THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

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FOR THE YEAR ENDED 31 DECEMBER 2021

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THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS

Nelson Kuria	- Group Chairman -Appointed on 29th June 2021
James Njue	- Group Vice Chairman -Appointed on 29th June 2021
Patrick Nyaga	- Group CEO
Peter Nyigei	
Gordon Owuor	
Michael Wambia	
Rosemary Githaiga	
Rogers Kinoti	-Appointed 29th June 2021
Julius Mwatu	-Appointed 20th May 2021
Joyti Patel	-Retired 29th June 2021
Japheth Magomere	-Retired 29th June 2021

COMPANY SECRETARY
Gail Odongo
Certified Public Secretary (Kenya)
P. O. Box 59485 - 00100
Nairobi, Kenya

REGISTERED OFFICE
CIC Plaza
Upper Hill, Mara Road
P. O. Box 59485 - 00200
Nairobi, Kenya

SENIOR MANAGEMENT

Patrick Nyaga	- Group Chief Executive Officer
Philip Kimani	- Group Chief Financial Officer
Fred Ruoro	- Managing Director: CIC General Insurance Limited
Stanley Mutua	- Managing Director: CIC Asset Management Limited
Meshack Miyogo	- Managing Director: CIC Life Assurance Limited
Erick Obila	- Managing Director: CIC Africa (Uganda) Limited
Andrew Murunga	- Managing Director: CIC Africa Insurance (SS) Limited
Chris. Mugwangá	- Managing Director: CIC Africa Co-operatives Insurance Limited
Gail Odongo	- Group Company Secretary/Chief Legal Officer
Pamela Oyugi	- General Manager Human Resource & Administration
Muyesu Luvai	- Group Chief Internal Auditor
Susan Robi	-Group Risk and Compliance Manager
Henry Malmqvist	- Group Chief Information Officer
Joseph Kamiri	- General Manager Marketing and Customer Experience
Richard Nyakenogo	- General Manager Co-operatives
Michael Mugo	-General Manager Branch Distribution
Salome Ndegwa	- Group Actuarial Manager

AUDITOR
PricewaterhouseCoopers LLP
Certified Public Accountants (Kenya)
PwC Tower, Waiyaki Way / Chiromo Road Westlands
P. O. Box 43963 - 00100
Nairobi, Kenya

PRINCIPAL BANKER
The Co-operative Bank of Kenya Limited
P. O. Box 67881 - 00100
Nairobi, Kenya

CONSULTING ACTUARIES
The Actuarial Services Company Limited
Victoria Towers, Upper Hill
P.O. Box 10472 - 00100
Nairobi, Kenya

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors submit their report together with the audited financial statements of The CIC Insurance Group Plc (the Company) and its subsidiaries (together "the Group" or "CIC Group") for the year ended 31 December 2021, which disclose the state of affairs of the Group.

1. INCORPORATION
The Group is domiciled in Kenya where it is incorporated as a public company limited by shares under the Companies Act, 2015. The address of the registered office is set out on page 1.

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

3. PRINCIPAL ACTIVITIES

The principal activities of the Group are the transaction of general and life insurance businesses including pension scheme administration, fund management and property business.

4. RECOMMENDED DIVIDEND

The directors do not recommend payment of dividends for the year 2021 (2020: Nil)

5. GROUP AND COMPANY RESULTS

The table below highlights some of the key performance indicators:

	Group		Company	
	2021	2020	2021	2020
	KShs'000	KShs'000	KShs'000	KShs'000
Profit/(loss) before income tax	959,712	(79,544)	580,240	(538,657)
Income tax expense/(credit)	(291,275)	(217,288)	65,915	127,535
Profit/(loss) for the year	668,437	(296,832)	646,155	(411,122)
Total comprehensive income/(loss) for the year	355,662	(224,464)	646,155	(411,122)
Total assets	41,540,836	38,786,172	9,292,438	9,204,107
Equity attributable to owners of the parent	7,969,967	7,659,723	4,218,955	3,572,800

6. BUSINESS REVIEW

Gross Domestic Product growth (GDP) averaged 6.9% by the third quarter of 2021 compared to a contraction of 0.63% in the third quarter of 2020. The recovery was buoyed largely by re-opening of learning institutions (education sector +64.7%), manufacturing (+9.5%) and accommodation and food services (+24.8%) on eased restrictions after the third wave of Covid-19.

Inflation remained well anchored despite a significant increase to average 6.11% in 2021 from 5.28% in 2020; largely due to higher global oil prices amid rising demand as economic borders began to re-open. We experienced drought conditions in the second half of the year that elevated food prices and subsequently higher consumer price levels. Soaring global energy prices and a potential trigger of food supply shocks pose an upside risk heading into 2022. However, enduring weak demand from household consumption should strap inflation below CBK's upper target band of 7.5%. This should lessen the likelihood of the Central Bank of Kenya (CBK) raising its base rate (7%), at least for the first half of 2022. We expect headline inflation to remain above 5% in 2022 on account of the above.

The Kenya Shilling depreciated 3.5% to the United States Dollar in 2021. A number of factors jointly contributed to this led by marginal rise in our import bill, reduced inflows from agricultural exports and tourism and servicing of euro bond debt obligations. The Kenya shilling also depreciated against Uganda shilling by 6% while on the other hand appreciated by 2% against Malawi Kwacha

The yield curve steepened as both short term and long term rates rose in 2021. This was driven by higher demand for government securities by banks and institutional investors seeking to increase their exposure. The CBK persisted in issuing more long term papers at attractive interest rates to meet their funding needs while at the same time seeking to lengthen the country's debt maturity profile. The Central Bank Rate (CBR) was retained at 7% in 2021 with the CBK opining that the accommodative stance was still needed to rebuild the economy.

The equities market registered gains in 2021 with the NASI & NSE-20 gaining 9.43% and 1.83% respectively after a year of losses in 2020 as the country's GDP witnessed a recession (-0.3%). The gains were largely in first 3 quarters of the year when the economy began to gain some momentum as Covid-19 measures were relaxed despite the interference caused by the 3rd (Delta) and 4th (Omicron) variants of Covid-19.

6. BUSINESS REVIEW (CONTINUED)

For the Group's regional businesses in Uganda, South Sudan and Malawi, the Ugandan economy was estimated to have grown in the range of 3.5-3.8% in the FY2021/22. The growth was driven by the easing of health related restrictions and vaccines rollout. In South Sudan, the country's economy rebounded by an estimated 4.2%, majorly benefiting from IMF stabilization fund and the rise in oil prices. Malawi's economic growth on the other hand was estimated to have picked up to 2.2% in 2021, helped by a good harvest.

FINANCIAL PERFORMANCE

Group
Gross written premiums grew by 16% from KShs.17.0 billion in 2020 to KShs.19.7 billion in 2021 mainly driven by growth in Kenya, Uganda, and Malawi businesses. The net claims expense grew by 6% driven by by Group life Covid-19 related claims as well as growth in the topline. Operating and other expenses increased from Kshs 4.1 billion to Kshs 4.8 billion largely due to impairment charge on premium and reinsurance receivables. The growth in top line has flown through the bottom line, with the group recording a profit before tax of Kshs 960 million, up from a loss before tax of Kshs 80million in 2020. The group's total assets grew to Kshs 41.5 billion from Kshs 38.8 billion in 2020 in line with the growth in businesses across all regions and increased investments in financial assets, while total liabilities grew by 8% to KShs 33.6 billion.

Company
The Company performance improved significantly due to dividends received from subsidiaries amounting to Kshs 1.1 billion (2020: Kshs 50 million). Finance cost decreased from Kshs 543 million in 2020 to Kshs 460million in 2021 due to a marginal reduction in the interest rate during the year. This led to the company recording a profit before tax of Kshs 580 million, up from a loss before tax of Kshs 539 million in 2020.

7. STATEMENT AS TO DISCLOSURE TO THE GROUP AND COMPANY'S AUDITOR

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

a) there was, as far as each director is ware, no relevant audit information of which the Group's and 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 Group's and the Company's auditor is aware of that information.

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continue in office in accordance with the company's Articles of Association and Section 721 of the Companies Act, 2015. 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

15 MARCH 2022
Nairobi, Kenya

Information not subject to audit

The CIC Insurance Group vision is to be a world class provider of insurance and other financial services. Consequently, the Group endeavours to attract and retain as directors, high calibre individuals who are well equipped with the relevant expertise and experience to enable the Group to achieve its vision. To retain and motivate such individuals requires compensation that is not only commensurate to their skill and time devoted to the Group, but also one that is competitive.

The Group has developed and put in place a remuneration policy for both the executive and non-executive directors that is transparent and considers both needs and the overall performance of the business. The policy has adopted a compensation and remuneration model that is competitive to attract and retain talent. The remuneration policy can be summed up as hereunder:

Executive Directors

1. The remuneration for the executive director is as per a negotiated contract of employment. It incorporates a bonus scheme that is only triggered upon achieving various targets agreed with the board. The trigger was not reached in 2020 and 2021.
2. The GCEO* has a service gratuity of 20% of the annual basic pay payable at the end of the contract for each year worked.
3. The GCEO* is on a 3-year contract which commenced on 22 June 2020 and has a 3 months termination notice.

Non-Executive Directors

1. Directors are entitled to a sitting allowance for their attendance of a board or board committee meeting, lunch allowance (in lieu of lunch being provided), and mileage reimbursements (in lieu of transport being provided) at the Automobile Association of Kenya rates.
2. The directors receive annual honoraria based on the end year performance.
3. Directors are paid a monthly retainer. The fees have been set by the board pursuant to the authorization granted by the shareholders at the Annual General Meeting.
4. There are no directors' loans.
5. There is no directors' shares scheme.
6. An allowance is paid to non-executive directors for any day of travel away from their regular station in order to attend to duties of the Company or its subsidiaries.
7. Independent directors are on a three-year contract which is renewable once.
8. Medical insurance cover is provided to all directors for their individual medical requirements covering both out-patient and inpatient services.

During the financial year ended 31 December 2021, the Board was composed of the following Directors:

Executive	Non-Executive	Independent
	James Njue (Vice Chairman)	Nelson Kuria (Chairman)
Patrick Nyaga	Michael Wambia	Rogers Kinoti
	Gordon Owuor	Julius Mwatu
	Rosemary Githaiga	Jyoti Patel (Retired)
	Peter Nyigei	

* GCEO Group Chief Executive Officer

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
DIRECTORS REMUNERATION REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

Information subject to audit

The following table shows remuneration for the Executive and Non-Executive Directors in respect of qualifying services on the group board for the year ended 31 December 2021.

Group Directors 2021 emoluments (KShs)

Name	Designation	Salary	Allowances	Gratuity	Retainer	Sitting Allowance	Honoraria	Board Expenses	Total
Patrick Nyaga	GCEO*	43,800,000	6,353,500	8,736,000	-	-	-	-	58,889,500
Nelson Kuria	Chairman	-	-	-	2,374,243	2,079,100	328,571	508,457	5,290,371
James Njue	V/Chairman	-	-	-	2,574,607	2,570,814	332,679	1,028,829	6,506,929
Peter Nyigei	Director	-	-	-	1,409,657	2,230,800	336,786	904,091	4,881,334
Gordon Owuor	Director	-	-	-	1,362,137	2,654,850	332,679	436,754	4,786,420
Julius Mwatu	Director	-	-	-	1,003,783	808,500	0	363,486	2,175,769
Micheal Wambia	Director	-	-	-	1,338,377	2,080,650	332,679	482,526	4,234,232
Rosemary Githaiga	Director	-	-	-	1,338,377	910,800	332,679	366,571	2,948,427
Rogers Kinoti	Director	-	-	-	645,429	595,650	0	363,486	1,604,565
Jyoti Patel	Retired Director				669,189	664,950	332,679	17,143	1,683,961
Japheth Magomere	Retired Chairman	-	-	-	1,728,814	4,381,171	10,717,886	3,699,486	20,527,357
Grand Total		43,800,000	6,353,500	8,736,000	14,444,613	18,977,285	13,046,638	8,170,829	113,528,865

Group Directors 2020 emoluments (KShs)

Name	Designation	Salary	Allowances	Gratuity	Retainer	Sitting allowance	Honoraria	Board expenses	Total
Patrick Nyaga	GCEO*	22,995,000	2,205,000	4,608,000	-	-	-	-	29,808,000
Japheth Magomere	Chairman	-	-	-	3,303,956	7,161,310	13,015,147	155,592	23,636,005
Peter Nyigei	V/Chairman	-	-	-	1,347,006	2,493,810	106,667	414,768	4,362,251
Gordon Owuor	Director	-	-	-	1,301,598	2,682,240	1,468,804	143,243	5,595,885
David Ngunjiri	Director	-	-	-	1,278,894	2,001,670	106,667	238,769	3,626,000
John Mbitu	Director	-	-	-	665,934	1,251,897	-	97,143	2,014,974
James Njue	Director	-	-	-	1,278,894	1,558,370	106,667	117,086	3,061,017
Jonah Mutuku	Director	-	-	-	1,278,894	1,633,390	1,355,819	177,246	4,445,349
Micheal Wambia	Director	-	-	-	1,278,894	2,110,854	1,468,804	173,049	5,031,601
Rosemary Githaiga	Director	-	-	-	1,278,894	1,037,516	106,667	21,429	2,444,506
Jyoti Patel	Director	-	-	-	1,278,894	1,633,390	106,667	141,740	3,160,691
Nelson Kuria	Director	-	-	-	301,200	235,000	106,667	42,667	685,534
Grand Total		22,995,000	2,205,000	4,608,000	14,593,058	23,799,447	17,948,576	1,722,732	87,871,813

*GCEO- Group Chief Executive Officer

The Group will not propose to make any changes in the remuneration level during the current financial year.

By Order of the Board

15 MARCH 2022

Gail Odongo
Group Company Secretary

INTRODUCTION

We have performed Governance Audit for CIC Insurance Group Limited covering the year ended 31st December 2021 which comprised assessment of Governance Practices, Structures and Systems put in place by the Board.

BOARD RESPONSIBILITY

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organisation. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organisation. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of Governance instruments, policies, structures, systems and practices in the organization within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our audits in accordance with ICPSK Governance Audit Standards and Guidelines which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organizations policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the organisation which are in compliance with the legal and regulatory framework and in line with good governance practices in the interest of stakeholders.

CS. Jacqueline Oyuyo Githinji, ICPSK GA. No 00030
For Umsizi LLP

15 MARCH 2022

LEGAL AND COMPLIANCE AUDITOR'S REPORT 2021

The Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("the Code") requires the Board to ensure that an independent legal and compliance audit is carried out at least bi-annually by a legal professional in good standing with the Law Society of Kenya.

A legal and compliance audit conducted by an Advocate of the High Court of Kenya is a reasonable assurance engagement. The Code requires that we undertake a legal and compliance audit to obtain reasonable assurance on the level of compliance of CIC's operations with the existing legal and regulatory framework. This reasonable assurance is provided through opinions and conclusions that enhances the confidence of the Board that CIC is in material compliance with its applicable legal and compliance framework.

The Code only imposes this independent legal and compliance audit requirement on issuers of securities to the public. However, in the spirit of replicating the best practices espoused under the Code and evaluating the compliance framework of its trading subsidiaries in Kenya, CIC deemed it prudent to undertake a legal and compliance audit that transcended to all its trading subsidiaries in Kenya.

It is with this consideration that CIC instructed TripleOKlaw Advocates LLP to undertake a comprehensive legal and compliance audit on CIC Insurance Group PLC and its trading subsidiaries in Kenya. We commend this demonstration of CIC Group's commitment to ensuring that it operates in compliance with its overarching compliance framework.

The Scope of the independent legal and compliance audit was to:
Identify and analyze the current framework of laws, regulations and policies under which CIC Group operates;
Evaluate the existing procedures of CIC Group and assess the extent of their compliance with the framework;
Advise the Board on any non-compliance findings that require to be acted upon expediently.

Accordingly, we conducted a systematic, objective and independent examination of the current framework of laws, regulations and policies under which CIC Group operates and assessed the level of compliance with its applicable legal and compliance framework.

OPINION

Subject to our comments, assumptions and limitations set out in our Legal and Compliance Report, we issue our unqualified opinion that there are no material instances of non-compliance with the applicable laws, regulations and standards by CIC Group, as at the year ended 31st December 2021.

Signed

Brian M. Muindi FCIArb.
Practice No: LSK/2021/04169
Partner and Head of Commercial practice,
TripleOKLaw Advocates LLP
Dated 31st December 2021

INTRODUCTION

The corporate governance agenda is driven at The CIC Insurance Group PLC by the Board. The Board is keen to see to it that the ethos of corporate governance as spelt out in various legislations governing the operations of the company are observed. The legislations include the Companies Act 2015, the Insurance Act, the Capital Markets Authority Act, and the Capital Markets Authority Code of Corporate Governance Guidelines for issuers of securities, the Company's Articles of Association among others.

The Board is cognizant of the general expectation by stakeholders that it maintains the highest standards of corporate governance and it has in this regard institutionalized policies and processes and established robust frameworks that are necessary to The CIC Insurance Group's foundational pillars and mission to enable people achieve financial security.

This corporate governance statement has been prepared pursuant to the Code of Corporate Governance Guidelines for Issuers of Securities to the Public and the Board considers that the Group is generally consistent with the guidelines of the Code. Where the application and implementation of the code is still a work-in-progress, the Board has endeavored to explain the reasons measures its taking to comply with the code

General Governance Framework at The CIC Insurance Group PLC

The Group has institutionalized a robust corporate governance framework at all levels of the Group's strategic and operational spheres. The corporate governance framework, which the Board confirms is aligned to the global best practice was formulated to among other things:

i) Protect and enhance shareholders value by maintaining highest standards of governance, business behavior and transparency.
ii) Ensure the Board's accountability to shareholders and provide for an appropriate delegation of responsibilities to the Group Chief Executive Officer and the Board of Management; and
iii) Provide a platform for regular review of the Group's governance structure against the nationally and universally accepted guidelines and best practices.

Accordingly, the Board adopts policies and practices which reflect contemporary standards, incorporating the corporate governance recommendations and guidelines issued under the Kenyan legislative authority.

The responsibility for the strategic control of the Company is divided between shareholders represented at the Annual General Meeting, the Board of Directors supported by its three (3) Committees or any other ad-hoc committee that the Board may deem necessary to constitute. The Board is further assisted by the Group Chief Executive Officer and his Board of Management for all operational functions.

THE BOARD

The Board is primarily responsible for the protection of and enhancement of long-term shareholders' value considering the interests of other stakeholders including employees, customers, suppliers, and the wider community.
The Board is accountable to shareholders for the performance of the Group. It directs and monitors the business and affairs of the Group on behalf of shareholders and is responsible for the Group's overall corporate governance.

In particular, the Board's responsibilities include:
i) Providing effective and ethical leadership in the best interests of the Company;
ii) Informing and setting the strategic direction of the company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
iii) Determining and setting the tone of the Company values including principles of ethical business practice and the requirements to be a responsible corporate citizen;
iv) Bringing independent, informed and effective judgment to bear on material decisions of the Company;
v) Satisfying itself that the Company and group companies are governed effectively in accordance with corporate governance best practices to: -
   a) Maximize returns sustainably
   b) Safeguard the people, assets and reputation of the Group; and
   c) Ensure an effective control environment and compliance with applicable laws and regulations.
   vi. Ensuring that effective audit, risk management and compliance systems are in place and monitored to protect Group's assets and to minimize the possibility of the Group operating beyond legal or regulatory requirements or beyond acceptable risk parameters as determined by the Board;
vii. Monitoring and implementation by the group companies, board committees and the board of management of the Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting and risk management;

Board's responsibilities (continued)

viii. Governing the disclosure control process of the Company including ensuring the integrity of the Company's integrated report and reporting on the Company's system of internal controls;
ix. Ensuring that disputes are resolved as effectively, efficiently, and expeditiously as possible; and
x. Monitoring of the relationship between the Company and its stakeholders.

The Board Charter is periodically reviewed and details the Board's roles and responsibilities. The Board Charter can be found in the investor relation section of the Group's website at www.cic.co.ke/investor-relations.

SEPARATION OF THE ROLES OF THE GROUP CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

The separation of the functions of the Group Chairman (an Independent Non-Executive Director) and the Group Chief Executive Officer (Group CEO) supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles. The Group Chairman's responsibilities include the operation, leadership and governance of the board. The Group CEO's roles and responsibilities remains the day-to-day management of the company's business and overseeing the implementation of strategy and policies approved by the board.

The Group Chairman is responsible for:

- Providing leadership to the Board and ensuring that the Board functions are effectively carried out;
- Setting the Boards' agenda while striking a balance between strategy and performance;
- Ensuring that sufficient time is allowed for discussions on complex, contentious and critical issues and that all Directors engage and contribute to these discussions while ensuring that appropriate time and information is provided to Directors to take sound decisions on such matters;
- Encouraging active engagement and appropriate challenge by the Board on the company's risk and control environment;
- Ensuring that the Board has sufficient oversight over its committees by ensuring that the Committees meet regularly and comprehensively report back on their activities to the Board;
- Facilitating effective communication between the Board and the leadership team inside and outside of the Board meeting framework.

The Group CEO is responsible for:

- Driving the implementation of strategy;
- Managing all matters affecting the operations and performance of the company within the authority delegated to him by the board;
- Providing timely and accurate information about the company and key/material developments to the Board;
- Communicating to internal and external stakeholders on matters affecting the Company;
- Leading and motivating the senior management team by ensuring they set annual performance objectives that stretch their capabilities and monitoring the delivery of the same; and
- Maintaining and ensuring the effectiveness of the system of governance adopted across the company.

BOARD COMPOSITION AND DIRECTORS' APPOINTMENT

The Board's composition is determined by the nature of the Group's business and the shareholding structure with particular attention being paid to the Board Charter and the Group's Memorandum and Articles of Association.
Noting that the Group is committed to ensuring that the composition of the Board comprises directors, who, possess the diversity of skills and experience required to fulfill the role and responsibility of the Board, the following guiding principles are considered in determining the board composition:

i) The Company's shareholding structure;
ii) Maintenance of the requisite independence on the board;
iii) The sufficiency of the size of the Board as is necessary to attain the objectives of the company;
iv) Effective succession planning to ensure smooth transition on the board;
v) Board Diversity to ensure that there is the desired mix of skills, knowledge, expertise, and experience to enable the board to discharge its duties effectively.

During the period under consideration, the Board comprised of nine (9) directors of which two (2) are independent non-executive directors and one is executive director as shown in the tabulation below:

	BOARD OF DIRECTORS			
Position and Name	Executive [1]	Non-Executive[2]	Independence	Director Since
Group Chairman: N. Kuria [3]		X	Independent	29-Sep-2020
Vice Chairperson: J. Njue [4]		X	Non-Independent	13-May-2016
Group CEO: P. Nyaga	X		Executive	29-Sep-2020
Director: P. Nyigei		X	Non-Independent	8-May-2009
Director: M. Wambia		X	Non-Independent	23-May-2008
Director: G. Owour		X	Non-Independent	19-May-2006
Director: R. Githaiga		X	Non-Independent	14-May-2011
Director: R. Kinoti		X	Independent	29-June-2021
Director: J. Mwatu		X	Independent	20-May-2021
Director: J. Patel		X	Independent	1-June-2018

[1] Executive means a member of the Board who also serves as manager of the company.
[2] Independent Means a member of the board who does not form part of the management team and who is not an employee of the Company or affiliated with it in any other way but can own shares in the company.
[3] The Chairman was appointed as Group Chairman on 29th June 2021.
[4] The Vice Chairman was appointed as Vice Chairman on 29th June 2021

DIRECTORS' APPOINTMENT

Directors (other than the GCEO) appointed by the Board must stand for election at the Annual General Meeting (AGM) following their appointment and are subject to shareholder re-election at least every three years as per the Companies Act 2015.

Further, endorsement for re-election of non-executive directors to the Board at the conclusion of their three-year term is not automatic. Prior to the Board endorsing a director for re-election, the individual's performance as a director is reviewed in accordance with processes agreed by the Board from time to time. The company provides shareholders with all material information in its possession relevant to a decision on whether to elect or re-elect a director.

New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with the Board and Board Committee work.

SKILLS AND DIVERSITY

In considering the composition of the Board, directors consider the appropriate characteristics needed by the Board to maximize its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

The Board believes that having a range of different skills, backgrounds, experience and diversity enables a broad range of viewpoints which facilitates effective governance and decision making.
The Board's Governance and Nominations Committee has the primary responsibility for conducting director assessments of the current mix of skills and experience of directors, considering the business and strategic needs of the company, as well as broader succession planning issues for both the Board and management.

DIRECTOR INDEPENDENCE

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board recognizes the special responsibility of non-executive directors for monitoring executive management and providing independent views.

In assessing the independence or otherwise of a director, the Board, relies on the codified principles and an objective regard to the relationship between a director and the Group or between a director and third parties that may compromise the director's independence.

TENURE

The Group notifies shareholders of their right to nominate a candidate for election as a director by a notice convening the shareholders meeting in the event any director election or re-election is to occur at a shareholder meeting. Directors must retire every three years and, if desired, seek re-election.

SUCCESSION

As part of its annual review, the Board continues to consider Board succession. The Board's succession plan is focused on identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, so that the Board remains proactive, and renewal occurs in an orderly manner over time.

Where a need is identified or arises, the Governance and Nominations Committee considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The Committee, with the assistance of professional consultants, if necessary, will undertake a search process and shortlisted candidates will be interviewed by the Governance and Nominations Committee before being recommended to the full Board for appointment.

Nominations for appointment to the Board are considered by the Governance and Nominations Committee and approved by the Board as a whole. Appropriate checks are undertaken on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director. The above processes were followed in respect of the appointments of two directors during the 2021 financial year.

DIRECTOR ORIENTATION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All directors are provided with a letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Board Committee work. New directors also participate in a formal induction program which includes one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials.

An active professional development program is also in place for directors and is incorporated as part of the annual board cycle. This varies each year and may include internal presentations and discussions with key external subject matter experts on issues including macro-economics, information technology, continuous disclosure, capital markets and accounting developments. In addition, there are focused sessions at each Board meeting addressing topical issues facing one or more of the business units or functions.

It is fundamental to the Board that directors have and are committing sufficient time to perform their duties properly and effectively. The Board has considered this issue during the reporting period and is satisfied that, considering all their commitments, each director had sufficient time to perform their Group Board duties.

INDEPENDENT ADVICE

The Board is entitled to access such information and seek such independent advice as they consider necessary or desirable, individually, or collectively, to fulfil their responsibilities and permit independent judgement in decision making. However, this does not abrogate the Board's responsibility to make independent decisions as such advice is only meant to enhance comprehension of certain matters placed before the Board.

BOARD COMMITTEES

The Board has delegated work to its four (4) standing Committees to effectively deal with specialized issues: Audit & Risk Committee, Finance & Investment Committee, Governance & Nominations and Human Resource Committee. The mandate of these committees is clearly defined in each of the Committees' Terms of Reference. The Committees make recommendations for actions to the Board, which retains collective responsibility for decision making.

The Committees' Membership is structured to spread responsibility and make best use of the range of skills across the Board.
Unless there are compelling circumstances, the Committee meetings are scheduled to coordinate with the Board meeting cycle. Each Committee reports to the Board at the subsequent Board meeting and makes recommendations to the Board for consideration as appropriate.

An overview of the role and responsibilities, membership, and meetings of the Board's four standing Committees is provided in page 13.

