

CIC AFRICA INSURANCE (SS) LTD

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2023

**CIC AFRICA INSURANCE (SS) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

CONTENTS	PAGES
Corporate information	1
Report of the directors	2-3
Statement of directors' responsibilities	4
Report of consulting actuary	5
Independent auditor's report	6 - 8
Financial statements:	
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13- 90

CIC AFRICA INSURANCE (SS) LTD
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

DIRECTORS

Eng. William Wol	- Chairman	
Gordon Owor		
Elizabeth Lugor		
Zachariah Chianda	-Appointed	01/05/2023
Julius Macharia	-Appointed	01/08/2023
Andrew Murunga	- Resigned	31/07/2023
Patrick Nyaga		

COMPANY SECRETARY

Gail Odongo
Certified Public Secretary (Kenya)
P. O. Box 59485 - 00200
Nairobi

REGISTERED OFFICE

CIC Plaza
South Kololo Airport Road
Juba South Sudan

SENIOR MANAGEMENT

Julius Macharia	- Managing Director
Boniface Mutuma	- Finance Manager
Jackton Mangwana	- Business underwriting Manager
Dennis Owiro	- Head of Medical Claims
Suzett Musau	- Head of Medical Underwriting

AUDITOR

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

PRINCIPAL BANKER

The Co-operative Bank of South Sudan
Juba South Sudan

CONSULTING ACTUARY

QED Actuaries & Consultants (Kenya) Limited
Capital Registrars Royal Offices 1st Floor,
No. 17 Mogotio Rd off Chiromo Lane,
P.O. Box 101795-00101,
Westlands Nairobi Kenya

**CIC AFRICA INSURANCE (SS) LTD
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors submit their report together with the audited financial statements of CIC Africa Insurance (SS) Limited ("the Company") for the year ended 31 December 2023, which discloses the status of affairs of the company.

1. INCORPORATION

The Company is domiciled in South Sudan where it is incorporated as a private company limited by shares under the Companies Act, 2012 of South Sudan. 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 ACTIVITY

The principal activity of the company is the transaction of general, medical and life insurance business.

4. COMPANY RESULTS

The table below highlights some of the key performance indicators

	2023	2022
	SSP '000	Restated SSP '000
Insurance revenue	3,960,881	1,610,450
Loss for the year	(1,535,927)	(16,078)
Total comprehensive (loss)/income for the year	(936,191)	381,764
Total assets	12,687,680	7,305,763
Total equity	927,175	1,863,366

5. DIVIDENDS

The directors do not recommend payment of dividends in the year (2022: Nil)

6. DIRECTORS

The directors of the Company who served in office during the year and to the date of this report are set out on page 1 of this report.

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

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

- a) there is, so far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
- b) each director has taken all the steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

8. TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office with the accordance with the company's Articles of Association. The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and associated fees on the behalf of the shareholders.

BY ORDER OF THE BOARD



Company Secretary

13 MAY 2024
Juba

CIC AFRICA INSURANCE (SS) LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. The directors are responsible to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the prescribed financial reporting standards.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards. They also accept responsibility for:

- 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;
- selecting suitable accounting policies and then applying them consistently; and
- Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the board of directors on 13 MAY 2024 and signed on its behalf by:



.....
Patrick Nyaga – Group Chief Executive Officer



.....
Julius Macharia – Managing Director

CIC AFRICA INSURANCE (SS) LTD
REPORT OF THE CONSULTING ACTUARY
FOR THE YEAR ENDED 31 DECEMBER 2023

I have conducted an actuarial valuation of CIC Africa Insurance (SS) Limited as at 31 December 2023.

The valuation was conducted in accordance with IFRS 17.

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

In my opinion, CIC Africa Insurance (SS) Limited insurance liabilities were adequate as at 31 December 2023.

Name of Actuary: QED Actuaries & Consultants Kenya Ltd

Signed



13 JUNE2024



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC AFRICA INSURANCE (SS) LTD

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of CIC Africa Insurance (SS) Limited (the Company) set out on pages 9 to 90 which comprise the statement of financial position at 31 December 2023, the 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, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of CIC Africa Insurance (SS) Limited at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

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). 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.

Other information

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

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

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC AFRICA INSURANCE (SS) LTD (CONTINUED)

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 IFRS Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CIC AFRICA INSURANCE (SS) LTD (CONTINUED)

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

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

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

Bernice Kimacia

CPA Bernice Kimacia, Practicing Certificate Number 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

24 JUNE 2024

CIC AFRICA INSURANCE (SS) LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 SSP '000'	2022 *Restated SSP '000'
Insurance revenue	3 (a)	3,960,881	1,610,450
Insurance service expenses	3 (b)	(6,299,713)	(2,903,136)
Net expense from reinsurance contracts held	3 (c)	<u>(434,645)</u>	<u>38,552</u>
Insurance service result		<u>(2,773,477)</u>	<u>(1,254,134)</u>
Interest revenue calculated using the effective interest method	4 (a)	239,340	146,503
Other investment income	4 (b)	83,825	54,383
Net gains on FVTPL investments	5 (a)	56,984	30,036
Net (losses)/gains from fair value adjustments on investment property	5 (a)	(22,491)	168,397
Foreign exchange gain	5 (b)	<u>1,248,143</u>	<u>977,879</u>
Investment return		1,605,801	1,377,198
Net finance expenses for insurance contracts issued	6	<u>(8,846)</u>	<u>(3,382)</u>
Net investment result		1,596,955	1,373,816
Other operating expenses	7 (a)	<u>(359,405)</u>	<u>(135,760)</u>
Loss before income tax		(1,535,927)	(16,078)
Income tax expense	8	=	=
Loss for the year		<u>(1,535,927)</u>	<u>(16,078)</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation gain on land and building	9(a)	<u>599,736</u>	<u>397,842</u>
Total comprehensive loss for the year		<u>(936,191)</u>	<u>381,764</u>

CIC AFRICA INSURANCE (SS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		2023	2022	2021
			*Restated	*Restated
	Notes	SSP '000'	SSP '000'	SSP '000'
ASSETS				
Property and equipment	9 (a)	1,684,408	1,038,908	641,224
Intangible assets	9 (b)	12,111	17,172	9,634
Investment properties	10	2,432,196	1,532,592	935,829
Related party loan	11	1,869,201	1,290,018	789,906
Investment in collective Investment scheme at fair value through profit or loss	12	929,329	496,526	341,025
Restricted deposit with financial institution	13	5,471,968	2,686,283	2,265,334
Deposit with financial institution	14	65,856	-	-
Other receivables	15	126,452	78,190	63,041
Non-life reinsurance contract assets	20(a)	-	111,266	232,000
Cash and bank balances	24 (b)	96,159	54,808	29,342
TOTAL ASSETS		<u>12,687,680</u>	<u>7,305,763</u>	<u>5,307,335</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	16 (b)	15,800	15,800	15,800
Retained earnings	17 (a)	(625,752)	910,175	926,253
Revaluation reserve	17 (b)	<u>1,537,127</u>	<u>937,391</u>	<u>539,549</u>
Total equity		<u>927,175</u>	<u>1,863,366</u>	<u>1,481,602</u>
Liabilities				
Non-life insurance contracts liabilities	18 (a)	3,185,388	1,487,483	530,504
Life Insurance contract liabilities	18 (a)	65,091	55,353	28,151
Non-life reinsurance contract liabilities	20 (a)	480,195	-	-
Life reinsurance contract liabilities	20 (b)	80,739	58,210	21,096
Due to related party	21	241,557	151,727	15,667
Other payables	22	1,009,698	563,647	608,507
Lease liabilities	23	205,629	144,433	103,693
Investment contract liabilities	19	<u>6,492,208</u>	<u>2,981,544</u>	<u>2,518,115</u>
Total liabilities		<u>11,760,505</u>	<u>5,442,397</u>	<u>3,825,733</u>
TOTAL EQUITY AND LIABILITIES		<u>12,687,680</u>	<u>7,305,763</u>	<u>5,307,335</u>

The financial statements on pages 9 to 90 were approved by the Board of Directors on 13 MAY 2024 and signed on its behalf by:



.....
Patrick Nyaga
Group Chief Executive Officer



.....
Julius Macharia
Principal officer

CIC AFRICA INSURANCE (SS) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital SSP '000' 16	Revaluation reserve SSP '000 17 (a)	Retained earnings SSP '000' 17(b)	Total SSP '000'
At 1 January 2022 (previously reported)	15,800	539,549	1,437,424	1,992,773
Impact of adoption of IFRS 17	<u>-</u>	<u>-</u>	<u>(511,171)</u>	<u>(511,171)</u>
At 1 January 2022 - restated	15,800	539,549	926,253	1,481,602
Loss for the year	-	-	(16,078)	(16,078)
Other comprehensive income for the year	<u>-</u>	<u>397,842</u>	<u>-</u>	<u>397,842</u>
At 31 December 2022 - restated	<u>15,800</u>	<u>937,391</u>	<u>910,175</u>	<u>1,863,366</u>
At 1 January 2023 - restated	15,800	937,391	910,175	1,863,366
Loss for the year	-	-	(1,535,927)	(1,535,927)
Other comprehensive loss for the year	<u>-</u>	<u>599,736</u>	<u>-</u>	<u>599,736</u>
At 31 December 2023	<u>15,800</u>	<u>1,537,127</u>	<u>(625,752)</u>	<u>927,175</u>

CIC AFRICA INSURANCE (SS) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 SSP '000'	2022 *Restated SSP '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24(a)	3,131,893	466,432
Interest received	4(a)	3,803	2,937
Additions to collective investment scheme	12	(452,154)	-
Withdrawals from collective investment scheme	12	274,946	-
Increase in restricted deposit		(2,785,685)	(420,949)
Increase in deposit with financial institution	14	(65,856)	-
Net cash generated from operating activities		<u>106,947</u>	<u>48,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9 (a)	(49,261)	(1,936)
Purchase of intangible assets	9 (b)	-	(10,609)
Net cash used in investing activities		<u>(49,261)</u>	<u>(12,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease	23	<u>(16,335)</u>	<u>(10,409)</u>
Net cash used in financing activities		<u>(16,335)</u>	<u>(10,409)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>41,351</u>	<u>25,466</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>54,808</u>	<u>29,342</u>
CASH AND CASH EQUIVALENT AT 31 DECEMBER		<u>96,159</u>	<u>54,808</u>

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance with IFRS Accounting Standards.

The financial statements have been prepared in compliance with IFRS Accounting Standards, interpretations issued by the IFRS Interpretations Committee (IFRS IC) Interpretations applicable to companies reporting under IFRS. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

(a) Basis of preparation

The measurement basis used is the historical cost basis, as modified by the carrying amount of certain property and equipment, investment property and certain investments at fair value, and actuarially determined liabilities at their present value. The financial statements are presented in South Sudan Pounds (SSP), rounded to the nearest thousand, which is also the functional currency.

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

The Company presents its statement of financial position in the general order of liquidity.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Going concern

The Company made a loss of SSP 1.536 million (2022: SSP: 16.1 million) during the year which added to accumulated losses totalling SSP 625.8 million. The losses suffered in the year relate to adverse claims experience in the medical book due to increased medical claims witnessed in the year. As part of the policy and scheme renewals in 2024, the directors have repriced the medical schemes appropriately to mitigate the impact of unexpected higher claims experiences. At 31 December 2023, the Company was in a net asset position of SSP 927.2 million. Based on these factors, the directors believe that the company continues to be a going concern for the foreseeable future.

(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 2023 (i.e years ending 31 December 2023), and ii) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) New Standards, New Interpretations and Amendments to Standards (continued)

(i) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

International Financial Reporting Standards and amendments effective for the first time for <i>December 2023</i> year-ends		
Number	Effective date	Executive summary
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023 (Published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p> <p>The Company applied the new standard effective 1 January 2023. The impact has been discussed below.</p>
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) New Standards, New Interpretations and Amendments to Standards (continued)

(i) New standards and amendments – applicable 1 January 2023 (continued)

International Financial Reporting Standards and amendments effective for the first time for <i>December 2023</i> year-ends		
Number	Effective date	Executive summary
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

Other than IFRS 17, the above standards and amendments did not have a significant impact on the Company's financial statements.

Implementation of IFRS 17 *Insurance contracts*

The Company has applied IFRS 17 Insurance Contracts, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements. The nature and effects of the key changes in the Company's accounting policies as a result of adopting IFRS 17 are summarised below.

Summary

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts that governs recognition, measurement, presentation and disclosure.

Whereas IFRS 4 allowed insurers to use existing local practice for the measurement of policyholder liabilities, IFRS 17 provides for a comprehensive and consistent approach to insurance contracts. The new standard affected the financial statements and key performance indicators of all entities that issue insurance contracts as well as investment contracts with discretionary participation features.

IFRS 17 introduces a measurement model for insurance contracts based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for nonfinancial risk (together these represent the fulfilment cash flows) and a contractual service margin (CSM).

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17)

The default model is the general measurement model (GMM), which is mainly used for measuring life risk (including reinsurance) and annuity contracts. The GMM is supplemented by a specific modification called the variable fee approach (VFA) for measurement of contracts where policyholders participate in underlying items (life savings contracts and other with-profits contracts). IFRS 17 also makes provision for a simplified approach, the premium allocation approach (PAA), mainly for short-duration contracts. The majority of these are within the general insurance business.

Regardless of the measurement model used, the basic revenue recognition principle of IFRS 17 is that profit is recognised over the lifetime of a group of insurance contracts, as services are provided, but losses are recognized immediately if the group of insurance contracts is onerous. No profit is recognised on initial recognition.

Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows is based on the characteristics of the liability.

