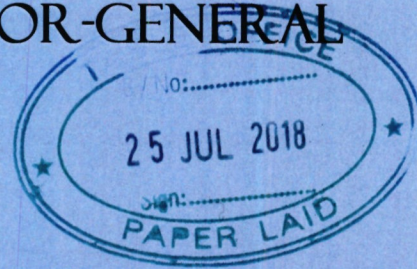


REPUBLIC OF KENYA



Paper Laid
By Lom P. Hon. Mr. T. M. Njoroge
on 25/7/2018 at 15:45

OFFICE OF THE AUDITOR-GENERAL



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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA NATIONAL ASSURANCE
COMPANY (2001) LIMITED**

**FOR THE YEAR ENDED
31 DECEMBER 2017**

OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI

29 MAY 2018

RECEIVED

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

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2017

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

31 DECEMBER 2017

CONTENTS	PAGE
Background information	2
Corporate information	3
The Board of Directors	4 - 5
Management Team	6
Chairman's Statement/Report of the Chief Executive Officer	7
Corporate Governance Statement	8 - 10
Corporate Social Responsibility Statement	11
Report of the Directors	12
Statement of Directors' Responsibilities	13
Report of the Independent Auditors/Auditor General	14 - 16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Explanatory Notes to the Financial Statements	21 - 41
Supplementary Information	Appendix

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

Background information

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

Principal Activities

The company continues to operate as a Closed Life Fund. The company's main activity remains raising of funds through the disposal of properties to settle accumulated insurance liabilities on life policies which were inherited from its predecessor, Kenya National Assurance Company Limited (in liquidation) and finalisation of outstanding court cases and recovery of debts owed to the company in preparation for voluntary winding up of the company by 30th June, 2018. 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 voluntary winding up of the company by 30 June 2018 in compliance with the Insurance Act Cap 487 and the Companies Act 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 by 30th June, 2018.
- (b) To ensure voluntary winding up of the company and transfer of all surplus assets to the National Treasury by 30th June 2018.

Directors

The current Board of Directors are listed on page 4.

Company Secretary



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

28th May, 2018

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CORPORATE INFORMATION

DIRECTORS	Mr Alexander T. Kaminchia - Chairman/Chief Executive Officer Mr Henry K. Rotich Mr Daniel Mutua Mr Timothy Michael John-Burke
SECRETARY	Mrs Tabitha Mwaniki Bima House Harambee Avenue P.O. Box 20425-00200 Nairobi, Kenya
REGISTERED OFFICE	Bima House Harambee Avenue P.O. Box 20425-00200 Nairobi, Kenya
CORPORATE BANKERS	KCB Bank Kenya Limited Moi Avenue Branch P O Box 30081 – 00100 Nairobi, Kenya Central Bank of Kenya P.O Box 60000-00200 Nairobi, Kenya
INDEPENDENT AUDITORS	Auditor General Kenya National Audit Office Anniversary Towers, University Way P.O. Box 30084 GOP 00100 Nairobi, Kenya
APPOINTED AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P O Box 40092 - 00100 Nairobi, Kenya
PRINCIPAL LEGAL ADVISORS	Waweru Gatonye & Company Advocates Timau Plaza 4th Floor P.O Box 55207-00200 Nairobi, Kenya Christine Oraro & Company Advocates Delta Riverside Block 3 2nd Floor Riverside Drive P.O Box 20728-00100 Nairobi, Kenya

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

THE BOARD OF DIRECTORS



Mr. Henry K. Rotich, EGH
Cabinet Secretary, The National Treasury

Mr Henry Rotich is the Cabinet Secretary, The National Treasury. He holds a Masters' degree in Economics and Bachelors' degree in Economics (First Class Honours) both from the University of Nairobi. He also holds a Masters' degree in Public Administration (MPA) from the Kennedy School of Government, Harvard University.

Prior to his appointment as Cabinet Secretary, he had been the Head of Macroeconomics at The National Treasury, and then Ministry of Finance, since 2006 where he was involved in the formulation of macroeconomics policies aimed at achieving the Government's development priorities. In addition, he was involved in the preparation of key budget documents including the Budget statements, as well as providing strategic coordination of structural reforms in the fiscal and financial sector.

Prior to joining the Ministry of Finance, Mr Rotich worked in the Research Department of the Central Bank of Kenya from 1994. Between 2001 and 2004, he was attached to the International Monetary Fund (IMF) local office to work as an economist. Mr Rotich has also been a Director on several boards of state corporations, including the Insurance Regulatory Authority, Industrial Development Bank, the Communication Commission of Kenya and Kenya National Bureau of Statistics.



