability	**Non-onerous KShs'000**	**Loss recovery component KShs'000**	**Risk adjustment KShs'000**	**PVFCF KShs'000**	**Reinsurance contract liability KShs'000**
Opening balance	**144,040**	-	**(6,175)**	**925,784**	**1,063,649**
Cash inflows	69,776	-	-	98,132	167,908
Insurance revenue	701,822	-	-	-	701,822
Amounts recovered from reinsurers					
Change in outstanding amounts due from reinsurers	-	-	-	(98,132)	(98,132)
Change in loss recovery component - new loss arising in period	-	-	-	(241,814)	(241,814)
Change in loss recovery component - reversal					
Change in risk adjustment	-	-	(21,903)	-	(21,903)
Reinsurer commission amortised	(408,814)	-	-	-	(408,814)
Other related income (reinsurance profit commission)					
Insurance finance expenses	-	-	(759)	(20,694)	(21,453)
Cash outflows	(440,285)	-	-	-	(440,285)
Outstanding balances transferred to LIC at expiry of cover	(11,278)	-	-	11,278	-
Currency impact	(17,445)	-	1,514	(117,304)	(133,235)
		-			
Closing balance	**37,816**	-	**(27,323)**	**557,250**	**567,743**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in retrocession contract balances (continued)

The table below shows the breakdown of net liability for incurred claims into PVFCF (Present value future cashflows) and risk adjustment;

2023:

	Liability for remaining cover		Liability for incurred claims		
Calculation of reinsurance liability	**Non-onerous**	**Loss component**	**Risk adjustment**	**PVFCF**	**Reinsurance contract liability**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Opening balance	**(314,886)**	**12,331**	**71,590**	**682,442**	**451,477**
Cash Inflows - Premiums Received	4,143,651	-	-	-	4,143,651
Insurance revenue	(5,057,217)	-	-	-	(5,057,217)
Paid claims net of recoveries	-	-	-	1,229,516	1,229,516
Maintenance expenses allocated	-	-	-	-	-
Change in the liability for remaining coverage	-	-	-	949,976	949,976
Change in loss component - new loss arising in period	-	9,163	-	-	9,163
Change in loss component - reversal	-	(12,326)	-	-	(12,326)
Change in risk adjustment	-	-	61,711	-	61,711
Amortised deferred acquisition costs	1,434,320	-	-	-	1,434,320
Other immediate acquisition costs	-	-	-	-	-
Investment component	-	-	-	-	-
Insurance finance expenses	-	-	6,668	14,128	20,796
Cash outflows - claims, commissions and expenses paid	(1,194,525)	-	-	(1,229,516)	(2,424,041)
Outstanding balances transferred to LIC at expiry of cover	500,912	-	-	(500,912)	-
Currency impact	(54,917)	1,581	10,082	74,400	31,146
Closing balance	**(542,662)**	**10,749**	**150,051**	**1,220,034**	**838,172**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

Movement in retrocession contract balances (continued)

The table below shows the breakdown of Net Liability for incurred claims into PVFCF(Present value future cashflows) and risk adjustment

2023:

	Liability for remaining cover		Liability for incurred claims		
Calculation of retrocession liability	**Non-onerous KShs'000**	**Loss recovery component KShs'000**	**Risk adjustment KShs'000**	**PVFCF KShs'000**	**Reinsurance contract liability KShs'000**
Opening balance	**120,005**	-	**(4,569)**	**402,379**	**517,815**
Cash inflows	146,789	-	-	6,643	153,432
Insurance revenue	875,658	-	-	-	875,658
Amounts recovered from reinsurers	-	-	-	(6,643)	(6,643)
Change in outstanding amounts due from reinsurers	-	-	-	(14,215)	(14,215)
Change in loss recovery component - new loss arising in period	-	-	-	-	-
Change in loss recovery component - reversal	-	-	-	-	-
Change in risk adjustment	-	-	(720)	-	(720)
Reinsurer commission amortised	(158,353)	-	-	-	(158,353)
Other related income (reinsurance profit commission)	-	-	-	-	-
Insurance finance expenses	-	-	(448)	(3,060)	(3,508)
Cash outflows	(439,188)	-	-	-	(439,188)
Outstanding balances transferred to LIC at expiry of cover	(433,095)	-	-	433,095	-
Currency impact	32,224	-	(438)	107,585	139,371
Closing balance	**144,040**	-	**(6,175)**	**925,784**	**1,063,649**

