2020

ANNUAL REPORT AND FINANCIAL STATEMENTS

HAPPINESS IS...

...ONE GOOD THING AFTER ANOTHER.

www.apainsurance.org

APA INSURANCE

TABLE OF CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

D M Ndonye – Chairman

A K M Shah

S M Shah

R M Ashley*

R Schnarwiler** *(Resigned on 26.02.2021)*

P Shah*

M M'Mukindia

J Rowse* *(Appointed on 26.02.2021)*

**British* ***Swiss*

SECRETARY

P H Shah
Certified Secretary (Kenya)

SENIOR MANAGEMENT

V Bharatan	- Chief Executive Officer
J Kigochi	- Chief Finance Officer
P Khimasia	- Chief Operating Officer
K Shah	- Group Chief Finance Officer
A Mabuka	- Head of Corporate
J Kosgei	- Head of Health
S Kariuki	- Ag. Head of Internal Audit
J Nyakomitta	- Group Chief Information Officer
B Kajuju	- Group Head of Human Resources
B Otieno	- Group Head of Risk
G Nganga	- Group Head of Marketing and Corporate Communications
J Bogonko	- Group Head of Customer Experience and Innovation
D Ogulla	- Head of Claims and Legal
A Njoki	- Reinsurance Manager
L Barnes	- Head of Digital
S Malama	- Head of Inclusive Insurance
W Oyuga	- Head of Branches
I Sakuda	- Chief of Staff

REGISTERED OFFICE

Apollo Centre, 07 Ring Road Parklands, Westlands

P.O. Box 30065-00100

Nairobi

PRINCIPAL BANKERS

NCBA Group Limited

P.O. Box 30437 - 00100

Nairobi

Standard Chartered Bank Kenya Limited

P.O. Box 30001 - 00100

Nairobi

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP

Certified Public Accountants (Kenya)

PwC Tower, Waiyaki Way/ Chiromo Road, Westlands

P.O. Box 43963 - 00100

Nairobi

APPOINTED ACTUARY

Zamara Actuaries, Administrators & Consultants Limited

Landmark Plaza, Argwings Kodhek Road

P.O. Box 52439 - 00200

Nairobi

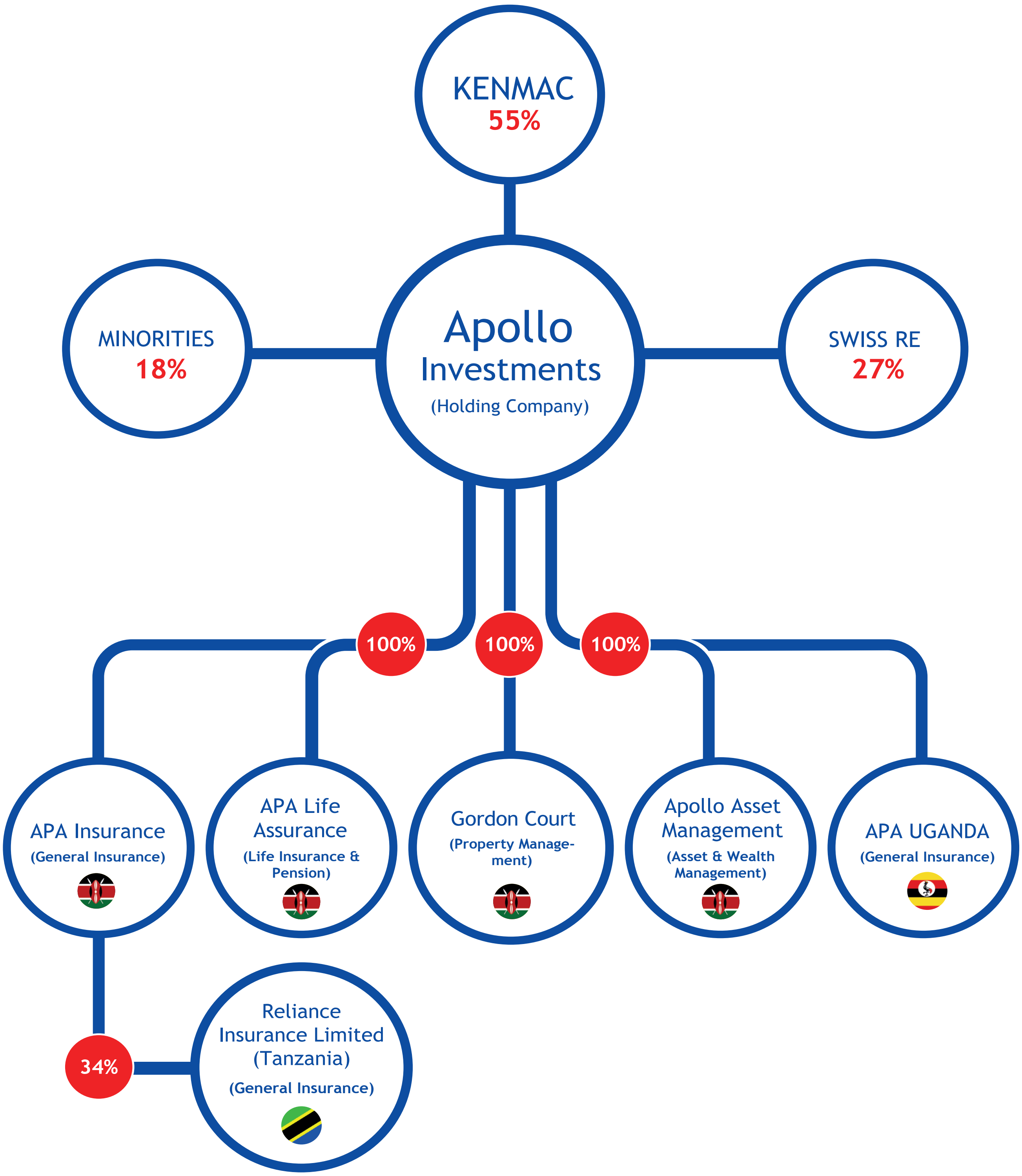
HEAD OFFICE

Apollo Centre, 07 Ring Road Parklands, Westlands

P.O. Box 30065 - 00100

Nairobi

GROUP STRUCTURE



BOARD OF DIRECTORS

Oliver Chen
Swiss Re Board Observer

Ashok Shah
Director

Richard Ashley
Director

Daniel Ndonye
Chairman

Pratul Shah
Company Secretary

BOARD OF DIRECTORS *(continued)*

Piyush Shah
Director

Mary M'Mukindia
Director

Shashi Shah
Director

Jeremy Rowse
Director

MANAGEMENT TEAM

Vinod Bharatan
Chief Executive Officer

Parul Khimasia
Chief Operating Officer

John Kigochi
Chief Finance Officer

Keval Shah
Group Chief Finance Officer

Amos Mabuka
Head of Corporate

Justine Kosgei
Head of Health

MANAGEMENT TEAM *(continued)*

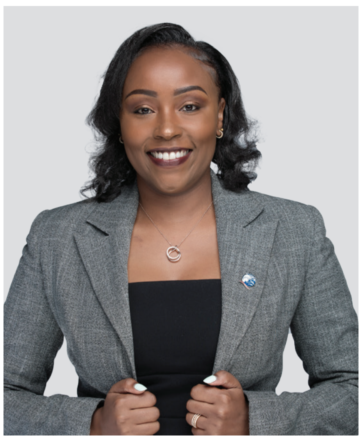
Stella Kariuki
Ag. Head of Internal Audit

Wilson Oyuga
Head of Branches

LeRoy Barnes
Head of Digital

Dinah Ogulla
Head of Claims and Legal

Beth Kajuju
Group Head of Human Resources



Grace Nganga
Group Head of Corporate Communications and Marketing

Ann njoki
Reinsurance Manager

Siani Malama
Head of Inclusive Insurance

Irene Sakuda
Chief of Staff

James Nyakomitta
Group Chief Information Officer

Benjamin Otieno
Group Head of Risk

Judith Bogonko
Group Head of Customer Experience and Innovation

APOLLO GROUP TIME CAPSULE

1946

Pan Africa was founded in Mombasa as 'IndoAfrica' by the Patel Community

1963

IndoAfrica changes its name to Pan Africa, moves to Nairobi and joins the Stock Exchange

1975

Ashok Shah comes back to Kenya for holiday and finds out that his family has lost their farm and coffee has been stolen

1977

Shashi Shah is trained by SwissRe, who also provided technical support to Apollo

Shashi Shah decides to venture in Insurance and founded Apollo Insurance, naming it after Apollo 13

The first office was opened in Mombasa and comprised of two rooms with only 5 employees

1984

First support came from Minet, who helped place more businesses

1987

The Insurance Act of 1984 came into effect, mandating immediate & major changes within Apollo

Apollo decides to change its governance structure, implementing stricter rules

Apollo also institutes major financial restructuring to meet the Act's requirements

1991-92

Apollo places more emphasis on General Insurance. Life Insurance became stagnant due to lack of a good distribution strategy

1994

Shashi, who had served as CEO until now steps down, with an interim CEO in place

1980s

Apollo was the leading company in Life Insurance Brand promise was: "Be Apollosure, Insure with Apollo"

Apollo Life business was managed from Mombasa while General Insurance was managed from Nairobi

1981

Apollo establishes its first branch in Nairobi, located at Hughes building 6th floor

Apollo starts looking for support to continue growing and expanding its business

Shashi Insurance agents agree to start placing business with Apollo

1982

Gordon Court is purchased as a specialist property development company

1996

Ashok Shah, who had thus far been helping on Marketing and other areas is appointed as new CEO

2000

Pan Africa brought on a new strategic partner and instituted major changes in the board

2002

Pan Africa approaches Apollo and starts discussion to consolidate the 2 general businesses

APOLLO GROUP TIME CAPSULE *(continued)*

2003

APA Insurance Kenya formed after the merger of the General Insurance businesses of Apollo Insurance Company and Pan Africa Insurance

2004

APA starts trading "A New Dimension in Insurance"

APA settles enormous amounts for all the discharge vouchers issued by Pan Africa before the merger

2006

APA holds its first Power of Alignment retreat and launches new brand promise titled "Rewriting the Rules of Insurance"

For 6 years until now, APA was the sole provider of HIV cover in health insurance. Others now follow suit...

Gordon Court - starts the construction of Apollo Centre which becomes the Group headquarters

2013

Apollo Life Assurance Ltd rebrands to APA Life Assurance Limited

2014

1.97 Billion claim paid to JKIA in record time of 6 months

Leapfrog sells their 27% shares to SwissRe (who has been APA's reinsurer since 1977)

2015

Apollo doubles its number of employees in just 5 years, exceeding the 400 mark

2017

Catherine Karimi - 1st Female CEO of APA Life Assurance

The microfinance and agri insurance receives a matching grant of $2.5M from MCF to support agricultural businesses

2006-07

APA is a trailblazer again! APA is now the only one to insure old cars and old people up to the age of 75-80

2007 ONWARDS

APA is considered as one of the biggest players in Insurance in Kenya

2009

APA Insurance (Uganda) commences operations as a specialist General Insurance provider in Uganda

All entities move to Apollo Centre, retaining a branch at Hughes Building

2010

Pan Africa sells their shares in APA. Leapfrog invests in Apollo Insurance

AIL set up Uganda and a new life & health system

Apollo Insurance hives off life insurance business to Apollo Assurance & changes its name to Apollo investments

APA innovates again and pilots Micro Insurance and Agriculture Insurance

Apollo exceeds the 200 employee mark for the first time in its existence

Ashok Shah-1st recepient of the Life time Achievement award at the Think Business Insurance awards

2018

APA actively starts looking at digitization as a key step to position itself amongst the best insurers in the world

Launched the happiness campaign: "Insuring happiness"

Vinod Bharatan wins the CEO of the Year at the Think Business Insurance award

2019

APA starts digital journey

APA wins the European microfinance award for strengthening resilience to climate change

2020

APA launches the hAPPiness App

Annual Travel insurance cover is embedded in existing group life and medical policies

Catherine Karimi wins the CEO of the Year at the Think Business Insurance Awards

APA Insurance emerges the overall winner in 2020 FIRE Awards (Financial Reporting)

CHAIRMAN'S STATEMENT

"As a company, we made a conscious decision to pay Covid-19 claims upto the full sum assured"

Daniel M. Ndonye
Chairman

Dear Shareholders,

It is my pleasure to present to you the 2020 Annual Report and Financial Statements for APA Insurance Limited. I write this statement with a sense of pride as I look at what we have been able to achieve over the past year during such challenging times, both economically and socially, due to the Covid-19 pandemic.

BUSINESS ENVIRONMENT

The year under review has been a testing period for the business, staff, customers and the economy. Our main focus has been on keeping our staff and customers safe while maintaining business continuity.

The start of 2020 heralded great optimism before the onset of the Covid-19 pandemic in March. Initial containment measures involved the introduction of a strict curfew, local travel restrictions and the closure of the Kenyan airspace. The adverse economic impact was swift and devastating. Following a real GDP growth of 5.2% in the first quarter of 2020, the Kenyan economy suffered two consecutive quarters of contraction where GDP growth came in at -5.5% and -1.1% respectively, effectively pushing Kenya into a recession.

The Central Bank of Kenya, through the Monetary Policy Committee (MPC), was quick to pursue an accommodative monetary policy stance as they lowered the Central Bank Rate (CBR) to 7% ensuring the banking system remained sufficiently liquid. In addition to lowering the CBR rates, the government implemented some fiscal changes to cushion the economy including reducing the corporate and personal income tax rates to 25% from 30% and reducing the Value Added Tax rate from 16% to 14%. As a result, real GDP growth expectations for 2020 fell between -0.1% and 1% according to various forecasters. On a positive note, the overall inflation remained well anchored in 2020, averaging circa 5.2% on the back of lower food and fuel prices and muted demand pressures.

INSURANCE SECTOR REGULATORY CHANGES

The Covid-19 pandemic has impacted and will continue to impact the insurance sector mainly through reduced returns from the capital markets, premium reduction as well as increase in insurance claims in some classes of insurance business. During 2020, the Insurance Regulatory Authority (IRA) issued a myriad of guidelines aimed at promptly responding to Covid-19 admissible claims and supporting the vulnerable intermediaries. The industry players however, responded in a non-uniform fashion depending on the interpretation of the covers and conviction of flexibility to support the clients.

