

REPUBLIC OF KENYA



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**REPORT**

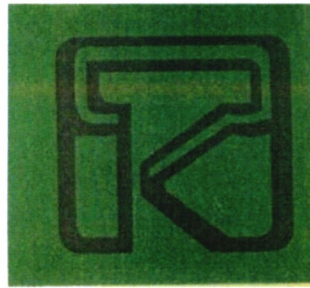
**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA NATIONAL ASSURANCE COMPANY  
(2001) LIMITED**

**FOR THE YEAR ENDED  
31 DECEMBER, 2021**



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**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
DECEMBER 31, 2021**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)**

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended December 31, 2021**

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# **KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**

## **Annual Reports and Financial Statements**

**For the year ended December 31, 2021**

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### **i. KEY ENTITY INFORMATION**

#### **Background information**

The Kenya National Assurance Company (2001) Limited *was* incorporated under the Companies Act Cap 486 of the Laws of Kenya on the 26<sup>th</sup> October, 2001.

#### **Principal Activities**

The company continues to operate as a Closed Life Fund. The company's main activity is finalisation of outstanding court cases and recovery of debts owed to the company in preparation for voluntary winding up of the company. The company does not underwrite new insurance policies.

As disclosed in Note 5 to the financial statements, the Government of Kenya redefined the Board's mandate to require directors to facilitate smooth winding up of the company by 31 December 2023 in compliance with the Insurance Act Cap 487 and the Companies Act No. 17 of 2015 of the Laws of Kenya.

The National Treasury has reviewed the mandates of the company's directors as follows:

- (a) To spearhead conclusion of the court cases
- (b) Conclude sale of the 1448 individual plots derived out of LR No.MN/1/397 Bamburi.
- (c) To ensure winding up of the company and transfer of all surplus assets to the National Treasury.

#### **Directors**

The Directors who served Kenya National Assurance Company (2001) Limited during the year/period were as follows:

- |    |                        |                              |   |
|----|------------------------|------------------------------|---|
| 1. | Eng. Stanley K. Kamau  | - Chairman                   | - Appointed on 31 <sup>st</sup> December 2018 |
| 2. | Tabitha Mutero-Mwaniki | -Ag, Chief Executive Officer | - Appointed on 31 <sup>st</sup> December 2018 |
| 3. | FA Daniel Mutua        | - Alternate to PS Treasury   | - Appointed on 31 <sup>st</sup> December 2018 |

#### **Corporate Secretary**

Mrs. Tabitha M. Mwaniki  
P.O. Box 20425-00200  
Nairobi

#### **Registered Offices**

Bima House  
Harambee Avenue  
P.O. Box 20425-00200  
Nairobi, Kenya

#### **Corporate Headquarters**

Bima House  
Harambee Avenue  
P.O. Box 20425-00200  
Nairobi, Kenya

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**Corporate Contacts**

Telephone: (254) 727751024  
E-mail: knac2001ltd@gmail.com  
Website: Nil

**Corporate Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank Limited  
Moi Avenue Branch  
P O Box 30081 – 00100  
Nairobi, Kenya

**Independent Auditors**

The Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**Principal Legal Advisers**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
2. Waweru Gatonye & Company Advocates  
Timau Plaza 4<sup>th</sup> Floor  
P.O Box 55207-00200  
Nairobi. KENYA
3. Christine Oraro & Company Advocates  
Delta Riverside  
Block 3 2<sup>nd</sup> Floor Riverside Drive  
P.O Box 20728-00100  
Nairobi, Kenya

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

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### ii. THE BOARD OF DIRECTORS



Eng. Stanley K. Kamau - Ag. Director General  
Public Investment and Portfolio Management

Eng. Stanley K. Kamau is currently the Director General, Public Investments and Portfolio Management Directorate. This directorate is responsible for coordinating, managing and providing leadership in government investments and public enterprises, assets and liabilities in Government, public investment management, public private partnerships and government pensions.

Prior to his current role, Eng. Kamau was the Director for Public Investment Management at the National Treasury & Planning. He was appointed as a Director of Public Private Partnership (PPP) Unit, in February 2010, a position he held until March 2018, where he established the current legal and regulatory framework for PPPs in Kenya. In his previous appointments in Government, Eng Kamau has contributed immensely in the development of a number of policies, laws and activities/programs which have had a significant impact in Kenya.

Eng. Kamau has a Bachelor of Science Degree in Civil Engineering from the University of Nairobi and is a registered engineer with Engineers Registration Board of Kenya. He has also served as an Alternate Director/Board Member in a number of State Corporations.

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**

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FA Daniel Mutua  
Alternate Director to the Cabinet Secretary, The National Treasury

FA Daniel Mutua is a Deputy Director, Investments in the Directorate of Public Investment & Portfolio Management in the National Treasury. He has over 28 yrs of Public sector experience having worked in various Ministries in Government and currently working in the National Treasury & Planning since 2004. His Key Competencies include Finance & Investment Analysis and appraisal, Enterprise Risk analysis, corporate Governance, Project Management Public-Private Partnerships Management, Public Policy analysis, Trusteeship, Public Finance and Leadership.

Mr. Mutua holds a B.Ed. (Economics/Business Studies)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006). He has attended many international forums and participated in trainings and benchmarking studies on Unclaimed Assets Management, Assets & Liabilities Management, Risk Management, Public Policy among others in these Countries- USA, South Africa, Singapore, China, Sweden, Turkey, Canada, Ireland, India, Rwanda, Uganda and Tanzania



Mrs Tabitha Mwaniki  
Ag. Chief Executive Officer/ Company Secretary

Mrs. Mwaniki is currently the acting CEO and Company Secretary. She was appointed as Principal Legal Officer and Company Secretary in November, 2005. She holds MBA, Executive from Moi University, and Post Graduate Diploma In Public Relations from Kenyatta University, Bachelor of Laws Degree from Nairobi University and a Diploma in Law from the Kenya School of Law. She is an Advocate of the High Court of Kenya of 25 years' experience, and a Certified Public Secretary (Kenya). Mrs. Mwaniki is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
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**iii. MANAGEMENT TEAM**



**Mrs Tabitha Mwaniki**  
**Ag. Chief Executive Officer/Company Secretary (MBA, LLB, CPS)**



**Ms. Zipporah Chebotibin**  
**Head of Accounts Department**  
**(B'Com, CPA K)**

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended December 31, 2021**

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**iv. CHAIRMAN'S STATEMENT**

I am pleased to present to you the annual report and financial statements for the period ending 31 December, 2021.

**Performance Review**

In the year 2021 the focus of the company has been the conclusion of the pending court cases and the sale of the 1448 individual plots derived from Bamburi plot to the squatters in accordance with the Court Order. Despite the delays introduced by the Covid-19 Pandemic which interrupted the normal court operations three cases were heard and determined during the year.

**Financial Review**

The financial performance of the company improved in the year 2021 due to receipt of unpaid dividends which were being held by the Unclaimed Financial Assets Authority. The dividends accrued from shares belonging to the Life Fund previously held in East African Breweries Limited. The main source of the company's revenue is interest on investments in Treasury Bills and fixed deposits which have decreased substantially over the years due to the decline in the amounts being deposited and a drop in the market interest rates during the year. The other source of income is the expected recoveries from Mortgage debts which have been delayed by uncompleted court cases.

**Citizenship**

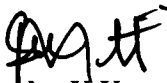
Kenya National Assurance Company (2001) Limited although not trading, takes its role as a corporate citizen seriously and believes in being a valued, respected and trusted citizen is vital in preserving shareholder value.