Impact of the adoption of IFRS 17

The impact of initial application of IFRS 17 on the Company's financial statements was a decrease of SSP 511 million to the Company's total equity at 1 January 2022.

The various portfolios of business in the Company are impacted in different ways by the transition to IFRS 17. As noted above, the Company has provided the restated comparative information for 2022 in these financial statements.

Included below is the reconciliation of the company statement of financial position from IFRS 4 to IFRS 17 at transition:

	31 Dec 2021 As reported SSP'000	Transitional adjustments SSP'000	Reclassification adjustments SSP'000	1 Jan 2022 *Restated SSP'000
ASSETS				
Reinsurance contract assets	288,749	(38,296)	(18,453)	232,000
Insurance contract assets	87,812	-	(87,812)	-
All other assets	<u>5,222,228</u>	<u>-</u>	<u>(146,893)</u>	<u>5,075,335</u>
Total assets	<u>5,598,789</u>	<u>(38,296)</u>	<u>(253,158)</u>	<u>5,307,335</u>
LIABILITIES				
Reinsurance contract liabilities	39,549	-	(18,453)	21,096
Insurance contract liabilities	482,583	277,329	(201,257)	558,655
Investment contract liabilities	2,322,569	195,546	-	2,518,115
All other liabilities	<u>761,315</u>	<u>-</u>	<u>(33,448)</u>	<u>727,867</u>
Total liabilities	<u>3,606,016</u>	<u>472,875</u>	<u>(253,158)</u>	<u>3,825,733</u>
EQUITY				
Share capital	15,800	-	-	15,800
Retained earnings	1,437,424	(511,171)	-	926,253
Revaluation reserve	<u>539,549</u>	<u>-</u>	<u>-</u>	<u>539,549</u>
Total equity	<u>1,992,773</u>	<u>(511,171)</u>	<u>-</u>	<u>1,481,602</u>
Total liabilities and equity	<u>5,598,789</u>	<u>(38,296)</u>	<u>(253,158)</u>	<u>5,307,335</u>

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards and amendments – applicable 1 January 2023 (continued)

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17)

Transition to IFRS 17

Transition adjustments

The measurement adjustments (transitional adjustments) relate to the following:

	SSP'000
Equity as previously reported – 1 January 2022	1,992,773
<i>Impact of:</i>	
Discounting of liability for incurred claims	49,316
Contractual service margin	(268,849)
Risk adjustment for non-financial risk	(34,862)
Loss component	<u>(256,776)</u>
Total change in equity	(511,171)
Equity – restated	<u>1,481,602</u>

- Discounting, which include present value of liability for incurred claims, representing the time value of money for claims expected to be settled in periods longer than one year;
- Recognition of contractual service margin which represents deferred profit elements recognised at inception of contracts and amortised over the contract period;
- the recognition of a risk adjustment for non-financial risk, a new concept required by IFRS 17, compared to the prudent margins required by IFRS.
- compared to the level at which the liability adequacy test was performed under IFRS 4, the level of aggregation of the contracts under IFRS 17 is more granular and can therefore result in more contracts being identified as onerous and losses on onerous contracts being recognized in profit or loss sooner. A loss component has been recognised to account for these onerous contracts;
- Under IFRS 4, the Company did not defer its reinsurance component of acquisition cash flows (previously deferred commission income). The reinsurance acquisition cash flows have been deferred and recognized under IFRS 17.

Impact on statement of comprehensive income

The statement of profit or loss and other comprehensive income has been re-presented for the year ended 31 December 2022 to reflect the changes in the opening balance sheet at 1 January 2022. The transitional requirements of IFRS 17 do not require a reconciliation between the previous format of profit or loss and the new format of profit or loss.

Reclassification adjustments

Insurance and reinsurance related receivables and payables are no longer presented separately from insurance liabilities and reinsurance assets, leading to a reduction of total assets and liabilities as follows:

- Receivables arising out of direct insurance arrangements amounting to SSP 61 million and deferred acquisition costs amounting to SSP 26 million have been reclassified from assets and netted off against insurance contract liabilities;
- Payables arising out of reinsurance arrangements (SSP 18 million) have been reclassified from liabilities and netted off against reinsurance contract assets.
- Other receivables (SSP 33 million) have been reclassified from assets and netted off against other liabilities and SSP 113 million netted off against insurance liabilities.

Portfolios of contracts that have asset balances and those that have liability balances are presented separately on each side of the statement of financial position.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards and amendments – applicable 1 January 2023 (continued)

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17)

Transition to IFRS 17 (continued)

Selection of transition approach

On transition to IFRS 17, the Company has applied the full retrospective approach (FRA) unless it has concluded it is impracticable. The Company has applied the FRA on transition for all insurance contracts issued on or after 1 January 2021 and prior to the 1 January 2023 effective date.

Fair value approach (FVA)

Where the Company has concluded that the FRA is impracticable, it has applied the FVA on transition for all groups of insurance and associated reinsurance contracts. FVA basis cohorts have been grouped across multiple underwriting years into a single unit for each product type and reinsurance treaty for measurement purposes, which is the unit of account applied. The assumptions, models and the results of the determination of the fair value of the insurance and reinsurance contracts under this approach are explained below.

Impracticability assessment

IFRS 17 requires firms to apply the Standard fully retrospectively, unless it is impracticable to do so, in which case either a modified retrospective approach or FVA may be taken. For insurance and reinsurance contracts where the effective date of the contract was prior to 1 January 2021, the Company concluded that it would be impracticable to apply the standard on a fully retrospective basis due to the inability of determining the risk adjustment, a new requirement in terms of IFRS 17, in earlier years without the application of hindsight. Guidance contained in the IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” requires that hindsight should not be applied in the application of an accounting standard on a retrospective basis.

Impracticability of application of Risk Adjustment on the FRA (insurance contracts)

The most significant issue identified was the absence of an approved Company Risk Adjustment framework, policy and methodology prior to 2021, with any target setting to prior year information representing the application of hindsight which is prohibited by the Standard.

The risk adjustment is a new requirement of IFRS 17 and represents the compensation that an entity requires to take on non-financial risk. Defining “compensation that the entity requires” to take on risk differs to any of the risk-based allowances adopted for either existing regulatory or statutory reporting purposes. A new framework and policy have been defined and implemented to measure the risk adjustment.

The Company has assessed whether other information used in previous reporting cycles, including pricing for new business, could be used to determine the risk adjustment, but has concluded that none of these alternatives would be an appropriate proxy for the risk adjustment. The development of the new approach for IFRS 17 represents a significant enhancement in the approach used to determine the Company's allowance for non-financial risk, with the use of a target confidence interval and probability distributions providing a more meaningful quantification of allowance for risk compared with IFRS 4 reporting. Therefore, the Company has concluded that the FRA is impracticable prior to 2021 in respect of risk adjustment as it would require the use of hindsight.

Impracticability assessment for reinsurance contracts held

The risk adjustment for reinsurance contracts held in IFRS 17 reflects the “amount of risk being transferred” to the reinsurer, so where the risk adjustment for insurance contracts is impracticable then, by definition, the reinsurance risk adjustment is also impracticable.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards and amendments – applicable 1 January 2023 (continued)

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17)

Transition to IFRS 17 (continued)

Approach adopted

After considering the severity of these factors, the Company concluded that it was impracticable to determine the value of insurance and reinsurance contracts on an FRA basis for those years of business transacted prior to 2021.

As a result of this impracticability, the IFRS 17 standard allows an accounting policy choice of the FVA or modified RVA from which the Company elected to apply the FVA.

Determination of fair value

Fair value principles

The Company has used the principles contained in IFRS 13: "Fair Value Measurement", except the principles relating to demand features, to determine the fair value of the insurance and reinsurance contracts.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, that is an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

For certain assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, such as insurance obligations and associated reinsurance agreements, observable market transactions and market information are not widely available. There is no active market for the transfer of insurance liabilities and associated reinsurance between market participants and therefore there is limited market observable data. Although there may be transactions for specific books of annuity business, the profile of the cash flows and nature of the risks of each book or business is unique to each, with key inputs underlying the price of these transactions not being widely-available public knowledge, and therefore it is not possible to determine a reliable market benchmark from these transactions.

When a price for an identical asset or liability is not observable, the Group measures fair value using an alternative valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is determined using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The initial determination of the fair value was calculated on a gross and net of reinsurance basis. The fair value of the reinsurance contracts was then determined based on the difference between the gross and net of reinsurance results.

The measurement of the fair value of insurance contracts and associated reinsurance contracts have therefore been classified, in terms of the financial reporting fair value hierarchy as Level 3.

Aggregation of contracts for the determination of fair value

The Company has aggregated contracts issued more than one year apart when determining groups of insurance and reinsurance contracts under the FVA at transition as permitted by IFRS 17. For the application of the FVA, the Company has used reasonable and supportable information available at the transition date in order to identify groups of insurance and reinsurance contracts.

All insurance contracts which are valued at the date of transition using the fair value transition method have been allocated to the "any remaining contracts" profitability grouping.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(i) New standards and amendments – applicable 1 January 2023 (continued)

Implementation of IFRS 17 *Insurance Contracts* (IFRS 17)

Transition to IFRS 17 (continued)

Overview of the FVA applied

In line with IFRS 13, the Company uses an income approach, i.e. a present value technique, to determine the Fair Value of a group of contracts. According to IFRS 13, a Fair Value measurement of a liability using a present value technique captures all the following elements from the perspective of market participants at the measurement date:

- an estimate of future cash flows for the asset or liability being measured.
- expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows.
- the time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (i.e., a risk-free interest rate).
- the price for bearing the uncertainty inherent in the cash flows (i.e., a risk premium).
- other factors that market participants would take into account in the circumstances.
- for a liability, the non-performance risk relating to that liability, including the entity's own credit risk.

IFRS 13 presents various present value techniques to estimate Fair Value. The Company follows an adjusted Fulfilment Cashflow approach ("Adjusted FCF"). This present value technique is similar to the approach under IFRS 17 given that both standards necessitate a discounted value of the risk-adjusted expected cash flows. Under the adjusted FCF, the IFRS 17 fulfilment cashflows are adjusted to reflect the perspective of a market participant in the principal market of the liability in contrast to the entity's view under IFRS 17 and other IFRS 13 requirements.

Summary of fair value results

The following table summarises the fair value of insurance and reinsurance contracts determined at the 1 January 2022 transition date.

	Fair value SSP'000	Estimate of present value of future cash flows SSP'000	Risk adjustment SSP'000	CSM SSP'000
Insurance contract liabilities	12,803	7,297	3,037	2,469
Net reinsurance contracts liabilities				
Reinsurance contract assets	-	-	-	-
Insurance contract liabilities – net of reinsurance	<u>12,803</u>	<u>7,297</u>	<u>3,037</u>	<u>2,469</u>

The Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts
- Determine whether contracts are eligible for the VFA
- Identify any discretionary cash flows for insurance contracts measured under the GMM

The discount rates for the group of contracts applying the fair value approach were determined using the prevailing yield curve as at the transition date.

Application of IFRS 17 at 1 January 2022, required the Company to:

- Identify, recognize and measure group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Identify, recognise and measure any asset for insurance acquisition cashflows as if IFRS 17 had always been applied except the recoverability assessment not applied before 1 January 2022;
- De-recognise any existing balances that would not exist had IFRS 17 been applied and recognize the IFRS 17 balances that replace these; and
- Recognise any resulting net difference in equity.

Refer to the disclosure in note 1(c) for the measurement approaches adopted.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(ii) Forthcoming requirements

As at 31 December 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023.

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	Effective date	Executive summary
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 - Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The above standards are not expected to have a significant impact on the Company's financial statements.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Insurance contracts

Summary of measurement approaches

	Product classification	Measurement model
Contracts issued		
General business contracts	Insurance contracts	Premium Allocation Approach (PAA)
Group life contracts	Insurance contracts	Premium Allocation Approach (PAA)
Group credit contracts	Insurance contracts	General Measurement Model (GMM)
Deposit administration contracts	Investment contracts	Premium Allocation Approach (PAA)
Reinsurance contracts held		
General business reinsurance contracts	Reinsurance contract held	Premium Allocation Approach (PAA)
Life business reinsurance contracts	Reinsurance contract held	Premium Allocation Approach (PAA)

(i) Classification of contracts

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The company uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

The Company issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Company's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Company as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

These criteria are assessed at the individual contract level based on the Company's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified. All other insurance contracts originated by the Company, including investment contracts with DPF, are without direct participation features.

In the normal course of business, the company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

(ii) Separation of components of insurance contracts

Before the company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment components; and
- Promises to transfer distinct goods or distinct non-insurance services

The company applies IFRS 17 to all remaining components of the contract.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(iii) Level of aggregation of insurance contracts

The company manages insurance contracts issued by product lines within an operating segment. Insurance contracts within a product line that are subject to similar risks and are managed together are aggregated into a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are;

- i. contracts that are onerous at initial recognition;
- ii. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- iii. a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

(iv) Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- The beginning of the coverage period;
- The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- When the company determines that a group of contracts becomes onerous

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

The company recognises a group of proportionate reinsurance contracts held (quota share reinsurance) from the later of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date of initial recognition of any underlying contract

If the company recognises an onerous group of underlying contracts before the beginning of the coverage period of the group of reinsurance contracts held, then the group of proportionate reinsurance contracts held is recognised at the same time as the onerous group of underlying contracts.

The company recognises a group of non-proportionate reinsurance contracts held (such as group-wide catastrophe stop-loss reinsurance) from the beginning of the coverage period of the group of reinsurance contracts; this is typically the first period in which premiums are paid or reinsurance recoveries are received.

Reinsurance contracts are to be recognised in full for all underlying insurance contracts expected to be issued that fall within the boundary of the reinsurance contracts held. An insurance contract is derecognised when it is:

- Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- The contract is modified and certain additional criteria are met.