The long awaited implementation of Risk Based Capital (RBC) as from 30 June 2020 was deferred to allow companies to deal with the impact of Covid-19. This is a setback to the industry as with RBC regime, it was anticipated that price undercutting, that ravages the industry, would be controlled due to the high capital requirements to support the resultant business risks. As the year came to a close and the 2021 reinsurance terms were being discussed, reinsurers issued strict guidelines on rates and acceptance of risks on the business ceded to them. The terms included reduced capacity, commissions and limits. These objectives will bring much needed sanity to the very unhealthy competition and deterioration of underwriting standards, provided all insurers conduct themselves appropriately.

CHAIRMAN'S STATEMENT *(continued)*

FINANCIAL PERFORMANCE

Despite the hard economic circumstances that prevailed in 2020, the Company's premium income registered a strong performance closing at Shs 9.51 billion amid cut-throat competition, undercutting and the adverse impact of Covid-19 resulting in a 2% growth from Shs 9.34 billion in 2019. The underwriting performance significantly improved due to the risk minimizing measures undertaken by the Government like restricting movements and hospital visitations. Consequently, we reported Shs 265 million in underwriting profits in 2020 (2019: Shs 10 million).

The profit before taxation for the year is Shs 628 million from Shs 898 million in 2019; a 30% decrease mainly attributed to the negative stock market performance in the first quarter immediately after the announcement of the first Covid-19 case in the country. The capital adequacy ratio stood at a healthy 267% (2019: 239%) well above the statutory requirement of 200% that was to be implemented on 30th June 2020. The board has considered the level of retained profits and the need to maintain optimal capital adequacy ratio and recommends a dividend of Shs 850 million (2019: Shs 700 million), a clear testament of the confidence and positive outlook.

COVID- 19 IMPACT

As we face the pandemic together, our drive to keep people healthy and safe, to enhance and protect their lives, has served as a compass for decision making, for navigating our efforts towards innovative ways of serving our stakeholders and ensuring that we always act as a force for social good.

As a company, we made a conscious decision to pay Covid-19 claims upto the full sum assured. The company's pay-outs were above the industry averages. This was against other players who excluded Covid-19 claims under the pandemic and epidemic clauses. Our decision was made out of the need to support our insureds through the unchartered territories brought about by Covid-19 disease.

Following this, our medical insurance covers registered 207 cases and paid out Shs 115 million between May and December 2020. The high claim cases were mainly from members above 60 years and those with comorbidities such as asthma, hypertension, diabetes, chronic renal disease, Cardiovascular diseases etc. Out of these cases, we unfortunately had 17 fatalities in the period. We extend our deepest condolences to the families and friends of all who have passed away as a result of Covid-19.

CONNECTING WITH THE COMMUNITY

Just as we care for our people's development, we care for the progress of the communities around us. APA Apollo Foundation, donated Shs 20 million to numerous projects, to assist those who had lost their jobs and needed assistance. In addition to the donation of money, food, masks and hand sanitizers, the APA staff members donated their time to assist in the distribution of care packages to various vulnerable groups and construction of sand dams. We continued our support to the youth, to education, and the environment.

We made another exceptional donation to the Dental Wing at Jalaram Medical Services (JMS). This is a modern fully fledged health facility catering for the needs of the poor and those who cannot afford expensive treatment. JMS will provide day surgery and chemotherapy at extraordinarily low rates, besides other specialist treatment.

The APA Apollo Foundation will continue to invest more resources into the social investment agenda to transform people's lives.

At a ceremony held at the European Investment Bank in Luxembourg, Paulette Lenert, Luxembourg Minister for Cooperation and Humanitarian Affairs, (left) and Dr Hoyer, President of the European Investment Bank (right) present the 10th European Microfinance Award to Ashok Shah, Apollo Group CEO (centre).

THE BOARD

As I write this statement, two changes to our Board have occurred. Mr. Reto Schnarwiler stood down as a member of the Board after serving since 2014. I would like to thank Reto for his invaluable contribution across many aspects of the business. In his place, I would like to welcome Mr. Jeremy Rowse to the Board. Mr. Rowse is a seasoned company director, consultant and commercial mediator with extensive experience in both life and general insurance.

CHAIRMAN'S STATEMENT *(continued)*

REGIONAL PRESENCE AND ASSOCIATE COMPANY

The Apollo Group operates in Kenya, Uganda and Tanzania with an elaborate branch network for prompt service delivery, truly making the Group an East African focused player. In Kenya, we have over 30 offices located in major economic hubs. Group synergies continue to be harnessed in order to ensure optimal returns to each entity and the group.

In Tanzania, our associate company, Reliance Insurance Company (Tanzania) Limited, where we are the largest single shareholder, recorded a 39% premium income increase equivalent to Kenya shillings 1.367 billion and had a total asset base of Kenya shillings 2.397 billion. The growth in business is mainly due to the strengthened intermediary relationships and superior customer experiences.

OUTLOOK

Hopefully, the Kenyan economy will continue to rebound as the measures to contain the pandemic improve with the availability of the vaccines. This will lead to freer travel and loosening of restrictions. This will mean our tourism inflows will start to recover along with the other sectors of the economy.

Going forward, despite the complex and difficult trading environment, the Board and I share the APA Insurance executive's optimism about potential growth. We endorse the leadership team's commitment to building for the future.

As we embrace the new normal, issues of health, wellness and resilience will rise on the agenda. APA Insurance business will be better placed to tap into these opportunities.

APPRECIATION

On behalf of the Board, I wish to express our deep gratitude to our clients, insurance intermediaries, reinsurers, business partners, suppliers, service providers, shareholders and the regulatory authorities for the business and support throughout the year. I recognise and appreciate the management and staff of the company for their loyalty, dedication and hard work that has made these results possible.

As I conclude, I wish to thank my fellow directors, for their commitment, support and considered advice that is so essential in this extremely competitive and specialised industry.

Together, we will maintain our strong brand of Insuring Happiness in the industry.

DANIEL M. NDONYE

CHAIRMAN

16 MARCH 2021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CHIEF EXECUTIVE OFFICER'S STATEMENT

"Despite the complexity and uncertainty over the period, our strategy and value insurance model resulted in a resilient performance"

Vinod Bharatan
Chief Executive Officer

It is my pleasure to present the CEO's report for APA Insurance Limited for the year ended 31st December 2020.

INSURANCE INDUSTRY

There was much optimism in the first quarter of 2020 for the insurance sector from the imminent implementation of Risk Based Capital (RBC) requirements in June, to the government's ambitious Big 4 projects and their impact to the insurance sector. The insurance industry premium growth rate and penetration levels have been trailing the national growth statistics. The implementation of RBC requirements was to introduce a more regulated and disciplined environment in underwriting of risks and also curtail on the excessive number of players through forced mergers and acquisitions. Understandably, the implementation was deferred due to the Covid-19 effects on insurers.

The COVID-19 pandemic created significant disruption as well as considerable economic uncertainty, increasing the complexity of the industry operating environment. The insurance regulator quickly pronounced the industry's support to the insureds and the population in general by ensuring no mid-term changes of insurance policies, grace period for premium payments, expeditious handling of claims and financial support to the vulnerable intermediaries. The insurers also conducted stress testing scenarios and engaged the necessary business continuity plans. The impact of these measures and the financial contribution by the players has positively contributed to the fight against Covid-19 in Kenya.

There were some notable achievements in the sector. Firstly, there was a rollout of virtual motor certificates by the Association of Kenya Insurers. This is a paradigm shift from the current physical certificates to a digital virtual one with all the necessary security and legal features. These virtual certificates have gone along way to augment the industry's development of motor portals and apps. Secondly, the insurance regulator launched a sandbox to support innovative products especially the insurTechs. This, for sure is a creative way to spur innovation and growth of the market and as it were, get to the markets faster. Thirdly, several international players and funds invested in the industry. This was a clear statement of confidence that the industry still presents an excellent opportunity for tremendous growth.

Unfortunately, several players continue to operate below the capital requirement thresholds and we remain optimistic that the regulator will enforce the necessary measures.

Kenya's insurance industry faces a challenging short-term outlook in 2021. The ongoing Covid-19 pandemic and associated economic activities disruption, both domestic and in terms of external trade, has negatively impacted the country's economic growth, and led to higher unemployment rates and pressure on both corporate and household spending. The market is expected to remain on a growth trend over the medium term and will benefit from innovations of digitisation for sales and servicing of policies.

CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

COMPANY'S PERFORMANCE

Despite the complexity and uncertainty over the period, our strategy and value insurance model resulted in a resilient performance. The gross premium income registered a 1.8% growth to Shs 9.51 billion (2019: Shs 9.34 billion). We recorded very good uptake of Shs 2.83 billion in new business but lost out on renewal retention which was only 74% and is to be improved. The underwriting profit for the period was Shs 265 million against Shs 10 million for 2019 mainly due to improved loss and expense ratios. The overall loss ratio improved to 64.5% from 70% whilst gross expenses ratio was 19.3% from 19.4% in 2019. It is worthy to point out here that the government imposed curfew and travel restrictions coupled with reduced/limited hospital visits in the second quarter of the year has also contributed to lower incurred claims especially under motor and medical classes.

The performance and monitoring of our branches as profit centers has been strengthened in the year. We have noted some improvement with a few more offices joining Head Office and Mombasa to return an underwriting profit. We will continue to work on the turnaround of the other offices and where necessary take measures to close or downgrade the office.

Due to the improvement in our credit risk and market risk exposure, the company's CAR improved to 267% from 239% in 2019, way above the statutory minimum proposed of 200%. On the misses, 2019 investment income and profits were adversely impacted by the stock market loss of Shs 267 million (2019: Shs 112 million gain). Consequently, we have reported a 30% lower profit before tax of Shs 628 million from 2019 Shs 898 million.

APA Insurance CFO, John Kigochi (Left) receives the overall winner award for the insurance category from the Capital Markets Authority CEO, Wycliffe Shamiah, during the 19th edition of the FiRe Awards 2020.

A STRATEGIC FOUNDATION

Our people remain the greatest asset and we continue to invest in them. We welcomed the head of health during 2020 and look forward to introducing the new head of Motor in 2021. The heads of these two core business segments will have a profit and loss responsibility on their respective business lines.

The first of APA's motor vehicle assessment centre was opened in Nairobi during the year. This will provide our motor private clients with a fast vehicle assessment and approval of repairs where necessary.

INCLUSIVE INSURANCE (MICRO AND AGRIBUSINESS)

Inclusive insurance can be defined as "access to and use of appropriate and affordable insurance solutions for the unserved and underserved, with a particular emphasis on vulnerable and emerging consumers". We are crafting a strategy and blue print that will guide APA and Apollo group in particular on this exciting journey of inclusive insurance.

APA has been a trailblazer in agribusiness and continues to play a leading role in developing and expanding Micro and Agriculture insurance in Kenya. 2020 was yet another exceptionally good year with an overall growth of 135% from Shs 270 million in 2019 to Shs 635 million in 2020. We continue to implement several Government supported agriculture programs that target small scale farmers, under Kenya Agriculture Insurance Program (KAIP) and Kenya Livestock Insurance Program (KLIP). Under these programs, we increased our involvement from 27 to 33 counties, covering approximately 500,000 lives with premiums of Shs 350 million.

Our micro insurance program has approximately 150,000 lives covered with corresponding premiums of Shs 47 million.

TECHNOLOGICAL AND DIGITAL TRANSFORMATION

In 2018, we embarked on Apollo journey – a dedicated digital strategy aimed to propel the Apollo group to a leading digital group in insurance and financial services. In line with this strategy, in 2019 we set up a digital factory for research and development, and mapping the customer needs. Our Motor Happiness App soft launch was done in 2020 and the factory has embarked on a super App that will encompass multiple customer touch points. It is gratifying to note that the headwinds experienced in the factory and production in 2020 are slowly being contained and we are now on a better path to deliver on the promise of project Nirvana.

CHIEF EXECUTIVE OFFICER'S STATEMENT *(continued)*

CORPORATE SOCIAL RESPONSIBILITY

At APA we understand that we have a responsibility to the society and we have made Corporate Social Responsibility (CSR) an integral part of our business and culture. To underline our deep commitment to making a difference in people's lives, we are guided by existing policy and we continue to commit to a substantial budgetary allocation each year to CSR initiatives through the APA Apollo Foundation. Our objective remains to support sustainable projects that uplift the living standards of communities that we partner with for support.

In 2020, we partnered with several welfare organisations to support disadvantaged families through the provision of essential services dubbed as 'Home Care Packages'. Our staff were also involved in various initiatives of providing food stuffs. We were able to support more than 10,000 families during the year.

OUTLOOK

The coronavirus pandemic has devastated almost all sectors of the Kenyan and global economies. Kenya's economic growth rate for 2020 will be the lowest in a decade. However, an immediate rebound is expected in 2021 with the rollout of vaccine and hopefully the third strain of the virus spread is contained early. With economic activity heavily weighed down by a combination of supply and demand shocks from both the external and domestic fronts due to the pandemic, we remain cautiously optimistic on the 2021 outlook.

On the insurance front, International Financial Reporting Standard (IFRS) 17 on insurance contracts is set to kick in on 1st January 2023 with a restatement of the 2022 comparatives. IFRS 17 will fundamentally change the accounting for all entities that issue insurance contracts within the scope of the standard. The issuers of insurance contracts will need to use consistent measurement models based on current assumptions at a more granular level. Insurers have an opportunity to create an innovative organization change management program that goes well beyond "compliance" with this new standard.

APPRECIATION

The contribution by APA's stakeholders has ensured our continued strong performance. These include amongst others the business partners, intermediaries, customers, aggregators and regulators. I would like to thank you for your continued support and loyalty, which have been instrumental in reinforcing APA's position as the financial services provider to reckon with in the Kenyan insurance market.

I also thank all our staff across the country who continue to show dedication and provide superior service to our customers. I would also like to acknowledge with appreciation my colleagues in management and our board of directors for their diligence, guidance and support that has enabled us achieve the results during the year.