An overview of the role and responsibilities, membership and meetings of the Board's three standing Committees is provided in the table below:

	Governance & Nomination Committee	Human Resource Committee	Audit & Risk Committee	Finance & Investment Committee
Roles and Responsibilities	Exercise general oversight with respect to the governance of the Board of Directors. Review the balance and effectiveness of the Board and remuneration of Directors and senior management as well as the succession planning at Board and senior leadership levels Monitoring the size and composition of the Board and its succession plans Recommending individuals for nominations as members of the Board and its committees Reviewing executive appointments, succession and development plans and proposing the remuneration structures of executive and non-executive members of the Board.	Support the human resource function of the company by overseeing the development of appropriate Human Resources policies and strategies. Review, monitor and make recommendations to the Board of Directors on the Company's Human Resources strategy and polices that pertain to staffing, compensation, benefits, bonus structure and related issues of strategic importance that directly affect Company's ability to recruit, develop and retain the highly qualified staff needed for it to achieve its mandate Review, comment and report annually to the Board on Company's succession plan for all critical and key positions and review development plans, talent an career development for potential successors. To note the annual performance of staff and recommend to the board the payment of staff benefits in line with the approved policies.	In executing its oversight mandate, the committee receives reports from Internal Audit Function, Compliance Function, and the External Audit Reports. The Committee ensures the integrity of the financial reporting and audit process and to oversee the maintenance of sound internal control and risk management systems Appointment and remuneration of the external auditor, review and monitor the external auditors' performance, expertise, independence, and objectivity along with the effectiveness of the audit process and its scope; Ensure integrity of the Group's financial statements, significant reporting judgements contained in them and appropriateness of accounting policies and practices, Monitor the adequacy and effectiveness of financial reporting and internal control policies and procedures and risk management systems; Review activities and effectiveness of the internal audit function, Group's whistleblowing policies and compliance procedures across the Group.	Oversee the Board's responsibilities relating to the financial affairs of the Company and to make recommendations to the Board in connection with the Company's investment guidelines, investment asset allocations and financing activities Reviews investment performance and compliance with investment guidelines Review and recommend to the board dividend policy and declarations Approve target asset allocations and review and make recommendations to the board on all capital related issues Review and recommend to the board all corporate acquisitions as well disposals of business segment or subsidiaries and joint ventures.
Membership	The Governance and Nomination Committee comprised of Six (6) members. The members during the reporting period were: • Nelson Kuria (Chair) • Gordon Owour • James Njue • Patrick Nyaga • Rogers Kinoti • Michael Wambia	The Human Resource Committee comprised of Six (6) members. The members during the reporting period were: • Mr. Michael Wambia (Chair) • Mr. Gordon Owour • Mr. James Njue • Mr. Patrick Nyaga • Mr. Rogers Kinoti • Mr. Nelson Kuria	The Committee is comprised of four (4) members, two (2) of whom are independent non-executive directors. The members during the reporting period were: • Julius Mwatu (Chair) • Judith Oluoch • Mr. Peter Nyigei • Mr. Johnson Kegohi	The Committee comprised of five (5) members. The Members during the reporting period were: • Rosemary Githaiga (Chair) • Cornelius Ashira • Edwin Otieno • Abel Amuyunzu • Patrick Nyaga
Meetings	The Committee meets at least 4 times in a year. During the period under consideration the committee met four (4) times	The Committee meets at least 4 times in a year. During the period under consideration the committee met nine (9) times	The Committee meets at least 4 times in a year. During the period under consideration the committee met Four (4) times	The Committee meets at least 4 times in a year. During the period under consideration the committee met four (4) times

ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

The table below shows attendances at Board and Committee meetings by directors during the year ended 31 December 2021. In addition to the usual meetings of the Board and its standing committees, additional meetings of the Board and the Committees are convened as necessary to consider such urgent matters. Senior employees only attend Committee or Board meetings by invitation.

	BOARD	HUMAN RESOURCE	GOVERNANCE & NOMINATION	AUDIT & RISK	FINANCE & INVESTMENT
Number of meetings	8	9	4	4	4
Nelson Kuria	8	9	4	-	-
Peter Nyigei	8	-		4	4
Michael Wambia	8	9	4	-	-
Gordon Owour	8	9	4	-	-
Rosemary Githaiga	7	-	-	-	4
James Njue	8	8	4	-	-
Julius Mwatu	4	-	-	3	-
**Rogers Kinoti	3	2	4	-	-
Patrick Nyaga	8	9	-	-	4
Edwin Otieno	-	-	-	-	3
Cornelius Ashira	8	-	-	-	4
Judith Olouch	-	-	-	4	-
*David Ngunjiri	-	6	-	-	-
*Jyoti Patel	4	-	-	2	-
*Julius Nyaga	-	-	-	-	2
**Johnson Kegohi	-	-	-	2	-
**Abel Amuyunzu	-	-	-	-	2

*Retired during the financial period under consideration.

** Joined during the year under review

*** Governance and Human Resource Committee was split into HR Committee and Governance & Nominations Committee during the year under review

SHAREHOLDER RELATIONS

The Group is committed to open, clear, and timely communications with its shareholders. The company has a Shareholder Communications Policy and investor relations program in place that encompasses the company's commitment to providing transparent two-way communications with all shareholders through several channels. These include:

a. the company's website at www.cic.ke;
b. the company's AGM;
c. the company's Annual Report, which is available in hard copy and on the company's website;
d. Continuous disclosure reporting to the Capital Markets Authority in line with the Capital Markets Disclosure requirements;
e. The Group holds press briefings to provide both institutional and corporate investors with an accurate account of the company financial state of affairs upon which they can make an informed buy or sell decision;
f. The Company has established a fully-fledged Customer Service Department to respond to inquiries from shareholders and other stakeholders in relation to the Group, provided the information requested is already publicly available or mot price sensitive Further the Group has, as a matter of policy, entrenched in its employees a culture of treating customers and other stakeholders fairly.

The company values effective two-way communication with shareholders and recognizes that it is important not only to provide relevant information as quickly and efficiently as possible, but to listen, understand and respond to the perspectives of those shareholders. To promote this two-way dialogue, shareholders are encouraged to attend and ask questions at the AGM. For those shareholders who are unable to attend in person, they may nominate proxies to attend on their behalf.

ACCOUNTABILITY, RISK MANAGEMENT, AND INTERNAL CONTROL

The Group recognizes that risk management is an important process as it empowers the Group with the necessary tools to adequately identify and deal with potential risks.
The Group has a Corporate Risk Management Policy and an Enterprise Risk Management framework which incorporate applicable principles and guidelines of the International Standard Risk Management. The Policy sets out the framework for risk management and compliance and at the Group.

The threshold of the Group's ultimate risk appetite is set by the Board through its Audit and Risk Committee and the Board, on a quarterly basis or on such routine manner it may deem necessary, monitors managements' adherence to the set risk management policy including implementation and establishment of internal controls to identify, assess and manage risks.
The Group has processes to systematically identify, assess and report on both financial and non-financial material business risks. Management routinely appraises that Board on the effectiveness of the Group's management of its material business risk and internal controls.

INTEGRITY OF REPORTING

The Board and management have established controls that are designed to safeguard the company's interests and the integrity of its reporting. These include accounting, financial reporting, sustainability and other internal control policies and procedures which are directed at monitoring whether the company complies with regulatory requirements and standards.

In accordance with the sound accounting practices, the Board ensures that company's financial statement for a relevant period, are a true and fair reflection of the Group's financial position by making inquiries and seeking the assurances from the Group CEO, the CFO and the external auditors that:

a) the financial records of the Group have been properly maintained;
b) the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and
c) that the opinion has been formed based on a sound system of risk management and internal control that is operating effectively.

These assurances were received by the Board in respect of Group's financial statements for the half year ended 30th June 2021 and full year ended 31st June 2021.

The company's full year financial statements are subject to an external audit by an independent, professional auditor who also reviews the company's half-yearly financial statements.

The Group currently engages PriceWaterhouseCoopers (PWC) as its independent external auditor. The lead partner attends the company's AGM and is available to answer questions from shareholders relevant to their audit of the company. The Audit and Risk Committee is responsible for overseeing the audit process on behalf of the Board.

RISK IDENTIFICATION AND MANAGEMENT

The Board has established policies for the oversight and management of material business risks and internal controls. The Audit and Risk Committee oversees the policies, internal controls, and procedures that the company uses to identify business risks, manage those risks and enable compliance with relevant regulatory requirements. The design and implementation of the risk management and internal control systems to manage the company's material business risks is the responsibility of management.

The Board has adopted the following key elements for the oversight and management of material business risks:-

i) The Audit and Risk Committee reviews the Group's risk management policy and framework on an annual basis to seek to ensure that it remains sound. Such a review took place in the 2021 financial year.
ii) The Group's risk register, containing material financial and non-financial risks, is systematically and formally reviewed by the Board and/or the Audit and Risk Committee, the Group's Management, and risk champions of each the key business and functional units within the company on (at least) an annual basis.
iii) Each of the key identified risks are then systematically reviewed by the management during the year to seek to ensure controls remain sound and improvement actions are progressed. The results of these risk reviews are then reported to the Board or to the Audit & Risk Committee.
iv) Formal risk reporting is then provided to the Board on an ongoing basis.
v) Risk assessments are also performed for individual material projects, capital expenditure, products and country risks as required.

An in-depth analysis of the Group's Risk Management Framework is provided for in the risk management report in the integrated financial report.

CORPORATE SUSTAINABILITY

The Board and management are committed to ensuring that the Group's operations reflect sustainable business practices.

The company has put in place a culture of 'living the company values' to its staff and in all aspects of its business operations. It conducts business according to the highest ethical and legal standards and employees are expected to basic ethical principles.

The Group, in its quest to maintain to uphold its status as the ultimate provider of insurance and other financial solution, constantly re-engineers its business process to align with the dynamic macro and micro economic environment.

Further, the Group is leveraging on technology to bolster its operations and products distribution to keep pace with its competitors in this day and age of the digital economy. This presents enormous opportunities for increased retail business, improved customer experience and prudent cost management.

Further information can be found in the company's 2020 Corporate Sustainability Report including the actions being undertaken by the Group to continuously improve its performance.

INTERNAL AUDIT

The Group's Internal Audit function comprises a Group Chief Internal Auditor who functionally reports to the Group Board of Directors. The role that the Internal Audit function performs is to bring a systematic and disciplined approach to managing risk. This includes reviewing and recommending improvements to controls, processes and procedures used by the company across its corporate and business activities.

The objective of the Internal Audit is to provide assurance and to support management in development of operational efficiency and effectiveness in risk management, control, and governance processes. While majority of Internal Audit work is conducted in-house, outsourcing is used for certain engagements needing specialized knowledge or resources.

Internal Audit is functionally independent from the operational management. The Internal Audit Charter is approved by the Board of Directors. The Audit & Risk Committee appoints the Head of approves the annual Internal Audit Plan and any material changes to it. Results of audits are reported to the Audit & Risk Committee at least quarterly.

LEGAL AND COMPLIANCE AUDIT

Legal and compliance audit is undertaken in compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The internal legal and compliance audit was carried out for the year ended 31 March 2021 with the objective of ascertaining the level of adherence to applicable laws, regulations, and standards. The findings from the audit confirmed that the Company was generally in compliance with the applicable laws and regulations. Implementation of the recommendations from the external legal and compliance audit conducted in 2021 are ongoing.

THE GROUPS CODE OF CONDUCT

The Group understands that the delivery of shareholder value is premised on the adhering to its core values of integrity, dynamism, performance and cooperation.

These values are underpinned by the Code of Conduct for Directors and the Human Resource Policy and Procedures Manual for the Group's employees. It is expected that directors, executives, employees, and contractors observe the highest ethical standards of corporate and business behavior.

Further to the said Code of Conduct and the Human Resource and Policies Manual, there are also the following policies that aid to implement ethical business affairs.

CONTINUOUS DISCLOSURE

The Board in its mandate to promote timely and balanced disclosure of all material information concerning the company has established a Continuous Disclosure Policy. The Group's Management has the discretion to determine what matter are potentially material and price sensitive and to determine whether those matters are required to be disclosed to the market.

The key overriding objectives of this policy are:

- All Group personnel are aware of the Company's obligations
- Accountability for timely disclosure of material information
- Shareholders and the market are kept informed of price sensitive information affecting the company.

GOVERNANCE POLICIES IN PLACE AT THE GROUP

The Group has, as a matter of good practice, formulated and put in place a Board Charter and relevant policies to ensure that the Group is run on a sustainable business model that will ultimately yield valuable return to the shareholders and other stakeholders. Such policies formulated by the Board include:

- Code of Professional Conduct and Ethics for Members of the Board
- Trading Policy
- Continuous Disclosure Policy
- Communications Policy
- Risk Management Policy
- Diversity Policy
- Stakeholders Management Policy
- Procurement Policy
- Dispute Resolution Policy

Communication With Stakeholders

The Board aims to ensure that all stakeholders are informed of all material information relating to the company by communicating to stakeholders through:

- Continuous disclosure reporting to the Capital Markets Authority in line with the Capital Markets Disclosure requirements.
- Its annual reports; and
- Media releases and other investor relations publications on the Group's website.

Further, the Group further communicates to its stakeholders in the following manner: -

Annual General Meeting

The Board is keen on not only the importance of providing information but also of enabling two-way communication between the company and its shareholders through the holding of the Annual General Meetings.

Shareholders are given an opportunity to participate at the meeting and those who cannot make it to the meeting are allowed to attend through proxies.
Further, the Company auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and content of the auditor's report.

Investor Briefings

The Group holds press briefings to provide both institutional and corporate investors with an accurate account of the company financial state of affairs upon which they can make an informed buy or sell decision.

Customer service

The Company has established a fully-fledged Customer Service Department to respond to inquiries from shareholders and other stakeholders in relation to the Group, provided the information requested is already publicly available or not price sensitive Further the Group has, as a matter of policy, entrenched in its employees a culture of treating customers and other stakeholders fairly.

Information Technology

CIC Group's ICT infrastructure and information systems are a crucial aspect of its business operations providing technology platforms that ensure exceptional service delivery and customer experience. The company's technologies, communication infrastructure and corporate data are governed by an ICT Policy comprising of standards that adhere to global best practices as well as local regulatory requirements.

These standards ensure all technology acquisitions are cost effective; the implemented systems are reliable, robust and scalable and that the infrastructure investments are secured from system failure, cyber threats and other technology risks. In the event of a major disaster, business continuity is assured through the availability of a Tier 1 disaster recovery site that provides standby mission-critical systems and backup data at a dedicated, remote and secure location outside the central business district.

CIC Group is committed to meeting the present and future customer needs with the use of digital technologies such as mobile applications, interactive web portals, social media, cloud and other ICT advancements. Our continued Investment in these areas provides all our customers, partners and stakeholders with secure access to our insurance and asset management products and services.

Procurement

The Group has established procurement policy whose primary objective is to ensure that best total value is achieved when procuring goods, services and works while simultaneously ensuring it supports the Group procurement plan. The policy is designed to ensure that procurement is conducted in a transparent manner that promotes fair competition, instils integrity, transparency and fairness while eliminating arbitrariness in the entire process. This ensures increased confidence in the process by shareholders, staff, vendors and the general public.

The procurement policy is reviewed annual to ensure it is synchronized and benchmarked with emerging best practise in procurement and to address any emerging issues that may arise during implementation.

Whistle Blower Policy

CIC has a well-established policy that provides a platform for stakeholders to raise concern regarding any suspected wrongdoing. The whistle blowing platform is managed by on independent ombudsman to ensure anonymity.

CONSOLIDATED TOP TEN SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2021

			Year 2021	% Ownership	Year 2020	% Owner ship	
	Account ID	Shareholder name	Shareholding		Shareholding		Category
1	100197319	Co-Operative Insurance Society Limited - Immediate Parent	1,943,441,304	74.3%	1,943,441,304	74.3%	LC*
2	100101473	Gideon Maina Muriuki	137,865,204	5.3%	131,724,304	5%	LI**
3	100318324	Weda Welton	24,553,000	0.9%	24,436,800	0.9%	LI
4	100099345	Standard Chartered Nominees Non-Resident Ac 9011	24,422,040	0.9%	24,422,040	0.9%	FC***
5	10003482	Nic Custodial Services A/C 077	15,481,560	0.6%	15,481,560	0.6%	LC
6	100182627	Nelson Chege Kuria	15,390,200	0.6%	14,299,600	0.6%	LI
7	100072253	Patrick Njogu Kariuki	13,629,129	0.5%	13,629,129	0.5%	LI
8	100104921	Patrick Nyaga	12,176,400	0.5%	12,176,400	0.5%	LI
9	100446746	Mr Patel, Baloobhai; Patel, Amarjeet Baloobhai Patel	11,700,000	0.5%	11,700,000	0.5%	LI
10	100071305	John Njuguna Ngugi	11,332,100	0.4%	11,332,100	0.4%	LI

*LC - Local Company
**LI - Local Individual
***FC- Foreign Company

TOP TEN INDIVIDUAL SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC AS AT 31 DECEMBER 2021

	2021			
	Shareholder Name	Shareholding	% Ownership	Category
1	GIDEON MAINA MURIUKI	137,865,204	5.3%	LI
2	WELTON WEDA	24,553,000	0.9%	LI
3	NELSON CHEGE KURIA	15,390,200	0.6%	LI
4	PATRICK NJOGU KARIUKI	13,629,129	0.5%	LI
5	PATRICK NYAGA	12,176,400	0.5%	LI
6	AMARJEET BALOOBHA PATEL;BALOOBHAI CHHOTABHAI PATEL	11,700,000	0.5%	LI
7	JOHN NJUGUNA NGUGI	11,332,100	0.4%	LI
8	CHARLES NDONGA MUCHIRI	6,953,648	0.3%	LI
9	NANCY WANGARI NDUNGU	5,815,000	0.2%	LI
10	JULIUS MICHEUH RIUNGU	5,241,600	0.2%	LI
	TOTAL	244,656,281	9.4%	

	2020			
	Shareholder Name	Shareholding	% Ownership	Category
1	GIDEON MAINA MURIUKI	131,724,304	5.0%	LI
2	WEDA WELTON	24,436,800	0.9%	LI
3	NELSON CHEGE KURIA	14,299,600	0.5%	LI
4	PATRICK NJOGU KARIUKI	13,629,129	0.5%	LI
5	PATRICK NYAGA	12,176,400	0.5%	LI
6	MR PATEL, BALOOBHAI; PATEL, AMARJEET BALOOBHAI PATEL	11,700,000	0.4%	LI
7	JOHN NJUGUNA NGUGI	11,332,100	0.4%	LI
8	ESTATE OF STANLEY CHARLES MUCHIRI	6,453,312	0.2%	LI
9	NANCY WANGARI NDUNGU	5,815,000	0.2%	LI
10	JOYCE WANJIKU MURIUKI	5,108,640	0.2%	LI
	Total	236,675,285	8.8%	

THE CIC INSURANCE GROUP PLC DIRECTORS' SHAREHOLDING AS AT 31 DECEMBER 2021

	NAME	2021 NO. OF SHARES	2020 NO. OF SHARES
1	NELSON KURIA	15,390,200	14,299,600
2	NYAGA PATRICK	12,176,400	12,176,400
3	ROSEMARY GITHAIGA	2,589,600	2,589,600
4	GORDON OWUOR	264,000	264,000
5	ROGERS KINOTI	52,320	52,320
6	JAMES NJIRU	48,000	48,000
7	MICHAEL O. WAMBIA	36,000	36,000
8	PETER K. NYIGEI	12,000	12,000
9	JULIUS MWATU	-	-
	TOTAL	30,568,520	29,477,920

THE CIC INSURANCE GROUP SHAREHOLDER DISTRIBUTION AS AT 31 DECEMBER 2021

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
1-500	5,659	1,183,094	0.05
501-5,000	6,563	13,124,105	0.50
5001-10000	1,525	11,544,426	0.44
10,001-100,000	4,281	119,470,798	4.57
100,001-1,000,000	515	127,920,273	4.89
Above 1,000,000	61	2,342,295,832	89.55
TOTALS	18,604	2,615,538,528	100.00

THE CIC INSURANCE GROUP SHAREHOLDER DISTRIBUTION AS AT 31 DECEMBER 2020

2020 SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
1-500	5,400	1,133,469	0.04
501-5,000	6,508	13,035,411	0.50
5,001-10,000	1,539	11,640,874	0.45
10,001-100,000	4,308	120,305,789	4.60
100,001-1,000,000	545	133,095,189	5.09
ABOVE 1,000,000	64	2,336,327,796	89.32
TOTALS	18,364	2,615,538,528	100.00

CATEGORY SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2021

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
FOREIGN COMPANIES	2	24,482,040	0.94
FOREIGN INDIVIDUALS	101	2,694,544	0.10
LOCAL COMPANIES	620	2,005,306,449	76.67
LOCAL INDIVIDUAL	17,881	583,055,495	22.29
TOTALS	18,604	2615,538,528	100.00

CATEGORY SUMMARY OF SHAREHOLDERS AS AT 31 DECEMBER 2020

SHAREHOLDING	NO OF SHAREHOLDERS	NO OF SHARES	% SHAREHOLDING
FOREIGN COMPANIES	2	24,482,040	0.94
FOREIGN INDIVIDUALS	101	2,730,644	0.10
LOCAL COMPANIES	629	2,008,610,469	76.80
LOCAL INDIVIDUAL	17,632	579,715,375	22.16
TOTALS	18,364	2,615,538,528	100.00

The Group communicates open and closed periods for trading in its shares to its employees and directors on an annual basis.

Approved by the board of directors on 15 MARCH 2022 and signed on its behalf by:

Nelson Kuria	Patrick Nyaga	Julius Mwatu
Chairman	Group Chief Executive Officer	Director

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2021

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group at the end of the financial year and of their financial performance for the year then ended. The directors are responsible for ensuring that the Company and its subsidiaries keep proper accounting records that are sufficient to show and explain the transactions of the Company and Group; disclose with reasonable accuracy at any time the financial position of the Company and Group; and that enables them to prepare financial statements of the Company and Group that comply with prescribed financial reporting standards and the requirements of the Companies Act, 2015. They are also responsible for safeguarding the assets of the Company and Group 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 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 applying them consistently; and

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

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

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

Approved by the Board of Directors on 15 MARCH 2022 and signed on its behalf by:

....	....	....
Nelson Kuria	Patrick Nyaga	Julius Mwatu
Chairman	Group Chief Executive Officer	Director

pwc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC

Report on audit of the financial statements

Our opinion

We have audited the accompanying financial statements of The CIC Insurance Group Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 157, which comprise the consolidated statement of financial position at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2021, and the Company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of The CIC Insurance Group Plc give a true and fair view of the financial position of the Group and the Company at 31 December 2021 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities As described in the accounting policies, notes 2, 46, 49 and 56 of the financial statements, the Group's insurance contract liabilities comprise long-term policyholder liabilities, outstanding claims and incurred but not reported reserves (IBNR). This is an area of focus because the valuation of insurance contract liabilities involves significant judgement in estimating the expected future outflows. Specifically, the actuarial assumptions and methodologies involve judgement about future events. The valuation results are also dependent on the quality, integrity and accuracy of the data used. For the long-term policyholder liabilities, both economic and non -economic assumptions are made. Economic assumptions such as discount rates, investment returns and inflation rates are benchmarked to available market information. Non-economic assumptions such as mortality rates, future expenses, investment returns, discount rates and lapse rates, are projected based on experience. For general insurance, the key assumptions employed in the reserving calculations include loss ratios and estimates of the frequency and severity of claims. Claims incurred but not reported (IBNR) are determined by projecting ultimate claim losses based on current loss rates or claim experience. Additional qualitative judgement is applied in assessing the extent to which past trends may or may not recur in the future. A margin for adverse deviation is included in the liability valuation. However, changes in the assumptions and methodology can result in a material impact to the valuation of insurance contract liabilities.	On a sample basis, for the claims paid and claims outstanding we agreed to supporting documentation and compared the claim payments in 2021 to the prior reserves as applicable; Compared the data used in the valuation to the existing policyholder data; Tested the reasonableness of claims outstanding balances by comparing the recorded amounts to the latest available information on source documents; Tested the reasonableness of the methodology and assumptions used by the external actuaries and management in estimation of reserves as at 31 December 2021, and performed reprojections for a sample of reserves to validate estimates ; Performed sensitivity analysis of the insurance contract liabilities based on the significant assumptions; Performed reconciliations between the claims data used for the audit and that used by the appointed actuaries to calculate reserves. Checked the consistency of the reserving methods year on year; and Assessed the adequacy of the disclosures in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of receivables arising out of direct insurance arrangements and reinsurance arrangements As described in the accounting policies and note 28 of the financial statements, at 31 December 2021, the Group had gross insurance receivables amounting to Shs 2.6 billion and gross receivables arising out of reinsurance arrangements of Shs. 2.7 billion. This is a key audit matter because the assessment of the recoverability of insurance and reinsurance receivables involves significant judgement given uncertainty in estimating the expected future cash inflows. Specifically, the determination of loss rate applied on the gross receivables involves significant judgement about future events and the assumption that future collections of receivables will follow a similar pattern to past collections experience.	Tested, on a sample basis, the existence and completeness of receivable balances by obtaining independent confirmations of the balances; Tested the appropriateness of ageing of receivable balances by comparing recorded amounts and dates to the source documents; Evaluated the methodology applied by management in estimating the impairment losses for insurance and reinsurance receivables; Assessed the reasonableness of the loss allowance applied to insurance and reinsurance receivables; Evaluated evidence supporting the expectations of cash flows that were applied in the impairment provision computations; Tested mathematical accuracy of the impairment provisions computation; and Assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC (CONTINUED)

Other information

The other information comprises corporate information, report of the directors, directors' remuneration report, corporate governance report, statement of directors' responsibilities and supplementary information which we obtained prior to the date of this auditor's report and the rest of the other information in the Annual Report which is expected to be made available to us after that date, but does not include 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 we do not and will 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 have received prior to the date of this auditor's report 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 Group's and Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 Group's and Company's internal control.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE CIC INSURANCE GROUP PLC (CONTINUED)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as going concerns. 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 Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

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 Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 2 to 3 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 4 to 5 has been properly prepared in accordance with the Companies Act, 2015.