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

Mr. Mutua is a Deputy Director, Investment. He has over 23 years Public Sector experience in various Ministries including-Ministry of Labour, National Heritage and the National Treasury-Directorate of Portfolio Management. Intensive training in Investment Appraisal, Enterprise Risk Analysis, Corporate Governance and Public-Private Partnerships. Mr. Mutua holds a B.Ed. (Eco/Buss)-Kenyatta University (1991) and MBA-ESAMI/Maastricht (2006) and several certificates from IP3 Institute-Washington DC-USA.

Mr. Mutua has also been a director on several boards of State Corporations including; ICDC, EPZA, WSTF, NBA, WASREB, LVNWSB, UFAA, Laikipia and University of Eldoret Councils.



Mr. Alexander T. Kaminchia,
Chairman/CEO

Mr. Kaminchia was re-appointed Chairman of Kenya National Assurance Company (2001) Limited with effect from 1st July, 2016. He holds a Bachelor's Degree in Commerce (B'Com) from the University of Nairobi. Mr. Kaminchia has worked in the Banking and Insurance sector for many years. During his career he rose through the ranks to become the Managing Director of Kenya Re-Insurance Corporation, Africa Reinsurance Corporation and the Executive Chairman of Kenya Commercial Bank Group. He has served on the Board of Mumias Sugar Company Limited, Kenya Airways, United Finance Limited and the Export Processing Zone Authority. He was instrumental in the establishment of the Preferential Trade Area Reinsurance Company (PTA RE) with its headquarters in Nairobi Kenya and served as Chairman of its first Board of Directors of the company which is owned by members of the insurance industry in the Comesa Region.



Mr. Timothy Michael John Owen-Burke
Non-Executive Director

Mr. Owen –Burke was re-appointed as Director of Kenya National Assurance Company (2001) Limited with effect from 1st July, 2016. He holds an Oxford and Cambridge Certificate of Education. He has over 50 years' experience in the Kenyan insurance industry where he participated in various Administrative and Technical Committees of the Association of Kenya Insurers (AKI). During his career he rose through the ranks to become the Managing Director of UAP Provincial Insurance Company Limited a position he held until June, 2000 when he retired from the Company. He has been a Director of Kenya National Assurance Company (2001) Limited since its inception in 2002.



Mrs Tabitha Mwaniki
Company Secretary/ Principal Legal Officer

Mrs. Mwaniki 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 20 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

MANAGEMENT TEAM



Mr. Alexander T. Kaminchia
Chairman/ Chief Executive Officer
(B'Com)



Mrs Tabitha Mwaniki
Company Secretary/Principal Legal
Officer
(MBA, LLB,CPS)



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

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CHAIRMAN STATEMENT/ REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased and honoured to present to you the annual report for the period ending 31 December, 2017 in my capacity as Chairman of the Board and Chief Executive Officer.

Performance Review

The focus of the company in the year 2017 has been conclusion of pending Court cases. During the year the company has been able to conclude 6 out of the 21 outstanding Court cases.

Financial Review

The performance of the company was good under the circumstances which prevailed in 2017. The main source of the company's revenue is interest on Treasury bills and fixed deposits which have been declining over the years due to transfer of Kshs 357,780,645 to the Unclaimed Financial Assets Authority in the years 2014/2015 and decrease in deposit market interest rates. The other source of income is expected recoveries from Mortgage debts which have cases pending before the Court and the cases are yet to be concluded.

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.

Acknowledgement

It is clear that none of the many achievements made by the company have been made without the commitment and dedication of the Directors and the support of the National Treasury.

Conclusion

In conclusion I would like on behalf of the Board and the National Treasury, to thank the employees of the company for their commitment to work diligently for the company and to deliver excellent service to our clients. I believe that it will be possible to wind up the company voluntarily as soon as the cases pending before the Courts are concluded.



.....
Alexander T. Kaminchia

Chairman/Chief Executive Officer

Nairobi, Kenya

28th May, 2018

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CORPORATE GOVERNANCE STATEMENT

Kenya National Assurance Company (2001) Limited is committed to the highest standards of corporate governance based on four core values of responsibility, accountability, fairness and transparency. Corporate governance is a system of governance through which a board directs and controls the company and by which it is held accountable by shareholders. The company has adopted a governance programme that enables the Board to balance the interests of shareholders and other stakeholders.