VINOD BHARATAN
CHIEF EXECUTIVE OFFICER
16 MARCH 2021


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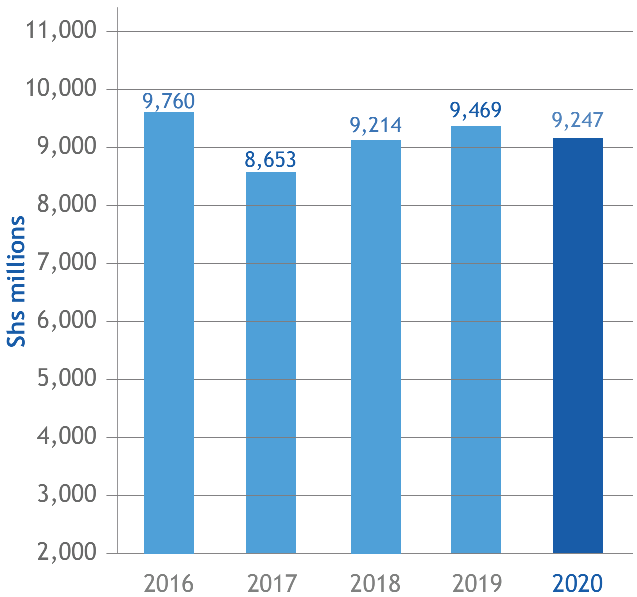
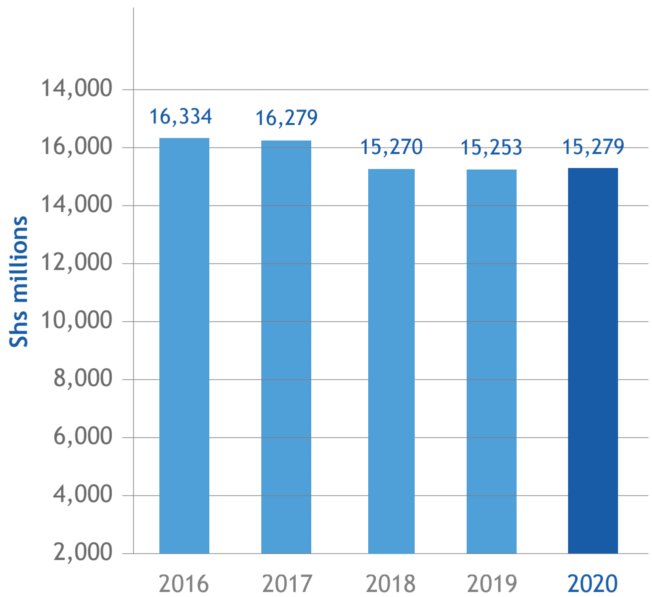
FINANCIAL HIGHLIGHTS

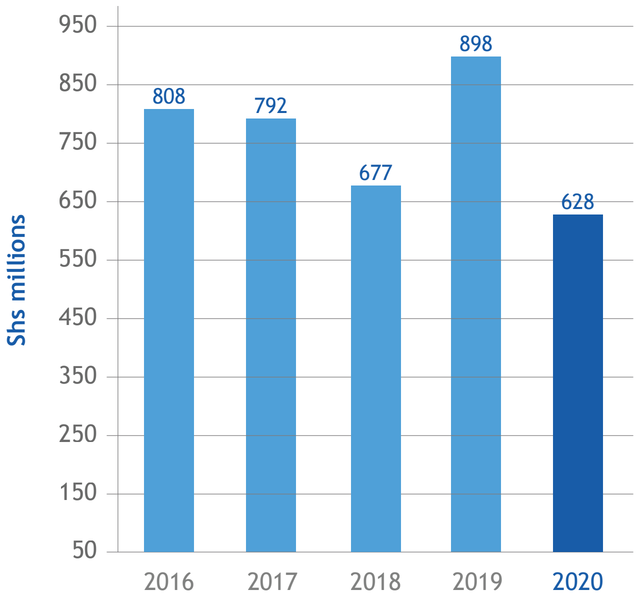
GROSS EARNED PREMIUM



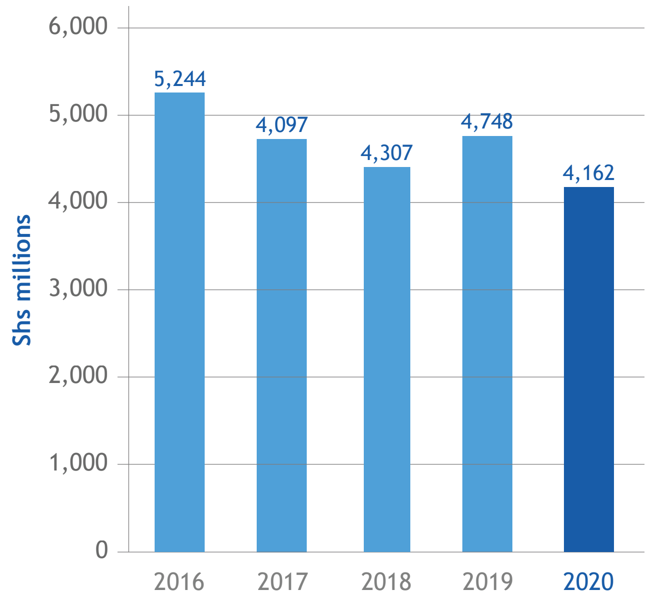
TOTAL ASSETS



PROFIT BEFORE TAX



NET INCURRED CLAIMS



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CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Good corporate governance is key to the integrity of corporations, financial institutions and markets and is central to the health of our economies and their stability. Corporate governance plays a leading role in making certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

The Board of APA Insurance Limited follows principles of openness, integrity and accountability in its stewardship of the Company's affairs. It recognises the developing nature of corporate governance and assesses the Company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its Board committees and Management. The role of the Board is to ensure conformance by focusing on and providing the Company overall strategic direction and policy-making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The Board is also responsible for the overall system of internal control and for reviewing its effectiveness. The controls are designed to both safeguard the Company's assets and ensure the reliability of financial information.

A senior management team, comprising executive directors, divisional directors and senior managers meets regularly to consider issues of operational and strategic importance to the Company.

Below are the key features of the existing corporate governance practices within the Company which are reviewed and improved on a regular basis:

1 BOARD OF DIRECTORS

The Board of Directors consists of seven directors out of whom three are independent non-executive directors. The Chairman of the Board is a non-executive director and the Board meets formally at least four times a year.

The Board is responsible for setting the direction of the Company through the establishment of strategic objectives, key policies and the approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by executive management and consequent accountability.

The directors are actively involved in and bring strong independent judgement on Board deliberations and discussions. These directors have a wide range of knowledge and experience of local and international markets that is applied to the formulation of strategic objectives and decision making.

All directors have access to the advice and services of the Company Secretary and are entitled to obtain independent professional advice on the Company's affairs.

The Board meets regularly and retains full and effective control over the Company in all strategic, financial, operational and compliance areas. In 2020, four board meetings were held and the attendance by the directors was as follows:

Director	Total board meetings in the year that the director was eligible to attend	Number of board meetings attended
D M Ndonye - Chairman	4	4
A K M Shah	4	3
S M Shah	4	4
R Schnarwiler (Resigned 26.02.2021)	4	4
R M Ashley	4	4
P Shah	4	4
M M'Mukindia	4	4

CORPORATE GOVERNANCE STATEMENT *(continued)*

1 BOARD OF DIRECTORS *(continued)*

To assist the Board in the discharge of its responsibilities, Board committees have been established. All the Board committees meet at least four times a year. The committees are as follows: -

(a) Audit and Risk Committee

The audit and risk committee comprises four non-executive directors and the executive director. The committee is responsible for, inter alia, developing and advising on audit and financial controls and compliance issues of the Company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The current members of the committee are D M Ndonye (Acting Chairman), P Shah, RM Ashley, J Rowse, M'Mukindia and AKM Shah.

(b) Information and Communication Technology (ICT) Committee

The ICT committee comprises one non-executive director, the professional nominated under shareholder's agreement and the executive director. The committee provides guidance to the Board on ICT requirements for the Company, provides assurance that the ICT systems in place are able to generate accurate and timely management reports and also reviews ICT budgets and recommends for their adoption by the Board. The committee also ensures that there are business continuity plans in place for the Company. The current members of the committee are P Shah (Chairman), PH Shah and AKM Shah.

(c) Investment Committee

The Board has an investment committee comprising three non-executive directors, board advisor and the executive director. This committee is responsible for determining the company's overall investment strategy and monitoring its implementation. The current members of the committee are R M Ashley (Chairman), D M Ndonye, S M Shah, PH Shah, J Rowse and A K M Shah.

(d) Remuneration Committee

The remuneration committee currently consists of three non-executive directors and the executive director. Its primary objective is to ensure that the right calibre of management is recruited and retained and set guidelines for remuneration of staff. The non-executive directors on the committee are responsible for recommending the terms of service in respect of the executive directors to the board.

The committee is also responsible for ensuring that the terms and conditions of service for management and staff is fair, appropriate and reflect the market conditions. The current members of the committee are M'Mukindia (Chairperson), DM Ndonye , J Rowse, PJ Shah (holding company director) and AKM Shah.

2 INTERNAL CONTROLS

The Company has implemented and maintains internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the Company's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through internal audit function, operational meetings and the annual external audit.

3 RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION

The related parties' transactions with the group companies during the year ending, 31 December 2020 are detailed under note 40 of these annual report and financial statements.

The remuneration for non-executive directors consists of fees and sitting allowances for their services in connection with the Board and committee meetings. These fees and allowances are approved by the members at the annual general meetings.

The aggregate amount of director's remuneration for services rendered during the year ending 31 December 2020 are contained under note 40 of these annual report and financial statements.

CORPORATE GOVERNANCE STATEMENT *(continued)*

4 SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES

The Board is conscious of the Company's social and environmental responsibilities. Particular attention is given to projects with a long time positive impact to the society and environment. These include employees' welfare programmes, education and health activities, empowering the youth and provision of clean and safe drinking water. The Company encourages staff to participate and actively supports them in various causes.

5 GOING CONCERN

The directors confirm that the Company has adequate resources to continue in business for the foreseeable future and therefore the continued use of going concern as a basis of preparing the financial statements is appropriate.

DANIEL M. NDONYE

Chairman

ASHOK SHAH

Director

16 March 2021


THE APOLLO GROUP
HAPPINESS IS...
...FOLLOWING YOUR HEART TO ALL CORNERS OF THE WORLD, PROTECTED AND WORRY-FREE.
TRAVEL COVER
APA, Insuring Happiness
www.apainsurance.org
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APA INSURANCE
GENERAL • LIFE • HEALTH

THE APOLLO GROUP

SUSTAINABLE DEVELOPMENT GOALS

WE ARE COMMITTED TO ALL 17 SUSTAINABLE DEVELOPMENT GOALS

The Addis Ababa Action Agenda of 2015 recognized the importance of an expanded role of the private sector in achieving the Sustainable Development Goals (SDGs).

We are committed to all 17 Sustainable Development Goals but seek to make substantive impact on those goals that are strongly aligned to our business and social investments.

Our contribution to the SDGs in 2020 has focused on 11 main areas:

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THE APOLLO GROUP

SUSTAINABLE DEVELOPMENT GOALS

HOW WE HAVE ACHIEVED THEM

5 GENDER EQUALITY

As an organization we believe in gender equality. This is practiced through HR policies. We currently have a 50 50 gender split in the company. Our leadership is made up of an equal split.

8 DECENT WORK AND ECONOMIC GROWTH

Our HR policies are crafted to ensure that pay is commensurate to the job level and market rates. We review salaries based on performance and inflation rates on a year on year basis.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

As part of our organizational strategy, we are moving towards paperless working therefore reducing the impact on trees as part of our effort towards responsible consumption.

17 PARTNERSHIPS FOR THE GOALS

We partner with key companies in order to achieve the Sustainable Development Goals.

APA, Insuring Happiness

CORPORATE SOCIAL RESPONSIBILITY

APA APOLLO FOUNDATION - A YEAR IN REVIEW 2020

Guided by the belief that every life has equal value, The APA Apollo Foundation works to help people lead healthy, productive lives. The Foundation focuses on improving people's environment and providing them with the chance to increase the quality of their life. It seeks to ensure that people, especially those with the fewest resources - have access to the opportunities they need to succeed in life.

Established in 2006 as the Group's social arm, the Foundation approach now mirrors the Sustainable Development Goals (SDGs) which aim to help end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The SDGs are the blueprint to achieve a better and more sustainable future for all.

By supporting sustainable projects, that uplift the standards of communities that we partner with, the Foundation uses the resources to improve conditions and create change.

The Foundation is committed to all 17 SDGs but seeks to make substantive impact in six main areas;

- Zero Hunger
- Quality Education
- Good Health and Well Being
- Clean Water & Sanitation
- Reduce Inequalities
- Climate Action

Our contribution to the SDGs in 2020 is provided in the ensuing table

SDG TARGET

End hunger, achieve food security and improve nutrition and promote sustainable agriculture

RESULT

- **Care Package - Shs 15 million cumulative disbursement**

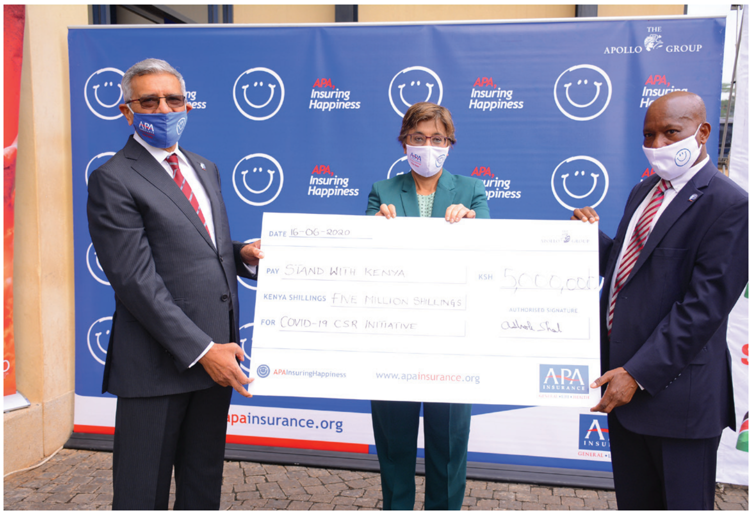
One of many ripple effects of the Covid-19 pandemic was the number of people facing food insecurity. Jackie Janmohamed established Care Package in March 2020 to support and protect vulnerable people and ensure food security in Kenya due to the COVID-19 pandemic.