Richard Njoroge

FCPA Richard Njoroge, Practising certificate No. 1244
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

16 March **2022**

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group	
		2021	2020
		KShs'000	KShs'000
Gross written premiums	3(a)	19,689,202	16,988,281
Gross earned premiums	3(b)	19,535,577	17,244,119
Less: Reinsurance premiums ceded	3(c)	(4,832,849)	(3,305,141)
Net earned premiums		14,702,728	13,938,978
Fees and commission income	4(a)	2,137,010	1,459,392
Interest revenue calculated using the effective interest method	5	1,666,407	1,426,444
Other gains/(losses)	6	263,652	(63,606)
Foreign exchange gain		398,308	74,491
Other income		4,465,377	2,896,721
Total income		19,168,105	16,835,699
Net claims and policyholders benefits payable	7	(10,528,550)	(9,954,608)
Commission expense	4(b)	(2,480,013)	(2,159,265)
Operating and other expenses	8(a)	(4,742,963)	(4,062,379)
Allowance for expected credit losses	8(d)	(40,089)	(15,895)
Gain/(loss) on monetary position	9	14,297	(274,289)
Total benefits and other expenses		(17,777,318)	(16,466,436)
Operating profit		1,390,787	369,263
Finance cost	10	(431,075)	(441,495)
Share of loss of associate company	18	-	(7,312)
Profit/(loss) before income tax		959,712	(79,544)
Income tax expense	11	(291,275)	(217,288)
Profit/(loss) for the year		668,437	(296,832)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Fair value gain/(loss) on equity instruments at fair value through other comprehensive income	24	639	(5,112)
Gain on revaluation of building	13	3,242	9,194
Total items that will not be reclassified to profit or loss		3,881	4,082
Items that may be reclassified subsequently to profit or loss			
Foreign exchange currency translation differences	38	(116,057)	49,726
Fair value (loss)/gain on debt instruments at fair value through OCI	23(a)	(236,752)	18,560
Deferred tax	17(a)	36,153	-
Total items that may be subsequently reclassified to profit or loss		(316,656)	68,286
Total other comprehensive (loss)/ income for the year (net of tax)		(312,775)	72,368
Total comprehensive income/(loss) for the year		355,662	(224,464)
Basic and diluted earnings per share (Kshs)	12	0.23	(0.09)

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	KShs'000	KShs'000
PROFIT /(LOSS)FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	589,380	(232,914)
NON - CONTROLLING INTERESTS	79,057	(63,918)
	668,437	(296,832)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE PARENT	310,244	(186,824)
NON-CONTROLLING INTERESTS	45,418	(37,640)
	355,662	(224,464)

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 KShs'000	2020 KShs'000
ASSETS			
Property and equipment	13 (a)	923,753	972,151
Right of use-asset	14 (a)	145,754	181,606
Investment properties	15 (a)	7,477,939	7,465,411
Intangible assets	16 (a)	313,725	270,109
Deferred tax asset	17 (a)	1,206,098	952,750
Investment in associate	18	104,024	119,680
Financial assets at amortised cost- Corporate bonds	20	65,692	157,303
Financial assets at amortised cost -Government securities	21	2,102,194	2,010,376
Financial assets at amortised cost -Loans receivable	22	675,476	679,965
Financial assets at fair value through other comprehensive income -Government securities	23 (a)	11,329,991	9,592,504
Financial assets at fair value through other comprehensive income – Unquoted equity instruments	24	15,763	15,124
Financial assets at fair value through profit or loss – Quoted equity instruments	25	1,218,065	1,167,172
Financial assets at amortised cost -Deposits and commercial paper	26 (a)	15,000	32,660
Investments in collective investment schemes at fair value through profit or loss	26 (b)	1,738,872	1,830,444
Receivables arising out of direct insurance arrangements	28 (a)	1,293,766	1,494,107
Receivables arising out of reinsurance arrangements	28 (b)	2,259,252	2,933,810
Reinsurers share of liabilities and reserves	29	2,735,267	2,171,756
Deferred acquisition costs	27	557,425	558,571
Current income tax	11 (b)	46,655	122,334
Other receivables	30 (a)	467,582	312,552
Due from related parties	31	120,473	147,693
Deposits with financial institutions	32 (a)	6,506,081	5,240,691
Cash and cash equivalents	52	221,989	357,403
Total assets		41,540,836	38,786,172
EQUITY AND LIABILITIES			
Share capital	33	2,615,578	2,615,578
Share premium	34	162,179	162,179
Statutory reserve	35	1,128,818	1,183,825
Contingency reserve	36	83,604	61,924
Revaluation surplus	37	195,036	192,799
Foreign currency translation reserve	38	(356,769)	(275,356)
Fair value reserve	39	(265,412)	(65,452)
Retained earnings	40	4,406,933	3,784,226
Equity attributable the owners of the parent		7,969,967	7,659,723
Non-controlling interest	41	14,164	(31,254)
Total equity		7,984,131	7,628,469
LIABILITIES			
Deferred tax liability	17 (a)	485,042	508,616
Non-life Insurance contracts liabilities	49	6,561,096	6,687,924
Deposits administration contracts	45	6,406,695	5,334,558
Life insurance contracts liabilities	46	8,323,385	7,333,365
Unit linked contracts	47	546,552	523,663
Provisions for unearned premiums reserve and unexpired risks	48	4,489,335	4,335,710
Lease liability	14 (a)	167,025	205,940
Payables arising from reinsurance arrangements and insurance bodies	28 (c)	563,314	866,267
Borrowings	42	4,363,600	3,955,600
Other payables	43 (a)	1,435,566	1,327,365
Current income tax	11 (b)	215,095	78,695
Total liabilities		33,556,705	31,157,703
Total equity and liabilities		41,540,836	38,786,172

The financial statements were approved by the Board of Directors on 15 MARCH 2022 and signed on its behalf by:

Nelson Kuria
Chairman

Patrick Nyaga
Group Chief Executive Officer

Julius Mwatu
Director

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Company 2021 KShs'000	2020 KShs'000
Interest revenue calculated using the effective interest method	5(i)	42,001	60,925
Other investment income	5(ii)	1,122,131	50,000
Other gains	6	3,686	2,790
Total income		1,167,818	113,715
Operating and other expenses	8(c)	(127,348)	(108,665)
Allowance for expected credit losses		(233)	(731)
Operating costs		(127,581)	(109,396)
Operating profit		1,267,451	4,319
Finance cost	10(b)	(459,997)	(542,976)
Profit/(loss) before income tax		580,240	(538,657)
Income tax credit	11	65,915	127,535
Profit/(loss) for the year		646,155	(411,122)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		646,155	(411,122)
Basic and diluted earnings per share (Kshs)	12	0.25	(0.16)

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 KShs'000	2020 KShs'000
ASSETS			
Property and equipment	13 (b)	24,954	42,033
Right of use-Asset	14(a)	-	8,759
Investment properties	15(b)	3,800,000	3,800,000
Intangible assets	16 (b)	99,615	68,124
Deferred tax asset	17 (b)	642,466	576,551
Investment in associate	18	104,024	138,400
Investment in subsidiaries	19	3,682,878	3,682,878
Financial assets at amortised cost -Loans receivable	22	11,603	11,462
Investments in collective investment schemes through profit or loss	26(c)	10,838	14,892
Current income tax	11 (b)	2,000	2,000
Other receivables	30 (b)	59,622	76,588
Due from related parties	31	242,157	206,222
Related party loan	31 (c)	531,943	501,657
Deposits with financial institutions	32 (b)	80,338	74,541
Cash and cash equivalents	52	-	-
Total assets		9,292,438	9,204,107
EQUITY AND LIABILITIES			
Equity			
Share capital	33	2,615,578	2,615,578
Share premium	34	162,179	162,179
Retained earnings	40	1,441,198	795,043
Total equity		4,218,955	3,572,800
LIABILITIES			
Bank overdraft	52	25,028	43,826
Lease liability	14(a)	-	11,061
Due to related parties	31(b)	447,875	414,660
Related party loan	31(c)	206,851	1,183,315
Borrowings	42	4,363,600	3,955,600
Other payables	43 (b)	30,129	22,845
Total liabilities		5,073,483	5,631,307
Total equity and liabilities		9,292,438	9,204,107

The financial statements were approved by the Board of Directors on 15 MARCH 2022 and signed on its behalf by:

Nelson Kuria
Chairman

Patrick Nyaga
Group Chief Executive Officer

Julius Mwatu
Director

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital KShs'000 (Note 33)	Share Premium KShs'000 (Note 34)	Statutory Fund KShs'000 (Note 35)	Revaluation surplus KShs'000 (Note 37)	Contingency reserve KShs'000 (Note 36)	Foreign Currency Translation Reserve Ksh'000 (Note 38)	Fair value reserve KShs'000 (Note 39)	Retained earnings KShs'000 (Note 40)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 41)	Total KShs'000
At 1 January 2021	2,615,578	162,179	1,183,825	192,799	61,924	(275,356)	(65,452)	3,784,226	7,659,723	(31,254)	7,628,469
Contingency reserve	-	-	-	-	21,680	-	-	(21,680)	-	-	-
Profit for the year	-	-	(55,007)	-	-	-	-	644,387	589,380	79,057	668,437
Other comprehensive income for the year	-	-	-	2,237	-	(81,413)	(199,960)	-	(279,136)	(33,639)	(312,775)
Total comprehensive income for the year	-	-	(55,007)	2,237	-	(81,413)	199,960)	644,387	310,244	45,418	355,662
At 31 December 2021	2,615,578	162,179	1,128,818	195,036	83,604	(356,769)	(265,412)	4,406,933	7,969,967	14,164	7,984,131

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital KShs'000 (Note 33)	Share Premium KShs'000 (Note 34)	Statutory Fund KShs'000 (Note 35)	Revaluation surplus KShs'000 (Note 37)	Contingency reserve KShs'000 (Note 36)	Foreign Currency Translation Reserve Ksh'000 (Note 38)	Fair value reserve KShs'000 (Note 39)	Retained earnings KShs'000 (Note 40)	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000 (Note 41)	Total KShs'000
At 1 January 2020	2,615,578	162,179	1,123,620	183,605	34,016	(298,804)	(78,900)	4,105,253	7,846,547	6,386	7,852,933
Contingency reserve	-	-	-	-	27,908	-	-	(27,908)	-	-	-
Profit for the year	-	-	60,205	-	-	-	-	(293,119)	(232,914)	(63,918)	(296,832)
Other comprehensive income for the year	-	-	-	9,194	-	23,448	13,448	-	46,090	26,278	72,368
Total comprehensive income for the year	-	-	60,205	9,194	-	23,448	13,448	(293,119)	(186,824)	(37,640)	(224,464)
At 31 December 2020	2,615,578	162,179	1,183,825	192,799	61,924	(275,356)	(65,452)	3,784,226	7,659,723	(31,254)	7,628,469

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital KShs'000 (Note 33)	Share premium KShs'000 (Note 34)	Retained Earnings KShs'000 (Note 40)	Total KShs'000
At 1 January 2020	2,615,578	162,179	1,206,165	3,983,922
Loss for the year	-	-	(411,122)	(411,122)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(411,122)	(411,122)
At 31 December 2020	2,615,578	162,179	795,043	3,572,800
At 1 January 2021	2,615,578	162,179	795,043	3,572,800
Profit for the year	-	-	646,155	646,155
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	646,155	646,155
At 31 December 2021	2,615,578	162,179	1,441,198	4,218,955

THE CIC INSURANCE GROUP PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 KShs'000	2020 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	51 (a)	2,065,672	2,429,725
Purchase of corporate bonds	20	(69,590)	-
Proceeds from maturity of corporate bonds	20	142,400	148,798
Purchase of government securities at amortised cost	21	(552,550)	(704,292)
Maturities of government securities at amortised cost	21	456,185	660,740
Mortgage loans advanced	22 (a)	(6,078)	(5,847)
Mortgage loan repaid	22 (a)	27,464	22,951
Other staff loans advanced	22 (b)	(251,764)	(258,987)
Other staff loan repaid	22 (b)	218,132	202,390
Purchase of government securities at fair value through other comprehensive income	23	(2,281,000)	(2,651,211)
Maturity of government securities at fair value through other comprehensive income	23	302,879	352,400
Purchase of equity investment at fair value through profit or loss	25	(60,837)	(111,876)
Proceeds from sale of equity investments at fair value through profit or loss	25	73,222	157,114
Proceeds from maturities in deposits with non-financial institutions	26(a)	17,612	121,661
Additions to collective investment schemes	26(b)	(1,841,347)	(2,387,593)
Proceeds from disposal of collective investment scheme	26(b)	2,045,749	2,130,517
Increase in deposits with financial institutions (excluding cash and cash equivalents)		450,104	(712,124)
Interest paid	42	-	-
Interest paid on leases	14(a)	(23,075)	(34,426)
Interest received		1,475,262	1,218,243
Dividend received	5	33,445	34,814
Tax paid	11 (b)	(319,965)	(93,892)
Net cash generated from operating activities		1,901,920	519,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(63,334)	(34,854)
Disposal of property and equipment	13	783	170
Purchase of intangible assets	16	(70,973)	(51,046)
Net cash used in investing activities		(133,524)	(85,730)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	42	-	(200,000)
Repayment of principal portion of lease liability	14(a)	(78,443)	(109,073)
Net cash used in financing activities		(78,443)	(309,073)
INCREASE IN CASH AND CASH EQUIVALENTS		1,689,953	124,302
Effect of foreign exchange translations		(116,395)	13,389
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,069,302	1,931,611
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	3,642,860	2,069,302

	Notes	2021 KShs'000	2020 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	51 (b)	(55,022)	111,236
Maturity of collective investments	26(c)	5,000	-
Mortgage loan repaid	22 (a)	550	-
Other staff loans repaid	22 (b)	523	-
Increase/(decrease) in deposits with financial institutions (excluding cash and cash equivalents)		(37)	(10)
Interest paid	42	-	-
Interest paid on leases	14(a)	(1,642)	(2,592)
Interest received	5	42,001	60,925
Dividend received		1,122,131	50,000
Net cash generated from operating activities		1,113,504	219,559
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(3,709)	(3,592)
Purchase of intangible assets	16	(49,932)	(41,497)
Net cash used in investing activities		(53,641)	(45,089)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of intercompany loan	31(c)	(1,026,819)	-
Repayment of borrowings	42	-	(200,000)
Repayment of principal portion of lease liability	14(a)	(8,644)	(18,893)
Net cash used in financing activities		(1,035,463)	(218,893)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24,400	(44,423)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		30,715	75,138
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	55,383	30,715

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2015.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2015.

The financial statements have been prepared on a historical cost basis, except for debt instruments at fair value through other comprehensive income, equity investments at fair value through profit or loss, equity instruments at fair value through other comprehensive income, building and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The consolidated and company financial statements are presented in Kenya Shillings and all values rounded to the nearest thousand (KShs '000), which is also the functional currency.

The financial statements comprise the statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes to the financial statements. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in previous periods. Transactions with the owners of the Group and Company in their capacity as owners are recognised in the statement of changes in equity.

The Group presents its statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note 2 of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period

The section below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2021 (ie years ending 31 December 2021), and (ii) forthcoming requirements, being standards and amendments that became or will become effective on or after 1 January 2022.

(i) New standards and amendments - applicable 1 January 2021

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021:

Title	Key requirements	Effective Date *
Covid-19-related Rent Concessions - Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. * The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	1 June 2020 1 April 2021 *
Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.	1 January 2021

The amendments above did not have a significant impact on the Company's and Group's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period(continued)

(ii) Forthcoming requirements - applicable after 31 December 2021

As at 31 December 2021, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2021

Title	Key requirements	Effective Date *
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.	1 January 2023 (deferred from 1 January 2021)
Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework - Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts - Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period (continued)

(ii) Forthcoming requirements - applicable after 31 December 2021 (continued)

Title	Key requirements	Effective Date *
Annual Improvements to IFRS Standards 2018-2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2023 (deferred from 1 January 2022)
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New Standards, New Interpretations and Amendments to Standards adopted in the current period (continued)

(ii) Forthcoming requirements - applicable after 31 December 2021 (continued)

Title	Key requirements	Effective Date *
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

* applicable to reporting periods commencing on or after the given date

Impact of the standards

Except for IFRS 17 Insurance Contracts, the forthcoming standards above are not expected to have a significant impact on the Group's and Company's performance. Management has started the implementation project for IFRS 17 and is currently selecting an implementation partner and project manager for the project. It is therefore not possible to quantify the impact of IFRS 17 on the future Financial Statements but it will be extensive.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls a subsidiary if, and only if, the Group has:

- Power over the subsidiary (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included/excluded in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

At company level, the investment in subsidiary is presented as an asset in the statement of financial position and measured at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

(i) Subsidiaries (continued)

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group financial statements reflect the result of the consolidation of the financial statements of the group and its subsidiaries, CIC General Insurance Limited, CIC Life Assurance Limited, CIC Asset Management Limited, CIC Africa Insurance (SS) Limited, CIC Africa (Uganda) Limited and CIC Africa Co-operatives Insurance (Malawi) Limited details of which are disclosed in note 19, made up to 31 December 2021.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. The Group's investment in its associate is accounted for using the equity method of accounting while the Company's investment in associate is accounted for using the cost method.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's and company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

(iii) Associates (continued)

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group 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 Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit and loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. Any interest in the equity of the associate that was recorded directly in other comprehensive income of the investor is recycled to the profit or loss and is included in the calculation of the gain or loss on disposal.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests that are not present ownership interests are measured at fair value. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Insurance contracts

Classification
The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contracts are classified into two main categories depending on the duration of risk and as per the provisions of the Insurance Act:

Long term insurance business
Includes insurance business of all or any of the following classes: namely, Ordinary life, Group life, Annuities, and Pension and business incidental to any such class of business.

Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and includes a contract which is subject to the payment of premiums for a term dependent on the termination or continuance of human life and any contract securing the grant of an annuity for a term dependent upon human life.

Short term insurance business
This is insurance business of any class or classes that is not long term insurance business. Classes of general Insurance include Engineering insurance, Fire insurance - domestic risks, Fire insurance - industrial and commercial risks, Liability insurance, Marine insurance, Motor insurance - private vehicles, Motor insurance - commercial vehicles, Personal accident insurance, Theft insurance, Workmen's Compensation and Employer's Liability insurance and Miscellaneous insurance. Miscellaneous insurance refers to other classes of business not included under those listed above.
oMotor insurance business means the business of affecting and carrying out contracts of insurance against loss of, or damage to, or arising out of or in connection with the use of motor vehicles, inclusive of third party risks but exclusive of transit risks.

Personal Accident insurance business means the business of affecting and carrying out contracts of insurance against risks of the persons insured sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or becoming incapacitated in consequence of disease or of disease of a specified class.

Fire insurance business means the business of affecting and carrying out contracts of insurance, otherwise than incidental to some other class of insurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

Revenue recognition

(i) Gross written premiums

For long term insurance business, gross recurring premiums on life contracts are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

For shorter term insurance business, gross written premiums under insurance contracts comprise the total premiums receivable for the whole period of the cover provided by the contract and are recognised on the date on which the policy incepts.

Gross earned premiums comprise the total premiums receivable for the respective accounting period which is under consideration and are recognised up to the end of the reporting period. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Premiums are presented gross of commission and any taxes or duties levied on premiums.

(ii) Reinsurance premiums ceded

The gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. The Group's gross general written premiums under reinsurance contracts comprise the total premiums payable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Insurance contracts (continued)

(ii) Reinsurance premiums ceded (continued)

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

(ii) Net claims and policyholders benefits payable

For long term insurance business, gross benefits and claims include the cost of all claims arising during the year, including: internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured using the gross premium method in accordance with the Insurance Regulatory Authority (IRA) guidelines. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

Furthermore, the liability for life insurance contracts comprises the provision for claims outstanding which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the profit or loss.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed; and includes additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the Group's experience, and as per the requirement of the regulatory requirements in our countries of operation. This is in line with the requirements of IFRS 4.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. These costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Claims ceded to reinsurers

Claims ceded to reinsurers are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(iv) Deferred acquisition costs

Deferred acquisition costs represent the proportion of commission expense in the periods up to the reporting date which relates to the unexpired terms of policies in force at the end of the reporting period, and are calculated on the 1/365th method on gross commissions. The 1/365th is a time apportionment method of premium whereby the uneamed premium reserve is the aggregate of uneamed premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are eamed.

The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and are recorded in the statement of profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Insurance contracts (continued)

(iv) Deferred acquisition costs (continued)

DACs are derecognised when the related contracts period elapses.
The provision for unearned premiums represents that portion of premiums received or receivable that relates to the risks that have not yet expired at the reporting date.

(v) Reinsurance contracts held

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

The Group cedes insurance risk in the normal course of business for all of its businesses. 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. Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the year. Included in this category are receivables arising from reinsurance arrangements.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(vi) Receivables arising out of direct insurance arrangements

Receivables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. 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 rate 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 recorded in the statement of profit or loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets are met.

f) Unit linked contracts

The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate). The investment contracts include funds administered for several retirement benefit schemes. Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception as at fair value through profit or loss. The Group designates these investment contracts to be measured at fair value through profit or loss because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The best evidence of the fair value of these financial liabilities at initial recognition is the transaction price (i.e. the fair value received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profit at inception. The fair value of financial liabilities for investment contracts without fixed terms is determined using the current unit values in which the contractual benefits are denominated. These unit values reflect the fair values of the financial assets contained within the Group's unitized investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the financial reporting date by the unit value for the same date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income

(i) Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.
The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using the EIR method.

The group calculates interest income on financial assets, other than those considered credit impaired, by applying the EIR to the gross carrying amount of the asset.

Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

(ii) Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(iii) Dividend income

Dividend income is recognised on the date when the Group's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes which is included as part of investment income.

(iv) Fees and commission income

Commission income
Commissions earned from reinsurance premium ceded is recognised in profit or loss in the period in which it is earned. If the fees are for services provided in future periods, they are deferred and recognised over those future periods

Realised / unrealised gains and losses
Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transactions. More details on the on how the gains have been arrived has been discussed in the specific policies relating to the assets.

Revenue from contract with customers

Fund management fees
The Group recognizes revenue only when it satisfies a performance obligation by transferring control of the service to its customers. The performance obligation is satisfied over time as the customer simultaneously consumes the benefits provided by the Group as the Group performs.

The Group provides fund management services. The agreement for fund management services specifies the performance obligation as to carry out the management and administration of the fund, be responsible for investing and re-investing the assets. Accordingly, the Group allocates the transaction price based on the value of the asset portfolio managed.

This financial services income includes income from investment management and related activities. This is based on the value of the assets managed on behalf of clients such as fund management fees, collective investment and linked product administration fees. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

(h) Operating and other expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Operating and other expenses (continued)

i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

ii) An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(i) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the respective countries' Income Tax Legislations. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in 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 is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 11 of these financial statements.

The group offsets current tax assets and current tax liabilities when:
- It has a legally enforceable right to set off the recognised amounts; and
- It intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

Deferred income tax

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised, or the deferred tax liability is settled.

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, 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 nor loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that led to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Taxation (continued)

Income Taxes

Value Added Tax (VAT) and premium taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT and premium taxes except:

- when the VAT or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, or
- receivables and payables that are measured with the amount of VAT or premium tax included.

Outstanding net amounts of VAT or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(j) Earnings per share

The Group calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:
(i) profit or loss from continuing operations attributable to the parent entity; and
(ii) profit or loss attributable to the parent entity
are the amounts in (i) and (ii) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

(k) Translation of foreign currencies

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Group's presentation currency is the Kenyan Shilling ("KShs").

Monetary assets and liabilities are translated into each entity's functional currency at the applicable exchange rate at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions performed by the companies of the Group and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss. Effects of exchange rate changes on the fair value of equity instruments are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (are translated into the presentation currency as follows:
(i) assets and liabilities for each statement of financial position presented are translated at the applicable closing rate at the respective reporting date;
(ii) income and expenses for each statement of profit or loss and statement of other comprehensive income are translated either at the rates prevailing at the dates of the transactions or at average exchange rates (in case this average is a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into the group's presentation currency using the following procedure: all amounts (i.e. assets, liabilities, equity items, income and expenses) shall be translated at the closing rate at the date of the most recent statement of financial position.
When amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Inflation accounting

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria of IAS 29. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and that corresponding figures for previous periods be stated in the same terms to the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from South Sudan Consumer Price Index (CPI) compiled by Trading Economics. The conversion factors used to restate the financial statements at 31 December 2021, using a 2014 base year, are as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Translation of foreign currencies (continued)

At 31 December	CPI	Conversion factor
2018	6,306	1.40
2019	10,657	1.69
2020	16,841	1.58
2021	15,405	0.914
Average CPI 2021	16,175	

*The average CPI was obtained by calculating average of closing CPIs for the years 2020 and 2021

Exchange differences arising on the translation of results and financial position of each of the Group's consolidated entities are included in components of other comprehensive income and taken to a separate component of equity.
The comparative information of the Group has not been adjusted for subsequent changes in price level or subsequent changes in exchange rates.

(l) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for buildings which are measured based on revalued amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Buildings are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date.

Increases in the carrying amount of land and buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation surplus in the statement of changes in equity. Decreases that offset previous increases of the same asset are dealt with through other comprehensive income and reversed from revaluation surplus in the statement of changes in equity; all other decreases are charged to profit or loss for the year. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Depreciation is calculated on straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	40 years
Computers	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years
Leasehold improvements	10 years

Property and equipment are reviewed for impairment as described in note (t) whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its continued use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to the difference of the carrying amounts and disposal proceeds. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings. The date of disposal of an item of property, and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included is the gain or loss arising from the derecognition of property and is determined in accordance with the requirements for determining the transaction price in IFRS 15.

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end are adjusted prospectively, if appropriate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are subsequently carried at fair value, representing the open market value at the reporting date determined by annual valuations by independent valuers. Gains or losses arising from changes in the fair value are included in the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met; and excludes the costs of day-to-day servicing of an investment property.
Investment properties are derecognised when either they have been disposed off (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss. The date of disposal of investment property is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(n) Intangible assets

Software licence costs and computer software that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets.

Softwares under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such softwares includes professional fees and costs directly attributable to the software. The softwares are not amortised until they are ready for the intended use.

The useful lives of intangible assets are assessed as either finite or indefinite. The group does not have assets with indefinite life and hence the amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (four years).

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Intangible assets have finite lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The date of disposal of an item of intangible asset is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied. The amount of consideration to be included in the gain or loss arising from the derecognition of an intangible asset is determined in accordance with the requirements for determining the transaction price in IFRS 15.

(o) Accounting for leases

The Group leases rental office spaces. The Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Accounting for leases (continued)

Group acting as a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk free borrowing rate adjusted for country premium.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.
The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.
Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value (such as leased electronic equipment) the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

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

The changes in leases which do not fall under the scope of COVID 19 related concessions are treated as lease modifications. Right of use assets are re-measured and gains or losses thereof recognised in the statement of profit or loss.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense over the lease term.

A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The Group's total short term and low value lease portfolio is not material. The Group also leases office equipment such as printers and for which certain leases are short term.

Determination

The determination of whether an arrangement is, (or contains), a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Accounting for leases (continued)

Group as a lessor (continued)

When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination took place. The Group is both lessee and a lessor.

The Group as the lessor - Investment properties leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include Consumer Price Index (CPI) increases, but there are no other variable lease payments that depend on an index or rate.
At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.
To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. On a consolidated basis, the business evaluated the proportion of the properties that are owner occupied and reclassified them to Property and Equipment

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

(p) Provisions

General provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

(q) Employee benefits

Defined contributions provident fund

The Group operates a defined contributions post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the Group. The assets of the fund are held and administered independently of the Group's assets.

Statutory pension scheme

The Group also makes contributions to the statutory defined contribution schemes in the four countries where operations are based. Contributions to defined contribution schemes are recognised as an expense in profit or loss as they fall due.

Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

Bonus

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal and constructive obligation to pay this amount as a result of past service provided by the employee, the obligation can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Termination Benefits

The Group recognises a liability and expense for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

(i) For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction (eg a legal, regulatory or contractual requirement or other restriction) on the entity's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.

(ii) For termination benefits payable as a result of the Group's decision to terminate an employee's employment, the Group then can no longer withdraw the offer when it has communicated to the affected employees a plan of termination meeting all of the following:
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
- The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date; and
- The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

(r) Segment reporting

An operating segment is a component of an entity:

(i) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(ii) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

(iii) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example start-up operations may be operating segments before earning revenues. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the Group Chief Executive Officer). The Group Chief Executive Officer allocates resources to and assesses the performance of the operating segments of the Group. The operating segments are based on the Group's management and internal reporting structure.

The Group is considered to comprise three business segments: general insurance business, long term insurance business and asset management business; and four geographical segments in: Kenya, South Sudan, Uganda and Malawi.

(s) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. The Group bases its impairment calculation on detailed budgets and forecast calculations which are detailed in its five-year strategic plan. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after fifth year.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss to the amount of an impairment already taken to profit or loss while the remainder will be a revaluation amount through other comprehensive income.

(u) Fair value measurement

The Group measures financial instruments classified as financial assets at fair value through OCI and financial assets at fair value through profit or loss including investment properties at fair value at each reporting date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Involvement of external valuers is decided upon annually by the Finance General Manager (GM), who discusses the basis and assumptions with the valuer. The Group Chief Financial Officer then approves this. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Fair value related disclosures have been set out in note 57.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition

Financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

Financial assets

In order for a financial asset to be classified and measured at amortised cost or at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

Financial assets at amortised cost (debt instruments) (continued)

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include loans receivable, cash and cash equivalents, deposits with financial institutions, commercial papers, corporate bonds, other receivables, government securities at amortised cost and due from related parties.