(v) Modification

When an insurance contract is modified by the company as a result of an agreement with the counterparties or due to a change in regulations, the company treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows (FCF), unless the conditions for the derecognition of the original contract are met. The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- (a) if the modified terms had been included at contract inception and the company would have concluded that the modified contract:
 - (i) is not in scope of IFRS 17;
 - (ii) results in different separable components;
 - (iii) results in a different contract boundary; or
 - (iv) belongs to a different group of contracts;
- (b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- (c) the original contract was accounted for under the premium allocation approach (PAA), but the modification means that the contract no longer meets the eligibility criteria for that approach.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vi) Derecognition

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

- (a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the Company;
- (b) adjusts the contractual service margin (CSM) (unless the decrease in the FCF is allocated to the loss component of the liability for remaining coverage (LRC) of the Company) in the following manner, depending on the reason for the derecognition:
 - (i) if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
 - (ii) if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party;
 - (iii) if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the premium the Company would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received;
- (c) adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the FCF to remove related rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- (a) if the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;
- (b) if the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third party;
- (c) if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

(vii) Measurement

Fulfilment cash flows (FCF)

The fulfilment cash flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts that the company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- (a) are based on a probability weighted mean of the full range of possible outcomes;
- (b) are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and
- (c) reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims (LIC).

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vii) Measurement (continued)

Fulfilment cash flows (FCF) (continued)

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- Claims handling, maintenance and administration costs;
- Recurring commissions payable on instalment premiums receivable within the contract boundary; and
- Income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Contract boundary

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- (a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- (b) both of the following criteria are satisfied:
 - (i) the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
 - (ii) the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at an additional cost, that are issued together with the main insurance contracts, form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contract's boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive services from the reinsurer.

The Company's quota share life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a one-year notice period by either party. Thus, the Company treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within one-year's boundary are included in each of the reinsurance contract's measurement.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vii) Measurement (continued)

Initial and subsequent measurement – groups of contracts not measured under the PAA

Contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- (a) the initial recognition of the FCF;
- (b) the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and
- (c) cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately with no CSM recognised on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives reinsurance coverage in the future.

Subsequent measurement – Groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- (a) the LRC, comprising:
 - (i) the FCF related to future service allocated to the group at that date; and
 - (ii) the CSM of the group at that date; and
- (b) the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- (a) the remaining coverage, comprising:
 - (i) the FCF related to future service allocated to the group at that date; and
 - (ii) the CSM of the group at that date; and
- (b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For a group of contracts to which the premium allocation approach does not apply, the Company continues to treat the premiums receivable from the intermediary as future cash flows within the boundary of an insurance contract and, applying IFRS 17, includes them in the measurement of the group of insurance contracts until recovered in cash.

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- (a) changes that relate to current or past service are recognised in profit or loss; and
- (b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts measured under the general measurement model (GMM), the following adjustments relate to future service and thus adjust the CSM:

- (a) experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- (b) changes in estimates of the present value of future cash flows in the LRC, except those relating to the effect of the time value of money and the effect of financial risk and changes thereof;

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vii) Measurement (continued)

Subsequent measurement – Groups of contracts not measured under the PAA (continued)

Changes in fulfilment cash flows (Continued)

- (c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period;
- (d) differences between any policyholder loan expected to become repayable (plus any insurance finance income or expenses related to that expected repayment before it becomes repayable in the period) and the actual policyholder loan that becomes repayable in the period; and
- (e) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a) to (d) are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

- (a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- (b) changes in the FCF relating to the LIC; and
- (c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- (a) the effect of any new contracts added to the group;
- (b) for contracts measured under the GMM, interest accreted on the carrying amount of the CSM;
- (c) changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;
- (d) the effect of any currency exchange differences; and
- (e) the amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognised in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognised in the insurance service result.

The Company does not have any reinsurance contracts held measured under the GMM with underlying contracts measured under the PAA.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vii) Measurement (continued)

Changes to the contractual service margin (Continued)

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Company revises the locked-in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period end prospectively by considering:

- (a) the quantity of benefits provided by contracts in the group;
- (b) the expected coverage duration of contracts in the group; and
- (c) the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

The company changes the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting period.

Onerous contracts – loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the company recognises the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the company allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- (a) expected incurred claims and other directly attributable expenses for the period;
- (b) changes in the risk adjustment for non-financial risk for the risk expired; and
- (c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are not reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vii) Measurement (continued)

Changes to the contractual service margin (Continued)

Reinsurance contracts held – loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts as presented in the *Onerous contracts – loss component* section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the company expects to recover from the group of reinsurance contracts held.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

Initial and subsequent measurement – groups of contracts measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less, or where it reasonably expects that such a simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced by applying the General Measurement Model (GMM). The Company uses PAA for measuring reinsurance contracts held with a coverage period of one year or less. The reinsurance contracts held by the Company have coverage periods of one year or less, hence the Company uses PAA for measuring such reinsurance contracts held.

On initial recognition of insurance contracts issued, the company measures the LRC at the amount of premiums received, less any acquisition cash flows allocated to the group of contracts adjusted for any amounts arising from the derecognition of any prepaid acquisition cash flows asset.

On initial recognition of reinsurance contracts held, the company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (a) the LRC; and
- (b) the LIC, comprising the FCF related to past service allocated to the group of contracts at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- (a) the remaining coverage; and
- (b) the incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- (a) increased for premiums received in the period;
- (b) decreased for insurance acquisition cash flows paid in the period;
- (c) decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
- (d) increased for the amortization of insurance acquisition cash flows in the period recognised as insurance service expenses (if applicable).

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- (a) increased for ceding premiums paid in the period; and
- (b) decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(vii) Measurement (continued)

Changes to the contractual service margin (Continued)

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money where, at initial recognition, the entity expects the time between any premium becoming due and providing the related insurance contract services is one year or less.

If a group of contracts becomes onerous, the company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses.

Subsequently, the company amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortisation is based on the passage of time over the remaining coverage period of contracts within an onerous group. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the company remeasures the FCF by applying the GMM and reflects changes in the FCF by adjusting the loss component as required until the loss component is reduced to zero.

(viii) Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The company disaggregates amounts recognised in the statement of profit or loss and other comprehensive income (OCI) into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Amounts recognised in comprehensive income

Insurance revenue

As the company provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the company expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - (a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - ✓ amounts allocated to the loss component;
 - ✓ repayments of investment components and policyholder rights to withdraw an amount;
 - ✓ amounts of transaction-based taxes collected in a fiduciary capacity;
 - ✓ insurance acquisition expenses; and
 - ✓ amounts related to the risk adjustment for non-financial risk
 - (b) changes in the risk adjustment for non-financial risk, excluding:
 - ✓ changes included in insurance finance income (expenses);
 - ✓ changes that relate to future coverage (which adjust the CSM); and
 - ✓ amounts allocated to the loss component;
 - (c) amounts of the CSM recognised for the services provided in the period;
 - (d) experience adjustments – arising from premiums received in the period other than those that relate to future service; and
 - (e) other amounts, including any other pre-recognition cash flows assets derecognized at the date of initial recognition.
- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates expected premiums equally to each period of related insurance contract services, unless the expected pattern of the release of risk during the coverage period differs significantly from an even basis.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(viii) Presentation (Continued)

Loss components

For contracts not measured under the PAA, the company establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and other benefits;
- Other incurred directly attributable expenses;
- Amortization of insurance acquisition cash flows: For contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Group amortizes insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts
- Losses on onerous contracts and reversals of such losses;
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein;
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Net expenses from reinsurance contracts

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the company expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- On recognition of onerous underlying contracts, if the reinsurance contract covering those contracts is entered into before or at the same time as those contracts are recognized
- For changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals or recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the company expects to recover from the reinsurance contracts.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance contracts (continued)

(viii) Presentation (Continued)

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The company has chosen not to disaggregate insurance finance income and expenses between profit or loss and OCI. All insurance finance income and expenses for the period is presented in profit or loss.

The Company has chosen not to disaggregate the change in risk adjustment for non-financial risk between the insurance service result and the insurance finance result. The entire change is recognised in the insurance service result.

(d) 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 considering 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 Company recognises interest income using the EIR method.

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

Investment income also includes dividend income which is recognised when the right to receive the payment is established.

(ii) Rental income

Rental income is recognised 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 Company'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) Realized / unrealized 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.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) 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).

- (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.

Other incurred directly attributable expenses, including any amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition, are recognised in insurance service expenses as per note 1(c)(viii) above. Other expenses not meeting the categories in note 1(c)(viii) are included in other operating expenses in the statement of profit or loss.

(f) Property and equipment

Property and equipment, except buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Buildings are stated at fair value in accordance with the revaluation model. Increases in the carrying amount of buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation reserve in the statement of changes in equity. However, if an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss, decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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. The buildings are stated at fair value, which has been determined based on valuations performed by Kenval Realtors Limited as at 31 December 2023.

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

Buildings	16 years
Computers	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years

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

Property and equipment are reviewed for impairment 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 to sell 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 use or disposal. Gains and losses on de recognition 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 the 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 residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and are adjusted prospectively, if appropriate.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(g) 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 carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by independent valuers i.e. Kenval Realtors Limited. Gains or losses arising from changes in the fair value are included in determining 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 are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of (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 an item 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

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 company accounts for such property in accordance with the policy stated under plant and equipment to the date of change in use.

(h) Intangible assets

Software licence costs and computer software that is 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 company are recognised as intangible assets.

The useful lives of intangible assets are assessed as either finite or indefinite. The company 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 with finite lives 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 reporting date. 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.

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised. 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 de recognition of intangible is determined in accordance with the requirements for determining the transaction price in IFRS 15.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(i) Accounting for leases

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

Company 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 Company 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 Company 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 Company'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 Company 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 Company 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, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

Leases where the Company 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.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(j) Employee Benefits

Defined contributions provident fund

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

Statutory pension scheme

The Company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The Company's contributions to the defined contribution schemes are charged to 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.

(k) 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 Company 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 the 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.

(l) Impairment of non-financial assets

The Company 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 Company 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 to sell 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 to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the 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, however, in the event of excesses over the reserve the same is recognized through Profit and Loss Statement.

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 Company 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 accumulated 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.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(m) Other financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

(n) Fair value measurement

The company measures financial instruments classified as financial assets at fair value through other comprehensive income 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 by the Company. 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 considers 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 Company 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 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
- 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 company 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. External valuers are involved for valuation of significant assets, such as investment properties.

Involvement of external valuers is decided upon annually by the senior finance and investment manager who discusses the basis and assumptions with the valuers. This is then approved by the group Chief Finance Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For fair value disclosures, the Company 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 made in note 35.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) 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 company becomes a party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of other receivables and amount due from related parties, which do not contain significant financing component, the Company 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 financial assets at fair value through profit and loss, transaction costs are recognised directly in the statement of profit or loss.

For a financial asset to be classified and measured at amortised cost or 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 Company's business model for managing financial assets refers to how it manages its financial assets 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 Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortized cost;
- Financial assets at fair value through OCI; and
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

The Company 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 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.

Financial assets at amortised cost are subsequently measured using the effective interest (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 Company's financial assets at amortised cost include, Cash and cash equivalents, Other assets, Fixed deposit, Deposits and commercial paper, Government securities, staff loans and Corporate bonds.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through OCI (debt instruments)

The Company 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

For debt instruments at fair value through OCI, interest income, foreign exchange gains and losses 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.

The Company's financial assets classified as debt instruments at fair value through OCI, include Government securities.

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

Upon initial recognition, the Company 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 Company 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 Company's financial assets designated at fair value through OCI (equity instruments) is 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 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.

Financial assets at fair value through profit or loss comprise investment in collective investment scheme i.e. CIC Unit Trust quoted equity investments and Government Securities.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

Financial assets (continued)

De-recognition 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 when:

- The rights to receive cash flows from the asset have expired or;
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company 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 the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 company could be required to repay.

De-recognition due to substantial modification of terms and conditions

The company 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 de recognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Company 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 de recognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss.

Impairment of financial assets

Overview of ECL principles

IFRS 9 requires the recognition of a forward-looking expected credit loss (ECL) for all financial assets at amortised cost and at fair value through OCI other than equity investments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (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 12mECL 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 Company 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.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

Financial assets (continued)

Overview of ECL principles (continued)

Based on the above process, the Company groups its financial assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI) as described below.

Stage 1: When financial assets are purchased or originated, the Company recognises an allowance based on 12mECLs. For financial assets, interest income is calculated on the gross carrying amount.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for LTECLs. The calculation of interest income is on the gross carrying amount of the financial asset.

Stage 3: where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Company will continue to recognise lifetime ECL, but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The calculation of ECLs

The Company 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 Company 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 Company 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 Company has the legal right to call it earlier.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

Financial assets (continued)

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.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a best estimate and is aligned with information used by the group for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Collateral valuation

To mitigate its credit risk on financial assets, the Company 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 Company'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, are valued based on data provided by third parties such as real estate valuers.

Collateral repossessed

The Company'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 Company's policy.

In its normal course of business, the Company 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. As a result 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 Company 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.

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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 company's financial liabilities include other payables and amounts due to related parties.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Financial instruments(continued)

Financial liabilities (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. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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. The Company has no liabilities in this category and has not designated any.

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.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to other payables and amount due to related parties.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(p) 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.

(q) Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are declared and approved. Dividends for the year that are approved after the reporting date are not recognised as a liability at the reporting date.

1. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(r) Events after the reporting date.

If the Company 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 Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company 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 Company 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 28 for more details.