**Appreciation**

The Board of Directors is aware of the uncertainties in the current business environment and continues to provide the necessary oversight to protect the shareholder interest. I thank the Government of Kenya through our parent Ministry the National Treasury and Planning for the continued support and confidence that has been accorded to the Board. I acknowledge the efforts of Management and Staff in diligently pursuing the strategic objectives of the company and thank them for their persistence.

**Conclusion**

In conclusion, tremendous progress has been made and I believe that it will be possible to wind up the company as soon as the cases pending before the courts are concluded and the sale of the individual plots derived out of the Bamburi property is completed.

  
**Eng. Stanley K.Kamau**  
**Chairman**

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
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**v. REPORT OF THE CHIEF EXECUTIVE OFFICER**

I am greatly privileged to present the 2021 annual report and financial results. It has been a year in which tremendous gains have been made towards the achievement of the Mandate of the Board. During the year three cases were heard and determined successfully in favour of the company. Progress was made in the sale of the 1448 individual plots derived from Bamburi plot to the squatters by issuing them with letters of offer to purchase their individual plots in accordance with the Court Order.

In particular we have made some achievements in the implementation of our mandate as follows: -

**Court Cases**

Out of the 15 pending Court Cases at the beginning of the year three cases were heard and determined by the courts in favour of the company. Only two cases are pending for hearing and determination. The other 10 cases have been heard and determined and what is pending is the execution proceedings and collection of decretal sums. Implementation of the Court order on the sale of the 1448 plots derived from Bamburi Plot has progressed as the squatters have been issued with the letters of offer and a few have accepted the offer and started to pay the purchase price.

**Cost Management**


In order to ensure the achievement of its core mandate the company has focused on cost containment in the face of dwindling funds for investment and delay in the disposal of assets due to unconcluded court cases. All surplus funds not immediately required are invested in treasury bills to earn interest since it is the only remaining source of revenue.

**Sale of the Remaining Assets**

Malindi Plot and shares in Consolidated Bank of Kenya are the only other remaining assets of the Life Fund. The Office of the Attorney General and the Ministry of Justice has expressed interest in the purchase of Malindi Plot. The disposal of the shares in Consolidated Bank of Kenya which are not listed in the stock exchange is subject to the expected privatisation of the bank.

**Conclusion**

In conclusion, I reiterate our commitment to the implementation of the mandate of the Board by relentlessly pursuing the conclusion of the pending court cases and sale of remaining assets of the Life Fund. I sincerely thank the Board for their guidance and strategic support and applaud the staff for their dedicated service to the company.



**Tabitha Mwaniki**  
**Ag. Chief Executive Officer**

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements

For the year ended December 31, 2021

### vi. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021

The Mandate of the Board has been revised from time to time based on the achievements and progress made in the sale of the assets of the Life Fund, settlement of claim liabilities, conclusion of court cases and preparation for winding up of the company. Through a letter dated 24<sup>th</sup> March ,2022 the National Treasury and Planning has extended the company operations for two years to allow for conclusion of the court cases, sale of the assets of the life fund and winding up of the company.

(i) **Current Mandate of the Board is as follows: -**

(a) To conclude outstanding court cases.

(b) Conclude sale of the 1448 individual plots derived out of LR No.MN/1/397 Bamburi.

(c) To prepare for winding up/liquidation of the company by 31<sup>st</sup> December, 2023.

(ii). **Progress Report on the Work Plan for 2021**

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Conclusion of all the 15 outstanding Court cases	<ul style="list-style-type: none"> <li>- To conclude the pending Court cases</li> <li>- To execute decreed of the Court</li> </ul>	<ul style="list-style-type: none"> <li>-Hearing of all the pending cases</li> <li>-Obtaining Judgements</li> <li>-Execution of the Judgements</li> <li>- Negotiations of out of Court settlements</li> </ul>	<ul style="list-style-type: none"> <li>- Fixing the cases for hearing</li> <li>-Extraction of decrees</li> <li>-Execution of the decrees</li> </ul>	<ul style="list-style-type: none"> <li>(i) One (1) cases heard and judgement delivered in 2021</li> <li>(ii) Twelve (12) cases have been heard and execution proceedings are being pursued</li> <li>(iii)Two (2) cases are due for hearing</li> </ul>
Sale of remaining assets of the Life Fund	To dispose of the assets	<ul style="list-style-type: none"> <li>- Plan, Survey, Value and offer for sale Bamburi plot as per the Court Order.</li> <li>- Complete change of user of Malindi and sell plot to the interested buyer</li> </ul>	<ul style="list-style-type: none"> <li>-Obtain approval for Physical Plan</li> <li>- Survey</li> <li>-Valuation</li> <li>-Offer the individual plots for sale</li> <li>Complete change of user process</li> </ul>	<ul style="list-style-type: none"> <li>- Physical Plan was approved on 4<sup>th</sup> March, 2021.</li> <li>- Survey Map was approved on 9<sup>th</sup> September,2021</li> <li>- Valuation Report was issued on 6<sup>th</sup> October,2021</li> <li>- Letters of offer were issued to the squatters from 6<sup>th</sup> December,2021</li> <li>- The squatters started paying for the plots.</li> <li>- Change of User for Malindi Plot was complete and new title issued on 22<sup>nd</sup> March,2021. Waiting for the Attorney General to complete the sale.</li> </ul>

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
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**vii. CORPORATE GOVERNANCE STATEMENT**

Kenya National Assurance (2001) Limited was incorporated on 26 October 2001 under the provisions of the Kenya Companies Act as an insurance company to take over the assets and liabilities of the Closed Life Fund of the former Kenya National Assurance Company Limited (in liquidation). The company remained dormant until 1 August 2002 when a Board of Directors was appointed to run its affairs.

The Board of Directors is mandated by the Government of Kenya to conclude all the outstanding court cases and wind up the company by 31<sup>st</sup> December, 2023.

Corporate Governance defines the process and structure used to direct and manage the business affairs of the Company with the aim of enhancing corporate accounting and shareholders long term value while taking into account the interests of other stakeholders.

The Board of Directors is responsible for governance of the Company and is committed to ensuring that its business operations are conducted with integrity and in compliance with the Law, internationally accepted principles and best practices of Corporate Governance and business ethics. To this end the company has put in place systems, practices and procedures which are frequently reviewed and updated embracing the changing corporate environment and world trends. In this respect the Company confirms that it complies with all relevant legislation including the Mwongozo Code of Good Governance.

**Business Ethics**

The company conducts its business in compliance with high ethical standards of business practice. In this respect, the transactions with its clients, intermediaries, insiders, employees and other stakeholders are conducted at arm's length, with integrity and transparency. The business is conducted with high levels of transparency and accountability.

**Board of Directors**

The names of the Directors who held office in the year and the time of this report are set out on page 4. The Board fulfils fiduciary responsibility to the shareholder by maintaining control over strategic, operational and compliance issues of the Company. Whilst the Board provides direction and guidance on strategic and general policy matters, establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated its authority to the Chief Executive Officer to conduct the day-to-day business of the company.

The Board consists of the Chairman and CEO of the company and one non-executive director. The composition of the Board reflects the declining operations of the company as it prepares for winding up. The Board possesses extensive experience in a variety of disciplines in insurance, business and financial management, all of which are applied in overall management of the company. The Board meets quarterly and has a formal schedule of matters reserved for it. The directors are given appropriate and timely information so that they can perform their fiduciary responsibilities effectively.