The Apollo Foundation worked with Care Package and the 'Stand With Kenya' initiative to deliver food, face masks and sanitization items to those in need.

Care Package, in conjunction with the 'Stand With Kenya' campaign, assisted over 15,000 families with food, face masks and sanitisation items during 2020.

- **Care Package Mombasa**

The Director of APA Insurance in partnership with AMS Insurance Brokers donated care packages for both children and adults who live in the Old Town, Mombasa. The care packages contained essential food items and where distributed to over two hundred families.



Ashok Shah, Apollo Group CEO (left) and Daniel Ndonye, Chairman, Apollo Investments (right) present a cheque for Ksh 5 million to Jackie Janmohamed, Founder, Care Package (centre) for the Stand for Kenya campaign.

AMS directors receiving masks from Shashi Shah (right), Director, APA Insurance.

CORPORATE SOCIAL RESPONSIBILITY *(continued)*

• Care Package Kisumu

Flash floods in April 2020 displaced at least 1,000 people in Nyando, Kisumu County. Residents affected by the floods which spread into the villages and marooned houses, causing massive destruction of property.

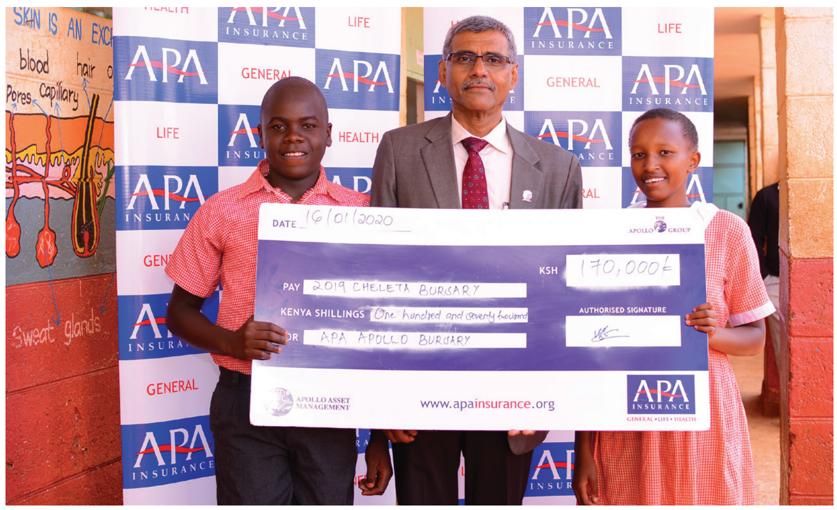
The Kisumu APA Insurance Branch donated over 500 care packages to the affected residents who were camping at the Ombaka and Ogenya evacuation centres.

From left Area Chief Kisumu county receiving care packages from Shilpa Thakra -APA Kisumu branch manager

SDG TARGET

4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Vinod Bharatan, APA Insurance CEO, handing over a cheque to the best boy Elvis Chizima and the best girl, Mary Waweru from Chelata primary school

RESULT

• Cheleta Primary - Shs 10 million cumulative

The APA Foundation bursary scheme was created to educate the top achieving boy and girl from Cheleta Primary School, whose students come from Githongoro, an underprivileged area of Nairobi. Since its inception in 2007, 14 students have benefited from the bursary and transition from primary school, to secondary school, to collage, a career and beyond.

Cheleta Primary has now transformed from a bottom of the table public school to a reputable institution with above average transition rates to secondary school. Students experiencing poverty can access, at every stage, the skills development, support and relationships necessary to thrive in education and the workforce.

CORPORATE SOCIAL RESPONSIBILITY *(continued)*

SDG TARGET

Ensure healthy lives and promote wellbeing for all at all ages

RESULT

• APA Foundation Dental Hospital - Shs 15 million

The Jalaram Medical Centre in Parklands assists all who require medical care at no cost. The APA Apollo Foundation donated Shs 15 million to build a new dental wing for the hospital. The donation aims to provide dental care and spread oral health awareness to people experiencing economic hardship.

APA Apollo Foundation dental wing at the Jalaram Hospital

• Runda Youth Sports Association (RYSA) Sponsorship - Shs 600,000

The Foundation donated the new strip, football boots and balls worth Shs 600 000 to The Runda Youth Sports Association (RYSA).

The APA Apollo Foundation has been the main sponsor for the RYSA since 2007. The RYSA mission is to enhance youth potential thought sports, education, health and environment. It runs mainly sports activities in the urban slum areas of Githogoro and Huruma villages near Runda Estate, Nairobi. Around 500 youth participate in RYSA activities annually.

The Foundation sponsorship includes the fees for RYSA to participate in the league and provides football kits, transport to matches and team allowances. It has also donated furniture for the cafeteria, internships and job opportunities.

APA Insurance CEO - Vinod Bharatan handing over kits to RYSA team

SDG TARGET

Ensure availability and sustainable management of water and sanitation for all

RESULT

• Environments Conservation & Water Harvesting - Shs 40 million

During 2020 the Foundation completed two sand dam projects one in Kithuia and the other in Masii Ward, Mwala Sub-County, Machakos.

The Foundation's water projects involve Environment Conservation and Water Harvesting through construction of sand dams, water tanks and shallow wells. Since 2009, the Foundation has constructed over 28 water projects in various counties in Kenya.

The projects lead to improved water supplies, food production, income sources and improved health status for the community members.

APA Staff at a dam building event

CORPORATE SOCIAL RESPONSIBILITY *(continued)*

SDG TARGET

Reduce inequality within and among countries

RESULT

- **Family and Civil Division, Milimani Law Courts, Nairobi - Shs 50,000**

Children's face masks and hand sanitizers were distributed to the children who attend the Family & Civil Division, Milimani Law Courts, Nairobi.

In addition over 1000 face masks where distributed to several children's homes in Nairobi

Grace Nganga (left), Head of Corporate Communications, together with Vinod Bharatan, APA Insurance CEO, hand over masks to officials from Judiciary.

SDG TARGET

Take urgent action to combat climate change and its impacts.

The Foundation's commitment to protecting and conserving the environment is core and to date, the Foundation has successfully planted over 40,000 trees

In partnership with Egerton University, the Foundation has created the Ngongogeri Park and every year we plant seedlings with the APA staff and Egerton students. We are also the key partners and sponsors in the annual Run for Mau marathon.

Through the APA Apollo Foundation sand dam projects, the Foundation encourages the benefiting communities to plant trees along the river beds to help curb soil erosion, provide food as well as beautifying the landscape. A minimum of ten trees is allocated for planting and maintenance to each household that benefit from the sand dam.

The Foundation has also partnered with 'Friends of Karura' and 'Nairobi Greenline Project' to plant trees in both the Karura forest and Nairobi National park in an effort to curb urban encroachment.

APA staff at a recent tree planting session.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of APA Insurance Limited (the 'Company').

INCORPORATION

The Company is incorporated in Kenya under the Companies Act as a private Company limited by shares, and is domiciled in Kenya. The address and the registered office is set out in page 4.

The Company has investment in the following associated company;

- Reliance Insurance Company (Tanzania) Limited, incorporated in Tanzania as a private company limited by shares and is domiciled in Tanzania

BUSINESS REVIEW

The principal activity of the Company is the transaction of general insurance business.

The key risk that the Company faces is insurance risk which arises from the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

SUMMARY RESULTS

	2020 Shs' 000	2019 Shs' 000
Gross earned premium	9,246,715	9,468,967
Profit for the year	463,838	770,231
Total comprehensive income attributable to shareholders	479,288	775,265
Return on equity (%)	9.3%	15.4%
Capital adequacy ratio - CAR (%)	267%	239%

DIVIDEND

Profit for the year of Shs 463,838,000 (2019: Shs 770,231,000) has been added to retained earnings.

The directors recommend the payment of Shs 850,000,000 dividend in respect of the year (2019: Shs 700,000,000).

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 4.

DISCLOSURE TO AUDITORS

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

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

(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITORS

The independent auditors PricewaterhouseCoopers LLP, retire at the next Annual General Meeting in line with the Insurance Regulations and do not offer themselves for reappointment.

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.

By order of the Board

SECRETARY
16 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

AS AT 31 DECEMBER 2020

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

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

(ii) Selecting suitable accounting policies and then apply them consistently; and

(iii) Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the board of directors on 16 March 2021 and signed on its behalf by:

DANIEL M. NDONYE

Chairman

ASHOK SHAH

Director

zamara
Powering Prosperity

REPORT OF THE CONSULTING ACTUARY TO THE SHAREHOLDERS OF APA INSURANCE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

I have conducted an actuarial valuation of the insurer's insurance liabilities as at 31 December 2020.

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 insurer's insurance liabilities of the Company were adequate as at 31 December 2020.

NAME OF ACTUARY **JAMES I. O. OLUBAYI**

FELLOW OF THE INSTITUTE OF ACTUARIES (FIA)

SIGNED 16 MARCH 2021

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF APA INSURANCE LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of APA Insurance Limited (the "Company") set out on pages 40 to 86 which comprise the statement of financial position at 31 December 2020 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of APA Insurance Limited at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of insurance contract liabilities	
Insurance contract liabilities comprise reported claims and incurred but not reported ("IBNR") claims. The estimation of the provisions involves significant judgement given the inherent uncertainty in estimating expected future outflows in relation to claims incurred. In addition, the valuation of these liabilities relies on the accuracy of claims data and the assumption that future claims development will follow a similar pattern to past claims development experience and involve engagement of internal and external actuarial experts. Significant reserving assumptions are disclosed in note 3 while the change in the year and balances as at 31 December 2020 are reported under note 31 of these financial statements. Any material changes in the projected claims due to changes in the underlying assumptions and methodology can result in a material impact to the valuation of insurance contract liabilities.	We evaluated the competence, capabilities and objectivity of the company's Statutory Actuary involved in the estimation of the insurance contract liabilities. We validated, on a sample basis, the claims paid to supporting documentation and comparing the claim payments in 2020 to the reserves previously held; We tested the reasonableness of claims outstanding by comparing the recorded amounts to the latest available information on source documents We reviewed the methodology and assumptions used by the Statutory Actuary to compute the liabilities against generally accepted actuarial practice approaches, in relation to the business written and expected risks. We assessed the reasonableness of the reserves by comparing actual outcomes against reserve estimates in the prior years. and checked that adequate disclosures had been made in the financial statements.

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF APA INSURANCE LIMITED *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF APA INSURANCE LIMITED *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2020

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 management's 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 matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on page 34 is consistent with the financial statements.

PricewaterhouseCoopers

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

16 MARCH 2021

CPA BERNICE KIMACIA, PRACTISING CERTIFICATE NO. 1457.

SIGNING PARTNER RESPONSIBLE FOR THE INDEPENDENT AUDIT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Shs'000	2019 Shs'000
Gross written premium		9,508,915	9,337,232
Gross earned premium	5	9,246,715	9,468,967
Less reinsurance premium ceded		(2,792,437)	(2,686,018)
Net earned premium		6,454,278	6,782,949
Investment income	6	657,743	1,162,104
Commissions earned		647,526	546,692
Other income	7	9,931	12,522
Total income		7,769,478	8,504,267
Net incurred claims	8	(4,162,049)	(4,748,194)
Operating and other expenses	9(a)	(1,766,537)	(1,646,450)
Net impairment loss on financial assets	9(b)	(68,939)	(164,538)
Commissions payable		(1,095,748)	(1,036,712)
Profit from operating activities		676,205	908,373
Share of profits of associates	19(a)	4,085	35,411
Operating profit		680,290	943,784
Finance cost	11	(52,193)	(45,395)
Profit before income tax		628,097	898,389
Income tax expense	12(a)	(164,259)	(128,158)
Profit for the year		**463,838**	**770,231**
Other comprehensive income, net of tax:			
Items that may not subsequently be reclassified to profit or loss			
Change in fair value of available for sale financial assets :			
Unquoted equity investments	19(b)	1,891	5,547
Items that may subsequently be reclassified to profit or loss			
Share of other comprehensive income of associates	19(a)	(1,314)	403
Exchange differences on translation of foreign operations	19(a)	15,587	(942)
Deferred tax on other comprehensive income	35	(714)	26
Other comprehensive income for the year, net of tax		**15,450**	**5,034**
Total comprehensive income for the year attributable to the owners of the Company		**479,288**	**775,265**
		Shs	**Shs**
Earnings per share – basic and diluted	13	**37.11**	**61.62**

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

ASSETS	Notes	2020 Shs'000	2019 Shs'000
Motor vehicles and equipment	15	65,499	76,802
Intangible assets	16	149,854	144,266
Right-of-use assets	17	240,922	315,807
Investment properties	18	1,020,000	1,020,000
Investment in associates	19(a)	246,771	662,479
Equity investments - at fair value through other comprehensive income	19(b)	12,953	11,062
Equity investments – at fair value through profit or loss	20	690,104	1,392,749
Investments in unit trusts		33,276	30,197
Current income tax	12(c)	75,940	49,945
Deferred income tax	35	420,073	441,151
Loans receivable	21	100,604	117,853
Receivables arising out of reinsurance arrangements		360,534	549,045
Receivables arising out of direct insurance arrangements		698,169	447,381
Reinsurers' share of insurance liabilities and reserves	22	2,145,588	1,802,656
Deferred acquisition costs	23	156,038	173,799
Other receivables	24	49,990	48,633
Government securities – at amortised cost	25(a)	1,478,393	1,147,236
- at fair value through profit or loss	25(b)	5,963,048	5,204,521
Deposits with financial institutions	26	1,196,411	1,319,255
Commercial paper and corporate bonds	27	99,505	223,731
Cash and bank balances	37(b)	75,725	74,839
Total assets		15,279,397	15,253,407
EQUITY AND LIABILITIES			
Equity			
Share capital	28	1,250,000	1,250,000
Other reserves	29(a)	235,219	235,356
Translation reserve	29(b)	(25,544)	(41,131)
Retained earnings	30	2,547,465	2,933,627
Proposed dividends		850,000	700,000
Total equity		4,857,140	5,077,852
Liabilities			
Insurance contract liabilities	31(a)	5,849,687	6,032,281
Provision for unearned premium	32	3,570,091	3,307,890
Payables arising from reinsurance arrangements		277,251	-
Lease liabilities	33	307,822	346,257
Other payables	34	371,458	446,766
Bank overdraft	37(b)	45,948	42,361
Total liabilities		10,422,257	10,175,555
Total equity and liabilities		15,279,397	15,253,407