(s) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

(t) Comparatives

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

(u) Translation of foreign currencies

The presentation currency is the currency of the primary economic environment in which the entity operates. The company's financial statements are presented in South Sudan Pounds ("SSP") which is also the company's functional currency.

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 company and from the translation of monetary assets and liabilities into each entity's functional currency are recognized in profit or loss.

The results and financial position of the 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 company'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

CIC Africa Insurance (South Sudan) was considered to operate in hyperinflationary economy until 31 December 2022. In 2023, South Sudan ceased being hyperinflationary and the subsidiary discontinued the preparation and presentation of the financial statements in accordance to the IAS 29 standard. It treated the carrying amounts expressed in the measuring current unit at 31 December 2022 as the basis for opening carrying amounts for the 2023 financial statements.

The analysis of the cumulative inflation rate over three years resulted in the Company considering whether South Sudan's economy was hyperinflationary. Based on the available information, the Company concluded that the economy is currently not hyperinflationary. Subsequently, the IMF has issued guidance that the inflation rate in 2024 has worsened and reinstated the economy to hyperinflationary status. The directors have evaluated and concluded that the change is a non-adjusting subsequent event applicable for the year 2024.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'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, considering 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 company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the company. Such changes are reflected in the assumptions when they occur.

A. Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that will have the most significant effect on the amounts recognised in financial statements:

(a) Assessment of significance of insurance risk

The Company applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. The type of contracts where this judgement is required are those that transfer financial and insurance risk and result in the latter being the smaller benefit provided. All contracts issued by the company accept significant insurance risk and the reinsurance contracts held transfer significant insurance risk and therefore no judgement was involved.

(b) Combination of insurance contracts

Determining whether it is necessary to treat a set or series of insurance contracts as a single contract involves significant judgement and careful consideration. In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the company determines whether the rights and obligations are different when looked at together compared to when looked at individually and whether the company is unable to measure one contract without considering the other. No respective judgement is applicable to the company.

(c) Separation of insurance components of an insurance contract

The company issues some insurance contracts that combine protection for the policyholder against different types of insurance risks in a single contract. IFRS 17 does not require or permit separating insurance components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. In such cases, separate insurance elements must be recognized. Overriding the 'single contract' unit of account presumption involves significant judgement and is not an accounting policy choice. When determining whether a legal contract reflects its substance or not, the company considers the interdependency between different risks covered, the ability of all components to lapse independently, and the ability to price and sell the components separately. No respective judgement is applicable to the company.

(d) Determination of the contract boundary

The measurement of a group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the company considers its substantive rights and obligations arising from the terms of the contract, from applicable law, regulation and customary business practices. Cash flows are considered to be outside of the contract boundary if the company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date. The company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio.

For the Company, the date of initial recognition will be the start of the coverage period for the group of insurance and reinsurance contracts. In some contracts such as direct participating contracts, the Company has the practical ability to reprice upon renewal. The contract boundary ends at the end of the coverage period (e.g., maturity date/expiry date of the contract, or renewal date).

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

A. Critical judgements in applying the company's accounting policies (continued)

(e) Identification of portfolios

The company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. Despite the oversight provided by management at the group level, the company determines that these contracts are managed at the issuing entity level. This is not an area of significant judgement for the company since the company is a multi-line insurer where each product line is monitored and managed on its own.

The company applies the same assessment for the group of reinsurance contracts held.

(f) Level of aggregation

The company applies judgement when determining the contract sets within portfolios and whether the company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group.

(g) Assessment of loss component

Aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts. Similar grouping assessment for reinsurance contracts held is done. For contracts measured under the PAA, management has applied judgement to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is applied to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required. The Company uses loss ratios to identify onerous contracts. The Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous.

(h) Assessment of directly attributable cash flows

The company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. The company performs regular expenses analysis and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

(i) Assessment of eligibility for PAA

For short term (re)insurance contracts with a coverage period extending beyond one year, the company elects to apply the PAA if at the inception of the group, the company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Model. The company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition.

The company carried out PAA eligibility assessment for the engineering portfolio whose LRC determined using GMM does not differ materially from that measured under PAA and concluded that they qualify to be measured under PAA. The Company also carried out PAA eligibility assessment for the deposit administration contracts portfolio, and assessed that the coverage period is one year or less, given the ability to reprice the portfolio annually.

(j) Determination of contractual service margin (CSM)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Company determines the quantity of the benefits provided under each contract as follows;

- Term life insurance contracts - Expected present value of claims

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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

B. Key sources of estimation uncertainty (continued)

Sensitivity analysis to underwriting risk variables

The following tables present information on how reasonably possible changes in assumptions made by the company with regard to underwriting risk variables impact insurance liabilities and profit loss and equity before and after risk mitigation by reinsurance contracts held.

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The changes were made by the company in the methods and assumptions used in preparing the below analysis.

(i) Non-Life sensitivity analysis

	Liability for incurred claims (LIC) SSP'000	As at 31 December 2023			Liability for incurred claims (LIC) SSP'000	As at 31 December 2022		
		Impact on LIC SSP'000	Impact on profit before income tax SSP'000	Impact on equity SSP'000		Impact on LIC SSP'000	Impact on profit before income tax SSP'000	Impact on equity SSP'000
Insurance contract liabilities	2,144,532				814,876			
Reinsurance contract assets	43,090				(102,677)			
Net insurance contract liabilities	<u>2,187,622</u>				<u>712,199</u>			
<i>Average claim cost - 10% increase</i>								
Insurance contract liabilities		29,380	(29,380)	(29,380)		6,733	(6,733)	(6,733)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		<u>29,380</u>	<u>(29,380)</u>	<u>(29,380)</u>		<u>6,733</u>	<u>(6,733)</u>	<u>(6,733)</u>
<i>Expenses - 10% increase</i>								
Insurance contract liabilities		17,932	(17,932)	(17,932)		11,697	(11,697)	(11,697)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		<u>17,932</u>	<u>(17,932)</u>	<u>(17,932)</u>		<u>11,697</u>	<u>(11,697)</u>	<u>(11,697)</u>
<i>Discount rate- 10% increase</i>								
Insurance contract liabilities		(10,321)	10,321	10,321		7,214	(7,214)	(7,214)
Reinsurance contract assets		-	-	-		-	-	-
Net insurance contract liabilities		<u>(10,321)</u>	<u>10,321</u>	<u>10,321</u>		<u>7,214</u>	<u>(7,214)</u>	<u>(7,214)</u>

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

A. Critical judgements in applying the company's accounting policies (continued)

(k) Impairment of financial assets

The company recognizes an allowance for expected credit losses (ECLs) across relevant financial assets 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 company 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 recognized 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).

Therefore, the Company tracks changes in credit risk and recognizes a loss allowance based on lifetime ECLs at each reporting date. See specific notes for financial assets that are subject to impairment assessment.

(l) Valuation of property and investment property

Estimates are made in determining valuation of investments properties. The management uses experts in determination of the values to adopt. In performing the valuation, the valuers use discounted cash flows projections which incorporates assumptions around the continued demand of the rental space, sustainability of growth in rent rates as well as makes reference to the recent sales made of similar sizes and within the similar locality. The independent valuers also use the highest and best in use principle in determining the values of the investment properties. The changes in these assumptions could result in significant change in the carrying value of the investment property.

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

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

B. Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(a) Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS 17 to measurement of insurance contracts issued and reinsurance contracts held, the company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows, including Liability for Incurred claims
- Discount rates
- Allocation rate for insurance finance income or expenses
- Risk adjustment for non-financial risk
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts

Every area, including the company's estimation methods and assumptions used and other sources of estimation uncertainty are discussed below. At 31 December 2023, the Company's total carrying amount of:

- Insurance contracts issued that are liabilities was SSP 3.25 billion (2022: SSP 1.54 billion)
- Reinsurance contracts issued that are liabilities was SSP 561 million (2022: liabilities of SSP 58 million and assets of SSI 111 million)

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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

B. Key sources of estimation uncertainty (continued)

Sensitivity analysis to underwriting risk variables (continued)

(ii) Life sensitivity analysis

Group credit	As at 31 December 2022								
	Fulfilment cash flows (FCF)	CSM	Total	Impact on FCF	Impact on CSM	Total impact	Remaining CSM	Impact on profit before tax	Impact on equity
	SSP'000'	SSP'000'	SSP'000'	SSP'000'	SSP'000'	SSP'000'	SSP'000'	SSP'000'	SSP'000'
Insurance contract Liabilities									
Insurance contract liabilities (net)	23,616	18,436	42,052	-	-	-	-	-	(42,052)
Reinsurance contract assets (net)	-	-	-	-	-	-	-	-	-
Net insurance contract liabilities	<u>23,616</u>	<u>18,436</u>	<u>42,052</u>	-	-	-	-	-	<u>(42,052)</u>
<i>Average claim cost - 10% increase</i>									
Insurance contract liabilities	-	-	-	-	-	-	-	-	-
Reinsurance contract assets	-	-	-	-	-	-	-	-	-
Net insurance contract liabilities	-	-	-	-	-	-	-	-	-
<i>Average expense-10% increase</i>									
Insurance contract liabilities	-	-	-						
Insurance contract liabilities (net)	24,964	17,174	42,138	(1,348)	1,262	(86)	-	(42,052)	(42,052)
Reinsurance contract assets	-	-	-	-	-	-	-	-	-
Net insurance contract liabilities	<u>24,964</u>	<u>17,174</u>	<u>42,138</u>	<u>(1,348)</u>	<u>1,262</u>	<u>(86)</u>	-	<u>(42,052)</u>	<u>(42,052)</u>
<i>Discount rate - 10% increase</i>									
Insurance contract liabilities									
Insurance contract liabilities (net)	23,111	19,002	42,113	505	(566)	(61)	-	(42,052)	(42,052)
Reinsurance contract assets (net)	-	-	-	-	-	-	-	-	-
Net insurance contract	<u>23,111</u>	<u>19,002</u>	<u>42,113</u>	<u>505</u>	<u>(566)</u>	<u>(61)</u>	-	<u>(42,052)</u>	<u>(42,052)</u>

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

B. Key sources of estimation uncertainty (continued)

(b) Technique for estimation of future cash flows

In estimating fulfilment cash flows included in the contract boundary, the company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the company uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as morbidity rates, accident rates, average claim costs, probabilities of severe claims. The company maximises the use of observable inputs for market variables and utilises internally generated company-specific data.

(c) Method of estimating discount rates

In determining discount rates for different products, the company uses the bottom-up approach for cash flows of nonparticipating contracts that do not depend on underlying items. Applying this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium).

To derive the risk-free yield curve, the company uses the published Nairobi Securities Exchange (NSE) yield curve. This yield curve is published monthly and is based on the current yields of government securities issued by the Central Bank of Kenya.

The Company will apply an illiquidity premium of zero to its risk-free yield curve. This is due to lack of sufficiently deep corporate bond market for which to derive the illiquidity premium. Data relating to illiquidity premium of insurance contracts is generally not directly available in the market. In addition, the groups of contracts are short-term in nature, mostly one year or less, and are due for renewal every year. It is not fully likely that the contracts will be renewed at the coverage end dates.

Discount rates applied for discounting of future cash flows are listed below:

Period	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
31 December 2023	16.10%	17.92%	17.96%	17.87%	17.45%	16.79%	16.32%	15.97%	15.73%	15.70%
31 December 2022	10.31%	12.17%	12.69%	13.11%	13.53%	13.62%	13.66%	13.70%	13.73%	13.77%

(d) Method of determining risk adjustment

Liability for incurred claims (LIC)

The Company uses stochastic methods known as quantile techniques to estimate risk adjustment for incurred claims for short-term contracts. Under this approach, the frequency and severity assumptions used in the computation of the liability of incurred claims, is fitted onto various statistical distributions. The data used is the ultimate average cost of claims and ultimate number of claims as determined through the reserving triangles. In addition, a smoothing is applied to the losses to ensure that accident periods that have unusually large or small average claims are not considered. This is done to ensure that other drivers of claims do not skew the distributions, such as unusual growth in exposure. The smoothing is applied by standardising claims with mean and standard deviation and removing all claims outside the 95% of the normal distribution.

Liability for Remaining Coverage (LRC)

A risk adjustment would need to be applied on the LRC for onerous short-term contracts to allow for the compensation required for carrying the uncertainty of unknown amounts and timing arising from contracts where premiums are determined to be insufficient. A risk adjusted and discounted ultimate loss ratio shall be applied on the Unearned Premium Reserve to determine the expected claims.