All the directors on the Board are independent of management and are free from any business or other relationships which could materially interfere with the exercise of their independent judgement.

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
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**(a) Directors' Emoluments and Loans**

The remuneration of all directors is subject to the guidelines issued by the Office of the President on terms and conditions of service for Chairmen and Directors of State Corporations. Information on the compensation received and dealings with the company is included in the notes to the financial statements.

**(b) Related Party Transactions**

There have been no materially significant related party transactions, pecuniary transactions or relationships between the company and its Directors or, Management except as those disclosed in Note 24 to the Financial Statements for the year ended 31 December 2021.

**Board Committees**

Due to the reduced number of Board Members the Board has not set up working committees but has discharged all its duties and responsibilities including the duties of the Audit Committee as the full Board.

**Board Meeting Attendance**

During the year under review, the Board held 6 meetings. The Board Members attendance for 2021 was as follows: -

<b>Name</b>	<b>Number of Meetings Attended</b>	<b>Percentage Attended</b>
Eng. Stanley Kamau	6/6	100%
Daniel Mutua	6/6	100%

**Board Performance Evaluation**

The Chairman periodically conducts evaluation of the performance of the Board and individual directors annually. The Board also undertakes an evaluation of the performance of the Chairman and Chief Executive Officer. And further, the board discusses the results of its evaluations and uses the processes to constructively improve the effectiveness of the Board.

**Shareholders**

The list of Shareholders and their individual holding at the year ending 31 December, 2021 was as follows:-

<b>Name</b>	<b>No. of Ordinary Shares</b>	<b>Percentage</b>
Cabinet Secretary, The National Treasury	1,499,000	99.9%
Principal Secretary National Treasury	1	0.1%

**Compliance**

The company operates within the requirements of the Insurance Act Cap 487 of the Laws of Kenya, among other legal requirements, and adopts the universally acceptable principles in areas of Human Rights, labour standards and in its commitment to best practice. Additionally, the company prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS).

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended December 31, 2021**

**viii. MANAGEMENT DISCUSSION AND ANALYSIS**

**(a) Financial Statements as at 31<sup>st</sup> December ,2021**

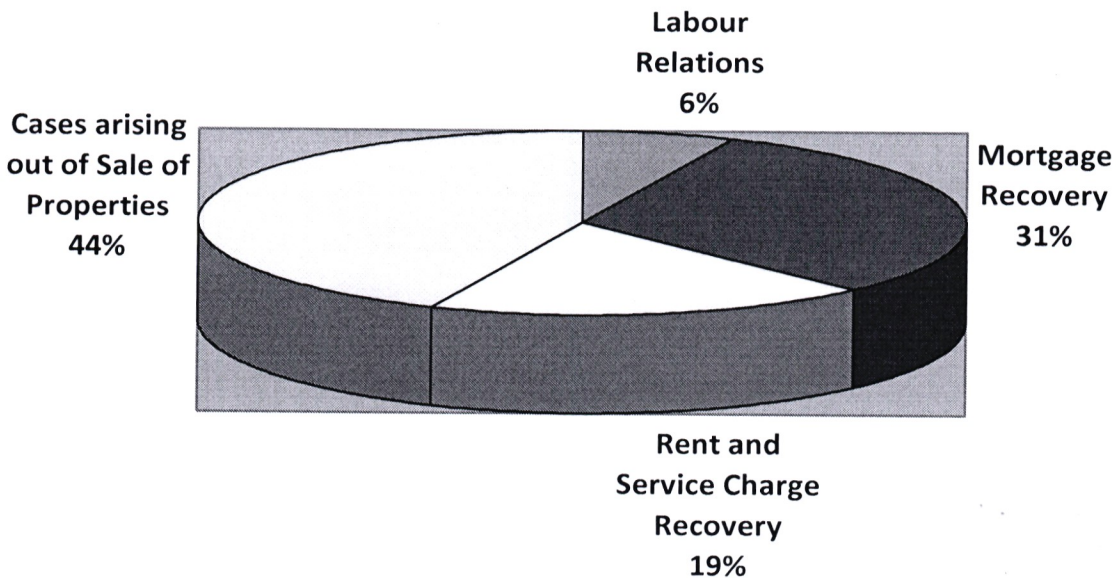
The Financial Statement as at 31<sup>st</sup> December,2021 show that total assets and total liabilities of the Company have declined as expected due to the disposal of Life Fund assets, payment of Actuarial Liabilities and management expenses in line with the approved Run-Off Program and work plan for the year 2021. Comparative data for the years 2017, 2018, 2019, 2020 and 2021 showing the operating profit/loss, Net assets or net worth and management expenses in Millions is as follows: -

Management expenses for 2021 amounted to Kshs 25 Million against income of Kshs 21 Million resulting in a deficit of Kshs 2 Million compared to a budgeted surplus of Kshs 3 Million for the year. This is due to the delay in conclusion of the court cases and sale of Malindi Plot.

**(b) Outstanding Court Cases**

There are 15 outstanding court cases relating to mortgage recoveries, recovery of rent and service charge arrears, sale of assets and labour relations distributed as follows:

**Nature of Outstanding Court Cases**



**ix. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The ongoing global health crisis resulting from the outbreak of Covid-19 pandemic has brought about the need for organizational nimbleness in response to unfavourable circumstances which can threaten business continuity and implementation of work plans.

**1. Sustainability Strategy and Profile**

Our sustainability strategy involves being able to manage the financial, operational and social aspects of our operations to enable us achieve our goals which is to prepare the company for winding up by completing the sale of remaining assets of the Life Fund and concluding the pending court cases through innovative ways such as out of Court settlements.

**2. Environmental Performance**

In the day-to-day operations of the company, the company promotes measures that conserve power such as not using electricity for lighting during the day and having a near paperless office in order to help conserve the environment.

**3. Corporate Social Investment**

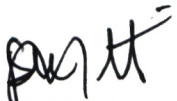
The company is not trading and therefore unable to participate in social investment projects.


**4. Employee and Social Sustainability**

The safety of our employees, clients and the general public is a great concern to the company. Staffs have been sensitized in key areas of statutory safety compliance, general health and first aid.

**5. Financial Sustainability**

Ensuring financial sustainability is one of the key objectives of the corporate strategy. This objective is attained through stringent control of management expenses and prudent investments of available funds.

  
.....  
Chairman

  
.....  
Director

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
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**x. REPORT OF THE DIRECTORS**

The Directors present their report together with the Audited Financial Statements of Kenya National Assurance Company (2001) Limited (“the company”) for the year ended 31 December 2021, which disclose the Financial affairs of the Company.

**PRINCIPAL ACTIVITIES**

The company continues to operate as a Closed Life Fund. The company’s main activity is to pursue the conclusion of remaining Court cases, prepare the company for winding up and to transfer all surplus assets to the National Treasury. The company does not underwrite new insurance policies.

As disclosed in Note 5 to the financial statements, the Government of Kenya redefined the Board’s mandate to require Directors to facilitate smooth winding up of the company by 31 December 2021 in compliance with the Insurance Act Cap 487 and the Companies Act 2015 of the Laws of Kenya.

**The National Treasury has reviewed the mandate of the company’s directors as follows:**

- (a) To spearhead the conclusion of the outstanding court cases.
- (b) Conclude sale of the 1448 individual plots derived out of LR No.MN/1/397 Bamburi.
- (c) To ensure winding up/liquidation of the company and transfer of all surplus assets to the National Treasury by 31 December, 2023.