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 prepare the company for voluntary winding up by 30 June 2018 after disposal of all assets and settlement of all liabilities within the framework of the approved Run-off Programme and prepare the Company for voluntary winding up. Due to the planned winding up the company does not underwrite any insurance business.

As at 31 December 2017, the Board had settled cumulative claims amounting to Sh 4,271 billion (2016: Sh 4.271 billion).

Statement of Compliance

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 Code of Governance for Government Owned Entities (Mwongozo Code) which offers guidance to all State Corporations on issues of governance. The Mwongozo code is aligned to the international best practices in Corporate governance.

The Company also adheres to the tenets of the Constitution of Kenya and complies with the provisions of relevant statutes including the Insurance Act Cap 487, Public Procurement and Assets Disposal Act 2015, Public Finance Management Act, 2012, Employment Act, 2007, Companies Act 2015, State Corporations Act, Environmental Management and Coordination Act and the Occupational Safety and Health Act, 2007.

Board Charter

The Company has a Board charter which provides guidelines to the Board in the exercise of its mandate with regard to the following; separation of the roles, functions, responsibilities and powers of the Board and independent directors; matters reserved for decision making by the Board; conduct of board meetings and procedures and the nomination, appointment, induction, training and evaluation of members of the Board, Powers delegated to the Board Committees, Policies and practices of the Board on matters of corporate governance, directors declarations and conflict of interest.

Board Composition

The Kenya National Company (2001) Limited Board comprises of 3 members made of Executive Chairman and CEO, the Cabinet Secretary National Treasury plus one independent director. The Board composition reflects the declining operations of the company as it prepares for winding up. The term of the Board comes to an end on the 30 June, 2018.

Board Diversity

The Board members have the following diverse set of skills and experiences: Accountancy, Finance & Economics, Banking and Insurance all of which are applied in overall management of the company. The three board members are all of the male gender and the Company Secretary is female.

Board Effectiveness

Due to the reduced operations of the company and the nature of the mandate of the Board the functions of the Chairman and Chief Executive Officer are merged.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Directors Responsibilities

The Board Charter sets out the duties and responsibilities of the Board members. Each director commits to uphold and promote effective and responsible use of resources and undertakes to act in good faith, with care and prudence in the best interest of the company while exercising his powers and executing his duties. The Directors are expected to be fully aware that they are individually and collectively responsible to attaining the mandate of the company and accounting to the shareholder.

The Company Secretary

The Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK) is the Secretary to the Board and its Committees and supports the Board on procedural and regulatory matters while ensuring the company adheres to the Board's policies and procedures.

Board Meetings

The Board has a work plan and meets monthly or more often, in accordance with the requirements of business. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for meetings and the agenda and board papers are circulated in good time. The Board held 15 meetings in the year 2017 as follows:-

Name	Number of Meetings Attended	Percentage Attended
Alexander Kaminchia	15	100%
Timothy Michael John Owen-Burke	15	100%
Daniel Mutua	15	100%

Board Committees

Due to the reduced number of Board Members the Board sits as committee when the nature of business requires.

Shareholding

The Company is fully Government owned and no Board member holds any shares in the company as seen below;

Name	No. of Ordinary Shares	Percentage
Cabinet Secretary, The National Treasury	49,999,999	99.9%
Principal Secretary National Treasury	1	0.1%

Directors' Emoluments and Loans

The remuneration of all directors is in accordance to the guidelines provided by the State Corporations Act and Salaries and Remuneration Commission as well as shareholder approval during the annual general meeting. The Directors are paid a taxable sitting allowance for every meeting attended, as well as travel and accommodation while on company business. Each director receives a fee of Kshs 600,000 per annum. No loans are granted to any of the directors.

Board Performance Evaluation

The chairman 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.

Board Induction and Training

In accordance with the Board Charter new members to the Board are properly inducted and there is continuous training of the Board Members through SCAC and other institutions.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

Declaration of Interest and Conflict of Interest

As provided in the Board Charter the Directors are obligated to disclose to the Board real or potential conflict of interest, which comes to his/her attention, whether direct or indirect. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the company is upheld by the Board.

At the commencement of each meeting an agenda item exists which requires members to make a declaration of any interest they may have in the business under discussion. The Board maintains a conflict of interest and declaration of interest register.

Company's policies on risk management, information technology, procurement, corporate social responsibility and investment and conflict of interest are critical to the strategic focus of the company.

Whistle Blowing Policy

As provided in the Board Charter the whistle blowing policy gives employees an opportunity to report corruption and unethical behaviour without fear of reprisal.