The Company will produce results at various confidence intervals and select the most appropriate risk margin for its own experience. Currently the confidence level for general insurance business is set at 75% to ensure consistency with general market practice.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT
(a) INSURANCE SERVICE REVENUE

2023						
Contracts not measured under the PAA						
	Expected incurred claims and other directly attributable expenses SSP'000'	Changes in risk adjustment for non-financial risk SSP'000'	CSM recognised for the services provided SSP'000'	Insurance acquisition cash flows recovery SSP'000'	Insurance revenue from contracts measured under the PAA SSP'000'	Total insurance revenue SSP'000'
General business						
Non-medical	-	-	-	-	639,058	639,058
Medical	-	-	-	-	<u>3,023,974</u>	<u>3,023,974</u>
Total general	-	-	-	-	<u>3,663,032</u>	<u>3,663,032</u>
Life business						
Group life	-	-	-	-	66,377	66,377
Group Credit	9,485	4,448	7,826	1,494	-	23,253
Deposit	-	-	-	-	-	-
Administration	-	-	-	-	<u>208,219</u>	<u>208,219</u>
Total life	<u>9,485</u>	<u>4,448</u>	<u>7,826</u>	<u>1,494</u>	<u>274,596</u>	<u>297,849</u>
Total	<u>9,485</u>	<u>4,448</u>	<u>7,826</u>	<u>1,494</u>	<u>3,937,628</u>	<u>3,960,881</u>

2022 *Restated						
Contracts not measured under the PAA						
	Expected incurred claims and other directly attributable expenses SSP'000'	Changes in risk adjustment for non-financial risk SSP'000'	CSM recognised for the services provided SSP'000'	Insurance acquisition cash flows recovery SSP'000'	Insurance revenue from contracts measured under the PAA SSP'000'	Total insurance revenue SSP'000'
General business						
Non-medical	-	-	-	-	396,055	396,055
Medical	-	-	-	-	<u>1,102,116</u>	<u>1,102,116</u>
Total general	-	-	-	-	<u>1,498,171</u>	<u>1,498,171</u>
Life business						
Group life	-	-	-	-	37,919	37,919
Group Credit	9,045	4,904	3,213	153	-	17,315
Deposit	-	-	-	-	-	-
Administration	-	-	-	-	<u>57,045</u>	<u>57,045</u>
Total life	<u>9,045</u>	<u>4,904</u>	<u>3,213</u>	<u>153</u>	<u>94,964</u>	<u>112,221</u>
Total	<u>9,045</u>	<u>4,904</u>	<u>3,213</u>	<u>153</u>	<u>1,593,135</u>	<u>1,610,392</u>

3. INSURANCE SERVICE RESULT (continued)
(b) INSURANCE SERVICE EXPENSES

			2023			
	Incurred	Other directly	Changes in risk	Changes in loss	Insurance	
	claims expenses	attributable	liability for	component	acquisition cash	Tot
	SSP'000'	expenses	incurred claims	SSP'000'	flows amortisation	SSP'000'
		SSP'000'	SSP'000'		SSP'000'	
General business						
Non-medical	162,183	202,619	7,168	(63,708)	89,437	397,69
Medical	<u>4,007,185</u>	<u>1,066,510</u>	<u>18,570</u>	<u>(32,266)</u>	<u>300,398</u>	<u>5,360,39</u>
	<u>4,169,368</u>	<u>1,269,129</u>	<u>25,738</u>	<u>(95,974)</u>	<u>389,835</u>	<u>5,758,09</u>
Life business						
Group life	29,849	22,799	98	-	5,199	57,94
Group Credit	-	12,002	752	-	1,494	14,24
Deposit						
Administration	<u>469,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,42</u>
	<u>499,273</u>	<u>34,801</u>	<u>850</u>	<u>-</u>	<u>6,693</u>	<u>541,61</u>
Total	<u>4,668,641</u>	<u>1,303,930</u>	<u>26,588</u>	<u>(95,974)</u>	<u>396,528</u>	<u>6,299,71</u>

54

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

3. INSURANCE SERVICE RESULT (continued)

(c) Net expenses / (income) from reinsurance contracts held General Business

The analysis of net income / (expense) from reinsurance contracts by major product lines is presented below:

			2023			
	Reinsurance	Insurance	Change in risk	Change in loss	Incurred claims	To
	expenses	acquisition cash	adjustment on liability	recovery component	recovery	SSP'000'
	SSP'000'	flows amortisation	incurred claims	SSP'000'	SSP'000'	SSP'000'
		SSP'000'	SSP'000'			
General business						
Non-medical	423,606	(38,716)	(224)	-	-	384,666
Medical	<u>72,773</u>	-	<u>(59,363)</u>	-	-	<u>13,410</u>
	<u>496,379</u>	<u>(38,716)</u>	<u>(59,587)</u>	-	-	<u>398,076</u>
Life business						
Group life	18,493	(5,178)	-	-	-	13,315
Group Credit	-	-	-	<u>29,350</u>	<u>(6,096)</u>	<u>23,254</u>
	<u>18,493</u>	<u>(5,178)</u>	-	<u>29,350</u>	<u>(6,096)</u>	<u>36,689</u>
Total	<u>514,872</u>	<u>(43,894)</u>	<u>(59,587)</u>	<u>29,350</u>	<u>(6,096)</u>	<u>434,675</u>

2022*Restated

	Reinsurance	Insurance	Change in risk	Change in loss	Incurred claims	To
	expenses	acquisition cash	adjustment on liability	recovery component	recovery	SSP'000'
	SSP'000'	flows amortisation	incurred claims	SSP'000'	SSP'000'	SSP'000'
		SSP'000'	SSP'000'			
General business						
Non-medical	26,546	(6,275)	-	(37,968)	-	(17,697)
Medical	<u>6,008</u>	-	-	<u>(64,709)</u>	-	<u>(58,701)</u>
	<u>32,554</u>	<u>(6,275)</u>	-	<u>(102,677)</u>	-	<u>(76,124)</u>
Life business						
Group life	11,730	(3,157)	-	-	-	8,573
Group Credit	<u>37,548</u>	<u>(8,275)</u>	-	-	-	<u>29,273</u>
	<u>49,278</u>	<u>(11,432)</u>	-	-	-	<u>37,846</u>
Total	<u>81,832</u>	<u>(17,707)</u>	-	<u>(102,677)</u>	-	<u>(38,535)</u>

3. INSURANCE SERVICE RESULT (continued)

(d) Amounts determined on transition to IFRS 17

For insurance contracts not measured under the PAA, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following tables. Insurance contracts measured under the PAA are not included in these tables, because the Company applied the full retrospective approach to such contracts.

Insurance contracts issued	2023			2022*Restated		
	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total
	SSP'000'	SSP'000'		SSP'000'	SSP'000'	
Insurance revenue						
Group Credit	<u>23,253</u>	_____ -	<u>23,253</u>	<u>17,315</u>	_____ -	<u>17,315</u>
Total	<u>23,253</u>	_____ -	<u>23,253</u>	<u>17,315</u>	_____ -	<u>17,315</u>

Insurance contracts issued CSM as at 31 December	2023			2022*Restated		
	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total	Contracts under the full retrospective approach at transition	Contracts under the fair value approach at transition	Total
	SSP'000'	SSP'000'		SSP'000'	SSP'000'	
Group Credit	<u>36,367</u>	_____ -	<u>36,367</u>	<u>18,437</u>	_____ -	<u>18,437</u>
Total	<u>36,367</u>	_____ -	<u>36,367</u>	<u>18,437</u>	_____ -	<u>18,437</u>

e) Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM for insurance contracts issued remaining at the end of the reporting period in profit or loss is provided in the following table:

Number of years until expected to be recognised As at 31 Dec 2023	Group Credit Single premium SSP'000'	Total CSM for insurance contracts issued SSP'000'
1	9,356	9,356
2	7,327	7,327
3	5,613	5,613
4	4,250	4,250
5	4,212	4,212
6 - 10	<u>5,609</u>	<u>5,609</u>
Total	<u>36,367</u>	<u>36,367</u>
As at 31 Dec 2022*Restated		
1	3,311	3,311
2	2,860	2,860
3	2,574	2,574
4	2,006	2,006
5	1,965	1,965
6 - 10	<u>5,721</u>	<u>5,721</u>
Total	<u>18,437</u>	<u>18,437</u>

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

4. INVESTMENT INCOME	2023 SSP '000'	2022 SSP '000'
(a) Interest revenue calculated using the effective interest method		
Interest on related party loan	235,537	143,566
Interest on staff loan	<u>3,803</u>	<u>2,937</u>
	<u>239,340</u>	<u>146,503</u>
(b) Other investment income		
Rental income from investment properties	<u>83,825</u>	<u>54,383</u>
5. OTHER GAINS AND LOSSES		
(a) <i>Net gains from fair value adjustments to investment properties</i>		
Fair value (loss) / gain on investment property	<u>(22,491)</u>	<u>168,397</u>
<i>Net gains on FVTPL investments</i>		
Fair value gain on collective investment scheme	<u>56,984</u>	<u>30,036</u>
(b) Foreign exchange gain	<u>1,248,143</u>	<u>977,879</u>

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

6. NET INSURANCE FINANCE EXPENSES

	2023				2022 *Restated			
	Finance expenses from insurance contracts issued				Changes in interest rates on present value			
	Interest accreted SSP'000'	Changes in interest rates on present value to incurred claims SSP'000'	Changes in interest rates on risk adjustment to incurred claims SSP'000'	Finance expenses from insurance contracts issued SSP'000'	Interest accreted SSP'000'	Changes in interest rates on present value to incurred claims SSP'000'	Changes in interest rates on risk adjustment to incurred claims SSP'000'	Finance expenses from reinsurance contracts held SSP'000'
General business								
Non-medical	-	-	=	-	-	-	=	-
Medical	-	-	=	-	-	-	=	-
Life business								
Group life	-	-	=	-	-	-	=	-
Group Credit	4,164	4,829	(147)	8,846	2,296	1	1,085	3,382
Deposit								
Administration	-	-	=	-	-	-	=	-
Total	<u>4,164</u>	<u>4,829</u>	<u>(147)</u>	<u>8,846</u>	<u>2,296</u>	<u>1</u>	<u>1,085</u>	<u>3,382</u>

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

7. (a) OPERATING AND OTHER EXPENSES

	2023 SSP '000'	2022 SSP '000'
Staff costs (note 7 (b))	693,259	297,022
Auditor's remuneration	17,750	15,036
Directors' fees	17,655	7,966
Directors' emoluments	17,637	9,996
Depreciation of property and equipment (note 9 (a))	3,497	2,094
Amortisation of intangible assets (note 9(b))	5,061	3,072
Staff welfare	148,832	89,531
Utilities	112,943	48,410
Printing and stationery	12,578	8,441
Sales promotion	12,452	4,570
Business advertising and promotion	34,649	1,269
Professional fees	67,504	540
Software licences	52,705	44,152
Insurances	77,258	33,673
Subsistence travel and accommodation	167,752	76,629
Legal fee	2,551	213
Other expenses*	<u>219,252</u>	<u>209,822</u>
Total	<u>1,663,335</u>	<u>852,436</u>
Represented by:		
Insurance service expenses	1,303,930	716,676
Other operating expenses	<u>359,405</u>	<u>135,760</u>
Total	<u>1,663,335</u>	<u>852,436</u>

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

	2023 SSP '000'	2022 SSP '000'
(b) STAFF COSTS		
Salaries	650,540	266,952
Pension cost	39,886	20,372
Leave pay	<u>2,833</u>	<u>9,698</u>
	<u>693,259</u>	<u>297,022</u>

8. INCOME TAX EXPENSE

According to section 64 of the South Sudan Taxation Act 2009, the Company is exempt from income tax and hence no provision for income tax has been made in these financial statements.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

9. (a) PROPERTY AND EQUIPMENT

	Land and building SSP '000'	Motor vehicles SSP '000'	Computers SSP '000'	Furniture, fittings equipment SSP '000'	Total SSP '000'
COST OR VALUATION					
At 1 January 2023	1,021,728	1,597	5,228	22,701	1,051,254
Additions	-	-	28,811	20,450	49,261
Revaluation gain	<u>599,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,736</u>
At 31 DECEMBER 2023	<u>1,621,464</u>	<u>1,597</u>	<u>34,039</u>	<u>43,151</u>	<u>1,700,251</u>
ACCUMULATED DEPRECIATION					
At 1 January 2023	-	1,597	3,271	7,478	12,346
Charge for the year	-	-	1,243	2,254	3,497
At 31 DECEMBER 2023	<u>-</u>	<u>1,597</u>	<u>4,514</u>	<u>9,732</u>	<u>15,843</u>
CARRYING AMOUNT					
At 31 DECEMBER 2023	<u>1,621,464</u>	<u>-</u>	<u>29,525</u>	<u>33,419</u>	<u>1,684,408</u>
COST OR VALUATION					
At 1 January 2022	623,886	1,597	4,484	21,509	651,476
Additions	-	-	744	1,192	1,936
Revaluation gain	<u>397,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,842</u>
At 31 December 2022	<u>1,021,728</u>	<u>1,597</u>	<u>5,228</u>	<u>22,701</u>	<u>1,051,254</u>
ACCUMULATED DEPRECIATION					
At 1 January 2022	-	1,597	2,662	5,993	10,252
Charge for the year	-	-	609	1,485	2,094
At 31 December 2022	<u>-</u>	<u>1,597</u>	<u>3,271</u>	<u>7,478</u>	<u>12,346</u>
CARRYING AMOUNT					
At 31 December 2022	<u>1,021,728</u>	<u>-</u>	<u>1,957</u>	<u>15,223</u>	<u>1,038,908</u>

At the end of the year, land and building were revalued, resulting in a revaluation gain of SSP 599,735,957

There are no property and equipment pledged as security for liabilities. There are no contractual commitments for the acquisition of property and equipment.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

9. (b) INTANGIBLE ASSETS

	Software SSP'000'	2023 Total SSP'000'	Software SSP'000'	2022 Total SSP'000'
At January	21,704	21,704	11,095	11,095
Additions	-	-	10,609	10,609
At 31 December	<u>21,704</u>	<u>21,704</u>	<u>21,704</u>	<u>21,704</u>
Amortization				
At January	4,532	4,532	1,460	1,460
Charge for the year	5,061	5,061	3,072	3,072
At 31 December	<u>9,593</u>	<u>9,593</u>	<u>4,532</u>	<u>4,532</u>
Carrying amount	<u>12,111</u>	<u>12,111</u>	<u>17,172</u>	<u>17,172</u>

The intangible assets relate to costs incurred in the acquisition of software in use by the company. The cost is amortised on a straight-line basis over the estimated useful lives of four years.