The financial statements on pages 40 to 86 were authorised for issue by the Board of Directors on 16 March 2021 and signed on its behalf by:

Daniel M. Ndonye
Chairman

Ashok Shah

Ashok Shah
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital Shs'000	FVOCI reserve Shs'000	Translation reserve Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
At 1 January 2019	**1,250,000**	**229,380**	**(40,189)**	**2,863,396**	**600,000**	**4,902,587**
Changes in equity 2019:						
Profit for the year	-	-	-	770,231	-	770,231
Other comprehensive income for the year	-	5,976	(942)	-	-	5,034
Transactions with owners:						
Dividends						
- 2018 final dividend paid	-	-	-	-	(600,000)	(600,000)
- Proposed final for 2019	-	-	-	(700,000)	700,000	-
At 31 December 2019	**1,250,000**	**235,356**	**(41,131)**	**2,933,627**	**700,000**	**5,077,852**
At 1 January 2020	**1,250,000**	**235,356**	**(41,131)**	**2,933,627**	**700,000**	**5,077,852**
Changes in equity 2020:						
Profit for the year	-	-	-	463,838	-	463,838
Other comprehensive income for the year	-	(137)	15,587	-	-	15,450
Transactions with owners:						
Dividends						
- 2019 final dividend paid	-	-	-	-	(700,000)	(700,000)
- Proposed final for 2020	-	-	-	(850,000)	850,000	-
At 31 December 2020	1,250,000	235,219	(25,544)	2,547,465	850,000	4,857,140

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

Cash flows from operating activities	Notes	2020 Shs '000	2019 Shs '000
Cash generated from operations	37(a)	195,994	(26,195)
Interest received	6	687,146	713,385
Interest paid on lease liabilities	11	52,193	45,395
Income tax paid	12(c)	(169,890)	(204,415)
Capital gains tax paid	35	-	(4,327)
Net cash generated from operating activities		765,443	523,843
Cash flows from investing activities			
Purchase of property and equipment	15	(16,314)	(24,591)
Additions to intangible assets	16	(158,004)	(113,946)
Net proceeds from sale of investment in associate		456,518	-
Purchase of quoted shares	20	(224,442)	(401,170)
Proceeds from sale of quoted shares		706,157	340,180
Loans advanced	21	(24,146)	(41,631)
Loan repayments received	21	41,343	31,943
Net purchase of government securities		(1,005,816)	(745,423)
Net investment deposits maturing after 90 days		(226,300)	1,167,203
Net redemption/purchase of commercial bonds	27	124,558	105,411
Net cash (used in) / generated from investing activities		(326,446)	317,976
Cash flows from financing activities			
Payments of principal portion of the lease liability	33	(90,628)	(79,008)
Dividends paid	14	(700,000)	(600,000)
Net cash used in financing activities		(790,628)	(679,008)
Net (decrease)/ increase in cash and cash equivalents		(351,631)	162,811
Movement in cash and cash equivalents			
At 1 January	37(b)	762,115	599,304
(Decrease) / increase		(351,631)	162,811
At 31 December	37(b)	410,484	762,115

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

APA Insurance Limited ("the Company") is in the business of general insurance and is incorporated in Kenya under the Companies Act as a private limited liability company. The Company is domiciled in Kenya and the address of its registered office is disclosed below:

APA Insurance Limited
Apollo Centre,
07 Ring Road, Parklands,
P. O. Box 30065-00100,
Nairobi

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except as further described in the notes below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

(i) New and amended standards adopted by the Company

Amendment to IFRS 16 Leases
Covid-19-Related Rent Concessions

During the year, the International Accounting Standards Board issued an amendment to IFRS 16 - ***Covid-19-Related Rent Concessions***. In accordance with the provisions of the amendment, the Company is not required to assess whether a COVID-19-related rent concession that meets all of the following conditions is a lease modification:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments due on or before 30 June 2021; and

c) there is no substantive change to other terms and conditions of the lease.

The Company accounts for such COVID-19-related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs.

The Company has applied the practical expedient to all property leases that meet the conditions of the IFRS 16 amendment. In accordance with the transitional provisions provided in the amendment, the comparative information for 2019 was not restated and continued to be reported under the previous accounting policies in accordance with the lease modification principles in IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

Amendment to IFRS 16 Leases *(continued)*

Covid-19-Related Rent Concessions *(continued)*

Impact on profit or loss and lease liabilities for the year

The Company considers rent concessions in form of rent holidays as variable lease payments and has presented them in operating expenses.

The amount recognised in the Company's Profit or loss to reflect changes in lease payments that arise from rent concessions is;

	Shs '000
Expense reduction	9,671
Lease liability reduction	9,671

(ii) New and amended standards not yet adopted by the Company

The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending 31 December 2020:

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

Published in January 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Annual improvements cycle 2018 -2020 (published in May 2020 and effective for annual periods beginning on or after 1 January 2022).

These amendments include minor changes to:

IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.

IFRS 17, 'Insurance contracts' (published in May 2017 and effective for annual periods beginning or after 1 January 2023).

Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

New and amended standards not adopted by the Company *(continued)*

IFRS 17, 'Insurance contracts' (published in May 2017 and effective for annual periods beginning or after 1 January 2023) (continued)

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract.

IFRS 17, 'Insurance contracts' Amendments (published in June 2020 and effective for annual periods beginning on or after 1 January 2023).

In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

(b) Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of associates in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognised in the Company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Income recognition

(i) Premium income

Premium income is recognised on assumption of risks, and includes estimates of premium due but not yet received less an allowance for unearned premium. Unearned premium represents the proportion of the premium written in periods up to the accounting date that relate to the unexpired terms of policies in force at the reporting date, and is calculated using the 1/365th method on written premium.

(ii) Commission income

Commissions receivable are recognised as income in the period in which they are earned.

(iii) Investment income

Investment income is stated net of investment expenses. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends receivable are recognised as income in the period in which the right to receive payment is established. Rental income from operating leases is recognised on a straight line basis over the terms of the leases.

(d) Claims incurred

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

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include provisions for claims incurred but not reported (“IBNR”). Outstanding claims are not discounted.

(e) Reinsurance

The Company assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Premiums ceded and claims reimbursed are presented on a gross basis in profit and loss and statement of financial position as appropriate.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recognised in the profit or loss.

(f) Receivables arising out of direct insurance arrangements

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in profit or loss.

(g) Deferred acquisition costs

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Motor vehicles and equipment

All items of motor vehicles and equipment are initially recorded at cost and subsequently stated at historical cost less any accumulated depreciation.

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

Furniture, fixtures and fittings and office equipment	8 years
Motor vehicles	4 years
Computer equipment	3 years

Assets' residual values and their estimated useful lives are reviewed at the reporting date and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of motor vehicles and equipment are determined by comparing the proceeds with their carrying amounts and are recognised within 'Other gains / (losses)' in the income statement.

(i) Intangible assets

Intangible assets comprise of acquired intangible assets and internally generated intangible assets.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally- generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is calculated to write off the cost of intangible assets on a straight line basis over their estimated useful life of 5 years.

(j) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined annually by independent external valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Changes in their carrying amounts between the reporting dates are dealt with through the profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (through other comprehensive income or through profit or loss) and,
- Those to be measured at amortised cost,

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cashflows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in unquoted equity instruments that are not held for trading, the Company has made an irrevocable election at the time of initial recognition to account for them at fair value through other comprehensive income (FVOCI).

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

(i) Recognition and derecognition

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

(ii) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

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

- **FVTPL:** Assets that do not meet the criteria for amortised cost are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss.

Equity instruments

The Company subsequently measures quoted equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial assets *(continued)*

(iii) Determination of fair value *(continued)*

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

(iv) Impairment

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

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

The Company recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial assets *(continued)*

(iv) Impairment *(continued)*

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

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

Loss allowances for receivables arising from insurance arrangements and other receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

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

Measurement of expected credit losses

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

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

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

(i) Significant financial difficulty of the issuer or the borrower;

(ii) A breach of contract - e.g. a default or past-due event;

(iii) A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;

(iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(vi) The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Expected credit losses

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

ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, the Company follows the simplified approach method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial assets *(continued)*

(iv) Impairment *(continued)*

Definition of default

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

- The counterparty or borrower is unlikely to pay their credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The counterparty or borrower is more than 180 days past due on any material credit obligation to the Company. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Company; or
- Based on data developed internally and obtained from external sources.

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

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

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

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

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

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

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

Measurement of ECL

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

- Probability of Default;
- Loss given default (LGD); and
- Exposure at default (EAD).

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial assets *(continued)*

(iv) Impairment *(continued)*

Measurement of ECL *(continued)*

For loans secured by mortgage property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

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

(l) Financial liabilities

In both the current period and prior period, financial liabilities are classified and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(m) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

(n) Translation of foreign currencies

The financial statements are presented in Kenya Shillings (Shs) rounded to the nearest thousand, which is the Company's functional and reporting currency. In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Leases

The Company as a lessee

For any short term leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease and variable lease payments ;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there are any changes in lease terms :

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

During the year, as a result of COVID-19 pandemic, the Company has received various forms of rent concessions, including payment holidays and deferral of lease payments for a period of time.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense in profit or loss.

(q) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered fund, which is funded from contributions from both the Company and employees. Contributions are determined by the rules of the scheme. The Company also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions to this scheme are determined by local statute. The Company's obligations to these schemes are charged to profit or loss as they fall due.

(r) Income tax expense

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

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Company the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders

(t) 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.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares are classified as equity when there is no obligation to transfer cash or other assets.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the Company's accounting policies are dealt with as follows:

The ultimate liability arising from claims made under insurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that the Company's past claims experience can be used to project future claims development and hence, ultimate claims costs.

As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years.

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

Measurement of expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVPL is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

An increase/decrease of 5 percentage points in factors used in computation of ECLs would result in additional/reduction in loss allowance for the period of Shs 5.6 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Valuation of investment properties

Estimates are made in determining valuations of investment properties. The management uses experts in determination of the values to adopt. In performing the valuation, the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales. The independent valuers also use the highest and best use principle in determining the value of Investment property. The change in these assumptions could result in a significant change in the carrying value of investment property.

Management monitors the investment property market and economic conditions that may lead to significant change in fair value and conducts a formal and independent property valuation every year and adjusts the recorded fair values accordingly for any significant change.

Determining incremental borrowing rate used in the discounting of lease liabilities

The interest rate implicit in the lease is basically the internal rate of return on all payments or receipts related to the lease in question. For both the lessee and the lessor the interest rate implicit in the lease is the discount rate at which:

i. The sum of the present value of

- a) the lease payments and
- b) the unguaranteed residual value equals

ii. The sum of

- a) the fair value of the underlying asset and
- b) any initial direct costs of the lessor.

The interest rate implicit in the lease depends on the initial fair value of the underlying asset, and the lessor's expectation of the residual value of the asset at the end of the lease. This information is mostly with the lessor.

Lack of information available to the Company, makes it difficult to determine the interest rate implicit in the lease because the Interest rate implicit in the lease is a Company-specific measure – specific to the lessor. Notwithstanding the Company has adopted an incremental borrowing rate.

The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Given the above factors and that the Company has no recent borrowing experience, an interest assumption based on 4% above the Central Bank Rate (CBR) of 8.5% has been adopted as its incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The disclosures below summarise the way the Company manages key risks:

4.1 Insurance risk

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical, local and type of industry covered.

Short-term insurance contracts

The following table discloses the concentration of short-term insurance risks analysed by the sector in which contract holders operate and by the maximum insured loss limit included in the terms of the policy..

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.1 Insurance risk *(continued)*

4.1.1 Frequency and severity of claims

Year ended 31 December 2020

Industry Sector		Maximum Insured Loss 0m-10m Shs Mn	10m-50m Shs Mn	50m-100m Shs Mn	Over 200m Shs Mn	Total Shs Mn
Manufacturing	Gross	256	67	29	367	719
	Net	233	53	24	135	445
Service	Gross	651	411	209	1,151	2,422
	Net	616	309	172	509	1,606
Construction	Gross	72	40	16	23	151
	Net	69	31	15	4	119
Governmental	Gross	124	25	11	70	230
	Net	119	19	10	7	155
Others	Gross	1,668	235	118	433	2,454
	Net	1,580	175	88	208	2,051
Total	**Gross**	**2,771**	**778**	**383**	**2,044**	**5,976**
	Net	**2,617**	**587**	**309**	**863**	**4,376**

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

Year ended 31 December 2019

Industry Sector		Maximum Insured Loss 0m-10m Shs Mn	10m-50m Shs Mn	50m-100m Shs Mn	Over 200m Shs Mn	Total Shs Mn
Manufacturing	Gross	278	67	31	266	642
	Net	261	66	28	114	469
Service	Gross	707	409	220	834	2,170
	Net	691	388	198	429	1,706
Construction	Gross	78	40	17	17	152
	Net	77	39	17	3	136
Governmental	Gross	135	25	12	51	223
	Net	133	24	11	6	174
Others	Gross	1,812	234	124	314	2,484
	Net	1,774	220	102	176	2,272
Total	**Gross**	**3,010**	**775**	**404**	**1,482**	**5,671**
	Net	**2,936**	**737**	**356**	**728**	**4,757**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions with an Asset Liability Management (ALM) framework that has been developed to achieve investment returns in excess of obligations under insurance contracts. The Company produces regular reports at portfolio and asset and liability class levels that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The Company does not use hedge accounting. The Company has not changed the processes used to manage its risks from previous periods. The notes below explain how financial risks are managed using the categories utilised in the Company's ALM framework.