Internal Controls & Risks Interest

The Board affirms its responsibility to the Company system of internal financial control, including taking reasonable steps to ensure that adequate systems are maintained. Effective internal control systems to assess and mitigate risks have been operationalized.

Going Concern

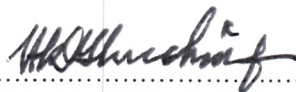
The Board confirms that the company is not a going concern due to the planned voluntary winding up of the company by 30 June, 2018. For this reason, the financial statements have been prepared on another basis other than the going concern basis.

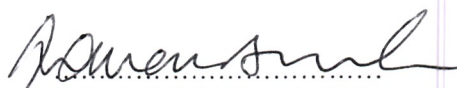
Ethics and Code of Conduct

The Board, Management and employees are required to observe the Ethics and Code of Conduct that they have committed to under the Mwongozo Code of good governance. The core values are integrity, transparency, accountability team spirit and professionalism. The Company has a Code of Conduct and Ethics signed by the Board Members and staff.

Engagement with Shareholder

The Board provides regular and timely information to the shareholder in terms of quarterly reports and annual financial statements.


.....
Alexander T. Kaminchia


.....
Timothy Michael John-Burke

Nairobi, Kenya

28th May, 2018

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

ENVIRONMENTAL AND CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The focus on Environmental and Social Responsibility is assessed in five perspectives including sustainability strategy and profile, environmental performance, employee welfare, market place practices and Social Responsibility. In view of its mandate which is to pursue conclusion of court cases and to prepare the Company for Voluntary Winding up by 30 June, 2018 the company performance in each of this areas in the year 2017 is as follows:-

(i) Sustainability Strategy and Profile.

The strategic objective of the company is to pursue conclusion of the pending Court cases in preparation for voluntary winding up of the company. The company has been able to complete 5 out of the 20 pending Court cases during the year. The delay in completing the Court cases is due to the busy Court diaries which is beyond the Board and Management control. The Board has been diligent in ensuring that the Court cases are being handled by competent legal teams.

(ii) Environmental Performance

The Company is housed by the National Treasury at Bima House, Nairobi. The Company has an environmental policy which provides for moving towards a paperless office through local networking and sharing of information.

(iii) Employee Welfare

The company has a policy towards improving the employee skills by funding training and professional body membership and participation. The Company provides medical and personal accident cover for staff and a safe working environment.

(iv) Market Place Practices

The company is not a going concern due to its planned voluntary winding up.

(v) Social Responsibility

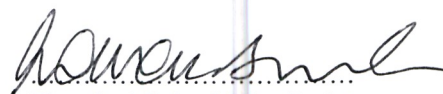
The company is not trading due to its planned voluntary winding up and therefore did not engage in any social responsibility projects.



Alexander T. Kaminchia

Nairobi, Kenya

28th May, 2018



Timothy Michael John-Burke

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

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 2017, 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 conclusion of remaining Court cases, prepare the company for voluntary 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 30 June 2018 in compliance with the Insurance Act Cap 487 and the Companies Act 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 by 30th June, 2018.
- (b) To ensure voluntary winding up of the company and transfer of all surplus assets to the National Treasury by 30th June, 2018.

RESULTS

	Sh'000
Loss before taxation	3,493
Taxation	-
Loss for the year transferred to the statutory reserve	<u>3,493</u>

DIRECTORS

The current Board of Directors are listed on page 3.

DIVIDEND

The Directors do not recommend the payment of a dividend in the current year (2016: Nil).

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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. Deloitte & Touche, who were nominated by the Auditor General, carried out the audit of the financial statements for the year ended 31 December 2017.

BY ORDER OF THE BOARD


Tabitha Mwaniki

Secretary

Nairobi, Kenya

28th May, 2018

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

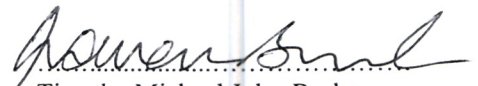
- (i) designing, implementing and maintaining internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and then applying them consistently; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

The Directors acknowledge that the Government has given them a mandate to conclude all outstanding Court cases by 30th June, 2018 and to voluntarily wind up the company and transfer surplus assets to the National Treasury by 30th June, 2018.

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



Alexander T. Kaminchia
Chairman



Timothy Michael John-Burke
Director

Nairobi, Kenya

28th May, 2018

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Kenya National Assurance Company (2001) Limited set out on pages 17 to 41, which comprise the statement of financial position as at 31 December 2017, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Deloitte & Touche, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects the financial position of Kenya National Assurance Company (2001) Limited as at 31 December, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Companies Act.