10. INVESTMENT PROPERTIES

	2023 SSP'000'	2022 SSP'000'
At 1 January	1,532,592	1,364,195
Revaluation (loss) / gain	(22,491)	168,387
Foreign exchange gain	<u>922,095</u>	<u>428,376</u>
At 1 January and 31 December	<u>2,432,196</u>	<u>1,532,592</u>

There are no contractual commitments in respect of the investment properties as at 31 December 2023.

Net rental income on CIC Plaza arising from operating lease arrangements has been disclosed in note 4 of the financial statements.

CIC Plaza II was revalued on 31 December 2023 by registered valuers, Kenval Realtors Ltd, on the basis of open market value. Kenval Realtors Limited are industry specialists in valuing these types of investment properties.

The total cost of the land and building which was acquired under finance lease, is USD Dollar 2.2 million which includes purchase price of USD 1.8 million and minimum lease rentals of USD 2,000 per month for the next 14 years.

The land and building were valued at US Dollar 3.85 million which has been split between investment property and land and building under the property and equipment in the ratio of 60:40 respectively on the basis of pro-rata occupancy by the company and by tenants.

11. RELATED PARTY LOAN

	2023 SSP '000'	2022 SSP '000'
At January	1,290,018	789,906
Interest accrued	235,537	143,566
Foreign exchange gain	<u>343,646</u>	<u>356,546</u>
	<u>1,869,201</u>	<u>1,290,018</u>

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

12. INVESTMENT IN COLLECTIVE INVESTMENT SCHEME AT FAIR VALUE THROUGH PROFIT AND LOSS

	2023 SSP '000'	2022 SSP '000'
At 1 January	496,526	341,025
Additions	452,154	-
Withdrawals	(274,946)	-
Interest accrued	56,984	30,036
Foreign exchange gain	<u>198,611</u>	<u>125,465</u>
At 31 December	<u>929,329</u>	<u>496,526</u>

This relates to investment in CIC Unit Trust – Money Market Fund which is a collective Investment Scheme regulated by the Kenyan Capital Markets Authority. The closing balances of the fund were Usd 414,344.45 and Kshs71,393,329.82 as at 31 December 2023 converted at SSP/USD 1,070.98 and SSP/Ksh 6.84 respectively.

13. RESTRICTED DEPOSIT WITH FINANCIAL INSTITUTION

	2023 SSP '000'	2022 SSP '000'
At January	2,686,283	2,265,334
Additions	2,065,296	492,612
Withdrawals	(1,108,889)	(954,649)
Foreign exchange gains	1,606,061	880,049
Interest accrued	223,217	2,937
Expected credit losses	<u>(1,705)</u>	<u>(1,705)</u>
	<u>5,471,968</u>	<u>2,686,283</u>

Deposits with KCB Bank Kenya Limited amounted to SSP 90,186,612 which relate to staff loan collateral held at the bank and which are not available for use in the company's day to day operations. The carrying amounts disclosed above reasonably approximate fair value at the reporting date. An analysis of changes in the gross carrying amount and corresponding ECL allowances in deposits with financial institutions have been disclosed in note 26 b(i).

14. DEPOSIT WITH FINANCIAL INSTITUTION

	2023 SSP '000'	2022 SSP '000'
At January	-	-
Additions	61,212	-
Interest	1,598	-
Foreign exchange gain	4,607	-
Expected credit losses	<u>(1,561)</u>	<u>-</u>
	<u>65,856</u>	<u>-</u>

15. OTHER RECEIVABLES

	2023 SSP '000'	2022 SSP '000'
Prepayments	47,487	31,588
Staff advances	3,195	-
General deposits	77,646	48,478
Expected credit losses	<u>(1,876)</u>	<u>(1,876)</u>
	<u>126,452</u>	<u>78,190</u>

An analysis of changes in the gross carrying amount and corresponding ECL allowances in other receivables has been disclosed in note 25 (b).

16. SHARE CAPITAL

(a) Authorised share capital

One million (1,000,000) ordinary shares with a par value of USD 5 each at the time of incorporation of the Company.

The shareholding structure as at 31 December 2023 and 2022 was as follows

Name	No of shares	%
CIC Insurance Group PLC	690,000	69%
Co-operative Bank of South Sudan Limited	<u>310,000</u>	<u>31%</u>
	<u>1,000,000</u>	100%

(b) Issued and fully paid share capital

	2023 SSP'000'	2022*Restated SSP'000'
CIC Insurance Group PLC	10,902	10,902
Co-operative Bank of South Sudan Limited	<u>4,898</u>	<u>4,898</u>
At 31 December	<u>15,800</u>	<u>15,800</u>

c) Reconciliation of issued and fully paid shares

	2023 SSP'000'	2022*Restated SSP'000'
At 1 January and 31 December	<u>15,800</u>	<u>15,800</u>

17. RESERVES

(a) The retained earnings balance represents the amount available for distribution as dividends to the shareholders of the company.

(b) The revaluation reserve represents the surplus on revaluation of CIC Plaza and is not distributed as dividends.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (a) COMPOSITION OF THE BALANCE SHEET - INSURANCE CONTRACTS

An analysis of the amounts presented on the balance sheet for insurance contracts is included in the table below

	2023 Insurance contract liabilities SSP '000'	2022*Restated Insurance contract liabilities SSP '000'	2023 Reinsurance contract assets SSP '000'	2022*Restated Reinsurance contract assets SSP '000'
General business				
Non-medical	430,609	442,498	(407,422)	105,256
Medical	<u>2,754,779</u>	<u>1,044,985</u>	<u>(72,773)</u>	<u>6,010</u>
	<u>3,185,388</u>	<u>1,487,483</u>	<u>(480,195)</u>	<u>111,266</u>
Life business				
Group life	43,258	20,311	9,298	8,573
Group credit	<u>21,833</u>	<u>35,042</u>	<u>(90,037)</u>	<u>(66,783)</u>
	<u>65,091</u>	<u>55,353</u>	<u>(80,739)</u>	<u>(58,210)</u>
Deposit Administration	<u>6,492,208</u>	<u>2,981,544</u>	-	-
Total as per statement of financial position	<u>9,742,687</u>	<u>4,524,380</u>	<u>(560,934)</u>	<u>53,056</u>

Detailed reconciliations of changes in insurance contract balances during the reporting periods are included in the subsequent notes.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (b) NON-LIFE INSURANCE CONTRACTS LIABILITIES (Continued)

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued	2023						2022*Restated					
	Liabilities for remaining coverage (LRC)			Liability for incurred claims			Liabilities for remaining coverage (LRC)			Liability for incurred claims		
	LRC excl. loss component SSP'000'	Loss component SSP'000'	PV of future cash flows SSP'000'	Risk adjustment SSP'000'	Assets for insurance acquisition cash flows SSP'000'	Total SSP'000'	LRC excl. loss component SSP'000'	Loss component SSP'000'	PV of future cash flows SSP'000'	Risk adjustment SSP'000'	Assets for insurance acquisition cash flows SSP'000'	Total SSP'000'
at insurance contract liabilities / (assets) at 1 Jan	259,580	227,869	580,658	5,616	(28,738)	1,044,985	65,348	49,114	137,220	2,798	(10,772)	243,708
Insurance revenue	(3,023,974)	-	-	-	-	(3,023,974)	(1,102,116)	-	-	-	-	(1,102,116)
Insurance service expenses	-	(32,266)	5,073,695	18,570	300,398	5,360,397	-	178,755	2,052,674	2,818	110,001	2,344,248
Insurance finance expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in the comprehensive income	(3,023,974)	(32,266)	5,073,695	18,570	300,398	2,336,423	(1,102,116)	178,755	2,052,674	2,818	110,001	1,242,132
Cash flows:												
Premiums received	3,594,714	-	-	-	-	3,594,714	1,296,348	-	-	-	-	1,296,348
Claims and other expenses paid	-	-	(3,852,074)	-	-	(3,852,074)	-	-	(1,609,236)	-	-	(1,609,236)
Insurance acquisition cash flows	-	-	-	-	(369,269)	(369,269)	-	-	-	-	(127,967)	(127,967)
Total cash flows	3,594,714	-	(3,852,074)	-	(369,269)	(626,629)	1,296,348	-	(1,609,236)	-	(127,967)	(440,855)
at insurance contract liabilities / (assets) at 31 Dec	570,740	(32,266)	1,221,621	18,570	(68,871)	1,709,794	194,232	178,755	443,438	2,818	(17,966)	801,277
Insurance contract liabilities as at 31 Dec	830,320	195,603	1,802,279	24,186	(97,609)	2,754,779	259,580	227,869	580,658	5,616	(28,738)	1,044,985

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (b) NON-LIFE INSURANCE CONTRACTS LIABILITIES (Continued)

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued

non-medical	2023						2022*Restated					
	Liabilities for remaining coverage (LRC)		Liability for incurred claims		Assets for insurance acquisition cash flows	Total	Liabilities for remaining coverage (LRC)		Liability for incurred claims		Assets for insurance acquisition cash flows	Total
	LRC excl. loss component SSP'000	Loss component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	cash flows SSP'000		LRC excl. loss component SSP'000	Loss component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	cash flows SSP'000	
at insurance contract liabilities / (assets) at Jan	151,454	89,817	220,294	8,308	(27,375)	442,498	78,231	74,584	144,038	4,414	(14,470)	286,7
insurance revenue	(639,058)	-	-	-	-	(639,058)	(396,055)	-	-	-	-	(396,0
insurance service expenses	-	(63,708)	364,802	7,168	89,437	397,699	-	15,233	385,802	3,894	59,627	464,5
insurance finance expenses	-	-	-	-	-	-	-	-	-	-	-	-
net changes in the comprehensive income	(639,058)	(63,708)	364,802	7,168	89,437	(241,359)	(396,055)	15,233	385,802	3,894	59,627	68,5
Cash flows:												
premiums received	607,940	-	-	-	-	607,940	469,278	-	-	-	-	469,2
claims and other expenses paid	-	-	(282,505)	-	-	(282,505)	-	-	(309,546)	-	-	(309,5
insurance acquisition cash flows	-	-	-	-	(95,965)	(95,965)	-	-	-	-	(72,532)	(72,5
net cash flows	607,940	-	(282,505)	-	(95,965)	229,470	469,278	-	(309,546)	-	(72,532)	87,2
at insurance contract liabilities / (assets) at 31 Dec	(31,118)	(63,708)	82,297	7,168	(6,528)	(11,889)	73,223	15,233	76,256	3,894	(12,905)	155,7
insurance contract liabilities as at 31 Dec	120,336	26,109	302,591	15,476	(33,903)	430,609	151,454	89,817	220,294	8,308	(27,375)	442,4

[illegible]

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

B. Key sources of estimation uncertainty (continued)

Sensitivity analysis to underwriting risk variables (continued)

(iii) Life sensitivity analysis

Group life	Liability for incurred claims (LIC)	SSP'000	As at 31 December 2023		As at 31 December 2022	
			Impact on profit before income tax	SSP'000	Impact on equity	SSP'000
Insurance contract liabilities	Reinsurance contract assets	14,509	-	3,345	-	3,345
Average claim cost - 10% increase	Insurance contract liabilities	694	(694)	(694)	187	(187)
Expenses - 10% increase	Insurance contract liabilities	6	(6)	(6)	4	(4)
Discount rate- 10% increase	Insurance contract liabilities	(10)	10	10	(7)	7
Net insurance contract liabilities	Reinsurance contract assets	-	-	-	-	-
Net insurance contract liabilities	Reinsurance contract assets	14,509	-	3,345	-	3,345

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (c) LIFE INSURANCE CONTRACTS LIABILITIES (Continued)

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued

Group life	2023						2022*Restated					
	Liabilities for remaining coverage (LRC)		Liability for incurred claims		Assets for acquisition cash flows	Total	Liabilities for remaining coverage (LRC)		Liability for incurred claims		Assets for acquisition cash flows	To
	LRC excl. loss component SSP'000	Loss component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	cash flows SSP'000	SSP'000	LRC excl. loss component SSP'000	Loss component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	cash flows SSP'000	SSP'0
At insurance contract liabilities / (assets) at Jan	16,966	-	3,196	149	-	20,311	10,031	6,382	2,536	133	-	19,0
Insurance revenue	(66,377)	-	-	-	-	(66,377)	(37,919)	-	-	-	-	(37,919)
Insurance service expenses	5,199	-	52,648	98	-	57,945	3,211	(6,382)	17,832	16	-	14,6
Insurance finance expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in the comprehensive income	(61,178)	-	52,648	98	-	(8,432)	(34,708)	(6,382)	17,832	16	-	(23,252)
Cash flows:												
Premiums received	79,106	-	-	-	-	79,106	45,264	-	-	-	-	45,264
Claims and other expenses paid	-	-	(41,582)	-	-	(41,582)	-	-	(17,172)	-	-	(17,172)
Insurance acquisition cash flows	(6,145)	-	-	-	-	(6,145)	(3,621)	-	-	-	-	(3,621)
Total cash flows	72,961	-	(41,582)	-	-	31,379	41,643	-	(17,172)	-	-	24,471
At insurance contract liabilities / (assets) at 31 Dec	28,749	-	14,262	247	-	43,258	16,966	-	3,196	149	-	20,311

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (c) LIFE INSURANCE CONTRACTS LIABILITIES (Continued)