Business model assessment

The group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount, and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.
The expected frequency, value, and timing of asset sales are important aspects of the Group's assessment.
The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test. "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the period for which the interest is set.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Group's business model for managing them. Except for other receivables and amount due from related parties, which do not contain significant financing components, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortised cost or at fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The unquoted financial assets have been designated at fair value through OCI because the Group intends to hold the assets into perpetuity. The Group has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading.

The Group's financial assets designated at fair value through OCI (equity instruments) are the unquoted equity investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has classified quoted equity instruments and investments in collective investment scheme in this category.

Derecognition

Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Group considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss.

Impairment of financial assets

Overview of ECL principles

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The calculation of ECLs

The Group calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Group does not have financial guarantees, loan commitments, letters of credit and financial assets which are purchased or originated credit impaired (POCI).

When estimating the ECLs, the Group considers three scenarios (a base case, optimistic (upside) and pessimistic (downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Group has the legal right to call it earlier.

Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

The calculation of ECLs (continued)

The Group allocates its assets subject to ECL calculations into these categories determined as follows:

- 12MECL (Stage 1) -The 12mECL is calculated as the portion of the LTECL that represents the ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring within 12 months following the reporting date.
- LTECL (Stage 2)-This is recorded when a financial instrument has shown a significant increase in credit risk since origination.
- Impairment (Stage 3) -For debt instruments considered credit-impaired, the Group recognises the lifetime expected credit losses for these instruments.
- For other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Collateral valuation
To mitigate its credit risk on financial assets (staff loans), the Group seeks to use collateral, where possible. The collateral is in form of real estate or motor vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculations of ECLs for staff loans. It is generally assessed, at a minimum, at inception and reassessed on annual basis. Collaterals such as real estate, is valued based on data provided by third parties such as real estate valuers.

Collateral repossessed.
The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of the repossessed value or the carrying amount of the original secured asset. Assets for which selling is determined to be the better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or motor vehicles but engages its procurement department to auction the asset to settle the outstanding debt. Any surplus funds are returned to the obligors. Because of this practice, the real estate properties and motor vehicles under legal repossession processes are not recorded in the balance sheet.

Write offs

Financial assets are written off either partially or in entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.
The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include other payables, borrowings, payables arising out of reinsurance arrangements and amounts due to related parties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial instruments (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Management only designates, on an instrument - by- instrument basis, an instrument at FVPL upon initial recognition when one of the following criteria are met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

The Group has designated unit linked contracts as financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, payables are subsequently measured at amortised cost using the EIR 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, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

(x) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investment comprising of fixed deposits with financial institutions with original maturities of three months or less, and are subject to an insignificant risk of changes in value.

(y) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividend distributions to the shareholders are recognised as a liability in the financial statements in the year in which the dividends are declared and approved by the shareholders.

(z) Events after the reporting date

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events even after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable. The entity's owners have no power to amend the financial statement after issue. Refer to note 63 for more details.

(aa) Share capital and share premium

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 attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Statutory fund

This relates to CIC Life Assurance Limited. The Group matches the assets to liabilities, after which there is a surplus/deficit that is transferred to the statutory fund. The Insurance Act regulations stipulate that only a maximum of 30% of this can be transferred to the shareholders. The statutory actuary advises on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2021: 30% (2020:25%) is incurred.

(ac) Discretionary Participation Features (DPF)

A DPF gives holders of these contracts the right to receive, as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. The amount or timing of the additional benefits is contractually at the discretion of the Group. Under the terms of the contracts, surpluses in the DPF funds can be distributed to policyholders and shareholders based on recommendation by the statutory Actuary. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders.

All DPF liabilities including unallocated surpluses at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

(ad) Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Once a contract has been classified as an insurance contract (life and general) it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without DPF. The insurance contracts with DPF are majorly for Life Assurance, while the insurance contracts without DPF are both in general and life businesses. For investments contracts however, the group does not have investments contract with DPF, the investments contracts without DPF include the unit linked contracts. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that meet the following conditions:

- Likely to be a significant portion of the total contractual benefits; and
- The amount or timing of which is contractually at the discretion of the issuer.

That are contractually based on:

- The performance of a specified pool of contracts or a specified type of contract;
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; and
- The profit or loss of the company, fund or other entity that issues the contract.

(ae) Comparatives

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the assets and liabilities of the Company. Management applies judgement in determining the best estimate of future experience. Judgements are based on historical experience and management's best estimate expectations of future events, taking into account changes experienced historically. Estimates and assumptions are regularly updated to reflect actual experience. Actual experience in future financial years can be materially different from the current assumptions and judgements and could require adjustments to the carrying values of the affected assets and liabilities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of premium and reinsurance receivables

The Group reviews its individually significant receivable balances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the debtor's financial situation. This estimate to provide debts is based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance (note 28).

(b) Right of Use asset and lease liabilities

Estimates are made in determining the carrying values of the right of use asset and lease liability.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group 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. The IBR therefore reflects what the Group 'would have to pay'. The Group estimates the IBR using observable inputs (such as market interest rates).

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

Estimates and assumptions (continued)

(c) Valuation of life insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities. The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry and mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders updated annually. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

(d) Valuation of non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liabilities in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using the chain ladder method. The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, 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, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

(e) Revaluation of property and investment properties

The Group carries certain classes of property and equipment at fair value, with changes in fair value being recognised in other comprehensive income. Land and buildings were valued based on open market value by independent valuers. For investment properties valuation methodologies were used by reference to properties of similar nature, location and condition amongst other factors which are highly judgemental.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (continued)

(f) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group tracks changes in credit risk and recognises a loss allowance based on lifetime ECLs at each reporting date. See specific notes for financial assets that are subject to impairment assessment.

The Group measures ECL on an individual basis, or on a collective basis for class of assets that share similar economic risk characteristic . Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the staff loans and mortgages will cure and the value of collateral or the amount that might be received for selling the asset.

(g) Impairment of Associate

The Group 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 Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to the statement of profit or loss. In the current year and the previous year, the results of the impairment assessment tests performed on the investment in the associate resulted in recognition of an impairment as detailed in Note 18.

3. SEGMENT INFORMATION

In accordance with IFRS 8: Operating segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Chief Executive Officer) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Under IFRS 8, the Group's reportable segments are life assurance business, general insurance business, asset management and other. Life assurance business comprises the underwriting of risks relating to death of an insured person and includes contracts subject to the payment of premiums for a long-term dependent on the termination or continuance of the life of an insured person. General insurance business relates to all other categories of insurance business written by the Group and is analysed into several sub-classes of business based on the nature of the assumed risks. Asset management comprises fund management, advisory services businesses and investments. Others comprises of the regional companies; CIC Africa Uganda, CIC Africa Malawi and CIC Africa South Sudan. It also includes the holding company. The Group's main geographical segment of business is in Kenya, which contributes over 89% of the Group's total income.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There are no intersegment revenues and no single customer accounts for more than 10% of the revenue.

Factors that management use to identify the entity's reportable segments

The CIC Insurance Group PLC segments are strategic companies that offer different products and are managed separately based on regulatory requirements.

Description of the types of products and services from which each reportable segment derives its revenues

The CIC Insurance Group PLC has reportable segments; general insurance business, long term insurance business, asset manegement and other business.

Group management internally evaluates its performance based upon:

- Reportable segment profits after tax.
- Capital employed (defined as the total of intangible and tangible assets and working capital).

3. SEGMENT INFORMATION (continued)

The various products and services that the reporting segments derive their revenues from have been described as follows.

	2021 KShs'000	2020 KShs'000
(a) Gross written premiums		
General insurance business		
Motor	4,243,325	4,278,174
Medical	4,357,325	4,371,559
Fire	1,056,155	908,650
Personal accident	251,722	242,732
Theft	746,084	668,559
Public liability	115,977	91,574
Marine	99,728	97,365
Engineering	426,743	256,294
Miscellaneous accident	615,387	421,620
Workmen compensation	1,006,612	338,433
Others	1,191	6,022
Sub - total	12,920,249	11,680,982
Life assurance business		
Ordinary life	1,182,908	1,187,081
Group life	5,528,151	3,999,120
Annuities	57,894	121,098
Sub - total	6,768,953	5,307,299
Total gross written premiums	19,689,202	16,988,281
(b) Gross earned premiums		
General insurance business		
Motor	4,322,679	4,231,345
Medical	4,303,582	4,486,394
Fire	1,014,030	914,709
Personal accident	252,996	246,179
Theft	742,693	702,548
Public liability	111,653	102,058
Marine	97,690	107,162
Engineering	427,454	350,832
Miscellaneous accident	614,112	426,064
Workmen compensation	877,863	348,027
Others	1,872	21,502
Sub - total	12,766,624	11,936,820
Life assurance business		
Ordinary life	1,182,908	1,187,081
Group life	5,528,151	3,999,120
Annuity	57,894	121,098
Sub - total	6,768,953	5,307,299
Total gross earned premiums	19,535,577	17,244,119

3. SEGMENT INFORMATION (continued)

(b) Gross earned premiums (continued)

Reconciliation between gross written premiums and gross earned premiums

	2021 KShs '000	2020 KShs '000
Gross written premiums	19,689,202	16,988,281
Movement in Unearned Premium Reserve (note 48)	(153,625)	255,838
Gross earned premiums	19,535,577	17,244,119

(c) Reinsurance premiums ceded

General insurance business class		
Motor	167,024	182,460
Medical	151,649	273,752
Fire	743,668	575,061
Engineering	380,696	266,651
Personal accident	97,596	84,953
Theft	485,353	339,936
Miscellaneous accident	582,523	387,976
Marine	29,476	33,129
Public liability	39,552	19,529
Workmen Compensation	404,691	29,585
Sub – total	3,082,228	2,193,032
Life assurance business class		
Group life	1,738,321	1,097,345
Ordinary life	12,300	14,764
Sub – total	1,750,621	1,112,109
Total reinsurance premiums	4,832,849	3,305,141

(d) Investment income:

General insurance business class

(i) Interest revenue calculated using the effective interest method

Interest from government securities at amortised cost – debt instruments	88,568	107,809
Interest on financial assets at amortised cost - corporate bonds	(1,049)	(481)
Interest from debt instruments at FVOCI	355,722	174,022
Amortisation of financial assets	-	(777)
Interest on staff loan receivables	3,227	4,195
Interest on bank deposits	152,495	198,868
Interest from deposits and commercial papers	-	4,517
	598,963	488,930

3. SEGMENT INFORMATION (continued)

(d) Investment income: (continued)

	2021 KShs'000	2020 KShs'000
(ii) Other investment income		
Dividend income from equity instruments at FVPL	16,637	18,240
Rental income from investment properties	110,031	116,073
Sub - total	126,668	134,313

Life assurance business class

(i) Interest revenue calculated using the effective interest method

	2021 KShs'000	2020 KShs'000
Interest from government securities at amortised cost – debt instruments	201,337	223,944
Interest on financial assets at fair value through other comprehensive income	480,887	383,084
	682,224	607,028

(ii) Other investment income

	2021 KShs'000	2020 KShs'000
Dividend income	16,416	16,013
Rental income from investment properties	26,363	29,713
Sub - total	42,779	45,726

Asset Management business

(i) Interest revenue calculated using the effective interest method

	2021 KShs'000	2020 KShs'000
Interest from government securities at amortised cost	31,360	1,817
Interest on financial assets at amortised cost - corporate bonds	807	6,146
Interest on deposit with financial institutions	29,849	38,840
Interest on staff loan receivables	28	104
	62,044	46,907

(ii) Other investment income

	2021 KShs'000	2020 KShs'000
Interest on deposits and commercial papers	242	2,268
Dividend income	392	561
Other income	634	2,829

Other businesses

(i) Interest revenue calculated using the effective interest method

	2021 KShs'000	2020 KShs'000
Interest from government securities at amortised cost	48,838	23,484
Interest on deposit with financial institutions	51,997	39,459
Interest on staff loan receivables	2,121	465
	102,956	63,408

3. SEGMENT INFORMATION (continued)

(d) Investment income: (continued)

Other businesses – continued

(ii) Other investment income	2021 KShs'000	2020 KShs'000
Other income	50,139	37,303
Sub - total	153,095	100,711
Total investment income (i&ii)	1,666,407	1,426,444

(c) Claims and policy holders' benefits expenses

	2021	2020
General insurance business class		
-Gross benefits and claims paid	7,530,802	7,135,368
-Claims ceded to reinsurers	(968,259)	(1,050,976)
-Gross change in insurance contract liabilities	18,428	858,554
-Change in contract liabilities ceded to reinsurers	(160,193)	(117,744)
Sub - total	6,420,778	6,825,202
Life insurance business class		
Gross incurred claims	4,958,512	3,236,085
Reinsurance recoveries	(1,633,864)	(1,077,380)
Gross change in actuarial reserves	990,020	914,667
Reinsurer's share of change in actuarial reserves	(206,896)	56,034
Sub - total	4,107,772	3,129,406
Total claims and policy holders' benefits expenses	10,528,550	9,954,608

3. SEGMENT INFORMATION (continued)

(e) Other disclosures:

	General Insurance business KShs'000	Life Assurance business KShs'000	Asset Management KShs'000	Other businesses KShs'000	Total KShs'000
31 December 2021					
Reportable segment profits after tax	463,788	(55,006)	369,698	(110,043)	668,437
Reportable segment total assets	15,440,310	18,831,190	1,387,562	9,636,511	45,295,573
Less intrasegment balances:					
: Related party balances	29,337	414,914	33,464	(357,242)	120,473
: Investment in subsidiaries	(1,700,000)	(800,000)	(311,000)	(1,064,210)	(3,875,210)
Reportable segment total assets - net	13,769,647	18,446,104	1,110,026	8,215,059	41,540,836
Reportable segment total liabilities	10,116,528	16,508,531	93,794	6,870,063	33,588,916
Less: related party balances	(26,836)	(5,375)		-	(32,211)
Net	10,089,692	16,503,156	93,794	6,870,063	33,556,705
Interest income	755,479	730,606	62,678	153,095	1,666,407
Interest expense	-	-		430,071	430,071
Income tax charge/(credit)	(179,770)	23,574	(153,748)	18,669	(291,275)
Fees and commission income	688,455	406,004	916,185	126,366	2,137,010
Depreciation of property and equipment	40,956	14,873	8,791	49,489	114,109
Amortisation of intangible assets	4,439	713	188	22,004	27,344
Property and equipment additions	31,647	20,025	1,083	10,579	63,334
Intangible assets additions	2,415	526	-	46,537	49,478
31 December 2020					
Reportable segment profits after tax	15,355	60,204	268,955	(641,346)	(296,832)
Reportable segment total assets	15,820,347	16,991,575	942,139	7,123,054	42,513,689
Less intrasegment balances:					
: Related party balances	148,537	260,520	98,239	(359,603)	147,693
: Investment in subsidiaries	(1,700,000)	(800,000)	(311,000)	(1,064,210)	(3,875,210)
Reportable segment total assets - net	14,268,884	16,452,095	729,378	5,699,241	38,786,172
Reportable segment total liabilities	10,065,360	14,351,434	87,890	6,677,332	31,182,016
Less: related party balances	(19,674)	(4,639)		-	(24,313)
Net	10,045,686	14,346,795	87,890	6,677,332	31,157,703
Interest income	623,243	652,754	49,736	100,711	1,426,444
Interest expense	-	-	-	441,495	441,495
Income tax charge/(credit)	(239,116)	(25,802)	(92,156)	139,786	(217,288)
Fees and commission income	383,601	303,557	679,662	92,572	1,459,392
Depreciation of property and equipment	53,768	36,789	7,740	54,160	152,457
Amortisation of intangible assets	13,775	2,407	188	8,063	24,433
Property and equipment additions	11,961	3,455	8,382	11,056	34,854
Intangible assets additions	5,205	1,142	750	43,949	51,046

3. SEGMENT INFORMATION (continued)

(f) Segment information by geographical segments

31 December 2021	Kenya KShs'000	Sudan KShs'000	Uganda KShs'000	Malawi KShs'000	Inter segment eliminations	Total KShs'000
Net earned premium	13,246,371	191,415	537,733	727,209	-	14,702,728
Profit before tax	1,668,664	211,433	(19,427)	202,453	(1,103,411)	959,712
Total assets	42,594,468	1,465,206	1,326,920	1,073,946	(4,919,704)	41,540,836
31 December 2020						
Net earned premium	12,493,325	608,937	443,777	392,939	-	13,938,978
Profit before tax	162931	(231983)	57332	31094	(98,918)	(79,544)
Total assets	40,823,399	1,393,936	1,611,330	782,204	(5,824,697)	38,786,172

4. (a) Fees and commissions income

	2021 KShs'000	2020 KShs'000
General insurance business		
Engineering	114,830	56,155
Fire	239,449	202,208
Liability	7,745	4,107
Marine	9,515	8,552
Miscellaneous	151,925	75,091
Personal accident	24,063	22,817
Theft	127,365	77,420
Workmen's compensation	117,720	595
Others	2,326	2,814
Sub - total	794,938	449,759
Life assurance business		
Group life	359,529	294,798
Ordinary life	6,867	17,681
Pension fund fees	42,790	-
Sub - total	409,186	312,479
Asset management		
Fund management fees	840,704	628,085
Other business		
Administration fee	92,182	68,601
Other income	-	468
Sub - total	92,182	69,069
Total	2,137,010	1,459,392

(b) Commissions expense*

	2021 KShs'000	2020 KShs'000
General insurance business		
Engineering	63,664	62,462
Fire	235,892	235,867
Liability	19,095	20,250
Medical	413,529	453,369
Motor	424,588	403,852
Marine	18,409	20,671
Miscellaneous	41,597	20,179
Theft	131,437	123,552
Personal Accident	47,964	46,339
Workmen Injury Benefit Act (WIBA)	201,644	65,075
Others	1,079	13,938
Sub - total	1,598,898	1,465,554
Life assurance business		
Group life	511,318	374,125
Ordinary Life	113,582	127,425
Sub - total	624,900	501,550
Asset management business - fund management	256,215	192,161
Total	2,480,013	2,159,265

5. INVESTMENT INCOME

GROUP

	2021 KShs'000	2020 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest on financial assets at amortised cost - Government securities	260,471	245,828
Interest on deposit with financial institutions	323,679	280,591
Amortisation of corporate bond (note 20)	3,227	15,510
Interest on staff loan receivables	57,086	44,864
Interest income on financial assets at fair value through OCI- Government securities	836,609	645,623
Interest income from deposits and commercial papers	242	11,233
Discount on government securities classification (note 21)	(8,431)	(9,206)
	1,472,883	1,234,443
(ii) Other investment income		
Dividend income	33,445	34,814
Rental income from investment properties	160,079	157,187
	193,524	192,001
Total (i&ii)	1,666,407	1,426,444
Investment income earned on financial assets analysed by categoty of assets:		
Financial asset at amortised cost	636,274	588,820
Financial asset at fair value through OCI	836,609	645,623
Dividend income	33,445	34,814
Investment income earned on non-financial assets	160,079	157,187
Total investment income	1,666,407	1,426,444

Other fair value gains relating to financial assets classified as fair value through profit or loss are included in other gains and losses in note 6.

COMPANY

	2021 KShs'000	2020 KShs'000
(i) Interest revenue calculated using the effective interest method		
Interest on deposits with financial institutions	40,699	60,925
Interest on staff loans	1,302	-
	42,001	60,925
(ii) Other investment income		
Dividend income	1,122,131	50,000

6. OTHER GAINS/(LOSSES)

GROUP

	2021 KShs'000	2020 KShs'000
Fair value gain on investment properties (note 15 (a))	10,788	6,330
Fair value gain/(loss) on quoted equity investments at fair value through profit or loss (note 25)	63,278	(227,256)
Fair value gain on investment in collective investment scheme (note 26(b))	112,830	86,867
Foreign exchange gains	26,342	8,487
Medical administration fee	9,222	14,464
Miscellaneous income*	41,173	45,286
	263,652	(63,606)

COMPANY

	2021 KShs'000	2020 KShs'000
Fair value on investment in collective investment scheme	946	1,796
Miscellaneous income	2,740	994
	3,686	2,790

*Miscellaneous income includes exchange gains, medical administration fees, sale of scraps, medical card replacement fees and sale of tenders and branded merchandise.

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSES

	2021 KShs '000	2020 KShs '000
Claims and policyholders benefits payable:		
Gross benefits and claims paid	(12,489,314)	(10,556,920)
Gross change in insurance contract liabilities	(1,008,448)	(1,702,446)
Change in contract liabilities ceded to reinsurers	515,538	176,402
Claims ceded to reinsurers	2,453,674	2,128,356
Net benefits and claims	(10,528,550)	(9,954,608)

8. OPERATING AND OTHER EXPENSES

(a) GROUP

	2021 KShs'000	2020 KShs'000
Staff costs (note 8 (b))	1,957,389	1,850,269
Auditors' remuneration	24,488	22,359
Directors' emoluments - fees	46,469	56,341
Directors' other expenses (travel and accommodation)	8,171	1,723
Depreciation of property and equipment (note 13 (a))	114,109	152,457
Amortisation of intangible assets (note 16 (a))	27,344	24,433
Impairment charge on direct premium receivables (note 28(a))	235,018	276,467
Impairment charge on reinsurance premium receivables (note 28(b))	456,692	-
Depreciation on the right of use (note 14(a)	75,380	97,927
Premium tax	137,081	118,472
Staff welfare	309,820	310,247
Utilities	201,571	199,840
Software licence costs	92,201	84,422
Printing and stationery	47,672	57,061
Business advertising and promotion	353,301	318,794
Professional fees	217,821	215,087
Statutory levies	97,795	56,954
Professional subscriptions	6,764	5,371
Staff loan write off	17,690	-
Impairment of investment in associate	15,656	-
Performance incentive	47,617	34,634
Other expenses*	252,914	179,521
	4,742,963	4,062,379

*Other expenses relate to tender costs, postage, donations, entertainment and purchase of newspapers.

(b) STAFF COSTS

	2021 KShs'000	2020 KShs'000
Staff costs include the following:		
- Salaries and allowances**	1,796,199	1,696,178
- Defined pension contribution expense	112,544	113,108
- Termination benefits expense	12,997	11,058
- Leave pay	35,649	29,925
	1,957,389	1,850,269
Number of employees	573	543

**Included in the staff costs is salary and allowances of KShs 59 million (2020: KShs 30 million) paid to the Group Chief Executive Officer, who is also a director.

8. OPERATING AND OTHER EXPENSES (continued)

(c) COMPANY

	2021 KShs'000	2020 KShs'000
Utilities	4,460	4,402
Depreciation of property and equipment (note 13 (b))	20,788	22,442
Amortisation of intangible assets (note 16 (b))	18,441	4,511
Auditor's remuneration	2,118	2,200
Annual General meeting expenses	2,552	-
Professional fees	-	4,605
Share registration cost	3,998	7,751
Depreciation on the right of use asset (note 13(b)	8,759	19,588
Amortisation of loan expenses	24,541	33,813
Advertisement and promotion	-	837
Impairment of investment in associate	34,376	-
Other expenses	13,743	8,516
	127,348	108,665

(d) GROUP

	2021 KShs'000	2020 KShs'000
Allowance for expected credit losses:		
- Corporate bonds (note 20)	22,028	358
- Loans receivable –Mortgage loans (note 22(a)	6,612	(280)
- Other Loans (note 22(b)	(153)	(3,782)
- Deposits and commercial papers (note 26(a))	48	635
- Other receivables (note 30(a))	2,991	782
- Due to related parties (note 31)	(4,342)	7,623
- Deposits with financial institutions (note 32(a)	6,522	10,559
- Government securities at FVOCI (note 23)	3,882	-
- Government securities at amortised cost (note 21)	783	-
- Cash and cash equivalents	1,718	-
	40,089	15,895

9. LOSS ON MONETARY POSITION (CIC AFRICA SOUTH SUDAN)

One of the Group's subsidiaries, CIC Africa Insurance (SS) Limited operates in South Sudan, a hyperinflationary economy.
The company previously used the United States Dollar ("USD") as its functional currency and did not therefore apply the hyperinflationary accounting requirements in IAS 29. With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria of IAS 29.

IAS 29 Financial reporting in hyperinflationary economies requires financial statements that are prepared in the currency of a hyper-inflationary economy to be stated in terms of the value of money at the end of the reporting period. The IAS 29 approach is to restate all non-monetary balances recognised in the financial statements (including comparatives) to the year-end general purchasing power of the functional currency and requires the use of a general price index to reflect changes in purchasing power.

The restatement procedures are summarised as follows:

- Selection of a general price index - Most governments issue periodic price indices.
- Segregation of monetary and non-monetary items - Monetary items do not need to be restated, because they represent money held, to be received or to be paid.
- Restatement of non-monetary items - Non-monetary assets and liabilities are restated in terms of the measuring unit current at the end of the reporting period.
- Restatement of shareholders' equity - All components of shareholders' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later
- Restatement of the income statement - All items in comprehensive income are restated by applying the change in the general price index from the dates when the items of income and expense were originally recorded.
- Tax - Current taxes are restated with reference to movements in the general price index.
- Calculation and proof of the monetary gain or loss – The difference between the historical cost amounts and the result from the restatement of non-monetary items, shareholders' equity, items in the statement of comprehensive income and the adjustment of index-linked items to year end purchasing power.

10. LOSS ON MONETARY POSITION (CIC AFRICA SOUTH SUDAN) (Continued)

Statement showing the net monetary result on account of price level changes:

	2021 KShs'000	2020 KShs'000
Monetary liabilities at 1 January	804,869	489,392
Increase in net monetary liabilities in the year	740,428	57,919
Effects of exchange rate changes	(483,078)	257,558
Monetary liabilities at 31 December	1,062,219	804,869
Expressed in purchasing power at 31 December	(1,001,809)	(1,159,819)
(Loss)/gain on monetary liabilities (a)	(60,410)	354,950
Monetary assets at 1 January	1,129,823	1,023,638
Increase/(decrease) in net monetary assets in the year	774,166	(28,744)
Effects of exchange rate changes	(657,981)	134,929
Monetary assets at 31 December	1,246,008	1,129,823
Expressed in purchasing power at 31 December	(1,171,301)	(1,809,443)
Gain/(loss) on monetary assets (b)	74,707	(679,620)
Impact of prior years*	-	(50,381)
Net gain/(loss) on monetary position (c=a+b)	14,297	(274,289)

* Impact of prior years' relates to the cumulative impact of IAS 29 on Group financial statements for the years 2019 and before. The impact was not material to warrant a restatement, and the adjustment was therefore included in the profit or loss for the year ended 31 December 2020.

11. FINANCE COST

(a) Group

	2021	2020
Interest expense on borrowings (note 42)	408,000	407,069
Interest expense on lease liability (note14 (a))	22,075	34,426
	431,075	441,495

(c) Company

	2021	2020
Interest expense on borrowings (note 42)	408,000	407,069
Interest expense on related party loan (note 31 (c))	50,355	133,315
Interest expense on lease liability (note 14 (b))	1,642	2,592
	459,997	542,976

12. TAXATION

GROUP	2021 KShs'000	2020 KShs'000
(a) Statement of profit or loss		
Current tax charge on taxable income	532,411	229,783
Prior year over provision	-	(374)
Deferred income tax (note 17(a))	(241,136)	(12,121)
	291,275	217,288
COMPANY		
Statement of profit or loss and other comprehensive income		
Deferred tax credit (note 17 (b))	(65,915)	(127,535)
(b) Statement of financial position - Group		
At 1 January	(43,639)	(179,156)
Tax charge	532,411	229,783
Prior year under / overprovision	(367)	(374)
Tax paid	(319,965)	(93,892)
	168,440	(43,639)
Split as follows		
Tax recoverable	(46,655)	(122,334)
Tax payable	215,095	78,695
Net	168,440	(43,639)
COMPANY		
At 1 January	2,000	2,000
Paid during the year	-	-
	2,000	2,000
Reconciliation of taxation expense to expected tax based on accounting profit		
Profit/(loss) before income tax	959,712	(79,544)
Tax calculated at a tax rate of 30% (2020:25%) for Kenya and 30% (2020:30%) for Uganda and 0% for South Sudan Malawi 30% (2020:30%)	547,381	28,988
Prior year (under)/ over provision	-	326
Tax effect of expenses not deductible for tax*	278,291	255,152
Tax effect of income not taxable**	(534,397)	(43,781)
Effect of change in tax rate	-	(23,397)
Taxation charge through income statement	291,275	217,288

The effective income tax rate is 30% (2020: 273%).