21. REINSURANCE AND RETROCESSIONAIRE CONTRACT ASSETS AND LIABILITIES (Continued)

The claims development tables per accident year are shown below:

In thousands of Kenya Shillings

Underwriting year/booking period	0	1	2	3	4	5	Total
2019	2,202	14,517	6,933	12,045	7,410	259	43,365
2020	10,495	61,668	85,225	25,148	40,018	-	222,552
2021	26,161	213,781	111,468	148,572	-	-	499,983
2022	152,394	527,330	273,454	-	-	-	953,177
2023	93,132	812,912	-	-	-	-	906,045
2024	222,148	-	-	-	-	-	222,148

Estimate of undiscounted gross cumulative claims	2019	2020	2021	2022	2023	2024
At the end of accident year	2,202	10,495	26,161	152,394	93,132	222,148
One year later	14,517	61,668	213,781	527,330	812,912	-
Two years later	6,933	85,225	111,468	273,454	-	-
Three years later	12,045	25,148	148,572	-	-	-
Four years later	7,410	40,018	-	-	-	-
Five years later	259	-	-	-	-	-
Gross liabilities from accident years 2019 to 2023	-	137,757	553,315	756,677	1,473,546	4,071,511
Effect of discounting	-	-	-	-	-	(731,702)
Risk adjustment	-	-	-	-	-	216,685
Unpaid premiums transferred to the LIC	-	-	-	-	-	(1,138,610)
Gross liabilities for incurred claims included in the statement of financial position						**2,417,884**

22. DEFERRED TAX (ASSET)/LIABILITY

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:

2024	Balance at 1 January 2024 KShs'000	(Credited)/ charged to profit or loss KShs'000	Balance at 31 December 2024 KShs'000
Property and equipment	(3,395)	(156)	(3,551)
Reinsurance contracts	(44,115)	44,115	-
Provisions	(81,359)	(22,524)	(103,883)
Unrealised exchange gains	136,561	(214,761)	(78,200)
	7,692	**(193,326)**	**(185,634)**

2023	Balance at 1 January 2023 KShs'000	Prior year adjustment KShs'000	(Credited)/ charged to profit or loss KShs'000	Balance at 31 December 2023 KShs'000
Property and equipment	(3,480)	47	38	(3,395)
Reinsurance contracts	(104,650)	-	60,535	(44,115)
Provisions	(100,198)	119	18,720	(81,359)
Unrealised exchange gains	52,100	-	84,461	136,561
	(156,228)	**166**	**163,754**	**7,692**

Deferred tax assets have been recognised because it is probable that future taxable profit will be available against which the Company can use the benefits therefrom

23. PROPERTY AND EQUIPMENT

2024:	Right of use lease asset KShs'000	Motor vehicle KShs'000	Computer equipment KShs'000	Furniture and equipment KShs'000	Total KShs'000
Cost:					
At 1 January	40,891	28,307	4,980	51,244	125,422
Additions	-	22,100	671	354	23,125
Lease modification	(2,771)	-	-	-	(2,771)
Disposals	-	(12,797)	-	-	(12,797)
At 31 December	**38,120**	**37,610**	**5,651**	**51,598**	**132,979**
Depreciation:					
At 1 January	14,281	19,824	3,164	27,428	64,697
Charge for the year	4,765	5,974	914	5,872	17,525
Disposal	-	(12,797)	-	-	(12,797)
At 31 December	**19,046**	**13,001**	**4,078**	**33,300**	**69,425**
Net book value at 31 December 2024	**19,074**	**24,609**	**1,573**	**18,298**	**63,554**