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities and deposits with financial institutions. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The Company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the Company's overall exposure to interest rate sensitivities included in the Company's ALM framework and its impact on the Company's profit or loss.

An increase/decrease of 5 percentage points in interest yields would result in additional profit/loss for the period of Shs 442 million (2019: Shs 401 million).

(ii) Price risk

The Company is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets available for sale. Exposures to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

Investment management meetings are held monthly. At these meetings, senior investment managers meet to discuss investment return and concentration of the equity investments. Listed equity securities represent 73% (2019: 67%) of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all the Company's equity investments moving according to the historical correlation with the index, equity would have increased/decreased by Shs 35 million (2019: Shs 70 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors *(continued)*

(iii) Foreign exchange risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. Currently, management believes that there is minimal risk of significant losses due to exchange rate fluctuations.

(b) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Company-wide basis.

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

- amounts due from government securities
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- cash and deposits held with banks and
- rental receivables
- loans receivables

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Companies of counterparties and to geographical and industry segments. Such risks are subject to regular reviews. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of annual contracts.

In addition, management assesses the credit worthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. The exposure to individual counterparties is also managed through other mechanisms such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and group's of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous group's of policyholders, a financial analysis is carried out by the management.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors *(continued)*

(b) Credit risk and expected credit losses (continued)

The gross carrying amount of financial assets with exposure to credit risk at the 31st December 2020 was as follows;

	Gross carrying amount	Expected credit loss	Exposure to credit risk
	Shs '000	Shs '000	Shs '000
Government securities	7,442,107	(666)	7,441,441
Mortgage loans	72,392	(38)	72,354
Other loans	28,265	(15)	28,250
Insurance receivables	1,749,345	(1,051,176)	698,169
Reinsurance receivables	517,466	(156,932)	360,534
Other receivables	67,592	(17,602)	49,990
Deposits with financial institutions	1,200,654	(4,243)	1,196,411
Commercial papers and corporate bonds	99,774	(269)	99,505
Cash and bank balances	76,018	(293)	75,725
Total	**11,253,613**	**(1,231,234)**	**10,022,379**

The gross carrying amount of financial assets with exposure to credit risk at the 31st December 2019 was as follows;

	Gross carrying amount	Expected credit loss	Exposure to credit risk
	Shs '000	Shs '000	Shs '000
Government securities	6,352,273	(516)	6,351,757
Mortgage loans	76,850	(114)	76,736
Other loans	41,178	(61)	41,117
Insurance receivables	1,561,262	(1,113,881)	447,381
Reinsurance receivables	705,977	(156,932)	549,045
Other Receivables	76,217	(27,584)	48,633
Deposits with financial institutions	1,323,284	(4,029)	1,319,255
Commercial papers and corporate bonds	224,331	(600)	223,731
Cash and bank balances	75,101	(262)	74,839
Total	**10,436,473**	**(1,303,979)**	**9,132,494**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*
4.2 Financial risk factors *(continued)*

(b) Credit risk and expected credit losses (continued)

The impairment analysis of the insurance and reinsurance receivables at 31 December 2020 was as follows;

	Insurance receivables *(Expected credit losses)* Shs '000	Reinsurance receivables *(Incurred loss model)* Shs '000
At 1 Jan	1,113,881	156,932
Changes arising from loss allowance measured at an amount equal lifetime expected credit losses	78,215	-
Changes because of financial assets that were written off during the year	(140,920)	-
At 31 December	1,051,176	156,932

The impairment analysis of the insurance and reinsurance receivables at 31 December 2019 was as follows;

	Insurance receivables *(Expected credit losses)* Shs '000	Reinsurance receivables *(Incurred loss model)* Shs '000
At 1 Jan	1,187,421	104,346
Changes arising from loss allowance measured at an amount equal lifetime expected credit losses	111,952	-
Changes because of financial assets that were written off during the year	(185,492)	-
Other	-	52,586
At 31 December	**1,113,881**	**156,932**

(c) Liquidity risk
Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.The primary liquidity risk of the Company is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limit on the minimum proportion of maturing funds available to meet such calls and to cover anticipated liabilities and unexpected levels of demand.

The table below presents the cash flows arising on key assets and liabilities by their remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities). The amounts disclosed are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

		Contractual cash flows (undiscounted)			
31 December 2020	**Total Amount**	**No stated Maturity**	**0-1 year**	**1-5 years**	**> 5 years**
Financial assets:	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Debt securities held to maturity:					
- Government bonds and treasury bills-fixed rate	2,021,654	-	314,550	1,092,852	614,252
- Commercial paper and corporate bonds	99,505		73,494	26,011	-
Government bonds - at FVTPL	9,552,934		390,989	2,385,403	6,776,542
Quoted equity securities- at FVTPL	690,104	690,104	-	-	-
Mortgage loans	200,947	-	7,801	39,004	154,142
Other loans	28,264	-	17,810	10,454	-
Insurance and reinsurance receivables	1,146,746	-	786,212	360,534	
Deposits with financial institutions maturing after 90 days	819,947	-	819,947	-	-
Cash and cash equivalents (Note 37(b))	410,484	-	410,484	-	-
Total	**14,970,585**	**690,104**	**2,821,287**	**3,914,258**	**7,544,936**
Short term insurance liabilities:					
Insurance contracts	5,849,687	-	3,080,878	2,359,330	409,479
Less assets arising from reinsurance contracts	(974,759)	-	(513,381)	(393,145)	(68,233)
Lease liabilities	307,822	-	64,360	227,037	16,425
Total	**5,182,750**	**-**	**2,631,857**	**2,193,222**	**357,671**
Difference in contractual cash flows	**9,787,835**	**690,104**	**189,430**	**1,721,036**	**7,187,265**

		Contractual cash flows (undiscounted)			
31 December 2019	**Total Amount**	**No stated Maturity**	**0-1 year**	**1-5 years**	**> 5 years**
Financial assets:	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Debt securities held to maturity:					
- Government bonds and treasury bills-fixed rate	1,879,683	-	375,159	639,188	865,336
- Commercial paper and corporate bonds	223,731	-	61,703	162,028	-
Government bonds - at FVTPL	9,372,728	-	636,286	3,768,576	4,967,866
Quoted equity securities- at FVTPL	1,392,749	1,392,749	-	-	-
Mortgage loans	189,489	-	12,230	56,151	121,108
Other loans	41,178	-	3,158	38,020	-
Insurance and reinsurance receivables	1,047,337	-	498,292	549,045	-
Deposits with financial institutions maturing after 90 days	593,647	-	593,647	-	-
Cash and cash equivalents (Note 37(b))	762,115	-	762,115	-	-
Total	**15,502,657**	**1,392,749**	**2,942,590**	**5,213,008**	**5,954,310**
Short term insurance liabilities:					
Insurance contracts	6,032,281	-	3,177,046	2,432,975	422,260
Less assets arising from reinsurance contracts	(977,520)	-	(514,692)	(394,259)	(68,569)
Lease liabilities	346,257	-	45,106	301,151	-
Total	**5,401,018**	**-**	**2,707,460**	**2,339,867**	**353,691**
Difference in contractual cash flows	**10,101,639**	**1,392,749**	**235,130**	**2,873,141**	**5,600,619**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors *(continued)*

(d) Fair value hierarchy

The following table presents the Company's financial assets measured at fair value at 31 December 2020 and 31 December 2019

At 31 December 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Fair value through profit or loss				
- Government securities FVTPL	5,963,048	-	-	5,963,048
- Equity investments FVTPL	690,104	-	-	690,104
- Investments in unit trusts	-	33,276	-	33,276
Fair value through other comprehensive income				
- Equity investments FVOCI	-	12,953	-	12,953
Total	6,653,152	46,229	-	6,699,381

At 31 December 2019	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Fair value through profit or loss				
- Government securities FVTPL	5,204,521	-	-	5,204,521
- Equity investments FVTPL	1,392,749	-	-	1,392,749
- Investments in unit trusts	-	30,197	-	30,197
Fair value through other comprehensive income				
- Equity investments FVOCI	-	11,062	-	11,062
Total	6,597,270	41,259	-	6,638,529

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors *(continued)*

(d) Fair value hierarchy *(continued)*

There were no transfers between levels 1 and 2 during the year.

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values:

As at 31 December 2020	FVTPL Shs'000	FVOCI Shs'000	Amortised cost Shs'000	Fair values Shs'000
Assets				
Quoted equity securities	690,104	-	-	690,104
Investments in Unquoted equity	-	12,953	-	12,953
Investment in unit trusts	33,276	-	-	33,276
Investments in Government securities- FVTPL	5,963,048	-	-	5,963,048
Investments in Government securities- Amortised cost	-	-	1,478,393	1,478,393
Loans receivables	-	-	100,604	100,604
Insurance and reinsurance receivables	-	-	1,059,018	1,059,018
Reinsurer's share of insurance liabilities and reserves	-	-	2,145,588	2,145,588
Other receivables	-	-	49,990	49,990
Deposits with financial institutions	-	-	1,196,411	1,196,411
Commercial paper and bonds	-	-	99,505	99,505
Cash and bank balances	-	-	75,725	75,725
Total	6,686,428	12,953	6,205,234	12,904,615
Liabilities				
Insurance contract liabilities	-	-	5,849,687	5,849,687
Other payables	-	-	371,458	371,458
Bank overdraft	-	-	45,948	45,948
Payables arising from reinsurance arrangemets	-	-	277,251	277,251
Total	-	-	6,544,344	6,544,344

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Financial risk factors *(continued)*

(d) Fair value hierarchy *(continued)*

As at 31 December 2019	FVTPL Shs'000	FVOCI Shs'000	Amortised cost Shs'000	Fair values Shs'000
Assets				
Quoted equity securities	1,392,749	-	-	1,392,749
Investments in Unquoted equity	-	11,062	-	11,062
Investment in unit trusts	30,197	-	-	30,197
Investments in Government securities- FVTPL	5,204,521	-	-	5,204,521
Investments in Government securities- Amortised cost	-	-	1,147,236	1,147,236
Loans receivables	-	-	117,853	117,853
Insurance and reinsurance receivables	-	-	996,425	996,425
Reinsurer's share of insurance liabilities and reserves	-	-	1,802,656	1,802,656
Other receivables	-	-	48,633	48,633
Deposits with financial institutions	-	-	1,319,255	1,319,255
Commercial paper and bonds	-	-	223,731	223,731
Cash and bank balances	-	-	74,839	74,839
Total	**6,627,467**	**11,062**	**5,730,628**	**12,369,157**
Liabilities				
Insurance contract liabilities	-	-	6,032,281	6,032,281
Other payables	-	-	446,766	446,766
Bank overdraft	-	-	42,361	42,361
Payables arising from reinsurance arrangemets	-	-	-	-
Total	-	-	6,521,408	**6,521,408**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4 RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.3 Capital management

The Company maintains an efficient capital structure consistent with the Company's risk profile and the regulatory and market requirements of its business.

The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities taking account of the risks inherent in the business;
- to maintain financial strength to support business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- to allocate capital efficiently to support growth
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

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

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

The Company is regulated by the Insurance Regulatory Authority in Kenya. The new capital requirements (Risk Based Capital) were introduced in the Finance Act, 2015. Insurance companies are required to hold paid up capital the higher of:

i) Shs 600 million; or

ii) risk based capital determined by the Insurance Regulatory Authority (IRA) from time to time; or

iii) 20% of previous year's net earned premium.

The Company's Capital adequacy ratio position as at 31 December 2020 and 2019 is illustrated below.

	2020	2019
	Shs'000	Shs'000
Available Capital	3,931,469	4,116,670
Required Capital	1,471,624	1,721,771
Capital Adequacy ratio	267%	239%
Required Capital Adequacy ratio	**180%**	**180%**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5 GROSS EARNED PREMIUM

The Company underwrites general insurance business only. This has been analysed into several sub-classes of business based on the nature of the assumed risks as shown below:

	2020 Shs'000	2019 Shs'000
Personal accident and Medical	3,844,027	4,035,420
Motor	2,824,070	2,897,058
Fire	841,580	847,912
Workmen's compensation	468,780	538,868
Theft	211,026	225,898
Marine and transit	216,991	224,870
Engineering	176,670	168,243
Liability	140,216	135,227
Other	523,355	395,471
Total	**9,246,715**	**9,468,967**

6 INVESTMENT INCOME

	2020 Shs'000	2019 Shs'000
Interest from government securities	573,024	514,561
Bank deposit interest	101,811	186,477
Loan interest receivable	12,311	12,347
Rental income from investment properties	47,491	45,579
Dividends receivable from equity investments	37,564	54,302
Realised gain from sale of equity investments at FVTPL	45,885	143,250
Realised gain from sale of government securities at FVTPL	50,296	58,085
Unrealised (loss) / gain on revaluation of financial assets at FVTPL	(233,092)	127,503
Gain on sale of investment in associate	22,453	-
Fair value gain on investment properties (Note 18)	-	20,000
Total	657,743	1,162,104

7 OTHER INCOME

	2020 Shs'000	2019 Shs'000
Miscellaneous income	9,931	12,522
Total	9,931	12,522

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8 NET INCURRED CLAIMS

	2020 Shs'000	2019 Shs'000
Motor	2,240,142	2,620,464
Personal accident and Medical	1,583,775	2,018,107
Fire	78,490	51,810
Engineering	26,858	20,574
Liability	(6,346)	(69,756)
Marine and transit	60,859	37,113
Theft	77,162	71,775
Workmen's compensation	27,104	(110,276)
Other	74,005	108,383
Total	4,162,049	4,748,194