COMPANY		
Profit/(loss) before income tax	580,240	(538,657)
Tax calculated at a tax rate of 30% (2020: 25%)	174,072	(134,664)
Tax effect of income not taxable**	(493,144)	-
Tax effect of expenses not deductible for tax**	253,157	7,129
Taxation credit for the year	(65,915)	(127,535)

The effective income tax rate is 11% (2020: 24 %).
*These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.
**These incomes are dividend income and interest on the infrastructure bond.

13. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
Profit attributable to ordinary shareholders' (KShs'000)	589,380	(232,914)	646,155	(411,122)
Weighted average number of shares (in thousands)	2,615,578	2,615,578	2,615,578	2,615,578
Earnings per share (KShs) - Basic and diluted (KShs)	0.23	(0.09)	0.25	(0.16)

There were no dilutive shares during the year (2020: Nil).

14. (a) PROPERTY AND EQUIPMENT – GROUP

2021	Buildings KShs'000	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Leasehold improvements KShs'000	Total KShs'000
COST OR VALUATION						
At 1 January	744,556	80,176	257,943	957,708	3,782	2,044,165
Additions	-	8,389	25,067	29,878	-	63,334
Disposal	-	-	(783)	-	-	(783)
Loss on revaluation	(1,883)	-	-	-	-	(1,883)
Foreign exchange differences on translation	578	3,276	668	7,677	-	12,199
At 31 December	743,251	91,841	282,895	995,263	3,782	2,117,032
ACCUMULATED DEPRECIATION						
At 1 January	-	52,237	233,161	785,825	791	1,072,014
Charge for the year (note 8)	5,125	11,203	14,802	82,604	375	114,109
Foreign exchange differences on translation		3,734	1,070	7,800	-	12,604
Elimination on disposal	-	-	(323)	-	-	(323)
Elimination on revaluation	(5,125)	-	-	-	-	(5,125)
At 31 December	-	67,174	248,710	876,229	1,166	1,193,279
CARRYING AMOUNT						
At 31 December	743,251	24,667	34,185	119,034	2,616	923,753

There are no property and equipment pledged as security for liabilities. There are no contractual commitments for the acquisition of property and equipment, except for CIC Plaza South Sudan which is under finance lease.

13 (a) PROPERTY AND EQUIPMENT – GROUP (continued)

2020	Buildings KShs'000	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Leasehold improvements KShs'000	Total KShs'000
COST OR VALUATION						
At 1 January	734,755	76,132	248,560	935,964	3,782	1,999,193
Additions	-	4,044	9,553	21,257	-	34,854
Disposal	-	-	(170)	-	-	(170)
Loss on revaluation	(5,431)	-	-	-	-	(5,341)
Foreign exchange differences on translation	15,232	-	-	487	-	15,719
At 31 December	744,556	80,176	257,943	957,708	3,782	2,044,165
ACCUMULATED DEPRECIATION						
At 1 January	-	44,259	209,705	686,531	378	940,873
Charge for the year (note 8)	14,625	9,465	28,720	99,234	413	152,457
Foreign exchange differences on translation	-	(1,487)	(5,264)	60	-	(6,691)
Elimination on revaluation	(14,625)	-	-	-	-	(14,625)
At 31 December	-	52,237	233,161	785,825	791	1,072,014
CARRYING AMOUNT						
At 31 December	744,556	27,939	24,782	171,883	2,991	972,151

13. (a) PROPERTY AND EQUIPMENT - GROUP (continued)

An independent valuation of the buildings in Kenya was carried out at 31 December 2021 by Crystal Valuers Limited, registered valuers, on open market value basis. There were no revaluation movements during the year for the property in Kenya. CIC Plaza in South Sudan was revalued on 31 December 2021 by registered valuers, Kenval Realtors Limited on open market value basis. The fair value of property and equipment are assessed every year. The valuation was conducted by an independent valuer

There were no borrowing costs related to the additions in property and equipment during the year and hence none has been capitalised. Additionally, none of the above assets was pledged as collateral for the group liabilities except South Sudan property that has been used as collateral on finance lease. The fair value disclosures for the measurement of the building has been disclosed in note 56.

(b) PROPERTY AND EQUIPMENT - COMPANY

2021	Motor Vehicles KShs'000	Computers KShs'000	Furniture fittings & Equipment KShs'000	Total KShs'000
COST OR VALUATION				
At 1 January 2021	48,457	27,878	69,928	146,263
Additions	-	2,520	1,189	3,709
At 31 December 2021	48,457	30,398	71,117	149,972
ACCUMULATED DEPRECIATION				
At 1 January 2021	30,406	23,725	50,099	104,230
Charge for the year	7,887	3,084	9,817	20,788
At 31 December 2021	38,293	26,809	59,916	125,018
CARRYING AMOUNT				
At 31 December 2021	10,164	3,589	11,201	24,954
2020				
COST OR VALUATION				
At 1 January 2020	48,457	26,541	67,673	142,671
Additions	-	1,337	2,255	3,592
At 31 December 2020	48,457	27,878	69,928	146,263
ACCUMULATED DEPRECIATION				
At 1 January 2020	22,519	18,941	40,328	81,788
Charge for the year	7,887	4,784	9,771	22,442
At 31 December 2020	30,406	23,725	50,099	104,230
CARRYING AMOUNT				
At 31 December 2020	18,051	4,153	19,829	42,033

14 (a) LEASES AS LEASEE

Group

	2021 KShs'000	2020 KShs'000
Right of use asset		
At 1 January	181,606	165,229
Renewal/additions	41,944	114,304
Lease modification	(2,416)	-
Amortization	(75,380)	(97,927)
At 31 December	145,754	181,606
Lease liability		
At 1 January	205,940	193,194
Renewal/additions	41,944	121,819
Accretion of Interest	23,075	34,426
Payment of interest	(23,075)	(34,426)
Lease modification	(2,416)	-
Lease payments	(78,443)	(109,073)
At 31 December	167,025	205,940
Amounts recognised in profit or loss ;		
Interest on lease liabilities	23,075	34,426
Depreciation expense (note 8 (a))	75,380	97,927
Amounts recognised in statement of cash flows ;		
Payment of principal portion of the lease liabilities	78,443	109,073
Payment of interest	23,075	34,426
Total cash outflow for leases	101,518	135,984

(b) Company

	2021 KShs'000	2020 KShs'000
Right of use asset		
At 1 January	8,759	28,347
Modification	(2,416)	-
Amortization charge	(6,343)	(19,588)
At 31 December	-	8,759
Lease liability		
At 1 January	11,061	29,954
Interest expense	1,642	2,592
Modification	(2,416)	-
Lease payments	(10,287)	(21,485)
At 31 December	-	11,061
Amounts recognised in Statement of cashflows		
Payment of principal of lease liabilities	8,644	18,893
Payment of interest	1,642	2,592
Total cash outflow from leases	10,286	21,485

14. (a) LEASES AS LEASEE (continued)

Lease liability maturity analysis
Group

2021	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Lease liabilities	-	17,982	53,130	152,634	3,080	226,826
2020						
Lease liabilities	-	22,081	75,900	146,883	3,859	248,723

Company

2021	Due on demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Lease liabilities	-	-	-	-	-	-
2020						
Lease liabilities	-	2,309	6,535	1,724	-	10,568

15. INVESTMENT PROPERTIES

(a) GROUP

	CIC plaza in Kenya and South Sudan KShs'000	Kiambu Land KShs'000	Kajiado Land KShs'000	Total KShs'000
At 1 January 2020	1,910,205	3,800,000	1,732,000	7,442,205
Additions	-	-	-	-
Foreign exchange differences on translation	16,876	-	-	6,876
Fair value gains (note 6)	6,330	-	-	6,330
At 31 December 2020	1,933,411	3,800,000	1,732,000	7,465,411
At 1 January 2021	1,933,411	3,800,000	1,732,000	7,465,411
Additions	-	-	-	-
Foreign exchange differences on translation	1,740	-	-	1,740
Fair value gains (note 6)	10,788	-	-	10,788
At 31 December 2021	1,945,939	3,800,000	1,732,000	7,477,939

(b) COMPANY

	2021 KShs'000	2020 KShs'000
Kiambu Land		
At 1 January	3,800,000	3,800,000
Fair value gains (note 6)	-	-
At 31 December	3,800,000	3,800,000

Net rental income on CIC Plaza arising from operating lease arrangements has been disclosed in note 5 to the financial statements.

The Group's investment properties include;

- CIC Plaza Kenya land and building valued at KShs 1.7 billion. The property was revalued at 31 December 2021 and 2020 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- CIC Plaza South Sudan land and building valued at KShs 245 million. The property was revalued at 31 December 2021 and 2020 by Kenval Realtors Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value.
- Kajiado land valued at KShs 1.73 billion. The property was revalued at 31 December 2021 and 2020 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value
- Kiambu land valued at KShs 3.8 billion. The property was revalued at 31 December 2021 and 2020 by Crystal Valuers Limited who are registered professional valuers. The fair value of the investment property was determined on the basis of open market value. The property has also been used as collateral on a bank loan with Cooperative Bank.

15. INVESTMENT PROPERTIES (continued)

The table below illustrates the information about significant unobservable inputs used at year end:

Valuation approach	Significant observable inputs	Inter-relationship between key observable inputs	Significant unobservable inputs
Valued using the Discounted Cash Flow method. Net income is determined by considering gross income less operating expenditure. Capitalization of the rental income using the year purchase method	The valuation is determined on the market weighted average cost of capital.	Increase in the discount and vacancy rate will decrease the fair value of the properties.	Discount rate; 13%
The discount rate is determined with reference to the current market conditions comparable market transactions.	Tenancy is based on projected occupancy of the property.	Similar increases/decreases in tenancy will increase/decrease the market value of the property.	Annual rent growth rate; 5%

Generally, a change in the assumption made for the estimated rental value is accompanied by:

i) a directionally similar change in the rent growth per annum and discount rate (and exit yield)

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable Inputs	Average Kshs'000
Capitalized rent income (year purchase) method	Net annual rent	160,079

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will not be significant change in the inputs to the valuation method during the year. The valuation takes into account recent prices of similar properties with adjustments made to reflect any changes in economic conditions since the date of the transactions at those prices.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss. The Kiambu land property worth Kshs 3.8 billion has been pledged and charged as collateral on the bank loan with Cooperative Bank.
The fair valuation basis takes into account the existing use and the tendencies and also considers the normal lease structure for similar buildings. Refer to note 56 for additional fair value disclosures.

16. INTANGIBLE ASSETS

(a) GROUP

2021	Computer Software Total KShs'000	Work in progress*	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	334,499	126,503	98,148	559,150
Additions	49,478	21,495	-	70,973
At 31 December	383,977	147,998	98,148	630,123
ACCUMULATED AMORTISATION				
At 1 January	289,041	-	-	289,041
Charge for the year (note 8)	27,344		-	27,344
Foreign exchange differences on translation	13	-	-	13
At 31 December	316,398	-	-	316,398
CARRYING AMOUNT				
At 31 December	67,579	147,998	98,148	313,725

*work in progress relates to the underwriting and financial reporting software which is currently under implementation.

16. INTANGIBLE ASSETS (CONTINUED)

(a) GROUP (continued)

2020	Computer Software Total KShs'000	Work in progress*	Goodwill KShs'000	Total KShs'000
COST				
At 1 January	290,548	119,408	98,148	508,104
Additions	43,951	7,095	-	51,046
At 31 December	334,499	126,503	98,148	559,150
ACCUMULATED AMORTISATION				
At 1 January	261,659	-	-	261,659
Charge for the year (note 8)	24,433		-	24,433
Foreign exchange differences on translation	2,949	-	-	2,949
At 31 December	289,041	-	-	289,041
CARRYING AMOUNT				
At 31 December	45,458	126,503	98,148	270,109

The goodwill arose from the acquisition of CIC Africa Limited Malawi. In line with the impairment provisions under IAS 36, management identified two clear cut cash generating units (CGUs); Life Business (Long term) and General Business (short term) for CIC Africa Ltd Malawi. This was consistent with the goodwill impairment assessment for the year ended 31 December 2020. IAS 36 paragraph 33 (b) "in measuring value in use an entity shall base cash flow projections on the most recent financial budgets/forecasts approved by management, which exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance.".

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Based on the results of the impairment test carried out, goodwill was assessed not to be impaired.

The sensitivities to the assumptions are not material.

16. INTANGIBLE ASSETS (CONTINUED)

(a) GROUP (continued)

The following table sets out the key assumptions applied in determining the value in use calculations of the CGUs to which goodwill was allocated:

	General	Life
Gross premiums growth:		
-year 1	40%	91%
-year 2	25%	30%
-year 3	20%	30%
-year 4	20%	25%
-year 5	15%	20%
Terminal growth rate	5%	5%
Reinsurance rate	12%	13%
Discount rate	24%	18%
Benefits paid/claims ratio	58%	33%
Commission and selling costs	11%	22%
Commissions earned	26%	13%
Investment income	10%	10%

Management determined the values assigned to each of the above key assumptions as follows:

Gross premium growth	Average growth premium based on market expectation and in line with industry trend and experience
Long term growth rate	Based on Malawi's projected GDP growth in 2021. The rates are consistent with forecasts included in industry reports.
Reinsurance premiums growth	Based on company's historical experience
Benefits paid	Based on company's historical experience and management expectations
Discount rate	Weighted average cost of capital per CGU
Commission and selling costs	Based on company's historical experience and management expectations
Investment income	Based on Malawi's historical rate of return on investments
Commissions earned	Based on historical experience and management expectations.

(b) COMPANY

2021	Computer software KShs'000	Work in progress	Total 2021 KShs'000
COST			
At 1 January	66,206	30,963	97,169
Additions	44,014	5,918	49,932
At 31 December	110,220	36,881	147,101
ACCUMULATED AMORTISATION			
At 1 January	29,045	-	29,045
Charge for the year (note 8)	18,441	-	18,441
At 31 December	47,486	-	47,486
CARRYING AMOUNT			
At 31 December	62,734	36,881	99,615

16. INTANGIBLE ASSETS (CONTINUED)

(b) COMPANY (continued)

2020	Computer software KShs'000	Work in progress	Total 2020 KShs'000
COST			
At 1 January	26,599	29,073	55,672
Additions	39,607	1,890	41,497
At 31 December	66,206	30,963	97,169
ACCUMULATED AMORTISATION			
At 1 January	24,534	-	24,534
Charge for the year (note 8)	4,511	-	4,511
At 31 December	29,045	-	29,045
CARRYING AMOUNT			
At 31 December	37,161	30,963	68,124

17. DEFERRED TAXATION

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2020: 30%).

	2021 KShs'000	2020 KShs'000
Deferred tax asset	1,206,098	952,750
Deferred tax liability	(485,042)	(508,616)
Net deferred tax asset	721,056	444,134
Deferred tax charge analyzed as follows:		
Deferred tax recognized through profit or loss	241,136	12,121
Deferred tax recognized through OCI	35,788	-
	276,924	12,121

(a) GROUP

	2020 KShs'000	Movement KShs'000	2021 KShs'000
Tax losses brought forward:	738,388	65,915	804,303
Accelerated capital allowance on equipment	56,551	4,802	61,353
Provision for doubtful premium receivables	302,231	142,196	444,427
Allowance for expected credit losses	29,806	4,745	34,549
Accrued leave provision	8,269	136	8,405
Gratuity provision	6,804	(200)	6,604
Deferred tax on valuation investment property	(189,299)	(32)	(189,331)
Deferred tax on life fund surplus	(508,616)	23,574	(485,042)
Deferred tax on fair value losses through OCI	-	36,153	36,153
Translation difference	-	(365)	(365)
Net deferred tax asset	444,134	276,924	721,056

Deferred tax charge analyzed as follows:	2021 KShs'000	2020 KShs'000
Deferred tax recognized through profit or loss	241,136	12,121
Deferred tax recognized through OCI	35,788	-
	276,924	12,121

17. DEFERRED TAXATION (continued

(a) GROUP	2020 KShs'000	2020 Movement KShs'000	2019 KShs'000
Tax losses brought forward:	738,388	127,535	610,853
Accelerated capital allowance on motor vehicles and equipment	56,551	2,985	53,566
Provision for doubtful premium receivables	302,231	(87,397)	389,628
Allowance for expected credit losses	29,806	2,090	27,716
Accrued leave provision	8,269	(1,687)	9,956
Gratuity provision	6,804	(5,859)	12,663
Deferred tax on valuation investment property	(189,299)	256	(189,555)
Deferred tax on life fund surplus	(508,616)	(25,802)	(482,814)
Net deferred tax asset	444,134	12,121	432,013

	Net deferred tax asset/(liability)	
	2021 KShs'000	2020 KShs'000
2021 deferred tax has been analysed as follows;		
CIC Asset Management Limited	14,865	12,016
CIC General Insurance Limited	507,618	338,758
CIC Life Assurance Limited	(485,042)	(508,616)
CIC Africa Malawi Limited	41,149	25,425
The CIC Insurance Group Limited - Company	642,466	576,551
	721,056	444,134

17. DEFERRED TAXATION (continued)

(b) COMPANY	At 1 January KShs'000	Recognized in Profit or loss KShs'000	At 31 December KShs'000
2020			
Arising from:			
Unutilised tax losses	610,853	127,535	738,388
Deferred tax on capital gains	(161,837)	-	(161,837)
Net deferred tax asset	449,016	127,535	576,551
2021			
Arising from:			
Unutilised tax losses	738,388	65,915	804,303
Deferred tax on capital gains	(161,837)	-	(161,837)
Net deferred tax asset	576,551	65,915	642,466

18. INVESTMENT IN ASSOCIATE

The investment in Takaful Insurance of Africa Limited represents 22% (2020 - 22%) of the issued ordinary share capital the associate, which is a limited liability company incorporated and domiciled in Kenya. Its principal activities are transaction of general insurance and life insurance business. The company, whose financial year end is 31 December, is not listed on any securities exchange.
The table below summarizes the changes in the investment in associate;

	GROUP		COMPANY	
	2021 KShs'000	2020 KShs'000	2021 KShs'000	2020 KShs'000
At 1 January	119,680	126,992	138,400	138,400
Share of loss after tax for Takaful Insurance of Africa Limited	-	(7,312)	-	-
Impairment charge	(15,656)	-	(34,376)	-
At 31 December	104,024	119,680	104,024	138,400

Impairment assessment was performed during the year which resulted to an impairment charge of Kshs 15.6 million at the group level and of Kshs 34.4 million at the holding Company level. The impairment arose from decrease in net assets of the associate.

18. INVESTMENT IN ASSOCIATE (continued)

Summarised financial information in respect of the associate is set out below:

	2021 KShs'000	2020 KShs'000
Current assets	1,993,759	1,126,239
Non- current assets	408,838	661,408
Current liabilities	1,657,289	669,234
Non- current liabilities	196,130	976,034
Equity	549,178	142,379
Cash and cash equivalents	133,139	190,294
Net earned premiums	611,626	667,437
Investment and other income	80,488	172,701
Net claims and policy holder benefit payable	(183,898)	(301,362)
Operating and commissions expense	(526,893)	(569,561)
Loss from continuing operations for the year	(50,745)	(30,785)
Income tax credit	15,223	(2,450)
Loss for the year	(35,522)	(33,235)
Group's share of loss	(7,815)	(7,312)
Group's share of associate's contingent liabilities	Nil	Nil

The extent to which outflow of funds will be required on the Group's share of associate's contingent liabilities is dependent on the future operations of the associate being favourable than currently expected. In common practice with the insurance industry in general, the associate is subjected to litigation arising in the normal course of insurance business. There are no significant restrictions on the ability of associate to transfer funds to the entity in the form of cash dividend made by the group.
The are no commitments relating to the associate.

19. INVESTMENT IN SUBSIDIARIES

(a) COMPANY	2021 KShs'000	2020 KShs'000
CIC Asset Management Limited: 15,550,000 ordinary shares of KShs 20 each at cost	311,000	311,000
CIC General Insurance Limited: 85,000,000 ordinary shares of KShs 20 each at cost	1,700,000	1,700,000
CIC Life Assurance Limited: 40,000,000 ordinary shares of KShs 20 each at cost	800,000	800,000
CIC Africa Insurance (South Sudan) Limited 690,000 ordinary shares of USD 5 each at cost (1 KShs =USD 0.93)	319,962	319,962
CIC Africa Co-operatives Insurance (Malawi) Limited 789,977 ordinary shares of MK 1,000 each at cost (1KShs = MK 7.2)	268,124	268,124
CIC Africa (Uganda) Limited 720,093 ordinary shares of UShs 10,000 each at cost (1Kshs = UShs 31.3)	283,792	283,792
	3,682,878	3,682,878

19. INVESTMENT IN SUBSIDIARIES (continued)

Movement in investment in subsidiaries	2021 KShs'000	2020 KShs'000
As at January and 31 December	3,682,878	3,682,878

(b) COMPANY	*Country of Incorporation*	*Principal activity*	*Proportion of ordinary shares held*		*Proportion of Shares held by non-controlling interests*	
			2021	2020	2021	2020
CIC Asset Management Limited	Kenya	Funds and assets management as regulated by the Capital Markets Authority.	100%	100%	-	-
CIC General Insurance Limited	Kenya	Underwriting general insurance business.	100%	100%	-	-
CIC Life Assurance Limited	Kenya	Underwriting life assurance business.	100%	100%	-	-
CIC Africa Insurance (SS) Limited	South Sudan	Underwriting general and life insurance business.	69%	69%	31%	31%
CIC Africa Co-operatives Insurance (Malawi) Limited	Malawi	Underwriting general and life insurance business.	91%	91%	9%	9%
CIC Africa (Uganda) Limited	Uganda	Underwriting general and life insurance business.	93%	93%	7%	7%

20. FINANCIAL ASSETS AT AMORTISED COST- CORPORATE BONDS

The credit quality of each corporate bond is assessed and is acceptable within the parameters used to measure and monitor credit risk.

	2021 KShs'000	2020 KShs'000
Real People Kenya Limited	22,051	21,614
East African Breweries Limited	7,445	115,883
Family Bank Limited	58,968	20,550
Allowance for expected credit losses	(22,772)	(744)
	65,692	157,303
The movement in the corporate bonds is as follows:		
At 1 January	157,303	290,233
Additions	69,590	-
Maturities	(142,400)	(148,798)
Amortisation of corporate bond	3,227	15,510
Allowance for expected credit losses (note 8(d)	(22,028)	358
At 31 December	65,692	157,303
Maturity analysis		
Within 1 year	-	63,864
In 1-5 years	65,692	93,439
In over 5 years	-	-
	65,692	157,303

An analysis of changes in the gross carrying amount and corresponding ECL allowances in corporate bonds has been disclosed in note 56(b). There are no corporate bonds held under lien.

21. FINANCIAL ASSETS AT AMORTISED COSTS: GOVERNMENT SECURITIES

GROUP	2021 KShs '000	2020 KShs '000
At 1 January	2,010,376	1,941,363
Additions	552,550	704,292
Discount	(8,431)	(9,206)
Maturities	(456,185)	(660,740)
Accrued interest	4,667	34,667
Allowance for expected credit loss	(783)	-
At 31 December	2,102,194	2,010,376
Maturity analysis		
Within 1 year	432,793	284,776
In 1-5 years	461,898	448,924
In over 5 years	1,207,503	1,276,676
	2,102,194	2,010,376

Government securities at amortised cost of KShs 1.736 billion (2020: KShs 1,726 billion)relate to treasury bonds held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act. It also relates to government securities at amortised cost of KShs 366 million (2020: KShs 285 million) relate to treasury bonds held by the Bank of Uganda under lien accordance with the Ugandan Insurance Act 2017.

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES

The loans refer to advances given to staff and have collateral held on them. Upon resignation the credit quality of each loan is assessed and is acceptable within the parameters used to measure and monitor credit risk. Impairment losses have been recognised on loans receivables and have been recorded in profit or loss.

Mortgage and other staff loans are advanced at an interest rate of 6%. Mortgage loans are repayable within 20 years, while other staff loans which include the car loans and study loans are repayable within 4 years and 5 years respectively.

(a) MORTGAGE LOANS

	2021 KShs '000	2020 KShs '000
(i)GROUP		
At 1 January	99,800	117,184
Loans advanced	6,078	5,847
Loan repayments	(27,464)	(22,951)
Accrued interest	1,385	-
Allowance expected credit losses (note 8(d))	(6,612)	(280)
At 31 December	73,187	99,800
Maturity profile:		
Within 1 year	1,239	741
In 1-5 years	14,630	19,892
In over 5 years	57,318	79,167
	73,187	99,800
(ii) COMPANY		
At 1 January	10,342	8,949
Loan repayments	(550)	-
Accrued interest	1,385	1,393
Allowance expected credit losses (note 8(d))	(171)	-
At 31 December	11,006	10,342
Maturity profile:		
Within 1 year	-	-
In 1-5 years	11,006	10,342
In over 5 years	-	-
	11,006	10,342

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES (continued)

(b) OTHER LOANS

	2021 KShs '000	2020 KShs '000
(i) GROUP		
Staff loans	7,609	33,816
Policy loans	594,680	546,349
	602,289	580,165
Movement:		
At 1 January	580,165	527,350
Loans advanced	251,764	258,987
Loan repayments	(218,132)	(202,390)
Allowance expected credit losses (note 8)	153	(3,782)
Write offs	(11,661)	-
At 31 December	602,289	580,165
Maturity profile:		
Within 1 year	944	1,935
In 1-5 years	596,608	559,078
In over 5 years	4,737	19,152
Subtotal (a)	73,187	99,800
Subtotal (b)	602,289	580,165
	675,476	679,965
(ii) COMPANY		
At 1 January	1,120	326
Loans advanced	-	794
Loan repayments	(523)	-
At 31 December	597	1,120
Maturity profile:		
Within 1 year	-	-
In 1-5 years	597	1,120
At 31 December	597	1,120
Subtotal (a)	11,006	10,342
Subtotal (b)	597	1,120
	11,603	11,462

An analysis of changes in the gross carrying amount and corresponding ECL allowances in loans has been disclosed in note 56(b).