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Insurance contracts issued

Group credit	2023						2022*Restated					
	Liabilities for remaining coverage (LRC)		Liability for incurred claims		Assets for acquisition cash flows	Total	Liabilities for remaining coverage (LRC)		Liability for incurred claims		Assets for acquisition cash flows	Total
	LRC excl. loss component SSP'000	Loss component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	cash flows SSP'000	SSP'000	LRC excl. loss component SSP'000	Loss component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	cash flows SSP'000	SSP'000
Net insurance contract liabilities / (assets) at Jan	35,042	-	-	-	-	35,042	12,803	-	-	-	-	12,803
Insurance revenue	(23,253)	-	-	-	-	(23,253)	(17,315)	-	-	-	-	(17,315)
Insurance service expenses	14,248	12,119	-	-	-	26,367	153	-	17,256	-	-	17,409
Insurance finance expenses	8,846	-	-	-	-	8,846	3,384	-	-	-	-	3,384
Total changes in the comprehensive income	(159)	12,119	-	-	-	11,960	(13,778)	-	17,256	-	-	3,478
Cash flows:												
Premiums received	3,086	-	-	-	-	3,086	39,656	-	-	-	-	39,656
Claims and other expenses paid	-	(12,119)	-	-	-	(12,119)	-	-	(17,256)	-	-	(17,256)
Insurance acquisition cash flows	(16,136)	-	-	-	-	(16,136)	(3,639)	-	-	-	-	(3,639)
Total cash flows	(13,050)	(12,119)	-	-	-	(25,169)	36,017	-	(17,256)	-	-	18,761
Net insurance contract liabilities / (assets) at 31 Dec	21,833	-	-	-	-	21,833	35,042	-	-	-	-	35,042

CIC INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (c) LIFE INSURANCE CONTRACTS LIABILITIES (Continued)

Reconciliation of the measurement components of liability for remaining coverage

up credit	2023				2022*Restated			
	PV of future cash flows SSP'000'	Risk adjustment SSP'000'	CSM SSP'000'	Total SSP'000'	PV of future cash flows SSP'000'	Risk adjustment SSP'000'	CSM SSP'000'	Total SSP'000'
insurance contract liabilities / (assets) at 1 Jan	10,153	6,452	18,437	35,042	7,297	3,037	2,469	12,803
inges that relate to current service								
l recognised in profit or loss for the services provided	-	-	(7,826)	(7,826)	-	-	(3,213)	(3,213)
inge in the risk adjustment for non- financial risk	-	(4,448)	-	(4,448)	-	(4,912)	-	(4,912)
erience adjustments	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>2,634</u>	<u>8,195</u>	<u>-</u>	<u>-</u>	<u>8,195</u>
	<u>2,634</u>	<u>(4,448)</u>	<u>(7,826)</u>	<u>(9,640)</u>	<u>8,195</u>	<u>(4,912)</u>	<u>(3,213)</u>	<u>70</u>
inges that relate to future service								
inges in estimates that adjust the CSM	(6,148)	9,929	(3,781)	-	(8,039)	6,429	1,610	-
erience adjustments	-	(10,841)	10,841	-	(25)	(10,118)	10,107	(36)
tracts initially recognised in the period	<u>(21,512)</u>	<u>6,980</u>	<u>14,532</u>	<u>-</u>	<u>(16,913)</u>	<u>10,595</u>	<u>6,378</u>	<u>60</u>
	<u>(27,660)</u>	<u>6,068</u>	<u>21,592</u>	<u>-</u>	<u>(24,977)</u>	<u>6,906</u>	<u>18,095</u>	<u>24</u>
inges that relate to past service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ance (income) expenses	<u>2,825</u>	<u>1,857</u>	<u>4,164</u>	<u>8,846</u>	<u>877</u>	<u>1,421</u>	<u>1,086</u>	<u>3,384</u>
al changes in the comprehensive income	<u>(22,201)</u>	<u>3,477</u>	<u>17,930</u>	<u>(794)</u>	<u>(15,905)</u>	<u>3,415</u>	<u>15,968</u>	<u>3,478</u>
h flows:								
miums received	3,086	-	-	3,086	39,656	-	-	39,656
ims and other expenses paid	(12,119)	-	-	(12,119)	(17,256)	-	-	(17,256)
urance acquisition cash flows	<u>(3,382)</u>	<u>-</u>	<u>-</u>	<u>(3,382)</u>	<u>(3,639)</u>	<u>-</u>	<u>-</u>	<u>(3,639)</u>
al cash flows	<u>(12,415)</u>	<u>-</u>	<u>-</u>	<u>(12,415)</u>	<u>18,761</u>	<u>-</u>	<u>-</u>	<u>18,761</u>
insurance contract liabilities /(assets) at 31 Dec	<u>(24,463)</u>	<u>9,929</u>	<u>36,367</u>	<u>21,833</u>	<u>10,153</u>	<u>6,452</u>	<u>18,437</u>	<u>35,042</u>

CIC INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

18. (c) LIFE INSURANCE CONTRACTS LIABILITIES (Continued)

Impact of new contracts recognized in the year

Group credit						
	Non-onerous contracts originated SSP'000'	2023 Onerous contracts originated SSP'000'	Total SSP'000'	Non-onerous contracts originated SSP'000'	2022* Restated Onerous contracts originated SSP'000'	Total SSP'000'
Insurance contracts issued						
Estimates of the present value of future cash outflows						
Insurance acquisition cash flows	3,382	-	3,382	3,424	215	3,639
Claims and other attributable expenses	17,376	-	17,376	23,151	1,783	24,934
Estimates of the PV of future cash outflows	(42,270)	-	(42,270)	(42,801)	(2,685)	45,487
Risk adjustment for non-financial risk	6,980	-	6,980	9,848	747	10,595
CSM	14,532	-	14,532	6,378	-	6,378
Increase in insurance contract liabilities	-	-	-	-	60	60

Amounts determined on transition to IFRS 17

Insurance revenue and the CSM by transition method

Group Credit						
	Contracts under the full retrospective approach at transition KShs'000	2023 Contracts under the fair value approach at transition KShs'000	Total KShs'000	Contracts under the full retrospective approach at transition KShs'000	2022* Restated Contracts under the fair value approach at transition KShs'000	Total KShs'000
Insurance contracts issued						
Insurance revenue	23,253	-	23,253	17,315	-	17,315
CSM as at 1 January	18,437	-	18,437	2,469	-	2,469
Changes that relate to current service						
CSM recognised in profit or loss	(7,826)	-	(7,826)	(3,213)	-	(3,213)
Changes that relate to future service						
Changes in estimates that adjust the CSM	(3,781)	-	(3,781)	1,610	-	1,610
Experience adjustments	10,841	-	10,841	10,107	-	10,107
Contracts initially recognised in the period	<u>14,532</u>	<u>-</u>	<u>14,532</u>	<u>6,378</u>	<u>-</u>	<u>6,378</u>
Total changes	<u>21,592</u>	<u>-</u>	<u>21,592</u>	<u>18,095</u>	<u>-</u>	<u>18,095</u>
Insurance finance expenses	<u>4,164</u>	<u>-</u>	<u>4,164</u>	<u>1,086</u>	<u>-</u>	<u>1,086</u>
Total amounts recognised in comprehensive income	<u>17,930</u>	<u>-</u>	<u>17,930</u>	<u>15,968</u>	<u>-</u>	<u>15,968</u>
CSM as at 31 December	<u>36,367</u>	<u>-</u>	<u>36,367</u>	<u>18,437</u>	<u>-</u>	<u>18,437</u>

CIC INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENT CONTRACTS LIABILITIES (Continued)

Reconciliation of the liability for remaining coverage (LRC) and liability for incurred claims (LIC) – Investment contracts

Investment contract liabilities	2023 SSP'000'	2022*Restated SSP'000'
Net insurance contract liabilities / (assets) at 1 Jan	2,981,544	2,420,031
Insurance revenue	(208,219)	(57,045)
<i>Insurance service expenses:</i>		
Incurred claims and other attributable expenses	<u>469,424</u>	<u>62,246</u>
Insurance service expenses	261,205	62,246
Foreign exchange gain	<u>2,102,676</u>	<u>978,118</u>
Total changes in the comprehensive income	2,363,881	983,319
Other movements:		
Liability for guarantee	<u>261,525</u>	<u>113,057</u>
Cash flows:		
Contributions received	1,498,076	956,250
Withdrawals and other expenses paid	<u>(351,293)</u>	<u>(1,378,056)</u>
Total cash flows	1,146,783	(421,806)
Net insurance contract liabilities /(assets) at 31 Dec	<u>6,492,208</u>	<u>2,981,544</u>

CIC INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

20. REINSURANCE CONTRACTS LIABILITIES (Continued)

a) Reconciliation of the remaining coverage and incurred claims – Reinsurance contracts held

Combined Non- life business	2023						2022* Restated					
	Asset for Remaining Coverage (ARC)		Asset for incurred claims		Liability for unamortised reinsurance premium		Asset for Remaining Coverage (ARC)		Asset for incurred claims		Liability for unamortised reinsurance premium	
	ARC excl. loss component	Loss recovery component	PV of future cash flows	Risk adjustment		Total	ARC excl. loss component	Loss recovery component	PV of future cash flows	Risk adjustment		Total
	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000
Net re-insurance contract liabilities / (assets) at 1 Jan	9,136	-	102,677	-	(547)	111,266	238,822	-	-	-	(6,822)	232,000
Reinsurance revenue	(496,379)	-	-	-	-	(496,379)	32,554	-	-	-	-	32,554
Reinsurance recoveries	-	-	59,587	-	-	59,587	-	-	(102,677)	-	-	(102,677)
Commission income	-	-	-	-	38,716	38,716	-	-	-	-	(6,275)	(6,275)
Reinsurance finance expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in the comprehensive income	(496,379)	-	59,587	-	38,716	(398,076)	32,554	-	(102,677)	-	(6,275)	(76,398)
Cash flows:												
Reinsurance premiums paid	29,147	-	-	-	-	29,147	197,132	-	-	-	-	197,132
Reinsurance receipts	-	-	-	-	-	-	-	-	-	-	-	-
Total cash flows	29,147	-	-	-	-	29,147	197,132	-	-	-	-	197,132
Net reinsurance contract liabilities / (assets) at 31 Dec	(467,232)	-	59,587	-	38,716	(368,929)	229,686	-	(102,677)	-	(6,275)	120,734
Insurance contract liabilities as at 31 Dec	(476,368)	-	(43,090)	-	39,263	(480,195)	9,136	-	102,677	-	(547)	111,266

CIC INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

20. REINSURANCE CONTRACTS LIABILITIES (Continued)

b) Reconciliation of the remaining coverage and incurred claims – Reinsurance contracts held

Combined life business	2023						2022* Restated					
	Asset for Remaining Coverage (ARC)		Asset for incurred claims		Liability for unamortised reinsurance		Asset for Remaining Coverage (ARC)		Asset for incurred claims		Liability for unamortised reinsurance	
	ARC excl. loss component SSP'000	Loss recovery component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	premium SSP'000	Total SSP'000	ARC excl. loss component SSP'000	Loss recovery component SSP'000	PV of future cash flows SSP'000	Risk adjustment SSP'000	premium SSP'000	Total SSP'000
Net re-insurance contract liabilities / (assets) at 1 Jan	58,210	-	-	-	-	58,210	21,096	-	-	-	-	21,096
Reinsurance revenue	18,493	-	-	-	-	18,493	49,278	-	-	-	-	49,278
Reinsurance recoveries	(11,274)	29,350	=	=	=	18,076	(11,432)	=	=	=	=	(11,432)
Net reinsurance expenses	7,219	29,350	-	-	-	36,569	37,846	-	-	-	-	37,846
Reinsurance finance expenses	(8,846)	=	=	=	=	(8,846)	(3,382)	=	=	=	=	(3,382)
Total changes in the comprehensive income	(1,627)	29,350	=	=	=	27,723	34,464	-	=	=	=	34,464
Cash flows:												
Reinsurance premiums paid	(56,392)	-	-	-	-	(56,392)	(71,578)	-	-	-	-	(71,578)
Reinsurance receipts	6,140	=	=	=	=	6,140	=	=	=	=	=	=
Total cash flows	(50,252)	=	=	=	=	(50,252)	(71,578)	=	=	=	=	(71,578)
Net reinsurance contract liabilities / (assets) at 31 Dec	110,089	(29,350)	=	=	=	80,739	58,210	=	=	=	=	58,210

21. RELATED PARTY BALANCES AND TRANSACTIONS

The Company is a subsidiary of CIC Insurance Group PLC, incorporated in Kenya, which owns 69% of the shares of the Company, while Co-operative Bank of South Sudan owns 31% of the shares of the Company. The other related parties include staff members of the Company, whose transactions have been disclosed in notes 7(a) and 4 for the details of interest and staff loans, respectively, and investments in a collective investments scheme, which is a fund managed by CIC Asset Management, a wholly owned subsidiary of CIC Insurance Group PLC. The transactions with the investment scheme during the year and balance at year-end have been disclosed in note 12. In addition, the company has an interest-bearing unsecured loan advanced to the CIC Insurance Group PLC disclosed in note 11.

The amounts due to related parties are non-interest bearing and the balances are not secured. There were no commitments made between the company and any related party. These amounts arise from payments for expenses made by the parent Company on behalf of the subsidiary during its formative stages.

The following are balances and transactions with related parties as at 31 December 2023 and during the year then ended.

	2023 SSP'000'	2022 SSP'000'
Related party balances		
Due to:		
CIC Insurance Group PLC	<u>241,557</u>	<u>151,727</u>
Receipts from related parties:		
CIC Insurance Group PLC	<u>273,821</u>	<u>173,678</u>
Payments to related parties		
CIC Insurance Group PLC	<u>183,991</u>	<u>21,951</u>

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

	2023 SSP '000'	2022 SSP '000'
Directors' fees	35,292	15,695
Key management personnel compensation		
Salaries	138,728	86,487
Hardship allowance	54,287	16,922
Leave allowance	2,708	1,407
Pension contribution	<u>15,033</u>	<u>4,463</u>
	<u>210,756</u>	<u>109,279</u>

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

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

22. OTHER PAYABLES

	2023 SSP '000	2022 SSP '000
Sundry payables*	660,318	361,693
Gratuity	158,610	73,871
Accrual of Expenses	45,488	54,755
Surtax	36,061	57,608
Stamp Duty	95,917	14,656
Training Levy	<u>13,304</u>	<u>1,064</u>
	<u>1,009,698</u>	<u>563,647</u>

All amounts are payable within one year.