9(a) OPERATING AND OTHER EXPENSES

	2020 Shs'000	2019 Shs'000
Employee benefits (Note 10)	773,962	776,575
Marketing expenses	277,205	280,690
Advertisement and promotion costs	151,846	166,237
Premium levies	86,889	87,968
Auditors' remuneration	6,036	6,017
Directors emoluments - fees	8,711	5,755
- other	82,500	77,156
Depreciation (Note 15)	27,617	30,742
Amortisation (Note 16)	29,959	16,990
Impairment loss (Note 16)	56,105	-
Depreciation - Leases (Note 17)	74,885	64,063
Operating lease rentals - land and buildings	9,917	12,641
Repairs and maintenance expenditure	17,165	14,843
Policyholders compensation fund contributions	23,105	23,091
Printing and stationery	10,573	13,379
Telecommunications expenses	24,243	22,730
Travelling expenses	8,474	26,681
Consultancy and other professional expenses	91,443	15,450
Other	5,902	5,442
Total	1,766,537	1,646,450

(b) NET CREDIT IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2020 Shs'000	2019 Shs'000
Impairment loss on financial assets	68,939	164,538

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10 EMPLOYEE BENEFITS

	2020 Shs'000	2019 Shs'000
The following are included in employee benefits expense:		
- salaries and wages	687,377	682,278
- group life premium	7,229	9,830
- medical expenses	32,094	36,228
- other retirement benefit costs	46,374	47,341
- social security benefit costs	888	898
Total	773,962	776,575

The Company had 373 employees as at 31 December 2020 (2019:370)

11 FINANCE COSTS – LEASES

	2020 Shs'000	2019 Shs'000
Interest on lease liabilities (Note 33)	52,193	45,395

12 INCOME TAX EXPENSE

	2020 Shs'000	2019 Shs'000
(a) Tax charge		
Current income tax	143,895	178,528
Deferred income tax credit (Note 35)	20,364	(50,370)
Income tax expense	164,259	128,158
(b) Reconciliation of expected tax based on accounting profit to taxation expense		
Profit before income tax	628,097	898,389
Tax calculated at tax rate of 25% (2019: 30%)	157,024	269,517
Tax effect of income not subject to tax	(129,313)	(266,486)
Tax effect of expenses not tax deductible	136,548	126,127
Deferred tax on fair value gains on investment properties at CGT rate	-	(1,000)
Tax charge	164,259	128,158
(c) Current income tax		
At 1 January	(49,945)	(24,058)
Current tax charge for the year (Note 12(a))	143,895	178,528
Paid in the year	(169,890)	(204,415)
At 31 December	(75,940)	(49,945)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year,

	2020 Shs'000	2019 Shs'000
Profit for the year (Shs'000)	463,838	770,231
Weighted average number of ordinary shares in issue (thousands)	12,500	12,500
Earnings per share (Shs) - basic and diluted	37.11	61.62

14 DIVIDENDS

At the annual general meeting to be held in April 2021, a first and final dividend in respect of the year ended 31 December 2020 of Shs 68 (2019: Shs 56) per share amounting to a total of Shs 850,000,000 (2019:Shs 700,000,000) is to be proposed. No interim dividend was paid during the year.

Payment of dividends is subject to withholding tax at the rate of 5% or 10%, depending on the residence of the individual shareholders.

15 MOTOR VEHICLES AND EQUIPMENT

Year 2019	Motor vehicles Shs' 000	Fittings and equipment Shs' 000	Total Shs' 000
Cost	18,308	295,485	313,793
Additions	7,661	16,930	24,591
Disposal	-	-	-
At 31 December 2019	**25,969**	**312,415**	**338,384**
Depreciation			
At 1 January 2019	11,981	218,859	230,840
Charge for the year	6,425	24,317	30,742
At 31 December 2019	**18,406**	**243,176**	**261,582**
Net book value			
At 31 December 2019	**7,563**	**69,239**	**76,802**
Year 2020			
Cost	25,969	312,415	338,384
Additions	680	15,634	16,314
Disposal	-	-	-
At 31 December 2020	**26,649**	**328,049**	**354,698**
Depreciation			
At 1 January 2020	18,406	243,176	261,582
Charge for the year	3,328	24,289	27,617
At 31 December 2020	**21,734**	**267,465**	**289,199**
Net book value			
At 31 December 2020	**4,915**	**60,584**	**65,499**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16 COMPUTER SOFTWARE AND INTANGIBLE ASSETS

	Computer software Shs' 000	Intangible assets Shs' 000	Total Shs' 000
Year 2019			
Cost	182,860	-	182,860
Additions	6,960	106,986	113,946
At 31 December 2019	**189,820**	**106,986**	**296,806**
Amortisation			
At 1 January 2019	135,550	-	135,550
Charge for the year	16,990	-	16,990
At 31 December 2019	**152,540**	**-**	**152,540**
Net book value			
At 31 December 2019	**37,280**	**106,986**	**144,266**
Year 2020			
Cost	189,820	106,986	296,806
Additions	-	158,004	158,004
Transferred to expenses	-	(67,052)	(67,052)
At 31 December 2020	**189,820**	**197,938**	**387,758**
Amortisation and impairment loss			
At 1 January 2020	152,540	-	152,540
Charge for the year	14,489	14,770	29,259
Impairment loss	-	56,105	56,105
At 31 December 2020	**167,029**	**70,875**	**237,904**
Net book value			
At 31 December 2020	**22,791**	**127,063**	**149,854**

The intangible assets are internally generated and relate to the costs incurred in developing software in form of applications for the Health and Motor classes of business. The costs that fall within the capitalisation criteria as determined by IAS 38 have been capitalised. Amounts transferred to expenses did not meet the capitalisation criteria.

An impairment test has been done on the internally generated intangible asset and an impairment loss of Shs 56,105,000 (2019: Nil) has been recognised in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

17 RIGHT-OF-USE ASSETS

	2020 Shs'000	2019 Shs'000
As at 1 January	315,807	379,870
Depreciation		
Charge for the year	(74,885)	(64,063)
At 31 December	**240,922**	**315,807**

The Company leases office space. The leases of office spaces are typically for a period of 6 years, with an option to renew. The leases contains no restrictions or covenants other than the protective rights of the lessor or carries no residual guarantee.

18 INVESTMENT PROPERTIES

	2020 Shs'000	2019 Shs'000
At 1 January	1,020,000	1,000,000
Disposals	-	-
Fair value gain (Note 6)	-	20,000
At 31 December	1,020,000	1,020,000

Investment properties were last revalued on 31 December 2020, by Axis Real Estate Limited, independent valuers, on the basis of open market value for existing use.

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

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

At 31 December 2020	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Investment property	-	-	1,020,000	1,020,000
At 31 December 2019				
Investment property	-	-	1,020,000	1,020,000

Valuation technique used to derive level 3 fair values

The management uses experts in determination of the values to adopt. In performing the valuation, the valuer uses discounted cash flow projections which incorporate assumptions around the continued demand for rental space, sustainability of growth in rent rates as well as makes reference to recent sales.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19 EQUITY INVESTMENTS

(a) Investment in associates	2020 Shs'000	2019 Shs'000
At I January	662,479	627,607
Disposal	(434,066)	-
Share of after tax profit	4,085	35,411
Share of investment revaluation reserve, net of tax	(1,314)	403
Translation adjustment	15,587	(942)
At 31 December	246,771	662,479

This comprises 1,907,400 (2019: 1,907,400) ordinary shares of Tanzania Shillings 1,000 each representing 34% shareholding in Reliance Insurance Company (Tanzania) Limited, an insurance Company incorporated in Tanzania and has a 31 December as their reporting date.

During the year, the Company disposed of its 40% shareholding in Gordon Court Ltd to Apollo Investments Ltd, the group's holding Company. Apollo Investments Ltd now owns 100% shareholding in Gordon Court Ltd.

Summarised financial information in respect of the company's share of results and net assets in the associates is set out below:

	2020 Sh'000	2019 Sh'000
Total assets:		
Reliance Insurance Company (Tanzania) Limited	2,396,630	2,118,665
Gordon Court Limited	-	1,239,635
Total liabilities:		
Reliance Insurance Company (Tanzania) Limited	1,670,833	1,446,166
Gordon Court Limited	-	155,057
Net assets:		
Reliance Insurance Company (Tanzania) Limited	725,797	672,499
Gordon Court Limited	-	1,084,578
Company's share of net assets of associate:		
Reliance Insurance Company (Tanzania) Limited	246,771	228,649
Gordon Court Limited	-	433,830
Total	246,771	662,479
Total revenue:		
Reliance Insurance Company (Tanzania) Limited	1,367,146	956,679
Gordon Court Limited	-	141,921
Profit for the year:		
Reliance Insurance Company (Tanzania) Limited	12,015	25,249
Gordon Court Limited	-	67,067
Company's share of profit for the year:		
Reliance Insurance Company (Tanzania) Limited	4,085	8,585
Gordon Court Limited	-	26,826
Total	4,085	35,411

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19 EQUITY INVESTMENTS *(continued)*

(b) Investment in unquoted shares	2020 Shs 000	2019 Shs 000
At 1 January	11,062	5,515
Fair value loss through OCI	1,891	5,547
31 December	12,953	11,062

20 FAIR VALUE THROUGH PROFIT AND LOSS QUOTED EQUITY INVESTMENTS

	2020 Shs 000	2019 Shs 000
At 1 January	1,392,749	1,076,106
Additions	224,442	401,170
Disposals	(660,272)	(196,931)
Fair value (loss) / gain	(266,815)	112,404
At 31 December	690,104	1,392,749

21 LOANS RECEIVABLE

Mortgage loans	2020 Shs 000	2019 Shs 000
At 1 January	77,004	77,258
Loans advanced	14,915	13,473
Repayments received	(19,527)	(13,613)
Provision for impairment	(38)	(114)
At 31 December	72,354	77,004
Other loans		
At 1 January	40,849	31,082
Loans advanced	9,231	28,158
Repayments received	(21,816)	(18,330)
Provision for impairment	(14)	(61)
At 31 December	28,250	40,849
Total	100,604	117,853

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

21 LOANS RECEIVABLE *(continued)*

	2020 Shs'000	2019 Shs'000
Summary		
At 1 January	117,853	108,340
Loans advanced	24,146	41,631
Loan repayments	(41,343)	(31,943)
Provision for impairment	(52)	(175)
At 31 December	100,604	117,853
Lending commitments		
Mortgage loans approved by the directors but not disbursed at 31 December	-	5,400

There is no undue concentration of credit risk with respect to mortgage and other loans. Weighted average effective interest rates are disclosed under note 36.

22 REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

	2020 Shs'000	2019 Shs'000
Reinsurers' share of:		
- provision for unearned premiums (Note 32)	1,170,829	820,984
- notified claims outstanding (Note 31 (b))	612,254	711,517
-claims incurred but not reported (Note 31(b))	362,505	270,155
Total	2,145,588	1,802,656

Amounts due from reinsurers in respect of claims already paid by the Company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position. Movements in the above reinsurance assets are shown in notes 31 and 32.

23 DEFERRED ACQUISITION COSTS

	2020 Shs'000	2019 Shs'000
At 1 January	173,799	172,748
Additions	156,038	173,799
Amortisation for the year	(173,799)	(172,748)
At 31 December	156,038	173,799

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

24 OTHER RECEIVABLES

	2020 Shs'000	2019 Shs'000
Due from related companies (Note 40(iii)(a))	9,403	905
Staff advances	16,262	4,618
Sundry deposits and prepayments	26,441	28,888
Rental receivables	21,798	8,198
Other receivables	(6,312)	33,608
Provision for impairment	(17,602)	(27,584)
Total	49,990	48,633

The carrying value of the above receivables approximates their fair values.

25 GOVERNMENT SECURITIES

(a) At amortised costs	2020 Shs'000	2019 Shs'000
Treasury bills and bonds at amortised cost maturing:		
Within 90 days	-	-
After 90 days but within a year	326,530	254,934
In 1 to 5 years	790,855	533,285
Over 5 years	361,674	359,533
Provision for impairment	(666)	(516)
Total	1,478,393	1,147,236

(b) Fair value through profit or loss	2020 Shs'000	2019 Shs'000
Government treasury and infrastructure bonds:		
At 1 January	5,204,521	3,441,373
Additions	2,049,201	3,113,779
Maturities during the year	(61,157)	(189,625)
Disposals	(1,263,239)	(1,176,105)
Fair value gain through profit or loss	33,722	15,099
At 31 December	5,963,048	5,204,521

The treasury bonds include bonds under lien as required by Insurance Act with a carrying value of Shs 802 million (2019: Shs 852 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

26 DEPOSITS WITH FINANCIAL INSTITUTIONS

	2020 Shs'000	2019 Shs'000
Deposits maturing:		
Within 90 days	380,707	729,637
After 90 days but within a year	819,947	593,647
After 1 year	76,064	76,605
Provision for impairment	(80,307)	(80,634)
Total	1,196,411	1,319,255

The deposit with financial institutions includes Shs 76.6 Million (2019: Shs 76.6 Million) deposit with Imperial Bank Limited (in receivership). The directors have made full impairment provision for this deposit.

Weighted average effective interest rates are disclosed under note 36.

27 COMMERCIAL PAPER AND CORPORATE BONDS

	2020 Shs'000	2019 Shs'000
At 1 January	223,731	327,354
Additions	25,834	-
Maturities during the year	(149,791)	-
Provision for impairment	(269)	(600)
At 31 December	99,505	223,731

Weighted average effective interest rates are disclosed under note 36.

28 SHARE CAPITAL

	Number of shares	Share Capital Shs'000
Balance as at 1 January 2019, 31 December 2019 and 31 December 2020	12,500,000	1,250,000

The total authorised number of ordinary shares is 12,500,000 with a par value of Shs 100 per share. All issued shares are fully paid.

29 RESERVES

(a) Other reserves

Other reserves represent net surpluses /(deficits) that arise on the revaluation of financial assets carried through other comprehensive income. This reserve is non-distributable. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit and loss.

Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit and loss.

The movement in this reserve is shown in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

29 RESERVES *(continued)*

(b) Translation reserve

The translation reserve relates to translation gains and losses arising from translating the financial statements of the foreign operation in Tanzania.

The movement in this reserve is shown in the statement of changes in equity.

30 RETAINED EARNINGS

The retained earnings balance represents the amount available for distribution to the shareholders of the Company, with the exception of cumulative fair value gains on the Company's investment properties amounting to Shs 765,825,000 (2019: Shs 765,825,000) whose distribution is subject to restrictions imposed by legislation.