22. FINANCIAL ASSETS AT AMORTISED COST: LOANS RECEIVABLES (continued)

(b) OTHER LOANS

The following table shows the maximum exposure to credit risk by of staff loans, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

Group

31 December 2021 In KShs '000	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Mortgage loans	79,799	139,451	-	6,612
Other loans	9,518	32,091	-	(153)
31 December 2020				
Mortgage loans	100,080	174,797		280
Other loans	52,319	54,227		3,782

Company

31 December 2021 In KShs	Maximum exposure to credit risk	Total collateral	Net exposure	ECLs
Mortgage loans	11,006	12,935	-	-
31 December 2020				
Mortgage loans	10,342	12,935	-	-

The property is charged on the Group and the group is able to sell the property in case of default.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GOVERNMENT SECURITIES

(a) GROUP	2021 KShs'000	2020 KShs'000
At 1 January	9,592,504	7,275,133
Additions	2,281,000	2,651,211
Disposals	(302,879)	(352,400)
Fair value gain through OCI	(236,752)	18,560
Allowance for expected credit loss	(3,882)	
At 31 December	11,329,991	9,592,504
Maturity analysis		
Within 1 year	-	-
In 1-5 years	-	-
In over 5 years	11,329,991	9,592,504
	11,329,991	9,592,504

An analysis of changes in the gross carrying amount and corresponding ECL allowances debt instruments at fair value through OCI and at amortised cost has been disclosed in note 56(b).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – UNQOUTED EQUITY INSTRUMENTS

GROUP	2021 KShs'000	2020 KShs'000
Unquoted investment:		
Shares held in Co-op Holding Co-operative Society Limited	15,763	15,124
The movement in the investments is as follows:		
At 1 January	15,124	20,236
Fair value gain/(loss)	639	(5,112)
At 31 December	15,763	15,124

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market; they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus, the agreed price represents the exit price for these shares which are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or the value of the shares. In the current year the shares have been valued at KShs 7.40 which approximates the fair value. In 2021, the Group did not receive any dividends from its FVOCI equities. The Group did not dispose of or derecognise any FVOCI equity instruments in 2021.

* The gains or losses are not taxable.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-QUOTED EQUITY INSTRUMENTS

	2021 KShs'000	2020 KShs'000
At 1 January	1,167,172	1,439,666
Additions	60,837	111,876
Disposal	(73,222)	(157,114)
Fair value gain/(loss) (note 6)	63,278	(227,256)
At 31 December	1,218,065	1,167,172

At year end, these are valued at the weighted average price at the Nairobi Securities Exchange on the last day of trading in that year.

26. FINANCIAL ASSETS - DEPOSITS AND COMMERCIAL PAPERS

(a) GROUP

	2021 KShs'000	2020 KShs'000
DEPOSITS AT AMORTISED COST		
CIC Sacco Society Limited	15,000	23,257
COMMERCIAL PAPERS AT AMORTISED COST:		
Long horn Publishers Limited	-	9,355
Crown Paints Kenya Limited	-	9,507
Less: Allowance for expected credit losses	-	(104)
	15,000	32,660
Maturity analysis		
Maturing within three months	-	-
Maturing after 3 months	15,000	32,660
Total deposits and commercial papers	15,000	32,660
Movement:		
At 1 January	32,660	155,432
Maturities	(17,612)	(121,661)
Allowance for expected credit losses (note 8(d))	(48)	635
Interest on deposits and commercial papers	-	(1,746)
At 31 December	15,000	32,660

An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits and commercial paper has been disclosed in note 56(b). These assets are not held under lien.

(b) INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS

	2021 KShs '000	2020 KShs '000
At 1 January	1,830,444	1,486,501
Additions	1,841,347	2,387,593
Disposal	(2,045,749)	(2,130,517)
Fair value gain on investments in collective investment schemes (note 6)	112,830	86,867
At 31 December	1,738,872	1,830,444

26. FINANCIAL ASSETS AT AMORTISED COST - DEPOSITS AND COMMERCIAL PAPERS (continued)

(c) COMPANY

	2021 KShs'000	2020 KShs'000
INVESTMENTS IN COLLECTIVE INVESTMENT SCHEMES THROUGH PROFIT OR LOSS		
At 1 January	14,892	13,096
Disposals	(5,000)	-
Fair value gain	946	1,796
At 31 December	10,838	14,892

27. DEFERRED ACQUISITION COSTS

	2021 KShs'000	2020 KShs'000
At 1 January	558,571	572,515
New acquisition costs	1,504,616	1,260,326
Amortization charge	(1,505,762)	(1,274,270)
At 31 December	557,425	558,571

Deferred acquisition costs relate to insurance contracts as explained in note 3(b).

28. (a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

Receivables arising out of direct insurance arrangements relate to premiums earned as a result of risks underwritten but whose amounts have not been received as at year end. The carrying amounts approximates the fair values.

	2021 KShs'000	2020 KShs'000
Gross receivables	2,577,707	2,742,893
Provision for impairment	(1,283,941)	(1,248,786)
31 December	1,293,766	1,494,107
Ageing		
0-60 days	696,308	771,909
61-120 days	326,662	741,920
Over 120 days	1,554,737	1,229,064
Total	2,577,707	2,742,893

*The movement in provision for impairment is as follows:

	2021	2020
At 1 January	1,248,786	972,319
Increase in provisions (note 8(a))	235,018	276,467
Bad debts written off	(134,317)	-
Translation difference	(65,546)	-
At 31 December	1,283,941	1,248,786

28. (b) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relates to premiums ceded, commission receivable, claims payment and recoveries which had not been recovered from reinsurers as at the reporting date. The carrying amounts approximates the fair values.

	2021 KShs'000	2020 KShs'000
Gross receivables	2,715,944	2,933,810
Provision for impairment	(456,692)	-
	2,259,252	2,933,810
Ageing		
0-60 days	599,143	497,630
61-120 days	505,892	869,850
Over 120 days	1,610,909	1,566,330
Total	2,715,944	2,933,810

The movement in impairment provisions is as follows:

	2021	2020
At 1 January	-	-
Increase in provisions (note 8(a))	(456,692)	-
At 31 December	(456,692)	-

(c) PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Payables arising out of reinsurance arrangements relate to premiums ceded, which had not been paid to reinsurers as at the reporting date.

	2021 KShs'000	2020 KShs'000
1 January	866,267	451,699
Increase in premiums ceded	(4,832,849)	452,774
Utilised during the year	4,529,896	(38,206)
31 December	563,314	866,267

29. REINSURERS' SHARE OF LIABILITIES AND RESERVES

	2021 KShs'000	2020 KShs'000
Reinsurers' share of:		
- General insurance contract liabilities (note 49)	1,462,943	1,110,999
- Life assurance contract liabilities (note 46)	734,233	527,337
- Unearned premium and unexpired risks (note 48)	538,091	533,420
Total	2,735,267	2,171,756

Amounts due from reinsurers in respect of claims already paid by the Group 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 note 50.

30. OTHER RECEIVABLES

(a) GROUP

	2021 KShs'000	2020 KShs'000
Staff advances	15,166	14,805
Rent receivable	62,117	69,841
Prepayments	67,187	84,022
Other receivables	150,257	63,990
Administration fees receivable	120,043	83,655
Pension fund receivable	59,564	
Allowance for expected credit losses	(6,752)	(3,761)
	467,582	312,552
Movement in ECL reconciliation		
1 January	3,761	2,979
Increase in expected credit losses (note 8(d))	2,991	782
At 31 December	6,752	3,761

(b) COMPANY

	2021	2020
Other receivables	7,540	4,045
Prepayment	52,082	72,543
	59,622	76,588

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 56(b).

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

31. RELATED PARTIES

The ultimate parent company is Co-operative Insurance Society Limited. The Group has various related parties, most of whom are related by virtue of being the investor, and partly due to common directorships. The provisions for expected credit losses made on related party balances during the year was Kshs3,652,000 (2020: Kshs . 7,994,000). The amounts due from related parties are non- interest bearing and the balances are not secured.

The CIC Insurance Group being the majority shareholder in the various related parties; is committed to providing the necessary financial support to the related companies with capitalisation deficit to ensure they meet their financial obligations.

GROUP	2021 KShs'000	2020 KShs'000
Due from related companies:		
Co-operative Insurance Society Limited	104,990	65,039
CIC Foundation	18,230	14,056
CIC Trans coop Ltd	905	613
CIC Unit Trusts	-	75,979
Allowance for expected credit losses	(3,652)	(7,994)
	120,473	147,693
Movement in ECL reconciliation		
1 January	7,994	371
(Decrease)/increase in expected credit losses (note 8(d))	(4,342)	7,623
At 31 December	3,652	7,994

(a) Transaction with related parties during the year

The following transactions were carried out with related parties during the year:

	2021	2020
Payments* to related party		
Co-operative Insurance Society Limited	39,951	5,770
CIC Africa Co-operatives Insurance Limited Malawi	4,174	6,286
CIC Unit Trust Scheme	-	9,970

* In helping to reduce the administration burden there will be situations where one entity will pay expenses or receive premiums on behalf of its sister entities or subsidiaries. Therefore, these transactions relate to the receipts to and payments from related parties to reimburse the entity paying on behalf of the others or allocating the premiums received by the entity on behalf of the others.

(b) Key management and director's remuneration

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

Short-term employment benefits:	2021 KShs'000	2020 KShs'000
Directors		
- Salaries	58,889	29,808
- Directors 'emoluments – Fees	46,469	56,341
- Others (travel and accommodation)	8,171	1,723
	113,529	87,872
Key management staff*:		
Salaries	246,136	244,574
Leave allowance	2,076	3,452
Car allowance	-	100
National Social Security Fund (NSSF)	46	46
Gratuity	9,165	12,888
Contribution to defined contribution scheme	13,441	49,808
	384,393	379,686

*Included in Kenya management staff is salary and allowances of KShs 59 million (2020: KShs 30 million) paid to Group Chief Executive Officer, who is also a director.

31. (b) RELATED PARTIES (continued)

COMPANY	2021 KShs'000	2020 KShs'000
Due from related parties:		
Co-operative Insurance Society Limited	104,990	65,039
Trans coop Insurance Ltd	905	613
CIC Africa (Uganda) Limited	92,798	86,663
CIC Africa Co-operatives Insurance (Malawi) Limited	22,412	14,426
CIC Africa Insurance (SS) Limited	4,103	29,043
CIC Foundation	18,230	14,056
Allowance of expected credit losses	(1,281)	(3,618)
	242,157	206,222
Due to related parties:		
CIC Life Assurance Limited	393,310	245,773
CIC General Insurance Limited	29,455	151,959
CIC Asset Management Limited	25,110	16,928
	447,875	414,660

(c) RELATED PARTY LOAN

COMPANY	2021 KShs'000	2020 KShs'000
Related party loan receivable from:		
CIC Africa Group Limited-Uganda	527,443	489,657
CIC Sacco Society Limited	4,500	12,000
	531,943	501,657
Related party loan payable to:		
CIC General Insurance Limited	-	787,740
CIC Asset Management Limited	-	173,962
CIC Africa (SS) Limited	206,851	221,613
Total	206,851	1,183,315

Movement in Intercompany Loan	2021 KShs '000	2020 KShs '000
At 1 January	1,183,315	900,000
Subsidiary Borrowing	-	200,000
Repayment of Intercompany Loan	(1,026,819)	(50,000)
Interest Accrued	50,355	133,315
At 31 December	206,851	1,183,315

The Holding company was advanced a unsecured loan of Kshs 200 million by CIC South Sudan at an interest rate of 12.5% repayable on 16th February 2022

The Holding Company repaid loans of Kshs 173 million, Ksh 787 million and Ksh 47 million to CIC Asset management Limited, CIC General Insurance Ltd and CIC Africa South Sudan Limited respectively by way of dividends received from the subsidiaries.

31. (b) RELATED PARTIES (continued)

The company has various related parties, most of whom are related by common shareholding.

(i) Transaction with related parties during the year - Company

	2021	2020
Receipts from related parties	Kshs'000	Kshs'000
CIC Asset Management Limited	240,061	65,061
CIC General Insurance Limited	2,327,530	2,327,530
Payments to related parties		
CIC Asset Management Limited	175,000	50,000
CIC General Insurance Limited	947,131	-
CIC Africa (Uganda) Limited	9,949	17,036
CIC Africa Co-operatives Insurance Limited	7,986	6,286
CIC Africa Insurance (SS) Limited	28,056	16,426
Co-operative Insurance Society Limited	27,025	5,770

Loans to directors of the group and the company

The Group and its subsidiaries did not advance loans to the directors in the years ended 31 December 2021 and 31 December 2020.

An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 56(b).

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

32. DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) GROUP

	2021 KShs'000	2020 KShs'000
The Co-operative Bank of Kenya Limited	961,726	713,235
EFC Uganda Limited	-	4,975
Pride Microfinance Limited	-	6,986
KCB Bank Kenya Limited*	1,732,011	1,404,677
Equatorial Commercial Bank	14,761	14,542
Nico Asset Managers Limited	183,627	134,454
Equity Bank of Kenya Limited	1,391,472	369,301
I and M Bank Limited	338,678	105,504
Middle East Bank of Kenya Limited	20,817	97,703
Family Bank Limited	239,702	306,266
Imperial Bank of Kenya Limited	23,200	23,366
Credit Bank Limited	65,642	186,333
FTB Bank Limited	89,042	95,423
Victoria Commercial Bank Limited	-	8,489
Tropical Bank Limited	-	9,587
Opportunity Bank Uganda Limited	28,868	7,817
Ugafode Microfinance Limited	7,315	6,212
Foundation for international assistance (Finca) Bank	57,961	39,558
Old mutual Limited (Malawi)	31,310	29,106
My bucks banking Corporation	112,681	123,510
NCBA Bank Kenya PLC	269,799	428,354
United Bank of Africa Limited	85,708	157,596
Kingdom Bank Ltd	436,482	329,096
Absa Bank Uganda Ltd	339	308
Postbank	67,024	36,154
Sidian Bank	85,637	214,698
Development Bank of Kenya Limited	79,864	362,166
Bridge Path Capital	45,117	13,304
NBS Bank Ltd Malawi	47,532	21,263
First Discount House Bank Limited	124,312	31,776
	6,540,627	5,281,759
Expected credit losses allowance	(34,546)	(41,068)
Net deposits	6,506,081	5,240,691
Maturity analysis:		
Maturing within three months	3,420,871	1,711,899
Maturing after 3 months	3,119,756	3,569,860
	6,540,627	5,281,759

(i) Movement in deposits maturing after 3 months

	2021 KShs'000	2020 KShs'000
As at January	3,569,860	2,857,736
Net increase/(decrease)	(450,104)	712,124
As at December	3,119,756	3,569,860

(ii) Movement in ECL reconciliation

(a) GROUP

	2021 KShs'000	2020 KShs'000
1 January	41,068	30,509
(Decrease)/increase in expected credit losses (note 8(d))	(6,522)	10,559
At 31 December	34,546	41,068

32. DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

(b) COMPANY	2021	2020
	KShs'000	KShs'000
KCB Bank Kenya Limited*	80,411	74,578
Expected credit losses allowance	(73)	(37)
Net Deposits	80,338	74,541
Maturity analysis:		
Maturing within 3 months	-	-
Maturing after 3 months	80,338	74,541
	80,338	74,541

* Except for deposits with KCB Bank Limited amounting KShs 559 million (group) and Nil for (company) , which are under lien, all the other deposits are available for use by the Group.

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.
An analysis of changes in the gross carrying amount and corresponding ECL allowances in due from related parties has been disclosed in note 56(b).

33. SHARE CAPITAL

	2021		2020	
	Number of shares KShs'000	Share capital KShs'000	Number of shares KShs'000	Share capital KShs'000
Authorised ordinary shares of KShs 1 each (2020: KShs 1 each):				
At 1 January and at 31 December	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid up share capital:				
At 1 January and at 31 December	2,615,578	2,615,578	2,615,578	2,615,578

34. SHARE PREMIUM

	2021	2020
	KShs'000	KShs'000
At 1 January and at 31 December	162,179	162,179

Share premium arose out of private placement at a cost of KShs.22.50 which was KShs. 2.50 above the nominal value of 20/- in 2011 resulting in a share premium of KShs 598 million. Subsequently, the share premium was capitalized through issuance of bonus amounting to 436 millionn shares of KShs 1 each.

35. STATUTORY RESERVE

The statutory reserve represents the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Kenyan Insurance Act.

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated surplus of the long-term business.

36. CONTINGENCY RESERVE

The contingency reserve represents at 2% of the gross premium for non-life insurance business and 1% for life business that is set aside as required by the Insurance Act in Uganda.

37. REVALUATION SURPLUS

The revaluation surplus represents the surpluses on the revaluation of buildings and is not distributable as dividends.

38. FOREIGN CURRENCY TRANSLATION RESERVE

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of profit or loss.

39. FAIR VALUE RESERVE

The fair value reserve represents fair value gains / (losses) arising from financial assets at fair value through other comprehensive income and is not distributable as dividends.

40. RETAINED EARNINGS

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the Group.

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and whose distribution is subject to restrictions imposed by the Kenya Insurance Act.

41. NON-CONTROLLING INTERESTS

	2021 KShs'000	2020 KShs'000
At 1 January	(31,254)	6,386
Profit for the year	79,057	(63,918)
Other comprehensive income for the year	(33,639)	26,278
Total comprehensive income for the year	45,418	(37,640)
At 31 December	14,164	(31,254)

Summarised financial information has been presented below for CIC Africa (Malawi) Limited, CIC Africa (Uganda) Limited and CIC Africa (South Sudan) Limited subsidiaries with non-controlling interest.

	South Sudan		Malawi		Uganda	
	2021	2020	2021	2020	2021	2020
Proportion of ownership held by NCI	31%	31%	9%	9%	7%	7%
Proportion of voting rights held by NCI	31%	31%	9%	9%	7%	7%
NCI share of Accumulated retained earnings/loss (KShs '000)	(30,403)	15,808	(3,801)	(7,942)	2,950	1,480
NCI share of profit/(loss) accumulated to NCI (KShs '000)	32,894	(46,211)	(3,001)	4,141	15,525	4,430
Dividends paid to NCI in the year (KShs '000)	-	-	-	-	-	-

41. NON-CONTROLLING INTERESTS (continued)

Summarised financial information of the subsidiaries is provided below:

	South Sudan		Malawi		Uganda	
	2021	2020	2021	2020	2021	2020
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Total revenue	659,193	741,071	812,084	431,818	753,940	610,782
Profit for the year	211,433	(231,983)	172,813	43,345	(19,427)	57,332
Other comprehensive income	(105,323)	82,915	(5,898)	4,285	(6,358)	2,550
Total comprehensive income	106,109	(149,068)	166,915	47,630	(34,561)	59,882
Total non-current assets	412,146	399,496	50,627	37,758	375,851	297,638
Total current assets	1,050,537	994,440	1,023,319	744,446	951,069	1,313,692
Total non-current liabilities	-	-	-	-	-	489,657
Total current liabilities	947,934	1,023,878	719,267	596,400	960,657	1,218,597
Cash flows from operating activities	248,396	9,905	171,163	148,654	(26,573)	73,586
Cash flows from financing activities	(1,116)	(2,277)	(4,300)	(1,564)	15,326	101,261
Cash flows from investing activities	(95,893)	(41,593)	59,645	27,710	10,464	(205,251)

42. BORROWINGS - GROUP AND COMPANY

	2021	2020
	KShs'000	KShs'000
1 January	3,955,600	3,748,531
Repayment	-	(200,000)
Interest accrued	408,000	407,069
31 December	4,363,600	3,955,600

The borrowings relates to a bank loan of Kshs 3.4 billion (2020 Kshs 3.4 billion) from Co-operative bank at a fixed interest rate of 12.5% with a tenure of 5 years and is due for repayment on 30th September 2024. The loan was structured as single draw-down with a bullet repayment of principal sum at end of the tenure. Interest repayment is on tri – annual basis. During the year, the Company obtained a moratorium of repayment of interest until October 2022, hence no interest repayments have been done during the year. The loan is secured by Kiambu land; LR No 28800/951, an investment property held by the Group whose fair value at 31 December 2021 was Kshs 3.8 billion (Note 14(b)).

43. OTHER PAYABLES

		2021 KShs'000	2020 KShs'000
(a)	GROUP		
	Sundry payables	1,033,119	882,887
	Payroll creditors	13,732	13,544
	Premiums received in advance	321,244	363,652
	Staff annual leave pay provision	38,650	36,937
	Rent deposits	28,821	30,345
		1,435,566	1,327,365
(b)	COMPANY		
	Sundry payables	29,855	22,103
	Withholding tax payable	274	742
		30,129	22,845

The carrying amounts disclosed above reasonably approximate fair values at the reporting date.

44. DIVIDENDS

	2021 KShs'000	2020 KShs'000
At 1 January, 31 December	-	-
Proposed for approval at the annual general meeting (not recognised as a liability)	-	-

Dividend on ordinary shares

a) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

b) Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

45. DEPOSIT ADMINISTRATION CONTRACTS

The group administers the funds of several retirement benefit schemes. The liability of the group to the schemes is measured at amortised cost and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the statement of profit or loss and other comprehensive income of the group. Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

	2021 KShs'000	2020 KShs'000
Analysis of movement in deposit administration contract liabilities:		
Pension contributions	1,069,738	1,186,469
Investment income	499,344	353,864
Total additions in the year	1,569,082	1,540,333
Policy benefits (net)	(469,216)	(508,959)
Administrative expenses	(27,729)	(67,212)
Total outflow	(496,945)	(576,171)
Net movement for the year	1,072,137	964,162
Balance at beginning of the year	5,334,558	4,370,396
Balance at end of year	6,406,695	5,334,558

46. LIFE INSURANCE CONTRACT LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2021 and revealed actuarial liabilities of KShs 8,323,385K (2020: KShs 7,333,365K). There was no transfer to retained earnings in the current year. (2020: Nil).

	Ordinary Life	Group Life	Net	Reinsurance	Total Gross
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
As at 1 January 2021	4,119,231	2,686,797	6,806,028	527,337	7,333,365
Actuarial adjustments	206,093	783,927	783,124	206,896	990,020
As at 31 December 2021	4,325,324	3,470,724	7,589,152	734,233	8,323,385
As at 1 January 2020	3,524,257	2,367,104	5,891,361	471,303	6,362,664
Actuarial adjustments	594,974	319,693	914,667	56,034	970,701
As at 31 December 2020	4,119,231	2,686,797	6,806,028	527,337	7,333,365

47. UNIT LINKED CONTRACTS

Unit linked contracts are designated financial liabilities at fair value through profit or loss. The benefits offered under these contracts are based on the return of a portfolio of equities and debt instruments. The maturity value of the financial liabilities is determined by the fair value of the linked assets. There will be no difference between the carrying amount and the maturity amount at maturity date.

	2021	2020
	KShs'000	KShs'000
At 1 January	523,663	514,972
Contributions received	21,056	19,210
Surrenders	(2,384)	(1,648)
Maturities	(33,827)	(17,233)
Far value gain	38,044	8,362
Net fund value	546,552	523,663

48. PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS

The unearned premiums reserve represents the portion of the premium written in years up to the reporting date which relates to the unexpired terms of policies in force as at the end of each reporting period for general insurance. The movement in the reserve is shown below:

	Gross	Reinsurance	Net
	KShs '000	KShs '000	KShs '000
2021			
At 1 January	4,335,710	(533,420)	3,802,290
Gross written premiums	19,689,202	(4,832,849)	14,856,353
Gross earned premiums	(19,535,577)	4,828,178	(14,707,399)
Increase/(decrease) in the year (net)	153,625	(4,671)	148,954
At 31 December	4,489,335	(538,091)	3,951,244
2020			
At 1 January	4,591,548	(638,232)	3,953,316
Gross written premiums	16,988,281	(1,859,588)	15,128,693
Gross earned premiums	(17,244,119)	1,964,400	(15,279,719)
Increase/(decrease) in the year (net)	(255,838)	104,812	(151,026)
At 31 December	4,335,710	(533,420)	3,802,290

49. NON -LIFE INSURANCE CONTRACTS LIABILITIES

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation for general insurance. The expected recoveries at the end of 2020 and 2021 are not material.

The Group uses chain-ladder techniques to estimate the ultimate cost of claims and the Incurred But Not Reported (IBNR) provision. Chain-ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development considering when the earliest material claim arose, factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claim cost for each accident year.

2021

Accident Year	2017 and prior KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	77,834,489	5,898,616	5,484,022	5,181,768	6,382,053	100,780,948
one year later	33,527,203	6,299,683	5,873,922	5,456,411	-	51,157,219
two years later	33,725,554	6,352,896	5,962,281	-	-	46,040,731
three years later	33,789,920	6,369,986	-	-	-	40,159,907
four years later	33,824,485	-	-	-	-	33,824,485
Current estimate of cumulative claims	33,824,485	6,369,986	5,962,281	5,456,411	6,382,053	57,995,216
Less: cumulative payments to date	(32,918,437)	(6,057,925)	(5,576,622)	(5,145,398)	(4,347,326)	(54,045,708)
Gross outstanding claims notified provision	906,048	312,061	385,659	311,013	2,034,727	3,949,508
Liability incurred but not reported claims	9,813	78,211	260,256	554,288	1,709,020	2,611,588
Total gross claims liabilities included in statement of financial position	915,861	390,272	645,915	865,301	3,743,747	6,561,096

49. INSURANCE CONTRACTS LIABILITIES (continued)

2020

Accident Year	2016 and prior KShs'000'	2017 KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	Total KShs'000'
Estimated ultimate claims cost						
at end of accident year	5,855,649	4,568,583	4,647,470	4,551,459	6,023,168	25,646,329
one year later	6,628,190	6,195,376	6,004,478	5,715,527	-	24,543,571
two years later	6,915,435	6,560,827	6,338,735	-	-	19,814,997
three years later	7,148,030	6,810,066	-	-	-	13,958,096
four years later	7,943,159	-	-	-	-	7,943,159
Current estimate of cumulative claims	7,943,159	6,810,066	6,338,735	5,715,527	6,023,168	32,830,655
Less: cumulative payments to date	(7,025,711)	(6,321,163)	(5,865,015)	(5,275,839)	(3,964,879)	(28,452,607)
	-	-	-	-	-	
Gross outstanding claims notified provision	917,448	488,903	473,720	439,688	2,058,289	4,378,048
Liability incurred but not reported claims	5,588	21,346	196,290	720,218	1,366,434	2,309,876
Total gross claims liabilities included in statement of financial position	923,036	510,249	670,010	1,159,906	3,424,723	6,687,924

49. NON-LIFE INSURANCE CONTRACT LIABILITIES (continued)

Net claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2021 and 2020 are not material.

2021

Accident Year	2017 and prior KShs'000'	2018 KShs'000'	2019 KShs'000'	2020 KShs'000'	2021 KShs'000'	Total KShs'000'
Estimated ultimate claims cost at end of accident year	56,498,108	4,780,803	4,590,692	4,400,607	5,192,237	75,462,447
One year later	24,531,945	5,080,973	4,883,670	4,612,842	-	39,109,430
Two years later	24,675,139	5,119,550	4,947,612	-	-	34,742,301
Three years later	24,721,771	5,131,910	-	-	-	29,853,681
Four years later	24,746,718	-	-	-	-	24,746,718
Current estimate of cumulative claims	24,746,718	5,131,910	4,947,612	4,612,842	5,192,237	44,631,319
Less: cumulative payments to date	(24,381,272)	(4,906,483)	(4,669,259)	(4,387,574)	(3,800,166)	(42,144,754)
	-	-	-	-	-	
	368,446	225,427	278,353	225,268	1,392,071	2,486,565
Liability incurred but not reported claims	9,813	78,211	260,256	554,288	1,712,020	2,611,588
Total Gross claims liabilities included in statement of financial position	372,259	303,639	538,609	779,556	3,104,091	5,098,153

49. NON-LIFE INSURANCE CONTRACT LIABILITIES (continued)

2020

Accident Year	2016 and prior	2017	2018	2019	2020	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Estimated ultimate claims cost at end of accident year	4,327,873	3,463,691	3,714,976	3,834,663	5,248,015	20,589,218
One year later	4,898,853	4,697,051	4,799,707	4,788,635	-	19,184,246
Two years later	5,111,155	4,974,119	5,024,772	-		15,110,046
Three years later	5,283,064	5,104,203	-	-		10,387,267
Four years later	5,670,087	-	-	-	-	5,670,087
Current estimate of cumulative claims	5,670,087	5,104,203	5,024,772	4,788,635	5,248,015	25,835,712
Less: cumulative payments to date	(5,192,659)	(4,792,417)	(4,688,226)	(4,444,963)	(3,450,398)	(22,568,663)
Liability for notified claims	477,428	311,786	336,546	343,672	1,797,617	3,267,049
Liability incurred but not reported claims (note 50)	5,588	21,347	196,290	720,217	1,366,434	2,309,876
Total net claims liabilities included in statement of financial position	483,016	333,133	532,836	1,063,889	3,164,051	5,576,925

49. INSURANCE CONTRACTS LIABILITIES (continued)

GROUP	2021	2020
	KShs'000	KShs'000
Claims reported and claims handling expenses:		
At 1 January		
- General insurance	4,877,622	4,028,285
- Life assurance	699,303	418,727
	5,576,925	4,447,012
Claims incurred in the year	6,420,778	9,419,505
Payments for claims and claims handling expenses (note 50)	(6,899,550)	(8,289,592)
At 31 December	5,098,153	5,576,925
Comprising:		
- General insurance	4,545,837	4,877,622
- Life assurance	552,317	699,303
At 31 December	5,098,153	5,576,925
Comprising:		
At 31 December:		
Gross amounts	6,561,096	6,687,924
Reinsurers share (note 29)	(1,462,943)	(1,110,999)
	5,098,153	5,576,925

Movement in non-life insurance contract liabilities is shown in note 50.

50. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

2021

	Gross	Reinsurance	Net
	KShs'000	KShs'000	KShs'000
Notified claims	4,378,048	(1,110,999)	3,267,049
Incurred but not reported	2,309,876	-	2,309,876
At 1 January 2021	6,687,924	(1,110,999)	5,576,925
Payments for claims and claims handling expenses in the year	(6,547,606)	(351,944)	(6,899,550)
Claims incurred in the year	6,420,778	-	6,420,778
At 31 December	6,561,096	(1,462,943)	5,098,153
Notified claims	3,949,508	(1,462,943)	2,486,565
Incurred but not reported	2,611,588	-	2,611,588
At 31 December 2021	6,561,096	(1,462,943)	5,098,153

50. MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

2020

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	3,870,463	(1,073,569)	2,796,894
Incurred but not reported	1,650,118	-	1,650,118
At 1 January 2020	5,520,581	(1,073,569)	4,447,012
Payments for claims and claims handling expenses in the year	(10,556,920)	2,267,328	(8,289,592)
Claims incurred in the year	11,724,263	(2,304,758)	9,419,505
At 31 December	6,687,924	(1,110,999)	5,576,925
Notified claims	4,378,048	(1,110,999)	3,267,049
Incurred but not reported	2,309,876	-	2,309,876
At 31 December 2020	6,687,924	(1,110,999)	5,576,925

51. NOTES TO THE STATEMENT OF CASH FLOWS

(a) GROUP

Reconciliation of profit before taxation to cash generated from operations:

	Notes	2021 KShs'000	2020 KShs'000
(Loss)/profit before taxation	8(c)	959,712	(79,544)
ECL* on corporate bond	8(d)	22,028	(358)
ECL on other receivables	8(d)	2,991	(782)
ECL on related party balances	8(d)	(4,342)	(7,623)
ECL on deposits with financial Institutions	8(d)	(6,522)	10,559
ECL on staff loans	8(d)	6,612	280
ECL on for other loans	8(d)	(153)	3,782
ECL on commercial paper	8(d)	48	(635)
ECL on government securities at fair value through OCI	8(d)	783	-
ECL on government Securities at amortised cost	8(d)	3,882	-
ECL on cash and bank balances	8(d)	1718	-
Interest income	5	(1,481,314)	(1,243,649)
Dividend income	5	(33,445)	(34,814)
Discount on government securities at amortised cost	21	8,431	9,206
Provision for doubtful premium receivables	8	235,018	276,467
Provision for doubtful reinsurance receivables	8	456,692	-
Interest expense	42	408,000	407,069
Depreciation on property and equipment	13 (a)	114,109	152,457
Elimination of depreciation on disposal	13 (a)	(323)	-
Loans Impairment	22 (b)	11,661	-
Interest on leases	14(a)	23,075	34,426
Fair value gains on revaluation on investment property	15	(10,788)	(6,330)
Amortisation of intangible assets	16(a)	27,344	24,433
Impairment of associate	18	15,656	7,312
Amortisation of corporate bond	20	(3,227)	(15,510)
Fair value loss /(gains) on equity investment at fair value through profit or loss	25	(63,278)	227,256
Fair value gain on collective investment schemes	26(b)	(112,830)	(86,867)
Amortisation of loan and bond expenses	42	-	-
Amortisation of lease expenses	14(a)	75,380	97,927
Working capital changes;			
Increase in receivables arising out of direct insurance arrangements		(34,677)	(187,508)
(Increase)/decrease in provision for unearned premium		153,625	(255,838)
Increase in non-life insurance contracts liabilities		(126,828)	1,167,343
(Decrease)/increase in receivables arising out of reinsurance arrangements		217,866	(585,834)
Decrease in reinsurance share of liabilities and reserves		(563,511)	11,348
(Increase)/decrease in other receivables		(152,039)	28,059
Increase in other payables		108,201	118,804
Increase in life insurance contract liabilities		990,020	970,701
Increase in payables arising from reinsurance arrangements		(302,953)	414,568
Increase in deposits administration contracts		1,072,137	964,162
Increase in unit linked contracts		22,889	8,691
Decrease in deferred acquisition costs		1,146	13,944
Movement in related parties in related party balances		22,878	(13,777)
Cash generated from operations		2,065,672	2,429,725

*ECL -Expected Credit Losses

51. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Company

Reconciliation of profit before taxation to cash generated from operations:

	Notes	2021 KShs'000	2020 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		580,240	(538,657)
Adjustments for:			
Expected credit losses on other receivables		-	-
Expected credit losses on deposits with financial institutions		37	10
Expected credit losses on related parties		26	(741)
Expected credit losses on staff loans		171	
Interest income	5	(42,001)	(60,925)
Interest expense	10	408,000	407,069
Depreciation on property and equipment	13(b)	20,789	22,442
Interest expense on leases	14	1,642	2,592
Related party loan Interest Expenses		50,355	
Interest receivable on mortgage and other loans		(1,384)	(2,187)
Fair value gain on Collective investment schemes	26 (c)	(946)	(1,796)
Amortisation of intangible assets	16(b)	18,441	4,511
Amortisation of leases expense	14	6,343	19,588
Amortisation of Associate	18	34,376	
Dividend income	5	(1,122,131)	(50,000)
Working capital changes;			
Increase in other receivables		16,966	26,737
Decrease in related party balances		(33,031))	320,555
Increase/(decrease) in other payables		7,085	(37,962)
Cash generated from operations		(55,022	111,236

c) Net debt reconciliation

This section sets out an analysis of net debt

Group			
Cash and cash equivalents	52	3,642,860	2,069,302
Gross debt - Lease liability	14 (a)	(167,025)	(205,940)
Gross debt - Borrowings	42	(4,363,600)	(3,955,600)
Net debt		(887,765)	(2,092,238)
Company			
Cash and cash equivalents	52	25,028	30,715
Gross debt - Lease liability	14 (a)	-	(11,061)
Gross debt - Borrowings	42	(4,363,600)	(3,955,600)
Net debt		(4,338,572)	(3,935,946)

The movements in net debt for each of the periods presented have been included in notes 14 (a) and 42.

52. CASH AND CASH EQUIVALENTS

	Notes	2021	2020
Cash and cash equivalents comprise of:		KShs'000	KShs'000
GROUP			
Cash and bank balances		221,989	357,403
Deposits with banks - original maturity; maturing within 3 months	32	3,420,871	1,711,899
		3,642,860	2,069,302
COMPANY			
Cash and bank balances		(25,028)	(43,826)
Deposits with banks - original maturity; maturing within 3 months	32	80,411	74,541
		55,383	30,715

There are no assets held under lien.

53. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

GROUP	Interest	2021	2020
		%	%
Government securities	Fixed	12.00	12.30
Corporate bonds	Fixed	11.50	11.0
Mortgage loans	Fixed	6.00	6.00
Staff loans	Fixed	6.00	6.00
Policy loans	Fixed	8.00	8.00
Deposits with financial institutions	Fixed	9.25	9.0
Deposits and commercial papers	Variable	11.00	12.00
Cash and cash equivalents	Fixed	6.75	6.75

54. CONTIGENCIES AND COMMITMENTS

a. Legal proceedings and regulations

The group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

The group is also subject to insurance solvency regulations and has complied with all the solvency regulations except CIC Life Uganda which was below the minimum capital requirement as per the insurance regulatory commission of Uganda. There are no contingencies associated with the Group and the company's compliance or lack of compliance with such regulations.

b. Commitments, operating leases and bank guarantees

Commitments

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2021	2020
	KShs'000	KShs'000
Committed but not contracted for	505,303	509,154

54. CONTIGENCIES AND COMMITMENTS (continued)

b. Commitments, operating leases and bank guarantees (continued)

Operating leases

The group has entered into commercial property leases on its investment property portfolio, consisting of the group's surplus office buildings. These non-cancellable leases have remaining terms of between two and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions

Future minimum lease rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2021	2020
	KShs '000	KShs '000
Within one year	88,106	99,455
After one year but not more than two years	85,603	174,671
After two year but not more than five years	89,329	122,689
Total operating lease rentals receivable	263,038	396,815

The group has entered into commercial leases on certain property and equipment. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the group by entering into the leases.

Bank Guarantees

Bank guarantees	246,452	274,316

In common practice with the insurance industry in general, the company tenders for business. Such tenders require that a guarantee or performance bond is placed with a bank.

55. RISK MANAGEMENT FRAMEWORK

a. Governance framework

The primary objective of the group's risk and financial management framework is to protect the group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a group policy framework which sets out the risk profiles for the group, risk management, control and business conduct standards for the group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the group.

The board of directors approves the group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

b. Capital management objectives, policies and approach

The group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders' value

The operations of the group are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy at 100%) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Group has met all of these requirements throughout the financial year. All the subsidiaries met the capital adequacy provisions.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Kenyan Insurance Regulatory Authority (IRA). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the IRA directives, including any additional amounts required by the regulator.

Approach to capital management

The group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the group in the light of changes in economic conditions and risk characteristics. An important aspect of the group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the group is focused on the creation of value for shareholders.

The primary source of capital used by the group is total equity and borrowings. The group also utilises, where it is efficient to do so, sources of capital such as reinsurance and securitisation, in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

55. RISK MANAGEMENT FRAMEWORK (continued)

b. Capital management objectives, policies and approach (continued)

Approach to capital management (continued)

The group has made no significant changes, from previous years, to its policies and processes for its capital structure.

	2021 KShs'000	2020 KShs'000
Share capital	2,615,578	2,615,578
Share premium	162,179	162,179
Statutory reserve	1,128,818	1,183,825
Contingency reserve	83,604	61,924
Revaluation surplus	195,036	192,799
Translation reserve	(356,769)	(275,356)
Fair value reserve	(265,412)	(65,452)
Retained earnings	4,406,933	3,784,226
Equity attributable the owners of the parent	7,969,967	7,659,723
Non-controlling interest	14,164	(31,254)
Total equity	7,984,131	7,628,469

The Group had external borrowings at 31 December 2021 of KShs 4.4 billion (2020 - 4.3 billion).

Gearing Ratio Group	2021 KShs'000	2020 KShs'000
Total debt	4,530,625	4,161,540
Total equity	7,984,131	7,628,469
Debt to equity ratio	57%	55%
Company		
Total debt	4,555,653	4,205,366
Total equity	4,218,955	3,572,800
Net debt to equity ratio	108%	118%

c. Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the group are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The group is also subject to insurance solvency regulations and has complied with all the solvency regulations except CIC Life Uganda Limited which did not meet the minimum capital requirement at 31 December 2021 as per the insurance regulatory commission of Uganda. The Group is taking remedial action to ensure this is cured in 2022.

d. Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the group faces, due to the nature of its investments and liabilities, is interest rate risk. The group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

56. INSURANCE AND FINANCIAL RISK

d. Asset liability management (ALM) framework (continued)

The Group's ALM is:

- Integrated with the management of the financial risks associated with the group's other financial assets and liabilities not directly associated with insurance and investment liabilities
- As an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

56.1 Insurance

The principal risk the group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by frequency of the claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines as well as the use of reinsurance arrangements.

The group purchases reinsurance as a part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and a non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

1. Life insurance contracts

Life insurance contracts offered by the group include: whole life and term assurance. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value. . This includes group life and ordinary life premiums.

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. This includes the deposit administration contracts.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances where there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder.

56. INSURANCE AND FINANCIAL RISK (continued)

56.1 Insurance risk (continued)

1. Life insurance contracts (continued)

The main risks that the Group is exposed to are as follows:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected
- Longevity risk - risk of loss arising due to the annuitant living longer than expected
- Investment return risk - risk of loss arising from actual returns being different than expected
- Expense risk - risk of loss arising from expense experience being different than expected
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the group.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Groupwide reinsurance limits of Kshs. 3,000,000 on any single life insured insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF, the Group charges for death and disability risks on a yearly basis. Under these contracts the group has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the group

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

56. INSURANCE AND FINANCIAL RISK (continued)

56.1 Insurance risk (continued)

1. Life insurance contracts (continued)

The following tables show the concentration of life insurance contract liabilities and investment contract liabilities with DPF by type of contract.

31 December 2021

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities Kshs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	470,033	470,033	136,653	333,380
Group credit	-	-	3,541,443	3,541,443	597,759	2,943,684
Endowment	2,404,342	-	-	2,404,342	-	2,404,342
Term assurance	-	-	101	101	-	101
Annuities	-	-	1,907,466	1,907,466	-	1,907,466
Total insurance liabilities	2,404,342	-	5,587,457	8,323,385	734,412	7,588,973
Unit linked	-	546,552	-	546,552	-	546,552
Total	2,404,342	546,552	5,587,457	8,869,937	734,412	8,135,525

** The Insurance contract liabilities with DPF features are not reinsured.*

31 December 2020

	Gross				Reinsurance*	
	Insurance contract liabilities With DPF Kshs'000	Investment contract liabilities Kshs'000	Insurance contract liabilities without DPF Kshs'000	Total Insurance and investment contract liabilities Kshs'000	Insurance liabilities without DPF Kshs'000	Net liabilities Kshs'000
Group life	-	-	274,753	274,753	66,908	207,845
Group credit	-	-	2,953,549	2,953,549	522,940	2,430,609
Endowment	2,187,987	-	-	2,187,987	-	2,187,987
Term assurance	-	-	47	47	-	47
Annuities	-	-	1,917,029	1,917,029	-	1,917,029
Total insurance liabilities	2,187,987	-	5,145,378	7,333,365	589,848	6,743,517
Unit linked	-	523,663	-	523,663	-	523,663
Total	2,187,987	523,663	5,145,378	7,857,028	589,848	7,267,180

** The Insurance contract liabilities with DPF features are not reinsured.*

56. INSURANCE AND FINANCIAL RISK (continued)

56.1 Insurance risk (continued)

1. Life insurance contracts (continued)

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows:

- Mortality and morbidity rates

  Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

- Longevity

  Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the group's own risk experience. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the expenditure and reduce profits for the shareholders.

- Investment return

  The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

- Expenses

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

- Lapse and surrender rates

  Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

- Discount rate

  Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

56. INSURANCE AND FINANCIAL RISK (continued)

56.1 Insurance risk (continued)

1. Life insurance contracts (continued)

Key Assumptions (continued)

The assumptions that have the greatest effect on the statement of financial position and statement of profit or loss of the group are listed below:

	Mortality and Morbidity rates		Discount rates/Investment return				
	2021	2020	2021 and 2020			2021	2020
Insurance contracts			YR1 LAPSE	YR2 LAPSE	YR3 LAPSE		
Annuities*	KE 2007 - 2010 Tables for Assured Lives	KE 2007 - 2010 Tables for Assured Lives	-	-	-	13.2%	13.2%
Life assurance*	KE 2007 - 2010 Tables for Assured Lives	KE 2007 - 2010 Tables for Assured Lives	15%	10%	5%	Yield curve	Yield curve

Valuation age is taken as the number of complete years of age "curtate age" at the date of valuation. The period of valuation has been taken as the original term to maturity less curtate duration at the valuation date

** The Annuities and life assurance balances are included in the life insurance contract liabilities.*

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

Life insurance contracts

	31 Dec 2021 KShs '000	% change	31 Dec 2020 KShs '000	% change
Main basis	6,889,027	-	6,162,150	-
Expenses plus 10%	6,931,053	0.46%	6,199,134	0.65%
Mortality and other claims				
Mortality plus 10%	6,906,821	0.11%	6,169,984	0.13%
Discount rate/Investment return less 10%	7,216,399	4.60%	6,439,646	4.50%
Expense inflation plus 1%				
Withdrawals plus 25%	6,900,375	0.02%	6,163,672	0.02%

56. INSURANCE AND FINANCIAL RISK (continued)

56.1 Insurance risk (continued)

2. Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed as renewable. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, {the most significant risks arise when there is fire, motor accidents, property losses or medical claims for longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements. These risks do not vary significantly in relation to the location of the risk insured by the group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The group uses commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

The group has also Limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The table below sets out the concentration of insurance contract liabilities by type of contract:

	31 December 2021			31 December 2020		
	Gross liabilities	Reinsurance of liabilities	Net liabilities	Gross liabilities	Reinsurance of liabilities	Net Liabilities
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Engineering	301,940	(37,300)	264,640	101,997	(37,300)	64,697
Fire	190,660	(124,128)	66,532	328,132	(124,128)	204,004
Liability	653,346	(482,238)	171,108	800,541	(482,238)	318,303
Marine	49,479	(1,981)	47,498	46,021	(1,981)	44,040
Motor	2,975,507	(268,210)	2,707,297	3,968,286	(268,210)	3,700,076
Medical	584,872	(4,456)	580,416	568,667	(4,456)	564,211
Others	1,805,292	(544,630)	1,260,662	874,280	(96,563)	777,717
Total	6,561,096	(1,462,943)	5,098,153	6,687,924	(1,014,876)	5,673,048

56. INSURANCE AND FINANCIAL RISK (continued)

56.1 Insurance risk (continued)

2. Non-life insurance contracts (continued)

Key Assumptions

The principal assumption underlying the liability estimates is that the group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.
It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

31 December 2021	Change in assumptions	Increase/(decrease) on gross Liabilities	Increase/(decrease) on net Liabilities	Increase/(decrease) on profit before tax	Increase/ (decrease) on equity
Average Claim Cost	+10/-10	325,046	204,310	65,610	65,610
31 December 2020					
Average Claim Cost	+10/-10	523,994	422,766	63,150	295,936

56. INSURANCE AND FINANCIAL RISK (continued)

56.2 Financial risks

a. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the group's exposure to credit risk:

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's audit and risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or group of counterparties, and industry segment (i.e., limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held).
- The Group maintains strict control limits by amount and terms on net open derivative positions. The amounts subject to credit risk are limited to the fair value of "in the money" financial assets against which the Group either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the Group and is repayable if the contract terminates or the contract's fair value falls.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period of 120 days specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 2020 is the carrying amounts as presented in the statement of financial position.

The Group issues unit-linked investment policies in several its operations. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no credit risk on unit-linked financial assets.

The group actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Group's internal rating process

The Group's investment team prepares internal ratings for financial instruments (Financial assets at amortised cost-Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loan and Receivables, Financial Assets at amortised cost-Commercial Papers, Due from related party, Deposits with financial institutions, and Cash and bank balances) in which counterparties are rated using internal grades. The ratings are determined incorporating both qualitative and quantitative information from external party ratings supplemented with information specific to the counterparty and other external information that could affect the counterparty's behavior. These information sources are first used to determine whether an instrument has had a significant increase in credit risk.

The Group's internal credit rating grades for the above assets with exception of staff loans is as described below.

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

For staff loans, the credit rating is based on whether the staff is still in employment. The loan is given a 'high grade' rating if the staff is still in employment, and a 'past due but not impaired' rating in instances where the staff is no longer employed with the Group.

56. INSURANCE AND FINANCIAL RISK (continued)

56.2 Financial risks (continued)

a. Credit risk (continued)

The Group's internal credit rating grades is as follows:

Asset class	Drivers of change in credit quality	Qualitative indicators assessed
Receivables arising from direct and reinsurance arrangements	30 days past due	Company closure, significant decline in the industry which the client operates, listing on credit reference bureau, inability to service debt, loss of income, among others.
Cash at bank and deposits with financial institutions	Downgrade to tie four	Bank closure, bank run, default on debt, credit rating downgrade, material adverse mention or investigation, change in bank tier, negative change in debt ratios, debt covenant breach, regulator actions among others.
Government Securities	Downgrade from investment grade to non-investment grade as per the external ratings	Credit rating downgrade, adverse political instability, military coup / attempt / civil turmoil, hyper inflationary trajectory, external war, significant fall in tax collection rates, significant natural disaster events, warnings from Bretton Woods Institutions, debt restructure, currency devaluation, unemployment rate growth among others.
Corporate Debt	Default in contractual cash flows	Credit rating downgrades, significant adverse political turmoil in country of major operations, significant fall in revenue collection, significant natural disaster events, debt restructure, material Adverse change (Change in business model; significant change in priority staff), significant court process interference on business model, insolvency, government agency takeover, financial covenant breach, material representation inaccuracy or warranty breach, material adverse mention, investigation among others.
Equities - Dividend Income	Default in contractual cash flows	Company closure, default on debt, credit rating downgrade, adverse material mention, change in balance sheet debt composition, debt covenant breach, adverse change in business model, company insolvency among others.
Staff/ Non-Staff Loans	Default in contractual cashflows	Listing on credit reference bureau, inability to service debt, loss of income, death, permanent disability, imprisonment, number of months in arrears among others.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Company performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Significant increase in credit risk, default and cure

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments (Financial assets at amortised cost- Government securities, Financial Assets at amortised cost- Corporate Bonds, Financial Assets at amortised cost-Loans, Due from related party, Deposits with financial institutions, Other receivables and Cash and cash equivalents) is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Group also considers a variety of instances that may indicate unlikeness to pay by assessing whether there has been a significant increase in credit risk. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. The Group considers a financial asset in default when contractual payments are 90 days past due. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL. This more applicable to financial assets arising from investments with financial institution. Such events include:

- Internal rating of the counterparty indicating default or near default for all asset classes
- The counterparty having past due liabilities to public creditors or employees for all asset classes except for staff loans.
- The counterparty filing for bankruptcy application for all asset classes
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties for all asset classes except for staff loans.

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

The Group considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default

when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Group's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

The group actively manages its product mix to ensure there is no significant concentration of credit risk.

Collaterals and other credit enhancements

The amount and type of collateral required depends on assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each collateral, which applies only to staff loan advances. The main type of collaterals are as follows:

- For mortgages, legal charge over property to the extent of loan advanced.
- For car loans, the value of the motor vehicle.

Management monitors the market value of the collateral and may request additional collateral in accordance with underlying agreement.

The Group does not physically repose properties but engages its legal department in collaboration with external agents to recover funds to settle outstanding debt. Because of this practice, the properties or motor vehicles are not recorded in the balance sheet and not treated as non-current asset held for sale.

The fair values of the collaterals equal to the outstanding loan balances at the end of each financial reporting period since the Group is only interested in recovering the loan balance.

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

Impairment losses on financial investments subject to impairment assessment.

Debt instruments measured at FVOCI

The table below shows the fair values of the group's debt instruments at FVOCI by credit risk, based on the group's internal credit rating system.

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Internal rating grade					
High grade	11,333,873	-	-	11,333,873	9,592,504
Standard grade	-	-	-	-	-
Total gross amount	11,333,873	-	-	11,333,873	9,592,504
ECL	(3,882)	-	-	(3,882)	-
Total net amount	11,329,991	-	-	11,329,991	9,592,504

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Fair value amount as at 1 January	9,592,504	-	-	9,592,504	7,275,133
New assets purchased	2,281,000	-	-	2,281,000	2,651,211
Assets matured	(302,879)	-	-	(302,879)	(352,400)
Changes in fair value	(236,752)	-	-	(236,752)	18,560
ECL	(3,882)	-	-	(3,882)	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	11,329,991	-	-	11,329,991	9,592,504

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

*Debt instruments at amortised cost**

The table below shows the credit quality and maximum exposure to credit risk based on the Group's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances.
Details of the Group's grading system are explained above.

a) Financial assets at amortised cost: Corporate bonds

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	66,413	-	22,051	87,720	176,184
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	66,413	-	22,051	87,720	158,047
ECL	(721)	-	(22,051)	(22,028)	(744)
Total Net Amount	65,692	-	-	65,692	157,303

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

a) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	157,303	-	-	157,303	290,233
New assets purchased	69,590	-	-	69,590	-
Assets matured	(142,400)	-	-	(142,400)	(131,786)
Write off/ECL	-	-	(22,028)	(22,028)	(744)
Amortisation / Discount	3,227	-	-	3,227	(400)
Movement between 12mECLand LTECL					
At 31 December	87,720	-	(22,028)	65,692	157,303

b) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	744	-	-	744	1,102
Additional Charge	(23)	-	22,051	22,028	(358)
Assets matured	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	721	-	22,051	22,028	744

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

b) Financial assets at amortised cost: Government securities

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	2,102,977	-	-	2,102,977	2,010,376
Standard grade	-	-	-	-	-
Past due but not	-			-	-
impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	2,102,977	-	-	2,102,977	2,010,376
(ECL)/Write backs	(783)	-	-	(783)	-
Total Net Amount	2,102,194	-	-	2,102,194	2,010,376

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

c) GROUP

GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1	2,010,376	-	-	2,010,376	1,941,363
New assets purchased	552,550	-	-	552,550	704,292
Assets matured	(456,590)	-	-	(456,590)	(577,286)
Accrued interest	4,667			4,667	34,667
Amortisation / Discount	(8,431)	-	-	(8,431)	(92,660)
ECL	(783)			(783	
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	2,102,194	-	-	2,102,194	2,010,376

d) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total
ECL as at 1 January	-	-	-	-
Additional Charge through profit or loss	783	-	-	783
Assets matured	-	-	-	-
Unwind of discount	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-
	783	-	-	783

Management assessed that there is low probability of default on these financial instruments as they are sovereign debts and there has been no history of default from the Government of Kenya.