23. PROPERTY AND EQUIPMENT (Continued)

2023:	Right of use lease asset KShs'000	Motor vehicle KShs'000	Computer equipment KShs'000	Furniture and equipment KShs'000	Total KShs'000
Cost					
At 1 January	40,891	17,301	3,738	46,558	108,488
Additions	-	11,006	1,242	5,251	17,499
Disposals	-		-	(565)	(565)
At 31 December	40,891	28,307	4,980	51,244	125,422
Depreciation					
At 1 January	9,931	16,926	2,693	23,033	52,583
Charge for the year	4,350	2,898	471	4,960	12,679
Disposal	-	-	-	(565)	(565)
At 31 December	14,281	19,824	3,164	27,428	64,697
Net book value at 31 December 2023	**26,610**	**8,483**	**1,816**	**23,816**	**60,725**

24. INTANGIBLE ASSETS

	2024 Software KShs'000	2023 Software KShs'000
Cost		
At 1 January and at 31 December	2,655	2,655
Depreciation		
At 1 January	2,027	1,517
Charge for the year	452	510
At 31 December	2,479	2,027
Net book value at 31 December	**176**	**628**

25. SHARE CAPITAL

	2024 KShs'000	2023 KShs'000
Authorised, issued and fully paid:		
1,102,550 Ordinary shares of KShs 1,000 each		
Balance at 1 January and 31 December	**1,102,550**	**1,102,550**

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 2024 and 31 December 2023, the Company has complied with the Insurance Act on the minimum capital required for an insurance company carrying out reinsurance business in Kenya.

26. OTHER PAYABLES

	2024 KShs'000	2023 KShs'000
Other creditors*	51,943	40,423
Due to related Party (Note 29(b))	64	-
Lease liabilities (Note 30(b))	21,165	35,820
Other liabilities**	36,502	54,179
	109,674	**130,422**

*Includes all payroll and other accrued expenses.
** Includes statutory liabilities.

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

27. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2024 KShs'000	2023 KShs'000
Profit before taxation	513,738	1,030,985
Interest on lease liability (Note 30)	3,498	4,573
Depreciation (Notes 23)	17,525	12,679
Amortisation of intangible asset (Note 24)	452	510
Gain on disposal of property and equipment (Note 15)	(5,025)	(35)
Gain on lease modification (Note 15)	(9,210)	-
Exchange rate fluctuations on cash and cash equivalent	11,589	(11,316)
Net changes in:		
Reinsurance contract assets	270,889	(209,189)
Retrocessionaire contract assets	(288,133)	5,968
Other receivables	(145,478)	(17,202)
Other payables, net of lease liabilities	(6,093)	36,529
Reinsurance contract liabilities	291,273	595,883
Retrocessionaire contract liabilities	(207,773)	539,866
Net cash flows from operating activities before tax and lease interest paid	**447,252**	**1,989,251**
Payment of lease interest (Note 30(b))	(3,498)	(4,573)
Income tax paid (Note 17(b))	(138,549)	(375,557)
Net cash flows from operating activities	**305,205**	**1,609,121**

(b) Analyses of cash and cash equivalents

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

	2024 KShs'000	2023 KShs'000
Cash and bank balances (Note 18)	102,212	40,290
Cash at hand (Note 18)	7	1
		47
	102,219	**40,291**

28. CONTINGENT LIABILITIES

The Company has Government securities of KShs 375 million (2023 – KShs 275 million) held under lien with the Central Bank of Kenya as security deposit in favor of the Commissioner of Insurance as required under the provisions of Section 32 of the Insurance Act (Cap 487).