**RESULTS**

Loss before Taxation	<b>Kshs 000</b> (2,023)
<b>Loss for the year transferred to the Statutory Reserve</b>	<b>(2,023)</b>

**DIRECTORS**

The current Board of Directors are listed on page v.

**DIVIDEND**

The Directors do not recommend the payment of a dividend in the current year (2021: Nil).

**AUDITORS**

The Auditor General is responsible for the statutory Audit of the Company’s books of Account in accordance with Section 14 and Section 39(i) of the Public Audit Act, 2003 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf. Office of the auditor General undertook the audit for the year 2021.

**By Order of the Board**

  
Corporate Secretary

Nairobi

Date: 22 June, 2022

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements

For the year ended December 31, 2021

### xi. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and *section 14 of the State Corporations Act and Companies Act 2015* require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of Kenya National Assurance Company (2001) Limited at the end of the financial year/period and the operating results of Kenya National Assurance Company (2001) Limited for that year/period. The Directors are also required to ensure that Kenya National Assurance Company (2001) Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of Kenya National Assurance Company (2001) Limited for and as at the end of the financial year (period) ended on 31 December, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, the State Corporations Act and Companies Act, 2015. The Directors are of the opinion that Kenya National Assurance Company (2001) Limited financial statements give a true and fair view of the state of Company's transactions during the financial year ended 31 December, 2021, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

The Directors acknowledge that the Government has given them a mandate to control all outstanding court cases, wind up the company and transfer surplus assets to the National Treasury by 31 December, 2023.

#### Approval of the financial statements

Kenya National Assurance Company (2001) Limited financial statements were approved by the Board on 31<sup>st</sup> January, 2022 and signed on its behalf by:

Signature .....

Name: Eng. Stanley K. Kamau

Chairperson of the Board.

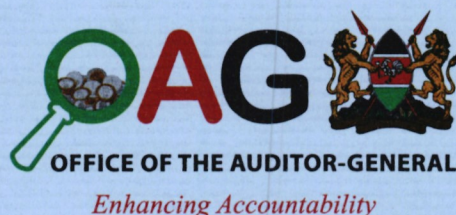
Signature:.....

Name: Tabitha Mwaniki

Ag. Chief Executive Officer

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED FOR THE YEAR ENDED 31 DECEMBER, 2021**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya National Assurance Company (2001) Limited set out on pages 1 to 41, which comprise of the statement of

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*Report of the Auditor-General on Kenya National Assurance Company (2001) Limited for the year ended 31 December, 2021*

financial position as at 31 December, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and the statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Kenya National Assurance Company (2001) Limited as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Preparation of Financial Statements on a Going Concern Basis**

The financial statements have been prepared on a going concern basis. However, as disclosed in Note 5 to the financial statements, the Board of Directors was mandated to spearhead conclusion of all outstanding court cases and to ensure winding up of the Company and transfer of surplus assets to The National Treasury by 31 December, 2023. This is an indication of intention to cease operations of the Company. The financial statements as prepared and presented are therefore, in breach of the provisions of International Accounting Standard No.1 (IAS I) Paragraph 25 which requires Management to make an assessment of an entity's ability to continue as a going concern and if Management concludes that an entity is not a going concern, the financial statements should not be prepared on a going concern basis.

In the circumstances, the Management was in breach of International Accounting Standards.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Assurance Company (2001) Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.41,228,000 and Kshs.23,304,000 respectively resulting to an under-funding of Kshs.17,924,000 or 43% of the budget. Similarly, the Company expended Kshs.25,327,000 against an approved budget of Kshs.38,209,000 resulting to an under-expenditure of Kshs.12,882,000 or 34% of the budget.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1) of the Public Audit Act, 2015 based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit, that: -

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from my examination of those records; and
- iii. The Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**22 July, 2022**

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended December 31, 2021**

**xi. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021	2020
		Kshs'000	Kshs'000
<b>REVENUES</b>			
Grants from the National Government		-	-
Interest income	6	2,203	1,649
Mortgage Recovery		-	-
Other Income	7	21,101	6,093
<b>TOTAL REVENUES</b>		<b>23,304</b>	<b>7,742</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	8	25,277	24,709
Claims expense	9	50	-
<b>TOTAL OPERATING EXPENSES</b>		<b>25,327</b>	<b>24,709</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(2,023)</b>	<b>(16,967)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	<b>11</b>	<b>0</b>	<b>0</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(2,023)</b>	<b>(16,967)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value through comprehensive income		-	-
Surplus or deficit on revaluation of PPE		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>
Earnings per share – basic and diluted	12	-	-
Dividend per share	13	-	-

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements

For the year ended June 30, 2020

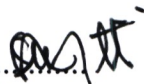
### xii. STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 Kshs'000	2020 Kshs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14 (a)	2,530	2,561
Intangible assets	14 (b)	-	22
Unquoted investments	15	101,056	101,063
Staff receivables due after one year		-	-
<b>Total Non-Current Assets</b>		<b>103,586</b>	<b>103,646</b>
<b>Current Assets</b>			
Trade and other receivables	16	36,513	36,301
Mortgage loans	17	4,280	4,280
Short-term deposits (Treasury Bills)	18 (a)	19,838	34,907
Short-term deposits (Fixed Deposits)	18 (b)	5,027	-
Bank and cash balances	19	13,500	3,378
<b>Total Current Assets</b>		<b>79,158</b>	<b>78,866</b>
<b>Total Assets</b>		<b>182,744</b>	<b>182,512</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	20	50,000	50,000
Revaluation reserve	21	103,556	103,563
Statutory Reserves	22	13,525	15,548
<b>Capital and Reserves</b>		<b>167,081</b>	<b>169,111</b>
<b>Non-Current Liabilities</b>			
Contingent Reserves	25	5,000	5,000
<b>Total Non-Current Liabilities</b>		<b>5,000</b>	<b>5,000</b>
<b>Current Liabilities</b>			
Liabilities under insurance contracts	26	-	77
Trade and other payables	27	2,823	2,833
Retirement benefit obligations	28 (a)	7,822	5,489
Provision for leave pay	28 (b)	18	2
<b>Total Current Liabilities</b>		<b>10,663</b>	<b>8,401</b>
<b>Total Liabilities</b>		<b>15,663</b>	<b>13,401</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>182,744</b>	<b>182,512</b>

The financial statements were approved by the Board on 31<sup>st</sup> January, 2022 and signed on its behalf by

  
Ag. Chief Executive Officer.....  
Name: Tabitha Mwaniki

  
Head of Finance .....  
Name: Zipporah Chebotibin  
ICPAK M/NO: 9826

  
Chairman of the Board.....  
Name: Eng. Stanley K. Kamau

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

Annual Reports and Financial Statements  
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## xiii. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At January 1, 2020	50,000	103,564	-	32,515	-	-	186,079
Revaluation gain	-	(1)	-	-	-	-	(1)
Total comprehensive income(loss)	-	-	-	(16,967)	-	-	(16,967)
At January 31, 2020	50,000	103,563	-	15,548	-	-	169,111
At January 1, 2021	50,000	103,563	-	15,548	-	-	169,111
Fair value adjustment on unquoted investments	-	(7)	-	-	-	-	(7)
Total comprehensive income	-	-	-	(2,023)	-	-	(2,023)
At December 31, 2021	50,000	103,556	-	13,525	-	-	167,081

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements For the year ended December 31, 2021

### xiv. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021	2020
		Kshs'000	Kshs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	42	80	(14,375)
<b>Net cash generated from/(used in) operating activities</b>		<b>80</b>	<b>(14,375)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>80</b>	<b>(14,375)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>38,285</b>	<b>52,660</b>
Effects of foreign exchanges rate fluctuations		-	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>42(b)</b>	<b>38,365</b>	<b>38,285</b>