31 (a) INSURANCE CONTRACT LIABILITIES

	2020 Shs'000	2019 Shs'000
Short term non – life insurance contracts		
- claims reported and claims handling expenses	4,062,402	4,495,634
- provision for claims incurred but not reported	1,787,285	1,536,647
Total	5,849,687	6,032,281

(b) MOVEMENTS IN INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

	2020			2019		
	Gross Shs '000	Re-insurance Shs '000	Net Shs '000	Gross Shs '000	Re-insurance Shs '000	Net Shs '000
At 1 January:						
Notified claims	4,495,634	711,517	3,784,117	5,123,320	912,027	4,211,293
Incurred but not reported	1,536,647	270,156	1,266,491	1,368,872	264,426	1,104,446
Total at 1 January	6,032,281	981,673	5,050,608	6,492,192	1,176,453	5,315,739
Cash paid for claims settled in year	(5,625,705)	(1,284,139)	(4,341,566)	(6,858,025)	(1,844,700)	(5,013,325)
-arising from current year claims	5,360,701	1,202,595	4,158,106	6,310,664	1,570,971	4,739,693
-arising from prior year claims	82,410	74,630	7,780	87,450	78,949	8,501
Total increase in liabilities	5,443,111	1,277,225	4,165,886	6,398,114	1,649,920	4,748,194
Change in outstanding claims	(182,594)	(6,914)	(175,680)	(459,911)	(194,780)	(265,131)
Total at 31 December	5,849,687	974,759	4,874,928	6,032,281	981,673	5,050,608
Notified claims	4,062,402	612,254	3,450,148	4,495,634	711,517	3,784,117
Incurred but not reported	1,787,285	362,505	1,424,780	1,536,647	270,156	1,266,491
Total at 31 December	5,849,687	974,759	4,874,928	6,032,281	981,673	5,050,608

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

32 PROVISION FOR UNEARNED PREMIUM AND UNEXPIRED RISK RESERVE

The provision for unearned premium represents the liability for short term business contracts where the Company's obligations have not expired at the year end.

Movements in the reserves are shown below:

	Gross Shs'000	Re-insurance Shs'000	2020 Shs'000	Gross Shs'000	Re-insurance Shs'000	2019 Shs'000
At 1 January	3,307,890	820,984	2,486,906	3,439,624	904,797	2,534,827
Increase / (Decrease)	262,201	349,845	(87,644)	(131,734)	(83,813)	(47,921)
At 31 December	3,570,091	1,170,829	2,399,262	3,307,890	820,984	2,486,906

The Company uses 1/365th method of calculating the unearned premium reserve. The 2020 reserve includes a net provision for unexpired risk reserve of Shs 52,429,000 (2019: Shs 86,910,000)

33 LEASE LIABILITIES

	2020 Shs'000	2019 Shs'000
1 January 2020	346,257	379,870
Lease payments	(90,628)	(79,008)
Interest on lease (Note 11)	52,193	45,395
Balance at 31 December	307,822	346,257
Maturity analysis		
Year 1	108,447	86,894
Year 2	114,744	92,005
Year 3	120,887	97,745
Year 4	127,842	103,632
Year 5	21,131	110,231
Over 5 yrs	125,240	-

The lease liability is calculated as the present value of the outstanding rentals discounted using the incremental borrowing rate. The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's financial function.

34 OTHER PAYABLES

		2020 Shs'000	2019 Shs'000
Due to related companies	(Note 40(iii)(b))	9,328	4,745
Accrued expenses		154,851	126,235
Rental deposits		23,196	24,325
Other liabilities		184,083	291,461
Total		371,458	446,766

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

35 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted capital gains tax rate of 5% for investments property and available for sale cumulative reserves and 30% for the assets (2019: 30%). Deferred tax assets and liabilities, and the deferred tax charge / (credit) in the statement of profit or loss (P/L) and in other comprehensive income (OCI) are attributable to the following items:

	2020 Shs'000	2019 Shs'000
At 1 January	(441,151)	(386,428)
Credit to profit or loss	5,514	(32,399)
Credit to other comprehensive income	714	(26)
Capital gains tax paid	-	(4,327)
Accrued costs	14,850	(17,971)
At 31 December	(420,073)	(441,151)

Year ended 31st December 2020	At 1 Jan 2020	(Credited)/ charged to P/L	(Credited)/ Charged to OCI	Capital gains tax paid	At 31 Dec 2020
Deferred income tax asset	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Property and equipment on historical cost basis	1,028	-	-	-	1,028
Provision for impairment	(439,097)	5,514	-	-	(433,583)
Impairment provision for fixed deposit	(22,981)	-	-	-	(22,981)
Accrued costs	(17,971)	14,850	-	-	(3,121)
Sub-total: - asset	**(479,021)**	20,364	-	-	(458,657)
Deferred income tax liability					-
Available for sale investments	(598)	-	714	-	116
Investment property	38,468	-	-	-	38,468
Sub-total: - liability	**37,870**	**-**	**714**	**-**	**38,584**
Net deferred tax asset	**(441,151)**	**20,364**	**714**	**-**	**(420,073)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

35 DEFERRED INCOME TAX *(continued)*

Year ended 31st December 2019	At 1 Jan 2019	(Credited)/ charged to P/L	(Credited)/ Charged to OCI	Capital gains tax paid	At 31 Dec 2019
Deferred income tax asset	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Property and equipment on historical cost basis	842	186	-	-	1,028
Provision for impairment	(402,168)	(36,929)	-	-	(439,097)
Impairment provision for fixed deposit	(26,325)	3,344	-	-	(22,981)
Accrued costs	-	(17,971)	-	-	(17,971)
Sub-total: - asset	(427,651)	(51,370)	-	-	(479,021)
Deferred income tax liability					
Available for sale investments	(572)	-	(26)	-	(598)
Investment property	41,795	1,000	-	(4,327)	38,468
Sub-total: - liability	**41,223**	**1,000**	**(26)**	**(4,327)**	**37,870**
Net deferred tax asset	**(386,428)**	**(50,370)**	**(26)**	**(4,327)**	**(441,151)**

36 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The following table summarises the weighted average effective interest rate at 31 December on the principal interest-bearing investments:

	2020 %	2019 %
Mortgage loans	10	10
Government securities	12	12
Deposits with financial institutions	10	10
Commercial bonds	13	13
Other loans	10	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash generated from operations	2020 Shs'000	2019 Shs'000
Reconciliation of profit before tax to cash generated from operations;		
Profit before income tax	628,097	898,389
Adjustments for:		
Interest income (Note 6)	(687,146)	(713,385)
Depreciation – Motor vehicles and equipment (Note 15)	27,617	30,742
Amortisation of intangible assets (Note 16)	29,259	16,990
Amortisation of loss of intangible assets (Note 16)	56,105	-
Depreciation – Right – of- use assets (Note 17)	74,885	64,063
(Gain) / Loss on sale of financial assets (Note 6)	(96,181)	(201,335)
(Gain) / Loss on sale of investment in associate (Note 6)	(22,453)	-
Unrealised (Gain) /loss on revaluation of financial assets at FVTPL (Note 6)	233,092	(127,503)
Gain in fair value of investment property (Note 18)	-	(20,000)
Expected credit loss charge	27,609	(41,997)
Share of profits from associates (Note 19(a))	(4,085)	(35,411)
Profit /(Loss) before working capital changes	**266,799**	**(129,447)**
Changes in working capital:		
- technical provisions	(263,325)	(313,050)
- trade and other payables	163,508	396,719
- trade and other receivables	29,012	19,583
Cash generated from operations	195,994	(26,195)

(b) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:	2020 Shs'000	2019 Shs'000
Cash and bank balances	75,725	74,839
Deposits with financial institutions maturing within 3 months (Note 26)	380,707	729,637
Bank overdraft	(45,948)	(42,361)
Total	410,484	762,115

38 CONTINGENT LIABILITIES

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

The Company is aware that Kenya Revenue Authority (KRA) has made claims on the players in insurance industry in respect of certain taxes, which have been subject of intense negotiations between all the stakeholders. Based on the available information including expert opinions received and ongoing stakeholder discussions, the directors are of the opinion that there still exists uncertainty as regards some of the taxes and accordingly no provision has been made for these taxes until the matter is clarified or fully concluded.

The Company has issued financial guarantees against counter indemnities from third parties for an aggregate outstanding exposure of Shs 61,594,000 as at 31 December 2020 (2019: Shs. 64,996,000). No loss is expected to arise on these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

39 COMMITMENTS

Capital commitments

Capital commitments at the end of the year for which no provision has been made in these financial statements are as follows:

	2020 Shs'000	2019 Shs'000
Authorised and contracted for	36,089	49,417
Authorised but not contracted for	48,772	66,783
Total	84,861	116,200

Lease commitments

The future minimum lease payments under non-cancellable leases are as follows:

	2020 Shs 000	2019 Shs 000
Not later than 1 year	108,447	86,894
Later than 1 year and not later than 5 years	384,604	403,613
Later than 5 years	125,240	-

40 RELATED PARTIES

The company is controlled by Apollo Investments Limited, a company incorporated in Kenya which owns 100% of the company's shares.

In the normal course of business, insurance policies are sold to related parties. Transaction with related parties during the year and related outstanding balances are disclosed below:

	2020 Shs'000	2019 Shs'000
(i) Insurance business transacted with related parties		
Gross written premium:		
- Parent company	3,433	2,869
- Other related parties	1,173	4,042
Total	4,606	6,911
(ii) Mortgage loans advanced to staff	72,354	76,850

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 RELATED PARTIES *(continued)*

(iii) Outstanding balances with related parties	**2020 Shs'000**	**2019 Shs'000**
(a) Due from related parties (Note 24)		
APA Life Assurance Limited	9,403	601
Reliance Insurance Company (Tanzania) Limited	-	185
APA Insurance (Uganda) Limited	-	119
Total (Note 24)	9,403	905

(b) Due to related parties (Note 34)	**2020 Shs'000**	**2019 Shs'000**
Apollo Asset Management Company Limited	(9,021)	(4,745)
APA Insurance (Uganda) Limited	(307)	-
Total (Note 34)	(9,328)	(4,745)

(iv) Directors' and key management remuneration	**2020 Shs'000**	**2019 Shs'000**
Directors' fees	8,711	5,755
Directors' other remuneration	82,500	77,156
Remuneration to key management personnel (included in staff costs (Note 10))	165,920	168,787
Total	257,131	251,698

SUPPLEMENTARY INFORMATION

UNDERWRITING REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

Class of Insurance Business	Aviation Shs'000	Engineer-ing Shs'000	Fire Domestic Shs'000	Fire Industrial Shs'000	Liability Shs'000	Marine & Transit Shs'000	Motor Private Shs'000	Motor Commercial Shs'000	Medical Shs'000	Personal Accident Shs'000	Theft Shs'000	Workmen's Compen-Sation Shs'000	Micro Shs'000	Miscella-neous Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Gross premium written	163,620	175,510	86,181	799,114	143,685	190,141	1,503,651	1,334,470	3,539,808	176,900	210,672	470,393	635,336	79,434	9,508,915	9,337,232
Change in gross UPR	(111,775)	1,160	(5,425)	(38,290)	(3,469)	26,850	(62,369)	48,317	131,624	(4,306)	354	(1,613)	(249,415)	6,157	(262,200)	(131,733)
Gross earned premium	51,845	176,670	80,756	760,824	140,216	216,991	1,441,282	1,382,787	3,671,432	172,594	211,026	468,780	385,921	85,591	9,246,715	9,468,965
Less: reinsurance payable	(51,574)	(120,673)	(23,802)	(556,171)	(73,004)	(64,299)	14,514	(24,819)	(1,472,037)	(37,858)	(30,009)	(12,111)	(334,022)	(6,572)	(2,792,437)	(2,686,018)
Net earned premium	271	55,997	56,954	204,653	67,212	152,692	1,455,796	1,357,968	2,199,395	134,736	181,017	456,669	51,899	79,019	6,454,278	6,782,947
Gross claims paid	-	79,943	22,061	193,006	51,024	34,467	1,106,959	1,010,156	2,577,329	78,136	77,888	157,413	236,397	925	5,625,704	6,920,167
Change in gross outstanding claims	1,051	12,630	(5,839)	(5,372)	(157,230)	13,357	87,842	(30,424)	(15,289)	(46,375)	(24,238)	(124,674)	116,705	(4,738)	(182,594)	(459,914)
Less: Reinsurance recoverable	(982)	(65,715)	(428)	(124,938)	99,860	13,036	5,150	60,458	(1,001,426)	(8,600)	23,512	(5,635)	(277,592)	2,239	(1,281,061)	(1,712,059)
Net incurred claims	69	26,858	15,794	62,696	(6,346)	60,860	1,199,951	1,040,190	1,560,614	23,161	77,162	27,104	75,510	(1,574)	4,162,049	4,748,194
Commissions receivable	(12,473)	(36,341)	(4,228)	(137,965)	(5,874)	(20,703)	(978)	(26)	(315,056)	(20,686)	(1,421)	(176)	(90,501)	(1,099)	(647,527)	(546,692)
Commissions payable	10,862	33,860	15,666	143,537	15,961	31,581	143,136	135,804	330,575	44,062	20,627	91,526	70,872	7,679	1,095,747	1,036,713
Expenses of management	4,277	31,913	15,974	146,328	26,905	35,258	279,109	249,595	534,830	30,767	37,719	91,507	80,265	14,226	1,578,673	1,534,654
Total expenses and commissions	2,666	29,432	27,412	151,900	36,992	46,136	421,267	385,373	550,349	54,143	56,925	182,857	60,636	20,806	2,026,894	2,024,674
Underwriting profit / (loss)	(2,464)	(293)	13,748	(9,943)	36,566	45,696	(165,422)	(67,595)	88,432	57,432	46,930	246,708	(84,247)	59,787	**265,335**	**10,079**

Key ratios	%	%
Loss ratio (net claims incurred/net earned premium)	**64.5**	**70.0**
Commissions ratio (commissions payable/gross written premium)	**11.5**	**11.1**
Expense ratio (management expenses/gross written premium)	**16.6**	**16.4**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