The Company is involved in a tax claim dispute with Kenya Revenue Authority (KRA) arising from the assessment done from year 2019 to 2021. KRA's demand on withholding tax on acquisition costs/commissions amounting to **KShs 53,843,160.** The Company objected to the assessment and made an appeal to the Tax Appeals Tribunal (TAT) on this matter. An adverse ruling was issued against the Company on 7 February 2025. The Company has commenced the process to appeal the ruling at the High Court and believe they have a high chance of success in the High Court. The Company is using the services of lawyers and tax consultants/advisers in this matter. The Directors are of the opinion that this will not be payable and the outcome of the appeal remains uncertain and as a result, no provision has been made in these financial statements.

29. RELATED PARTY TRANSACTIONS

The Company's fully owned by WAICA Reinsurance Corporation PLC, a company incorporated in Sierra Leone, which is also the ultimate parent. The transactions are due on demand, non interest bearing and unsecured. Transactions are in the ordinary course of business. The amounts due from related parties are non-interest bearing.

	2024 KShs'000	2023 KShs'000
(a) Directors' and key management remuneration		
Directors' fees	21,978	15,079
Directors' sitting allowance	11,477	10,129
	33,455	**25,208**
Short-term employee benefits	67,826	55,467
Post-employment benefits	15,076	24,035
Key management remuneration	**82,902**	**79,502**
(b) Balances due from and to related party		
Due from related party (Note 20)	**159,066**	**65,266**
Due to related party (Note 26)	**64**	**18,142**

(c) Reinsurance transactions

The following reinsurance transactions were carried out with WAICA Reinsurance Corporation PLC:

		2024 KShs'000	2023 KShs'000
(i)	Gross premium ceded out	**410,995**	**563,341**
(ii)	Premium receivable from WAICA Reinsurance (Kenya) Limited	**115,606**	**95,710**
(iii)	Commission earned by WAICA Reinsurance (Kenya) Limited	**104,141**	**219,520**
(iv)	Commission receivable by WAICA Reinsurance (Kenya) Limited	**6,925**	**28,713**
(v)	Retrocession claim recoveries from WAICA Reinsurance Corporation PLC	**38,480**	**105,758**
(vi)	Retrocession claims outstanding from WAICA Reinsurance Corporation PLC	**228,975**	**260,630**

30. LEASES

The Company leases its office premises. The lease runs for a period of five years with the option to renew the lease at the expiry on new terms.

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets relate to its leased office premises that are presented within property and equipment under Note 23.

	2024 KShs'000	2023 KShs'000
At 1 January	26,610	30,960
Lease modifications	(2,771)	-
Depreciation charge for the year	(4,765)	(4,350)
At 31 December	**19,074**	**26,610**

(b) Leases liabilities

The movement in lease liabilities during the year 2024 is as follows:

	2024 KShs'000	2023 KShs'000
At 1 January`	35,820	38,598
Lease modifications	(11,981)	-
Lease rental payments	(6,172)	(7,351)
Lease Interest charge	3,498	(4,573)
Balance at 31 December	**21,165**	**35,820**

Maturity analysis – Contractual undiscounted cash flows

Tenancy

	2024	2023
Less than one year	6,172	4,694
Later than one year and not later than five years	22,093	55,758
Later than five years	-	-
Total undiscounted lease liability at 31 December	**28,265**	**60,452**

(c) Amount recognised in profit or loss

	2024	2023
Finance cost on lease liabilities (Note 14)	3,498	4,573
Gain on lease modification	9,210	-
Depreciation charge for the year	4,765	4,350
Expensed relating to short term lease (Note 13(b))	4,051	2,970
Balance at 31 December	**21,524**	**11,893**

30. LEASES (Continued)

(d) Amounts recognised in statement of cash flows	2024 KShs'000	2023 KShs'000
Payment of principal lease liabilities	2,674	2,778
Payment of lease interest (Note 30(b))	3,498	4,573
Total lease payments	**6,172**	**7,351**

31. SUBSEQUENT EVENTS

On 7 February 2025, the Tax Appeals Tribunal delivered a judgment on the outstanding tax matter dismissing the Company's appeal on assessed taxes on withholding tax on acquisition costs/commissions. The Company has subsequently appealed the judgment in the High Court of Kenya. The Directors are of the opinion that this amount will not be payable. Details are included in Note 28.