*The sundry payables relate to staff benefits, audit fees, amounts due to related party as well as accrued expenses due to various service providers.

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

23 Lease Liabilities

	2023 SSP '000	2022 SSP '000
Company as lessee		
Not later than one year	25,704	16,048
Later than one year but not later than 5 years	102,814	80,240
Later than 5 years	<u>77,111</u>	<u>48,145</u>
	<u>205,629</u>	<u>144,433</u>
(b) Movement in Finance lease balances		
	2023 SSP '000	2022 SSP '000
As at January	144,433	103,693
Repayment	(16,335)	(10,409)
Inflation effect on restatement	<u>77,531</u>	<u>51,149</u>
	<u>205,629</u>	<u>144,433</u>

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

24. STATEMENT OF CASH FLOWS

	Notes	2023 SSP '000	2022 *Restated SSP '000
a) Reconciliation of profit before tax to cash generated from operations:			
Loss/(profit) before taxation		(1,535,927)	(16,078)
Interest on lease liability			
Adjustment for:			
Interest income	4 (a)	(239,340)	(146,503)
Depreciation on property and equipment	9 (a)	3,497	2,094
Amortization of intangible assets	9 (b)	5,061	3,072
Fair value gain on investment property	10	22,491	(168,387)
Fair value gain on collective investment scheme	12	(56,984)	(30,036)
Foreign exchange gain		(1,386,821)	(859,239)
Working capital changes			
Increase in other receivables	15	(48,262)	(15,149)
Increase in related party balances	21	89,830	136,060
Increase in deposit administration contracts	19 (a)	3,510,664	463,429
Decrease (increase) in other payables	22	446,051	(44,860)
Increase in reinsurance contract assets	20 (a)	613,990	157,848
Increase in insurance contract liabilities	18 (a)	<u>1,707,643</u>	<u>984,181</u>
Net cash used in operations		<u>3,131,893</u>	<u>466,432</u>
b) Cash and cash equivalents*			
Bank and cash balances		<u>96,159</u>	<u>54,808</u>

*The carrying amounts approximate the fair values.

25 RISK MANAGEMENT FRAMEWORK

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company'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 Company 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 company policy framework which sets out the risk profiles for the company, risk management, control and business conduct standards for the company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company'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 Company 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 Company 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 Company 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 Company has met all of these requirements throughout the financial year.

In reporting financial strength, capital and solvency are measured using the International solvency. 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 Company's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the CIC Group policy.

25 RISK MANAGEMENT FRAMEWORK (continued)

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

Approach to capital management

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

The Company'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 Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company'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 Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity. The Company 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.

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

The constitution of capital managed by the company is as shown below:

	2023 SSP '000	2022*Restated SSP '000
Share capital	15,800	15,800
Fair value reserve	1,537,127	937,391
Retained earnings	(625,752)	910,175
	<u>927,175</u>	<u>1,863,366</u>

The company had no external financing at 31 December 2023 and 31 December 2022.

26. INSURANCE AND FINANCIAL RISK

a. Insurance risk

The Company purchases reinsurance as a part of its risk's 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 Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

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 company 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 company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: motor, fire, liability, medical/healthcare, engineering, workmen's compensation and accident. 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 Company, 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 Company. The Company 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 Company purchases reinsurance as part of its risk mitigation programme. Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company 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 a modelled event are greater than those arising from a modelled event.

The Company 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.

26.INSURANCE AND FINANCIAL RISK (continued)

a. Insurance risk (continued)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company'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 tolerance's based on market conditions and other factors.

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

	31 December 2023			31 December 2022 *Restated		
	Insurance contracts SSP '000	Reinsurance held SSP '000	Net SSP '000	Insurance contracts SSP '000	Reinsurance held SSP '000	Net SSP '000
Non-medical	430,609	407,422	838,031	442,498	(105,256)	337,242
Medical	<u>2,754,779</u>	<u>72,773</u>	<u>2,827,552</u>	<u>1,044,985</u>	<u>(6,010)</u>	<u>1,038,975</u>
Total general	<u>3,185,388</u>	<u>480,195</u>	<u>3,665,583</u>	<u>1,487,483</u>	<u>(111,266)</u>	<u>1,376,217</u>
Group life	43,258	(9,298)	33,960	20,311	(8,573)	11,738
Group credit	<u>21,833</u>	<u>90,037</u>	<u>111,870</u>	<u>35,042</u>	<u>66,783</u>	<u>101,825</u>
Total life	<u>65,091</u>	<u>80,739</u>	<u>145,830</u>	<u>55,353</u>	<u>58,210</u>	<u>113,563</u>
Deposit administration	<u>6,492,208</u>	-	<u>6,492,208</u>	<u>2,981,544</u>	-	<u>2,981,544</u>
Total	<u>9,742,687</u>	<u>560,934</u>	<u>10,303,621</u>	<u>4,524,380</u>	<u>(53,056)</u>	<u>4,471,324</u>

A reconciliation of the balances above to the carrying amounts presented in the statement of financial position has been provided in note 18.

Key assumptions

The principal assumption underlying the liability estimates is that the Company'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 claims in economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement 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 insurance claim liabilities are sensitive to the key assumptions that could result in material adjustment to the carrying amounts of assets and liabilities within the next financial year. The sensitivity analysis is presented on note 2 (B).

26.INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks

i. 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 Company's exposure to credit risk:

- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's 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).
- 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 company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2023 and 2022 is the carrying amounts as presented in the statement of financial position.

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

The Company's internal rating process

The Company's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECL's.

The company reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating.

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

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

26. INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks (continued)

i. Credit risk (continued)

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument is subject to 12mECL or LTECL that is (Financial assets at amortized cost- Government securities, Financial Assets at amortized cost- Corporate Bonds, Financial Assets at amortized cost-Loan, Financial Assets at amortized cost-Commercial Papers, Due from related party, Deposits with financial institutions, Other receivables and Cash and bank balances), the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company 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 Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

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

The Company 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 Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Company'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 company actively manages its product mix to ensure there is no significant concentration of credit risk.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

26.INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks (continued)

i. Credit risk (continued)

Debt instruments measured at FVOCI

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

Other Receivables

	2023 SSP '000	2022 SSP '000
Stage 1	128,328	80,066
Stage 2	-	-
Stage 3	-	-
Total Loan Receivables	128,328	80,066
Less: Loss allowance (ECL)	(1,876)	(1,876)
Net carrying amount	<u>126,452</u>	<u>78,190</u>

Debt instruments at amortized cost

The tables below show the credit quality and maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's grading system are explained above.

Related Party Loan

	2023 SSP '000	2022 SSP '000
Stage 1	1,869,201	1,290,018
Stage 2	-	-
Stage 3	-	-
Total Related Party Loan	1,869,201	1,290,018
Less: Loss allowance (ECL)	-	-
Net carrying amount	<u>1,869,201</u>	<u>1,290,018</u>

Restricted deposit with Financial Institutions

	2023 SSP '000	2022 SSP '000
Stage 1	5,473,673	2,687,988
Stage 2	-	-
Stage 3	-	-
Total restricted deposit with financial institutions	5,473,673	2,687,988
Less: Loss allowance (ECL)	(1,705)	(1,705)
Net carrying amount	<u>5,471,968</u>	<u>2,686,283</u>

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

26.INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks (continued)

i. Credit risk (continued)

Debt instruments at amortized cost (continued)

Deposit with Financial Institutions

	2023 SSP '000	2022 SSP '000
Stage 1	67,417	-
Stage 2	-	-
Stage 3	-	-
Gross loan receivables	<u>67,417</u>	-
Less: Loss allowance (ECL)	<u>(1,561)</u>	-
Net carrying amount	<u>65,856</u>	-

26.INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks (continued)

ii. 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 Company's exposure to liquidity risk:

- A Company's liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company 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 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 Company'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 Company 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 net 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.

CIC AFRICA INSURANCE (SS) LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

26. INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks (continued)

ii. Liquidity risk (continued)

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs.

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2023	No stated maturity SSP '000'	6 months or on demand SSP '000	Between 6 months and 1 year SSP '000	Between 1 year and 5 years SSP '000	More than 5 years SSP '000	Total SSP '000
Financial assets:						
Related party loan	-	-	-	1,869,201	-	1,869,201
Restricted deposits	-	65,856	-	-	-	65,856
Investment in collective schemes	-	929,329	-	-	-	929,329
Other receivables	-	126,452	-	-	-	126,452
Restricted deposit with financial Institutions	-	5,471,968	-	-	-	5,471,968
Cash and cash equivalents	-	<u>96,159</u>	-	-	-	<u>96,159</u>
Total financial assets	-	<u>6,689,764</u>	-	<u>1,869,201</u>	-	<u>8,558,965</u>
Financial liabilities:						
Finance lease obligation	-	-	25,704	179,925	-	205,629
Due to related party	-	241,557	-	-	-	241,557
Deposit admin fund	-	6,492,208	-	-	-	6,492,208
Other payables	-	<u>1,009,699</u>	-	-	-	<u>1,009,699</u>
Total financial liabilities	-	<u>7,743,464</u>	<u>25,704</u>	<u>179,925</u>	-	<u>7,949,093</u>
Net liquidity gap	-	<u>(1,053,700)</u>	<u>(25,704)</u>	<u>1,689,276</u>	-	<u>609,872</u>

26..INSURANCE AND FINANCIAL RISK (continued)

b. Financial risks (continued)

ii. Liquidity risk (continued)

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Company also has committed lines of credit that it can access to meet liquidity needs.

The table below provides a contractual maturity analysis of the company's financial assets and liabilities:

31 December 2022	No stated maturity SSP '000	6 months or on demand SSP '000	Between 6 months and 1 year SSP '000	Between 1 year and 5 years SSP '000	More than 5 year SSP '000	Total SSP '000
Financial assets:						
Related party loan	-	-	-	1,290,018	-	1,290,018
Restricted deposits	-	2,686,283	-	-	-	2,686,283
Investment in collective schemes	-	496,526	-	-	-	496,526
Other receivables	-	78,190	-	-	-	78,190
Deposit with financial Institutions	-	-	-	-	-	-
Cash and cash equivalents	-	<u>54,808</u>	-	-	-	<u>54,808</u>
Total financial assets	-	<u>3,315,807</u>	-	<u>1,290,018</u>	-	<u>4,605,825</u>
Financial liabilities:						
Finance lease obligation	-	-	16,024	128,409	-	144,433
Due to related party	-	151,727	-	-	-	151,727
Deposit admin fund	-	2,981,544	-	-	-	2,981,544
Other payables	-	<u>563,647</u>	-	-	-	<u>563,647</u>
Total financial liabilities	-	<u>3,696,918</u>	16,024	128,409	-	<u>3,841,351</u>
Net liquidity gap	-	<u>(381,111)</u>	<u>(16,024)</u>	<u>1,161,609</u>	-	<u>764,473</u>

26.INSURANCE AND FINANCIAL RISK (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 company's market risk policy sets out the assessment and determination of what constitutes market risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the company's 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 company stipulates diversification benchmarks by type of instrument and geographical area, as the company is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt currencies are all constant

(i) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The company is therefore not exposed to significant currency risk.

(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 company'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.

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 company's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5% in all yield curves of financial assets and financial liabilities. The Company is not exposed to interest rate risk as all financial assets are at fixed interest rates.

26.INSURANCE AND FINANCIAL RISK (continued)

c. Market risk (continued)

(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 price (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 company is not exposed to equity securities price risk as it doesn't have holdings in investments, classified as financial assets at fair value through profit or loss as well as financial assets classified as available for sale.

The company has a defined investment policy which sets limits on the company's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the company's price risk arising from its investments in equity investments.

(iv) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environmental technology and the industry are monitored through the Company's strategic planning and budgeting process.

27. FAIR VALUE MEASUREMENT

The company 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 market prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange Limited.
- 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 company 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 of 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.

	Level 1	Level 2	Level 3	Level 4	Total
	SSP '000	SSP '000	SSP '000	SSP '000	SSP '000
2023					
Investment property	-	-	2,432,196	-	2,432,196
Investment in collective	-	929,329	-	-	929,329
Investment through P & L	-	-	-	-	-
Owner-occupied property	-	-	1,621,464	-	1,621,464
	<u>-</u>	<u>929,329</u>	<u>4,053,660</u>	<u>-</u>	<u>4,982,989</u>
2022					
Investment property	-	-	1,532,592	-	1,532,592
Investment in collective	-	496,526	-	-	496,526
Investment through P & L	-	-	-	-	-
Owner-occupied property	-	-	1,021,728	-	1,021,728
	<u>-</u>	<u>496,526</u>	<u>2,554,320</u>	<u>-</u>	<u>3,050,846</u>

Description of valuation techniques used and key inputs used in valuation of financial and non- financial assets.

Significant increases (decrease in price of similar properties in the market would result into significant higher (lower) fair value of the Investment property.

	Level	Valuation technique	Significant observable/unobservable inputs	Average per year
Investment property and owner Occupied property	3	Comparative method of Valuation & Depreciated Replacement Cost Method	Price of similar properties in the market	
Investment in collective Investment scheme	2	Net Asset Value	Current unit price of underlying unitised assets	

The carrying value of financial assets not held at fair value approximates their fair value

The financial statements are presented in Kenya shillings thousands (SSP '000'), which is also the company's functional currency.

-----000---