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**

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**xv. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2021**

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Performance Absorption rate %	
	2021	Kshs '000'	2021	Kshs '000'	2021	Kshs '000'	2021	Kshs '000'	2021	Kshs '000'	2021	2021
<b>Revenue</b>												
Interest from Treasury Bills	1,385	1,385	-	-	1,385	2,191	806	158%				
Sale of Asset – Malindi Plot	2,500	2,500	-	-	2,500	-	(2,500)	(100%)				
Mortgage Recovery	19,000	19,000	-	-	19,000	-	19,000	(100%)				
Other income	18,343	18,343	-	-	18,343	21,113	2,770	(115%)				
<b>Total income</b>	41,228	41,228	-	-	41,228	23,304	17,924	56%				
<b>Expenses</b>												
Compensation of employees	13,895	13,895	-	-	13,895	12,661	1,234	91%				
Use of goods and services	22,698	22,698	-	-	22,698	10,989	11,709	48%				
Rent paid	1,616	1,616	-	-	1,616	1,627	(11)	101%				
Other expense – Claims expense	-	-	-	-	-	50	(50)	(100%)				
<b>Total expenditure</b>	38,209	38,209	-	-	38,209	25,327	12,882	66%				
<b>Surplus for the period</b>	3,019	3,019	-	-	3,019	(2,023)	(30,806)	66%				

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements

For the year ended December 31, 2021

	Final budget	Actual on comparable basis	Performance difference	Performance Absorption rate %	Remarks
	2021	2021	2021	2021	
Revenue	Kshs '000'	Kshs '000'	Kshs '000'		
Interest from Treasury Bills	1,385	2,191	806	158%	The interest earned on Treasury Bills increased due to the increased income from other sources thus increasing the amount available for investments
Sale of Asset – Malindi Plot	2,500	-	(2,500)	(100%)	The Office of the Attorney General has expressed interest in the Property and is yet to make payment for it.
Mortgage Recovery	19,000	-	19,000	(100%)	The securities held are yet to be sold due to the ongoing court cases
Other income	18,343	21,113	2,770	(115%)	Due to funds received from the Unclaimed Financial Assets Authority representing uncollected dividends from shares previously held in East Africa Breweries Limited.
<b>Total income</b>	<b>41,228</b>	<b>23,304</b>	<b>17,924</b>	<b>56%</b>	The delay in the conclusion of the court cases led to reduced income because the mortgage securities were not realized
<b>Expenses</b>					
Compensation of employees	13,895	12,661	1,234	91%	-
Use of goods and services	22,698	10,989	11,709	48%	The budget provision included legal fees which are yet to be paid due to the delay in conclusion of the court cases.
Rent paid	1,616	1,627	(11)	101%	-
Taxation paid	-	-	-	-	-
Other expense – Claims expense	-	50	(50)	(100%)	-
<b>Total expenditure</b>	<b>38,209</b>	<b>25,327</b>	<b>12,882</b>	<b>66%</b>	The moderate budget uptake is due to the delay in the conclusion of the court cases.
<b>Surplus for the period</b>	<b>3,019</b>	<b>(2,023)</b>	<b>(30,806)</b>	<b>66%</b>	

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements For the year ended December 31, 2021

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### xvi. NOTES TO THE FINANCIAL STATEMENTS

#### 1. GENERAL INFORMATION

Kenya National Assurance Company (2001) Limited entity is established by and derives its authority and accountability from Companies Act, 2015. Kenya National Assurance Company (2001) Limited is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is the management of the Closed Life Fund of the former Kenya National Assurance Company Limited (In Liquidation).

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity'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 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Companies Act, 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

#### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

##### i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2021

###### *IFRS 16: Leases*

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2021**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, the company has no right of use assets.

***IFRIC 23: Uncertainty Over income tax treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

***IFRS 9 Classification of Financial Assets***

The amendments, applicable to annual periods beginning on or after 1 January 2021, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

***IAS 28 Investments in Associates and Joint Ventures***

The amendments, applicable to annual periods beginning on or after 1st January 2021, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

***IFRS 3 – Business Combinations***

The amendments, applicable to annual periods beginning on or after 1st January 2021, provide additional guidance on applying the acquisition method to particular types of business combination.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2021(Continued)**

***IFRS 11 – Joint Arrangements***

The amendments, applicable to annual periods beginning on or after 1st January 2021, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

***IAS 12 – Income Taxes***

The amendments, applicable to annual periods beginning on or after 1st January 2021, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where Kenya National Assurance Company (2001) Limited originally recognised the transactions to which they are linked.

***IAS 23 – Borrowing Costs***

The amendments, applicable to annual periods beginning on or after 1st January 2021, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

***IAS 19- Employee Benefits***

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2021, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when Kenya National Assurance Company (2001) Limited re-measures its net defined employee benefit liability (asset) in the manner specified in the amended standard.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

*IAS 1 and IAS 8 Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2021, with earlier application permitted.

*IFRS 17 Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

*Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2021)*

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**ii) Early adoption of standards**

Kenya National Assurance Company (2001) Limited did not early – adopt any new or amended standards in year 2021.

**iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Kenya National Assurance Company (2001) Limited and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which Kenya National Assurance Company (2001) Limited delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which Kenya National Assurance Company (2001) Limited actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognized as it accrues.

**b) In-kind contributions**

In-kind contributions are donations that are made to Kenya National Assurance Company (2001) Limited in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, Kenya National Assurance Company (2001) Limited includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

**m) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**n) Taxation**

***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where Kenya National Assurance Company (2001) Limited operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where Kenya National Assurance Company (2001) Limited operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**o) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**p) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**q) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to Kenya National Assurance Company (2001) Limited or not, less any payments made to the suppliers.

**r) Retirement benefit obligations**

Kenya National Assurance Company (2001) Limited does not operate a defined contribution scheme. All employees are on contract and eligible for payment of gratuity. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

**s) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

**t) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which Kenya National Assurance Company (2001) Limited operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**u) Budget information**

The original budget for FY 2021 was approved by the National Treasury on 21<sup>st</sup> September, 2021.

The entity's budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements.

**u) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Note 15 of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**v) Service concession arrangements**

Kenya National Assurance Company (2001) Limited analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, Kenya National Assurance Company (2001) Limited recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 31, December, 2021.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Kenya National Assurance Company (2001) Limited based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

**Going Concern Assumption**

The National Government through the National Treasury and Planning has renewed the mandate of the Board of Directors as follows:-

- (a) To spearhead the conclusion of the outstanding court cases.
- (b) Conclude sale of the 1448 individual plots derived out of LR No.MN/1/397 Bamburi.
- (c) To ensure winding up/liquidation of the company and transfer of all surplus assets to the National Treasury by 31 December, 2023.