WAICA REINSURANCE (KENYA) LIMITED

REVENUE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2024

REVENUE ACCOUNT PER CLASS	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Medical	Miscellaneous	Motor Commercial	Motor Private	Personal Accident	Theft	Workmen Compensation	Total
Reinsurance Revenue	66,054	513,873	12,702	2,727,461	482,588	167,559	360,429	350,030	167,276	29,822	179,228	339,265	117,907	5,514,194
Incurred claims and insurance contracts expenses	(51,339)	(264,855)	(4,294)	(915,636)	(336,386)	(92,220)	(266,193)	(324,038)	(116,909)	(20,843)	(124,930)	(22,322)	(82,187)	(2,622,152)
Insurance contract acquisition cash flows	(14,389)	(176,675)	(4,176)	(895,900)	(145,646)	(52,573)	(107,026)	(111,840)	(45,032)	(8,028)	(54,091)	(117,771)	(35,585)	(1,768,732)
Reinsurance service expenses	(65,728)	(441,530)	(8,470)	(1,811,536)	(482,032)	(144,793)	(373,219)	(435,878)	(161,941)	(28,871)	(179,021)	(140,093)	(117,772)	(4,390,884)
Insurance service results before reinsurance contracts held	326	72,343	4,232	915,925	556	22,766	(12,790)	(85,848)	5,335	951	207	199,172	135	1,123,310
Allocation of reinsurance premiums	(1,845)	(163,499)	(415)	(97,655)	(4,758)	(16,078)	(2,517)	(5,637)	562	100	(1,767)	1,664	(1,162)	(293,007)
Amounts recoverable from reinsurers for incurred claims	-	5,307	1,368	291,075	(18,363)	23,868	(11,935)	72,894	683	122	(6,820)	8,136	(4,487)	361,848
Net expenses / (income) from reinsurance contracts held	(1,845)	(158,192)	953	193,420	(23,121)	7,790	(14,452)	67,257	1,245	222	(8,587)	9,800	(5,649)	68,841
Insurance Service Result	(1,519)	(85,849)	5,185	1,109,345	(22,565)	30,556	(27,242)	(18,591)	6,580	1,173	(8,380)	208,972	(5,514)	1,192,151
Finance income/expense from contracts issued within the scope of IFRS 17	(952)	(72,296)	(613)	(130,651)	(35,134)	(18,263)	(25,533)	(25,868)	(10,055)	(1,793)	(13,048)	(11,777)	(8,584)	(354,567)
Finance income and expense from reinsurance contracts held	-	605	49	10,507	1,987	1,389	1,292	3,818	27	5	738	550	486	21,453
Reinsurance Finance Result	(952)	(71,691)	(564)	(120,144)	(33,147)	(16,874)	(24,241)	(22,050)	(10,028)	(1,788)	(12,310)	(11,227)	(8,098)	(333,114)
Reinsurance result	(2,471)	(157,540)	4,621	989,201	(55,712)	13,682	(51,483)	(40,641)	(3,448)	(615)	(20,690)	197,745	(13,612)	859,037
Investment Income	3,791	29,489	729	156,517	27,694	9,615	20,683	20,087	9,599	1,711	10,285	19,469	6,767	316,436
Other finance	171	1,331	33	7,066	1,250	434	934	907	433	80	464	879	302	14,284
Other finance income	(3,164)	(24,618)	(609)	(130,664)	(23,119)	(8,027)	(17,267)	(16,769)	(8,014)	(1,429)	(8,586)	(16,250)	(5,651)	(264,167)
Other operating expenses	(4,934)	(38,381)	(949)	(203,713)	(36,044)	(12,515)	(26,920)	(26,144)	(12,494)	(2,225)	(13,386)	(25,340)	(8,807)	(411,852)
Profit before taxation	(6,607)	(189,719)	3,825	818,407	(85,931)	3,189	(74,053)	(62,560)	(13,924)	(2,478)	(31,913)	176,503	(21,001)	513,738