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

c) Financial Assets at amortised cost-Loan Receivables

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	647,729	-	-	647,729	627,057
Standard grade	-	-	-	-	-
Past due but not impaired	34,206	-	-	34,206	56,970
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	681,935	-	-	681,935	684,027
(ECL)/Write backs	(6,459)	-	-	(6,459)	(4,062)
Total Net Amount	675,476	-	-	675,476	679,965

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

d) GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	679,965	-	-	679,965	627,057
New assets purchased	257,842	-	-	257,842	-
Assets matured	(245,596)	-	-	(245,596)	56,970
Accrued interest	1,385	-	-	1,385	
	-	-	(11,661)	(11,661)	
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL					
At 31 December	693,596	-	(11,661)	681,935	684,027

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	(4,062	-	-	(4,062	(4,800)
New assets	3,935	-	-	3,935	3,688
Assets matured	(6,332)	-	-	(6,332)	(2,950)
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	(6,459)	-	-	(6,459)	(4,062

INSURANCE AND FINANCIAL RISK (CONTINUED)

55.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

a) COMPANY

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	11,603	-	-	11,603	11,462
Standard grade	-	-	-	-	-
Past due but not	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	11,774	-	-	11,774	11,462
(ECL)/Write backs	(171)	-	-	(171)	-
Total Net Amount	11,603	-	-	11,603	11,462

b) COMPANY

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	11,462	-	-	11,462	9,275
New assets purchased	-	-	-	-	-
Assets matured	(1,073)	-	-	(1,073)	-
Accrued interest	1,385	-	-	1,385	2,187
ECL	(171)			(171)	
Amortisation /	-	-		-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	11,603	-	-	11,603	11,462

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	-	-	-	-	-
New assets	(171)	-	-	(171)	
Assets matured	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	(171)	-	-	(171)	-

55. INSURANCE AND FINANCIAL RISK (CONTINUED)

55.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

iv) Deposits with financial institutions

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	6,517,427	-	-	6,517,427	5,258,393
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	23,200	23,200	23,366
Total Gross	6,517,427	-	23,200	6,540,627	5,281,759
(ECL)/Write backs	(34,546)	-	-	(34,546)	(41,068)
Total Net Amount	6,482,881	-	23,200	6,506,081	5,240,691

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	5,281,759	-	-	5,281,759	3,976,164
Additional net investment purchased	1,258,868	-	-	1,258,868	1,305,595
		-	-		
Write off	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	6,540,627	-	-	6,540,627	5,281,759

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	17,702	-	23,366	41,068	30,509
	-	-	-	-	
Additional impairment	(6,356)	-	(166)	(6,522)	10,559
Unwind of discount	-	-	-		
Movement between 12m ECL and LTECL	-	-	-	-	-
	11,346	-	23,200	34,546	41,068

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

e) COMPANY

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
High grade	80,411	-	-	80,411	74,578
Standard grade	-	-	-	-	-
Past due but not impaired		-	-		
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	80,411	-	-	80,411	74,578
(ECL)/Write backs	(73)	-	-	(73)	(37)
Total Net Amount	80,338	-	-	80,338	74,541

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

f) COMPANY

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	74,541	-	-	74,541	71,650
New assets purchased	-	-	-	-	-
Assets matured	-	-	-	-	-
Accrued Interest	5,870			5,870	2,891
Movement between 12mECLand LTECL	-	-	-	-	-
	80,411			80,411	74,578
(ECL)/Write backs	(73)	-	-	(73)	(37)
At 31 December	80,338	-	-	80,338	74,541

g) COMPANY

	STAGE 1	STAGE 2	STAGE 3	2021	2020
ECL as at 1 January	37	-	-	37	47
New assets	-	-	-	-	-
Assets matured	(36)	-	-	(36)	(10)
Movement between 12m ECL and LTECL	-	-	-	-	-
	73	-	-	73	37

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

v) Financial assets at amortised cost -Deposits and commercial paper

a) GROUP

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	15,053	-	-	15,053	32,612
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	15,053	-	-	15,053	32,612
(ECL)/Write backs	(53)	-	-	(53)	48
Total Net Amount	15,000	-	-	15,000	32,660

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2019

b) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	32,612	-	-	32,612	156,019
Transfers	-	-	-	-	-
New assets purchased	-	-	-	-	-
Assets matured	(17,559)	-	-	(17,559)	(121,661)
Accrued interest	-	-	-	-	(1,746)
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	15,053	-	-	15,053	32,612

c) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	(48)	-	-	(48)	587
New assets	-	-	-	-	-
Assets matured				101	(635)
Unwind of discount	101	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	53	-	-	53	(48)

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

d) Financial assets at amortised cost -Related parties

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	124,125	-	-	124,125	155,687
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	124,125	-	-	124,125	155,687
(ECL)/Write backs	(3,652)	-	-	(3,652)	(7994)
Total Net Amount	120,473	-	-	120,473	147,693

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

e) GROUP

	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	147,693	-	-	147,693	126,293
New assets purchased	-	-	-	-	21,400
Assets matured	(27,220)	-	-	(27,220)	-
Accrued interest	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	120,473	-	-	120,473	147,693

f) GROUP

	STAGE 1	STAGE 2 1	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	7,994	-	-	7,994	371
New additional impairment.		-	-		7,623
Write back of ECL	(4,342)	-	-	(4,342)	-
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	3,652	-	-	3,652	7,994

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	243,438	-	-	243,438	209,840
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	243,438	-	-	243,438	209,840
(ECL)/Write backs	(1,281)	-	-	(1,281)	(3,618)
Total Net Amount	242,157	-	-	242,157	206,222

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

b) GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	206,222	-	-	206,,222	161,897
New assets purchased	37,216	-	-	37,216	47,943
Assets matured					-
Accrued interest	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	243,438			243,438	209,840

	STAGE 1	STAGE 2 1	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	3,618	-	-	3,618	2,878
New additional impairment.		-	-		740
Write back of ECL	(2,337)	-	-	(2,337)	-
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	1,281	-	-	1,281	3,618

57. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

a. Credit risk(continued)

Other receivables

2021					
Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	474,334	-	-	474,334	316,313
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	474,334	-	-	474,334	316,313
(ECL)/Write backs	(6,752)	-	-	(6,752)	(3761)
Total Net Amount	467,582	-	-	467,582	312,552

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:
2021

GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	316,313	-	-	339,829	342,642
New assets purchased	158,021	-	-	-	-
Assets matured		-	-	(27,277)	(27,277)
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	474,334	-	-	-	316,313
	(6,752)				(3,761)
At 31 December	467,582	-	-	312,552	312,552

GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	3,761	-	-	3,761	2,979
New assets	2991	-	-	2991	782
Assets matured		-	-		
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	6,752	-	-	6,752	3,761

58. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

b. Credit risk(continued)

Cash and Bank Balances

2021

Internal rating grade	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Performing					
High grade	223,707	-	-	223,707	357,403
Standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	-	-	-
Total Gross	223,707	-	-	223,707	357,403
(ECL)/Write backs	(1,718)	-	-	(1,718)	-
Total Net Amount	221,989	-	-	221,989	357,403

An analysis of changes in the gross carrying amount and corresponding ECLs is, as follows:

2021

GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
Gross carrying amount as at 1 January	357,403	-	-	357,403	813,183
Cash increase/(decrease)	(135,414)	-	-	(135,414)	(455,780)
Accrued interest capitalised	-	-	-	-	-
Amortisation / Discount	-	-	-	-	-
Movement between 12mECLand LTECL	-	-	-	-	-
At 31 December	221,989	-	-	221,989	357,403

GROUP	STAGE 1	STAGE 2	STAGE 3	Total 2021	Total 2020
ECL as at 1 January	-	-	-	-	-
New assets	1,718	-	-	1,718	-
Assets matured		-	-		
Unwind of discount	-	-	-	-	-
Movement between 12m ECL and LTECL	-	-	-	-	-
	1,718	-	-	1,718	-

56. INSURANCE AND FINANCIAL RISK (CONTINUED)

56.2 FINANCIAL RISKS (CONTINUED)

c. Credit risk(continued)

The table below indicates the maximum exposure of assets bearing credit risk:

	2021 KShs'000	2020 KShs'000
Corporate bonds at amortised cost	65,692	157,303
Government securities at amortised cost	2,102,194	2,010,376
Loans receivable	675,476	679,965
Government securities at fair value through OCI	11,329,991	9,592,504
Deposits and commercial paper	15,000	32,660
Investment in collective Schemes	1,738,872	1,830,444
Receivables arising out of direct insurance arrangements	1,293,766	1,494,107
Receivables arising out of reinsurance arrangements	2,259,252	2,933,810
Other receivables	467,582	312,552
Due from related parties	120,473	147,693
Deposits with financial institutions	6,506,081	5,240,691
Cash and cash equivalents	221,989	357,403
Total	26,796,368	24,789,508

56. INSURANCE AND FINANCIAL RISK (continued)

56.2 Financial risks (continued)

a. Credit risk (continued)

Short term business

Impaired financial assets

At 31 December 2021, there are impaired insurance assets of KShs 1.9 billion (2020: KShs 1.2 billion).

For assets to be classified as" past-due and impaired" contractual payments must be in arrears for more than 120 days. No collateral is held as security for any past due or impaired assets.

The group records impairment allowances for receivables arising out of direct insurance arrangements in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for premium receivables is, as:

Direct insurance receivables impairment	2021 KShs '000	2020 KShs '000
At 1 January	1,248,786	972,319
Charge for the year	235,018	276,467
At 31 December	1,483,804	1,248,786

Reinsurance receivables impairment		
At 1 January	-	-
Charge for the year	456,692	-
	456,692	-

Collateral

No collateral is held in respect of the receivables that are past due but not impaired.

Financial assets neither past due nor impaired

There were no financial assets that are neither impaired nor past due as at 31 December 2021.

b. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the group's exposure to liquidity risk:

- A group liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The group's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the group based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of cash outflows from the recognised insurance liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

55. INSURANCE AND FINANCIAL RISK (continued)Financial risks (continued)

b. Liquidity risk (continued)

The table below provides a contractual maturity analysis of the group's financial assets and liabilities:

	31-Dec-21				31-Dec-20			
	6 months or on demand	Between 6 months and 1 year	More than 1 year	Total	6 months or on demand	Between 6 months and 1 year	More than 1 year	
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial assets at amortised cost- Corporate Bonds	-	-	108,494	108,494	31,442	35,363	105,525	172,330
Financial assets at amortised cost -Government securities	159,117	490,593	2,350,335	3,000,045	-	75,231	1,935,145	2,010,376
Financial assets at amortised cost -Loans receivable	47	3064	882,363	885,474	2,183	157	730,928	733,268
Financial assets at fair value through other comprehensive income -Government securities	-	193,752	24,834,153	25,027,905	5,268	-	20,997,810	21,003,078
Financial assets at amortised cost -Deposits and commercial paper	15,000	-	-	15,000	32,660	-	-	32,660
Investments in collective investment schemes at fair value through Profit or loss	1,738,872	-	-	1,738,872	1,830,444	-	-	1,830,444
Receivables arising out of direct insurance arrangements	1,293,766	-	-	1,293,766	1,494,107	-	-	1,494,107
Receivables arising out of reinsurance arrangements	2,259,252	-	-	2,259,252	2,933,810	-	-	2,933,810
Other receivables	467,582	-	-	467,582	312,552	-	-	312,552
Due from related parties	120,473	-	-	120,473	147,693	-	-	147,693
Deposits with financial institutions	3,526,500	2,979,581		6,506,081	3,493,712	987,455	759,524	5,240,691
Cash and cash equivalents	221,989	-	-	357,403	357,403	-	-	357,403
Total financial assets	9,802,598	3,666,990	28,175,345	41,644,933	12,388,253	110,751	23,769,408	36,268,412
Borrowings	-		5,863,961	5,863,961	-		5,810,126	5,810,126
Lease Liability	23,849	50,367	111,488	185,704	-	97,981	150,742	248,723
Other payables	1,435,566	-	-	1,435,566	1,298,544	-	28,821	1,327,365
Payables arising from reinsurance arrangements and insurance bodies	563,314		-	563,314	677,612	188,655	-	866,267
Deposits administration contracts	1,964,598	786,768	3,655,329	6,406,695	1,032,604	483,413	3,818,541	5,334,558
Insurance contracts liabilities	6,561,096	-	-	6,561,096	7,557,355	-	-	7,557,355
Total financial liabilities	10,548,423	837,135	9,630,778	21,016,336	10,566,115	770,049	9,808,230	21,144,394
Net liquidity gap	(745,825)	2,829,855	18,544,567	20,628,597	1,822,138	(659,298)	13,961,178	15,124,018

56. INSURANCE AND FINANCIAL RISK (continued)

56.2 Financial risks (continued)

c. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

- The group's market risk policy sets out the assessment and determination of what constitutes market risk for the group. Compliance with the policy is monitored and exposures and breaches are reported to the group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with their expectations.
- The group stipulates diversification benchmarks by type of instrument, as the group is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. The group's exposure to market risk on this business is Limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

i. Currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Kenya Shilling and its exposure to foreign exchange risk arise primarily with respect to US Dollar (USD), Uganda Shillings (UGSH), Malawian Kwacha (MK) and South Sudan Pound (SSP).

The group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The group has no significant concentration of currency risk.

		31st December 2021		31st December 2020	
	Increase/(decrease) in variables	Impact on PBT KShs'000'	Impact on Equity KShs'000'	Impact on PBT KShs'000'	Impact on Equity KShs'000'
Currency					
SSP	10%	(19,221)	(47,025)	(47,025)	36,994
SSP	-10%	23,493	57,474	57,474	(36,994)
UGSH	10%	2,021	(3,279)	(3,044)	(9,692)
UGSH	-10%	(2,403)	(39,825)	(40,112)	9,692
MK	10%	(18,405)	(34,002)	(34,002)	18,580
MK	-10%	22,495	37,259	37,259	(18,580)

The holding's s financial assets are primarily denominated in the same currencies as its liabilities hence not exposed to the currency risks.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Interest on floating rate instruments is re-priced at intervals of less than one year. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

56. INSURANCE AND FINANCIAL RISK (continued)

56.2 Financial risks (continued)

c. Market Risk

ii. Interest rate risk

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The Financial assets at amortised cost- Deposits and commercial papers and staff loans are not affected by interest rate risk because the rates are agreed at the beginning of the contract 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 Group's management monitors the sensitivity of reported interest rate movement monthly by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in yield curves of financial assets and financial liabilities. The Group is not exposed to interest rate risk as all financial assets are at fixed interest rates.

iii. Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

The Group is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income investments. Exposure 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 Limited (NSE).

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

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Equity investment through profit or loss represent 99% (2020: 96%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the Group's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by KShs 3,163,900 (2020: KShs 2,487,400).

57. FAIR VALUE MEASUREMENT

The group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi securities exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components, property, equipment and investment property

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

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

The table below shows an analysis the fair value of assets by level in the fair value hierarchy. However, it does not include instruments whose fair value approximates the carrying amount.

a) Group

31-Dec-21	Level 1	Level 2	Level 3	Total	Carrying amounts
	Shs'000	Shs'000	Shs'000	Shs'000	
Recurring fair value Measurements					
Equity investments classified:					
-at fair value through profit or loss	1,218,065	-	-	1,218,065	1,218,065
- at fair value through OCI	-	15,763	-	15,763	15,763
Government securities classified at fair value through OCI	11,329,991	-	-	11,329,991	11,329,991
Owner occupied property and equipment	-	-	306,695	306,695	306,965
Investment properties	-	-	7,477,939	7,477,939	7,477,939
Non-recurring fair value Measurements - fair value of assets not measured at fair value					
Corporate bonds	-	84,493	-	84,493	65,692
Government securities at amortised cost	2,106,336	-	-	2,106,336	2,102,194
Deposits and Commercial paper	-	15,000	-	15,000	15,000
Loan receivables	-	-	675,476	675,476	675,476
Total assets at fair value	14,654,392	115,256	8,460,110	23,229,758	23,207,085
Liabilities					
Unit linked contracts	-	546,552	-	546,552	546,552
Total liabilities at fair value	-	546,552	-	546,552	546,552

57. FAIR VALUE MEASUREMENT (continued)

31-Dec-20	Level 1	Level 2	Level 3	Total	Carrying amounts
	Shs'000	Shs'000	Shs'000	Shs'000	
Recurring fair value Measurements					
Equity investments classified:					
-at fair value through profit or loss	1,167,172	-	-	1,167,172	1,167,172
- at fair value through OCI	-	15,124	-	15,124	15,124
Government securities classified at fair value through OCI	9,592,504	-	-	9,592,504	9,592,504
Owner occupied property and equipment	-	-	316,272	316,272	316,272
Investment properties	-	-	7,465,411	7,465,411	7,465,411
Non-recurring fair value Measurements – fair value of assets not measured at fair value					
Corporate bonds		167,186		167,186	157,303
Government securities at amortised cost	2,620,432			2,620,432	2,010,376
Deposits and Commercial paper		32,660		32,660	32,660
Loan receivables	-	-	679,965	679,965	679,965
Total assets at fair value	13,380,108	214,970	8,461,648	22,056,726	21,436,787
Liabilities					
Unit linked contracts	-	-	523,663	523,663	523,663
Total liabilities at fair value	-	-	523,663	523,663	523,663

b) Company	Level 1	Level 2	Level 3	Total	Carrying amounts
2021					
	Shs'000	Shs'000	Shs'000	Shs'000	
Investment properties	-	-	7,477,939	7,477,939	7,477,939
Deposits and Commercial paper	-	4,500	-	4,500	4,500
Loan receivables	-	-	11,603	11,603	11,603
Total assets at fair value	-	4,500	7,489,542	7,494,042	7,494,042
Investment properties	-	-	7,465,411	7,465,411	7,465,411
Deposits and Commercial paper	-	12,000	-	12,000	12,000
Loan receivables	-	-	11,462	11,462	11,462
Total assets at fair value	-	115,256	7,476,873	7,488,873	7,488,873

57. FAIR VALUE MEASUREMENT (continued)

Valuation methods used in determining the fair value of assets and liabilities

Instrument	Applicable Level	Valuation methods	Inputs
Loans and receivables at amortised cost	2	Discounted cash flow model (DCF)	Average Market interest rates 13%
Corporate bonds at amortised cost	2	Discounted cash flow model (DCF)	Interest rates
Equity investments classified as fair value through OCI	2	Net Asset Value	Current unit price of underlying unitised assets and interest rates.
Investments in collective investment schemes at fair value through profit or loss	2	Net Asset Value	Current unit price of underlying unitised assets and interest rates.
Deposits and commercial paper	2	Net Asset Value and Discounted Cash Flow (DCF)	Current unit price of underlying unitised assets and interest rates.

The significant unobservable inputs used in the fair value measurements categorised in level 3 of the fair value hierarchy as at 31December 2021 are as shown below.

Group

Instrument	Level	Valuation basis	Rate	Significant unobservable Inputs	Sensitivity of input to the fair value
Investment properties	3	Discounted cash flow model (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount by 5% would decrease/(increase) fair value by KShs 80.1 million
Owner occupied property and equipment	3	Discounted Cash Flow (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount of 5% would decrease/(increase) fair value by KShs 1.9 million.
Unit Linked contracts	3	Number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price	N/A	Market value of assets of the fund	Increase/(decrease) in the market price by 5% of the assets in the fund would increase/ (decrease) fair value by KShs 25.7 million.
Deposits Administration contracts	3	Deposits, withdrawals and investment returns from the fund.	N/A	Market value of assets of the fund	Increase/(decrease) in the market price of the assets in the fund would increase/ (decrease) fair value by KShs 209 million.

(b) Company

Instrument	Level	Valuation basis	Rate	Significant unobservable Inputs	Sensitivity of input to the fair value
Investment properties	3	Discounted cash flow model (DCF)	13	Discount rate used, Net Annual Rent, Annual rent growth rate	Increase/(decrease) in discount by 5% would decrease/(increase) fair value by KShs 80.1 million

57. GOING CONCERN STATUS OF THE SUBSIDIARIES AND THE COMPANY

CIC Africa (Uganda) Limited

The subsidiary is technically insolvent. It reported a loss of KShs 20 million for the year ended 31 December 2021 (2020 -KShs 57 million). In addition, at 31 December 2021, the subsidiary's accumulated losses stood at KShs. 589 million (2020 - KShs 467 million) as at 31 December 2021 while its total liabilities exceeded total assets by KShs 161 million (2019 – net asset position of KShs 96 million).

The subsidiary relies on the parent company for provision of working capital and its ability to continue as a going concern depends on the continued support it receives from the parent company. The parent company confirms its commitment to continue giving financial support to the subsidiary, and it has issued an undertaking in this respect to the subsidiary. The undertaking affirms the parent company's commitment to continue providing sufficient financial support, if necessary; to enable the subsidiary meet its financial obligations, as and when they fall due, and to ensure it continues trading into the foreseeable future.

Further, the directors have assessed business outlook of the subsidiary, and they are confident that its financial performance will improve, and it will become profitable in the foreseeable future. The directors have no immediate plan to cease operations of the subsidiary, and /or liquidate it.

Therefore, the directors believe it is appropriate that the financial statements of the subsidiary be prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the subsidiary will have adequate resources to meet obligations as and when they fall due, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

58. INCORPORATION

The Company is incorporated in Kenya under the Companies Act 2015 and is domiciled in Kenya.

59. HOLDING COMPANY

The holding entity is Co-operative Insurance Society Limited which is incorporated and domiciled in Kenya.

60. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000') which is also the functional currency of the Company.

61. EVENTS AFTER REPORTING DATE

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

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APPENDIX I
CIC LIFE ASSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 202

	Ordinary Life & Annuities Kshs '000	Group Life Kshs '000	Total 2021 Kshs '000	Total 2020 Kshs '000
Gross written premiums	1,151,929	4,965,184	6,117,113	4,928,862
Less: Reinsurance premiums ceded	(12,202)	(1,663,492)-	(1,675,694)	(1,046,257)
Net earned premiums	1,139,727	3,301,692	4,441,419	3,882,605
Claims and Policyholders' benefits:				
Life and health claims	(23,213)	(2,184,877)	(2,208,090)	(1,658,413)
Maturities	(608,790)	-	(608,790)	(554,047)
Surrenders	(217,804)	-	(217,804)	(131,712)
Actuarial reserves	(206,848)	(564,735)	(771,583)	(785,234)
Net claims and policyholders' benefits	(1,056,655)	(2,749,612)	(3,806,267)	(3,129,406)
	-	-	-	
Commissions paid	(86,246)	(50,582)	(136,928)	(104,319)
Expenses of management	(237,695)	(1,125,902)	(1,363,597)	(1,125,049)
Premium tax	(10,577)	(49,652)	(60,229)	(25,961)
Total expenses and commissions	(334,518)	(1,226,236)	(1,560,754)	(1,255,329)
Investment income	455,511	391,511	847,022	588,136
Profit before taxation	204,065	(282,645)	(78,580)	86,006
Taxation charge	-	(23,574)	(23,574)	(25,802)
Profit for the year	204,065	(259,071)	(55,006)	60,204
Increase in life fund for the year	204,065	(259,071)	(55,006)	60,204

The revenue account was approved by the board of directors on 15 MARCH 2022 and was signed on its behalf by:

Nelson Kuria Patrick Nyaga Julius Mwatu

CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

APPENDIX II

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Com-mercial Shs.'000	Motor Pool Shs.'000	Medical Insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2020 Shs.'000
Gross premium written	393,719	107,585	811,811	99,012	69,613	1,945,952	1,716,569	-	4,229,668	196,391	688,726	983,287	178,708	997	11,422,038
Unearned premium transferred in	177,567	37,692	266,536	33,829	10,819	968,126	820,238	-	1,266,917	41,112	141,563	107,516	33,636	1,352	3,906,903
Unearned premium c/f	175,978	39,047	305,573	36,976	10,830	951,478	758,621	-	1,343,308	37,740	141,273	242,741	34,731	569	4,078,865
Gross earned premium	395,308	106,230	772,774	95,865	69,602	1,962,600	1,778,186	-	4,153,277	199,763	689,016	848,062	177,613	1,778	11,250,074
Reinsurance premium	(358,860)	(27,688)	(613,636)	(34,179)	(14,699)	(69,667)	(63,377)	-	(132,210)	(84,502)	(467,489)	(399,312)	(179,499)	-	(2,445,118)
Net earned premium	36,448	78,542	159,138	61,686	54,903	1,892,933	1,714,809	-	4,021,067	115,261	221,527	448,750	(1,886)	1,778	8,804,956
Gross claims paid	62,219	53,691	97,860	178,059	35,822	1,753,530	1,479,573	-	2,984,192	38,874	60,474	130,679	29,988	341	6,905,312
Outstanding claims c/f	294,305	22,766	151,117	630,961	37,901	1,448,746	1,326,796	2,092	552,652	75,471	285,788	252,213	14,135	5,837	5,101,052
Outstanding claims transferred in	79,914	90,162	166,927	627,218	36,067	1,656,528	1,450,502	2,092	445,546	86,889	277,793	293,619	20,853	5,838	5,,239,938
Gross claims incurred	276,610	(13,705)	82,050	181,802	37,666	1,545,748	1,355,867	-	3,091,298	27,456	68,469	89,273	23,280	340	6,766,426
Recoveries	(241,047)	11,811	(48,670)	(134,092)	(8,128)	(211,079)	(177,152)	-	(94,922)	(2,919)	(7,434)	(11,985)	(30,763)	(239)	(956,619)
Net incurred Claims	35,563	(1,894)	33,380	47,710	29,538	1,334,669	1,178,715	-	2,996,376	24,537	61,035	77,560	(7,483)	101	5,809,807
Commission receivable	107,944	8,691	203,983	6,985	5,269	7,320	6,768	-	-	21,653	124,115	116,686	79,042	-	688,456
Commissions payable	57,848	20,561	188,189	16,886	14,290	182,189	173,007	-	397,889	37,048	123,494	166,055	20,536	143	1,398,765
Net commission	(50,096)	11,870	(15,164)	9,901	9,021	174,869	166,239	-	397,889	15,395	(621)	49,369	(58,506)	143	710,309
Management Expenses	43,947	35,429	132,151	19,235	57,105	561,902	716,107	-	287,524	133,099	228,891	96,376	63,100	9,371	2,384,237
Premium Tax	4,923	1,345	10,152	1,238	871	24,334	21,465	-	52,891	2,456	8,612	12,296	2,235	11	142,829
Total	48,870	36,774	142,303	20,473	57,976	586,236	737,571	-	340,415	135,555	237,503	108,672	65,335	9,382	2,527,066
Total claims expenses and commissions	(14,533)	9,976	18,216	57,611	38,559	1,509,538	1,344,954	-	3,394,265	39,932	60,414	126,929	(65,989)	244	6,520,116
Underwriting profit/(loss)	2,111	31,792	(1,381)	(16,398)	(41,632)	(202,841)	(367,717)	-	286,387	(60,226)	(76,390)	213,149	(1,232)	(7,848)	(242,226)

The revenue account was approved by the board of directors on 15 MARCH 2022 and was signed on its behalf by:

Nelson Kuria

Patrick Nyaga

Julius Mwatu

Appendix III

Assumptions	The underlying variables which are taken into account in determining the value of insurance and investment contract liabilities.
Benefits and claims experience variation	The difference between the expected and the actual benefit
Claims development table	A table that compares actual claims paid and current estimates of claims with previously reported estimates of the same claims, demonstrating the sufficiency or otherwise of those previous estimates.
Discretionary participation feature (DPF)	A contractual right to receive, as a supplement to guaranteed benefits, additional payout benefits: ► That are likely to be a significant portion of the total contractual benefits ► Whose amount or timing is contractually at the discretion of the issuer ► That are contractually based on: ► The performance of a specified pool of contracts or a specified type of contract ► Realised and/or unrealised investment returns on a specified pool of assets held by the issuer ► The profit or loss of the Group, fund or other entity that issues the contract
Deferred expenses - deferred acquisition costs (DAC)	Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and/or investment contracts with DPF, which are deferred and brought to account as expenses of future reporting periods.
General insurance	An insurance contract which provides coverage other than life insurance to the policyholder. Examples include motor, household, third party liability, marine and business interruption. Short-term life and health insurance is also frequently classified as general insurance.
*Financial risk**	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
*Insurance contract**	A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Incurred but not report (IBNR)	Claims to be made by a policyholder, but not yet reported to the insurance company.
*Insurance risk**	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
Investment contract	A contract, which contains significant financial risk and may contain insignificant insurance risk but does not meet the definition of an insurance contract.
Liability adequàcy test	An annual assessment of the sufficiency of insurance to cover future insurance obligations.
Outstanding claims provision	Comprises claims reported by the policyholder to the insurance company, and IBNR claims.
Premiums earned	In the case of general insurance business, earned premium is the proportion of written premiums (including, where relevant, those of prior accounting periods) attributable to the risks borne by the insurer during the accounting period. For non-life insurance contracts, the premium income attributable to the insurance risks borne by the insurer in the reporting period, that is, after adjusting for the opening and closing balances of unearned premium.
Premiums written	Premiums to which the insurer is contractually entitled becoming due for payment in the accounting period.
Reinsurance	Insurance risk that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.
Unit-holder/unit-linked	Investor in a unit-linked product, when the investment risk is borne by the policyholder and not by the insurance company.