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 28.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**6 INTEREST INCOME**

	<b>2021</b>	<b>2020</b>
<b>Description</b>	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Interest income from Treasury Bonds	2,191	1,638
Interest on staff loans	12	11
<b>Total</b>	<b>2,203</b>	<b>1,649</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7 OTHER INCOME**

	<b>2021</b>	<b>2020</b>
<b>Description</b>	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Dividend Income	1	6
Cash donations	-	533
Gain on sale of fixed assets (unserviceable stores)	-	552
Interest on Bank Balances	4	2
Other miscellaneous receipts(Uncollected Dividends)	21,096	-
Other miscellaneous receipts (Mortgage Recovery)	-	5,000
<b>Total</b>	<b>21,101</b>	<b>6,093</b>

**8 (a) ADMINISTRATION COSTS**

	<b>2021</b>	<b>2020</b>
<b>Description</b>	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Staff Costs (note 8b)	12,661	12,416
Directors' Emoluments	296	128
Electricity and water	-	-
Communication Services and Supplies	78	66
Transportation, Travelling and Subsistence	359	434
Advertising, Printing, Stationery and Photocopying	110	135
Rent Expenses	1,627	1,768
Staff Training Expenses	322	249
Hospitality Supplies and Services	413	317
Insurance Costs	875	556
Bank Charges and Commissions	93	86
Electronic Data Processing	96	122
Auditors' Remuneration	300	300
Legal Fees	961	928
Squatters Eviction Costs	7,006	1,115
Rent and Rates	27	20
Depreciation	31	43
Amortization	22	26
Court Decree	-	6,000
<b>Total</b>	<b>25,277</b>	<b>24,709</b>

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8 (b) STAFF COSTS**

Salaries and allowances of permanent employees	-	-
Wages of temporary employees	9,784	9,074
Compulsory national health insurance schemes	77	77
Compulsory national social security schemes	19	19
Leave Pay	449	411
and gratuity provisions	2,332	2,835
Staff welfare	-	-
<b>Total</b>	<b>12,661</b>	<b>12,416</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	-	-
Permanent employees – Unionisable	-	-
Temporary and contracted employees	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

**9 CLAIMS EXPENSE**

	2021	2020
Description	Kshs'000'	Kshs'000'
Benefits to policy holders	50	-
<b>Total</b>	50	-

**10 OPERATING PROFIT/(LOSS)**

	2021	2020
	Kshs'000'	Kshs'000'
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	12,661	12,416
Depreciation of property, plant and equipment	31	43
Depreciation of right-of-use asset	-	-
Amortisation of intangible assets	22	26
Provision for bad and doubtful debts	-	-
Directors' emoluments - fees	-	-
- other	296	128
Auditors' remuneration - current year fees	300	300
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Net foreign exchange loss	-	-
Interest Income	(2,203)	(1,649)
Other Income	(21,101)	(6,093)
Interest Receivable	-	-
Operating expenses	12,017	11,796
<b>Total</b>	<b>(2,023)</b>	<b>(16,967)</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11 INCOME TAX EXPENSE/(CREDIT)**

**(a) Current taxation**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Current taxation based on the adjusted profit for the year at 30%	(607)	(5,090)
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	<b>(607)</b>	<b>(5,090)</b>

**b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Profit before taxation	(2,023)	(16,967)
Tax at the applicable tax rate of 30%	(607)	(5,090)
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes (30% of Depreciation and Amortization)	2	21
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	<b>(605)</b>	<b>(5,069)</b>

**12 EARNINGS PER SHARE**

The company is not trading and is not listed in the Stock Exchange.

**13 DIVIDEND PER SHARE**

The company is not trading and is not able to declare and pay dividends.

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

14 a) **PROPERTY, PLANT AND EQUIPMENT**

2021	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>								
At July 1, 2020	2,500	-	-	1,867	3,944	1,766	-	10,077
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	(1,867)	(3,461)	(298)	-	(5,626)
<b>At December 31, 2020</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>1,468</b>	<b>-</b>	<b>4,451</b>
<b>DEPRECIATION</b>								
At January 1, 2020	-	-	-	1,867	3,807	1,735	-	7,409
Charge for the year	-	-	-	-	(38)	(5)	-	(43)
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	(1,867)	(3,396)	(299)	-	(5,562)
<b>At December 31, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>449</b>	<b>1,441</b>	<b>-</b>	<b>1,890</b>
<b>NET BOOK VALUE</b>								
As at December 31, 2020	2,500	-	-	-	34	27	-	2,561

Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Motor vehicles, including motor cycles	1867	477
Computers and related equipment	483	121
Office equipment, furniture and fittings	1,468	147
	<b>1,951</b>	<b>745</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14 (a) PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>								
At January 1, 2021	2,500	-	-	-	483	1,468	-	4,451
Additions	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals/Obsolete	-	-	-	-	-	(8)	-	(8)
<b>At December 31, 2021</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>1,460</b>	<b>-</b>	<b>4,443</b>
<b>DEPRECIATION</b>								
At January 1, 2021	-	-	-	-	449	1,441	-	1,890
Charge for the year	-	-	-	-	27	4	-	31
Impairment loss	-	-	-	-	-	(8)	-	(8)
Eliminated on disposal	-	-	-	-	-	-	-	-
<b>At December 31, 2021</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476</b>	<b>1,437</b>	<b>-</b>	<b>1,913</b>
<b>NET BOOK VALUES</b>								
At December 31, 2021	2,500	-	-	-	7	23	-	2,530
At December 31, 2020	2,500	-	-	-	34	27	-	2,561

Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	annual depreciation charge
Computers and related equipment	476	119
Office equipment, furniture and fittings	1437	144
	<b>1,913</b>	<b>263</b>

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 14 b) INTANGIBLE ASSETS

	2021	2020
	Kshs'000'	Kshs'000'
<b>COST</b>		
At January 1	514	1,349
Additions	-	-
Disposals		(835)
At December 31	<b>514</b>	<b>514</b>
<b>AMORTISATION</b>		
At January 1	492	1300
Charge for the year	22	26
Disposals	-	-
Impairment loss		( 834)
At December 31	514	492
<b>NET BOOK VALUE</b>		
At December 31	<b>0</b>	<b>22</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**15 UNQUOTED INVESTMENTS**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
<b>COST</b>		
At January 1	101,063	101,063
Additions	-	-
Fair value gains (losses)	7	-
Disposals	-	-
At December 31	<b>101,056</b>	<b>101,063</b>
<b>IMPAIRMENT</b>		
At January 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At December 31	-	-
<b>NET BOOK VALUE</b>		
At December 31	<b>101,056</b>	<b>101,063</b>

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price Kshs'000'	Value of shares less impairment Current year Kshs'000'	Value of shares less impairment Prior year Kshs'000'
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%			
Consolidated Bank of Kenya (Ordinary Shares)	0.7	-	0.7	20	21,890	21,890
Consolidated Bank of Kenya Preference Shares	2.7	-	2.7	20	79,166	79,166
	<b>3.4</b>	-	<b>3.4</b>		<b>101,056</b>	<b>101,056</b>

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**16 (a) TRADE AND OTHER RECEIVABLES**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Trade receivables (note 16(b))	35,582	35,548
Deposits and prepayments	661	554
VAT recoverable	-	-
Staff receivables (note 16 (c))	-	199
Other receivables	-	-
Gross trade and other receivables	-	-
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	<u>36,513</u>	<u>36,301</u>

**(b) TRADE RECEIVABLES**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Gross trade receivables	283,783	283,480
Provision for bad and doubtful receivables	(247,931)	(247,932)
	<u>35,852</u>	<u>35,548</u>
At December 31, the ageing analysis of the gross trade receivables was as follows:	-	-
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	35,582	35,548
	<u>35,582</u>	<u>35,548</u>

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED****Annual Reports and Financial Statements****For the year ended December 31, 2021****NOTES TO THE FINANCIAL STATEMENTS (Continued)****16 (c) STAFF RECEIVABLES**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Gross staff loans and advances	-	199
Provision for impairment loss	-	-
Less: Amounts due within one year	-	(199)
Amounts due after one year	-	-
	=====	=====