WAICA REINSURANCE (KENYA) LIMITED

REVENUE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2023

REVENUE ACCOUNT PER CLASS	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Medical	Miscellaneous	Motor Commercial	Motor Private	Personal Accident	Theft	Workmen Compensation	Total
Reinsurance Revenue	55,831	840,250	9,873	2,125,035	679,097	176,606	458,276	87,569	86,017	15,335	252,209	105,200	165,919	5,057,217
Incurred claims and insurance contracts expenses	(23,628)	(316,198)	(3,996)	(852,261)	(275,484)	(131,590)	(183,504)	(157,681)	(73,173)	(13,045)	(102,312)	(37,860)	(67,307)	(2,238,039)
Insurance contract acquisition cash flows	(14,083)	(250,414)	(3,112)	(669,285)	(184,473)	(49,219)	(123,228)	23,875	(15,872)	(2,830)	(68,511)	(32,098)	(45,071)	(1,434,321)
Reinsurance service expenses	(37,711)	(566,612)	(7,108)	(1,521,546)	(459,957)	(180,809)	(306,732)	(133,806)	(89,045)	(15,875)	(170,823)	(69,958)	(112,378)	(3,672,360)
Insurance service results before reinsurance contracts held	18,120	273,639	2,766	603,489	219,139	(4,203)	151,544	(46,237)	(3,028)	(540)	81,386	35,242	53,541	1,384,858
Allocation of reinsurance premiums	(4,467)	(141,228)	(1,629)	(354,238)	(53,890)	(21,217)	(35,599)	(53,319)	(4,222)	(753)	(20,014)	(13,562)	(13,167)	(717,305)
Amounts recoverable from reinsurers for incurred claims	-	(37,262)	14	3,066	16,799	10,077	10,918	5,287	(2,337)	(417)	6,239	5,089	4,104	21,577
Net expenses / (income) from reinsurance contracts held	(4,467)	(178,490)	(1,615)	(351,172)	(37,091)	(11,140)	(24,681)	(48,032)	(6,559)	(1,170)	(13,775)	(8,473)	(9,063)	(695,728)
Insurance Service Result	13,653	95,149	1,151	252,317	182,048	(15,343)	126,863	(94,269)	(9,587)	(1,710)	67,611	26,769	44,478	689,130
Finance income/expense from contracts issued within the scope of IFRS 17	602	6,382	73	24,491	9,995	3,472	669	669	1,506	1,301	822	341	2,887	53,210
Finance income and expense from reinsurance contracts held	(313)	(3,315)	(38)	(12,721)	(5,192)	(1,804)	(347)	(347)	(782)	(676)	(427)	(177)	(1,500)	(27,638)
Reinsurance Finance Result	290	3,067	35	11,770	4,803	1,669	321	321	724	625	395	164	1,387	25,572
Reinsurance result	13,943	98,216	1,186	264,087	186,851	(13,674)	127,184	(93,948)	(8,863)	(1,085)	68,006	26,933	45,865	714,702
Investment Income	2,555	27,070	308	103,882	42,395	14,728	1,445	12,245	2,837	2,837	6,387	5,520	3,488	225,697
Other finance income	5,556	58,851	670	225,845	92,170	32,020	3,142	26,622	6,167	6,167	13,886	12,000	7,583	490,679
Other operating expenses	(4,530)	(47,986)	(546)	(184,151)	(75,154)	(26,109)	(2,562)	(21,707)	(5,029)	(5,029)	(11,322)	(9,785)	(6,183)	(400,093)
Profit before taxation	17,524	136,150	1,618	409,663	246,263	6,965	129,210	(76,788)	(4,888)	2,890	76,957	34,668	50,753	1,030,985