**17 MORTGAGE LOANS**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Maturity within one year	362,641	367,641
Maturity during the year	-	(5,000)
	362,641	364,641
Less provision for impairment losses	358,361	358,361
At end of the year	<b>4,280</b>	<b>4,280</b>
	=====	=====

**18 (a) SHORT TERM DEPOSITS-TREASURY BILLS**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Central Bank of Kenya	19,838	34,907
	<b>19,838</b>	<b>34,907</b>

Example: The average effective interest rate on the short term deposits as at December 31, 2021 was 7.114%(2020: 6.52%)

**b) SHORT TERM DEPOSITS-FIXED AND CALL DEPOSITS**

	<b>2021</b>	<b>2020</b>
	<b>Ksh 000'</b>	<b>Ksh 000'</b>
Kenya Commercial Bank	5,027	-
	<b>5,027</b>	-

The average effective interest rate on the fixed deposits as at December 31, 2021 was 5%(2020: 4.5%)

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19 BANK AND CASH BALANCES

	2021	2020
	Kshs'000'	Kshs'000'
Cash at bank	13,434	3,304
Cash in hand	66	74
	<b>13,500</b>	<b>3,378</b>

The bulk of the cash at bank was held in Treasury Bills in the Central Bank of Kenya and Kenya Commercial Bank, the company's main bankers.

The make – up of bank balances and short term deposits is as follows:

#### Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021	2020
		Kshs'000'	Kshs'000'
<b>a) Current account</b>			
Kenya Commercial Bank	1107111862	2,397	(246)
Kenya Commercial Bank	1107111641	11,037	3,550
<b>Sub- total</b>		<b>13,434</b>	<b>3,304</b>
<b>b) On - call deposits</b>			
Kenya Commercial bank		5,027	-
<b>Sub- total</b>		<b>5,027</b>	-
<b>c) Fixed deposits account</b>			
Central Bank of Kenya		19,838	34,907
<b>Sub- total</b>		<b>19,838</b>	<b>34,907</b>
<b>d) Others(specify)</b>			
cash in hand		66	74
<b>Sub- total</b>		<b>66</b>	<b>74</b>
<b>Grand total</b>		<b>38,365</b>	<b>38,285</b>

#### 20 ORDINARY SHARE CAPITAL

	2021	2020
	Kshs	Kshs
<b>Authorised:</b>		
5,000,000 ordinary shares of Kshs.1000 par value each	50,000	50,000
	=====	=====
<b>Issued and fully paid:</b>		
5,000,000 ordinary shares of Kshs.1000par value each	50,000	50,000
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21 REVALUATION RESERVE**

	Quoted equity investments	Unquoted equity investments	Assets held For sale	Total 2021	Total 2020
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
At 1 January	-	101,063	2,500	103,563	103,563
	-	(7)	-	(7)	
Loss on Revaluation					
At 31 December 2021	-	101,056	2,500	103,556	103,563

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**22 FAIR VALUE ADJUSTMENT RESERVE**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

**23 STATUTORY RESERVE**

	2021 Sh'000	2020 Sh'000
Life Fund	18,525	20,548
Less:		
- Contingency Reserve	(5,000)	(5,000)
<b>Statutory Reserve</b>	<b>13,525</b>	<b>15,548</b>

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

**24 DEFERRED TAX LIABILITY**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2021 Kshs'000'	2020 Kshs'000'
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(607)	(5,090)
Provisions for liabilities and charges	607	5,090
Net deferred tax liability	-	-
Balance at end of the year	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**25 CONTINGENCY RESERVE**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Balance at beginning of the year	5,000	5,000
Changes in actuarial valuation	-	-
Balance at beginning of the year	5,000	5,000

**26 LIABILITIES UNDER INSURANCE CONTRACTS**

	<b>Maturities</b>	<b>Death</b>	<b>Surrenders</b>	<b>Institutions</b>	<b>Refundable</b>	<b>Total</b>
	<b>Sh'000</b>	<b>claims</b>	<b>Sh'000</b>	<b>and Annuities</b>	<b>premiums</b>	<b>Sh'000</b>
	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>
At 1 January 2021	-	-	-	-	77	77
Adjustment to Claim Values	-	-	-	-	-	-
Benefits to policyholders	-	-	-	-	146	146
Claims Reversed	-	-	-	-	-	-
Claims Paid during the year	-	-	-	-	(223)	(223)
<b>At 31 December 2021</b>	-	-	-	-	-	-
<b>At 31 December 2020</b>	-	-	-	-	77	77

On the 27<sup>th</sup> June, 2014 claims worth Shs 348,754,305 for 22,356 and on 30th October, 2015 claims worth Shs9,026,338.00 for 503 unpaid policyholders were transferred to the Unclaimed Financial Assets Authority in order to comply with the Unclaimed Financial Assets Act, 2011 which states;

Unless otherwise provided in this Act or by any other law, Assets shall be subject to the custody of the Authority as unclaimed assets, if the conditions raising a presumption of abandonment under sections 4 to 18 of the Act are satisfied and one or more of the following requirements are met;

- (i) The records of the holder do not reflect the identity of the person entitled to the assets
- (ii) The holder has not previously paid or delivered the assets to the apparent owner or other person entitled to the assets
- (iii) The last known address, as shown on the records of the holder, of the apparent owner is in a country that does not provide by law for the escheat or custodial taking of the assets or its escheat or unclaimed assets law is not applicable to the assets and the holder is domiciled in Kenya.

**27 TRADE AND OTHER PAYABLES**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Trade payables	2,461	2,158
Accrued expenses	325	675
Deposits	37	-
	2,823	2,833

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 28 a) RETIREMENT BENEFIT OBLIGATIONS

Kenya National Assurance Company (2001) Limited does not operate a defined benefit scheme as it does not have full-time employees. All its employees are on contract and eligible for payment of gratuity at the end of the contract period. The gratuity is based on 31% percentage of basic salary of an employee at the end of the contract period. During the year, 2021 gratuity provisions were made as follows: -

	2021	2020
	Kshs'000'	Kshs'000'
Gratuity provisions at the beginning of the year	5,489	2,654
Additional provisions during the year	2,333	2,835
Balance at end of the year	7,822	5,489

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

#### b) PROVISION FOR LEAVE PAY

	2021	2020
	Kshs'000'	Kshs'000'
Balance at beginning of the year	2	-
Additional provision at end of year	454	411
Leave paid out or utilised during the year	(438)	(409)
Balance at end of the year	18	2

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED****Annual Reports and Financial Statements****For the year ended December 31, 2021****NOTES TO THE FINANCIAL STATEMENTS (Continued)****29 NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>2021</b>	<b>2020</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	(2,023)	(16,957)
Depreciation	22	26
Amortisation	31	43
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(1,970)	(16,967)
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(212)	(658)
Increase/(decrease) in trade and other payables	(87)	122
Increase/(decrease) in retirement benefit obligations (Staff gratuity)	2,333	3,057
Increase/(decrease) in provision for staff leave pay	16	2
Cash generated from/(used in) operations	80	(14,375)
	=====	=====
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
	=====	=====
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	24,865	34,907
Cash at bank	13,434	3,304
Cash in hand	66	74
Balance at end of the year	38,365	38,285
	=====	=====

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 30 RELATED PARTY DISCLOSURES

##### (a) Government of Kenya

The Government of Kenya is the principal shareholder of the company, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Companies and other parties related to Kenya National Assurance Company (2001) Limited include those parties who have ability to exercise or have significant influence over its financial and operating decisions. These include the Government of Kenya; its agencies and close associates as follows:

- i) County Government of Nairobi
- ii) Central Bank of Kenya
- iii) Kenya Commercial Bank Limited
- iv) Consolidated Bank of Kenya
- v) Key Management;
- vi) Board of directors;

##### Transactions with related parties

	2021	2020
	Kshs'000'	Kshs'000'
<b>a) Key management compensation</b>		
Directors' emoluments	296	128
Compensation to the CEO	-	-
Compensation to key management	7,706	7,013
<b>Total</b>	<b>8,002</b>	<b>7,141</b>

#### 31 CONTINGENT LIABILITIES

	2021	2020
	Kshs'000'	Kshs'000'
Legal claims against the company	-	26,923
	-	<b>26,923</b>
	=====	=====

In the opinion of the directors, no provision is required in these financial statements as the only existing contingent liability was discharged during the year.

#### 32 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**33 FINANCIAL RISK MANAGEMENT (Continued)**

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

Kenya National Assurance Company (2001) Limited has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount 31.12.2021 Kshs '000'</b>	<b>Fully performing Kshs '000'</b>	<b>Past due Kshs '000'</b>	<b>Impaired Kshs'000'</b>
<b>At 31 December, 2021</b>				
Receivables from exchange transactions (Rent & Other Receivables)	284,270	36,513	-	247,757
Mortgage Loans	4,280	-	4,280	-
Short Term Deposits	24,865	24,865	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	13,500	13,500	-	-
<b>Total</b>	<b>326,915</b>	<b>74,878</b>	<b>4,280</b>	<b>247,757</b>
<b>At 31 December, 2020</b>				
Receivables from exchange transactions	284,058	36,301	-	247,757
Receivables from non-exchange transactions	4,280	-	4,280	-
Short Term Deposits	34,907	34,907	-	-
Bank balances	3,378	3,378	-	-
<b>Total</b>	<b>326,623</b>	<b>74,586</b>	<b>4280</b>	<b>247,757</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

Kenya National Assurance Company (2001) Limited has no significant concentration of credit risk because it is not trading.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 33 FINANCIAL RISK MANAGEMENT (Continued)

##### ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the company's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Kenya Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
<b>At 31 DECEMBER 2021</b>				
Trade payables	2,461	-	-	2,461
Current portion of borrowings	-	-	-	-
Provisions (Contingency Reserves)	5,000	-	-	5,000
Deferred income	-	-	-	-
Employee benefit obligation	7,840	-	-	7,840
Accrued Expenses	362	-	-	362
Claims under insurance Contracts	0	-	-	0
<b>Total</b>	<b>15,663</b>	<b>-</b>	<b>-</b>	<b>15,663</b>
<b>At 31 December 2020</b>				
Trade payables	2,158	-	-	-
Current portion of borrowings	-	-	-	-
Provisions (Contingency Reserve)	5,000	-	-	5,000
Deferred income	-	-	-	-
Employee benefit obligation	5,500	-	-	5,500
Accrued expenses	589	-	-	589
Claims under insurance contracts	77	-	-	77
<b>Total</b>	<b>13,324</b>	<b>-</b>	<b>-</b>	<b>13,324</b>

##### (iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by Kenya National Assurance Company (2001) Limited on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**33 FINANCIAL RISK MANAGEMENT (Continued)**

**(iii) Market risk (Continued)**

**a) Foreign currency risk**

Kenya National Assurance Company (2001) Limited has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		<b>Other currencies</b>	<b>Total</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>At 31 December, 2021</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Kenya National Assurance Company (2001) Limited manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>At 31 December, 2020</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Financial Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 33 FINANCIAL RISK MANAGEMENT (Continued)

##### (iii) Market risk (Continued)

##### b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>2021</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2020</b>			
Euro	10%	-	-
USD	10%	-	-

##### c) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

##### *Management of interest rate risk*

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

##### *Sensitivity analysis*

Kenya National Assurance Company (2001) Limited analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 25,634 (2021: KShs 20,974 ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs -1922 (2021 – KShs -2124)

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**33 FINANCIAL RISK MANAGEMENT (Continued)**

**Fair value of financial assets and liabilities**

*a) Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. Kenya National Assurance Company (2001) Limited considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

<b>At 31 DECEMBER 2021</b>	<b>Level 1 Kshs '000'</b>	<b>Level 2 Kshs '000'</b>	<b>Level 3 Kshs '000'</b>	<b>Total Kshs '000'</b>
<b>Non- financial Assets</b>				
Land and buildings	2,500	-	-	2,500
	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
	=====	=====	=====	=====
<b>At 31 December 2020</b>				
<b>Non- financial Assets</b>				
Land and buildings	2,500	-	-	2,500
	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
	=====	=====	=====	=====

# KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

## Annual Reports and Financial Statements

For the year ended December 31, 2021

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 33 FINANCIAL RISK MANAGEMENT (Continued)

##### Fair value of financial assets and liabilities (Continued)

##### a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs '000'	Level 2 Kshs '000'	Level 3 Kshs '000'	Total Kshs '000'
<b>At 31 DECEMBER 2021</b>				
<b>Non- financial Assets</b>				
Property, plant and equipment	-	-	30	30
	-	-	30	30
	=====	=====	=====	=====
<b>At 31 December 2020</b>				
<b>Non- financial Assets</b>				
Property, Plant and equipment	-	-	83	83
	-	-	83	83
	=====	=====	=====	=====

There were no transfers between levels 1, 2 and 3 during the year.

##### b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

#### iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. Kenya National Assurance Company (2001) Limited capital structure comprises of the following funds:

	2021 Kshs '000'	2020 Kshs '000'
Revaluation reserve	103,556	103,563
Retained earnings	13,525	15,548
Capital reserve	50,000	50,000
<b>Total funds</b>	<b>167,081</b>	<b>169,111</b>
Total borrowings	-	-
Less: cash and bank balances	13,500	3,378
Net debt/(excess cash and cash equivalents)	13,500	3,378
<b>Gearing</b>	<b>8%</b>	<b>2%</b>

**KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended December 31, 2021**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**33 INCOPORATION**

Kenya National Assurance Company (2001) Limited is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

**34 EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**35 CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

# JNAL ASSURANCE COMPANY (2001) LIMITED

**Financial Statements**

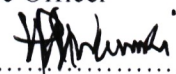
**ended December 31, 2021**

## ANNEX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Continued Preparation of Financial Statement on Going Concern Basis while the company is planned for winding by the 31 <sup>st</sup> December, 2021	<p>The company is at the tail end of achieving its mandate of completion of all the pending court cases and sale of all the remaining assets of the Life Fund. Due to the expected dissolution of the company the Financial Statements for the year 2020 were prepared on a basis other than that of a going concern which includes where appropriate, restating the company's assets to net realizable value.</p> <p>The company has three assets which are held at book value as follows: -</p> <ol style="list-style-type: none"> <li>1. Malindi Plot which is an asset held for sale and held at the current valuation amount of Kshs 2.5 Million</li> <li>2. Mortgage loans held at book value because the recovery is subject to determination of pending Court cases.</li> <li>3. Investment Shares held in Consolidated Bank of Kenya Limited are held at book value because the bank is not listed in the stock exchange and is under privatization.</li> </ol>	Tabitha Mwaniki Ag. CEO	<b>Not Resolved</b>	<b>31<sup>st</sup> December, 2023</b>

Name: Tabitha Mwaniki.....  
Chief Executive Officer

Signature..... 

Date..... 23 June, 2022

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