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

Basis of Opinion

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 in accordance with ISSAI 30 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 opinion.

Emphasis of Matter

Going Concern

I draw attention to note 5 of the financial statements, which indicates that the Company is expected to be wound up by 30 June 2018. The financial statements

Report of the Auditor-General on the Financial Statements of Kenya National Assurance Company (2001) Limited for the year ended 31 December 2017

have been prepared on a basis other than that of a going concern which includes, where appropriate, restating the company's assets to net realizable value. My opinion is not qualified in respect of this matter.

Key Audit Matters

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for 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.

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 going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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. 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 and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Company's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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.

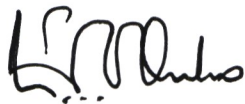
I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan 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 the examination of those records; and,
- iii) The Company's financial statements are in agreement with the accounting records and returns.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 June 2018

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Sh'000	2016 Sh'000
Investment income	7	9,662	11,781
Movement in claims	8	23	(206)
Other operating income	10	30,991	1,441
Expenses of management	11	(44,169)	(41,561)
Profit/ (loss) before taxation		(3,493)	(28,545)
Taxation	13(a)	-	-
Loss for the year		(3,493)	(28,545)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Loss on revaluation of available for sale investments		-	(11,813)
Total comprehensive income/(loss) for the year		(3,493)	(40,358)

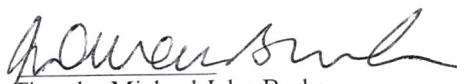
KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

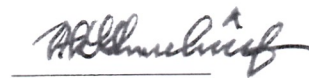
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 Sh'000	2016 Sh'000
EQUITY AND RESERVES			
Share capital	14	50,000	50,000
Investment revaluation reserve	15	103,564	125,349
Statutory reserve	16	86,582	90,075
Total shareholders' funds		240,146	265,424
REPRESENTED BY			
ASSETS			
Asset held for sale	15 (c)	2,501	2,501
Equipment	17	113	192
Unquoted equity investments	15 (b)	101,063	101,063
Mortgage loans	18	4,280	4,280
Government securities	19	100,000	-
Short term deposits	20	11,491	111,334
Rent and other receivables	21	35,942	37,134
Quoted equity investments	22	-	22,641
Cash and bank balances		3,203	650
Total Assets		258,593	279,795
LIABILITIES			
Liabilities under insurance contracts	23	11	34
Contingency reserve	16	5,000	5,000
Payables and accruals	25	13,436	9,337
Total Liabilities		18,447	14,371
Net Assets		240,146	265,424

The financial statements on pages 17 to 41 were approved and authorised for issue by the Board of Directors on 28th May 2018 and were signed on its behalf by:


Daniel Mutua
Director


Timothy Michael John-Burke
Director


Alexander T. Kaminchia
Principal Officer

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital Sh'000	Investments revaluation reserve Sh'000	Statutory reserve Sh'000	Total Sh'000
At 1 January 2016	50,000	137,162	118,620	305,782
Loss for the year	-	-	(28,545)	(28,545)
Other comprehensive loss for the year	-	(11,813)	-	(11,813)
Total comprehensive loss for the year	-	(11,813)	(28,545)	(40,358)
At 31 December 2016	50,000	125,349	90,075	265,424
At 1 January 2017	50,000	125,349	90,075	265,424
Loss for the year excluding the cumulative gains reclassified on disposal of available for sale investments	-	-	(25,278)	(25,278)
* Cumulative gains reclassified on disposal of available for sale investments (note 10)	-	(21,785)	21,785	-
Net movement in loss for the year	-	(21,785)	(3,493)	(25,278)
At 31 December 2017	50,000	103,564	86,582	240,146

The investment revaluation reserve includes gains or losses recognised on revaluation of financial instruments classified as available for sale. On disposal or de-recognition of an available for sale financial instrument, the related gain or loss carried in the investment revaluation reserve is transferred to profit or loss. The investment revaluation reserve is non distributable, except when realised.

*The reclassification relates to accumulated gains/(losses) totalling to Kshs 21,785,000 on the company's investment in the quoted shares of KCB Bank Limited, that were disposed during the year and hence being reclassified to profit or loss on disposal..

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Sh'000	2016 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operations	26(a)	(28,600)	(34,886)
Taxation paid		-	-
Net cash used in operating activities		(28,600)	(34,886)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(14)	(80)
Net cash used in investing activities		(14)	(80)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of investments	22	31,324	-
Net cash used in financing activities		31,324	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,710	(34,966)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		111,984	146,950
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26(b)	114,694	111,984

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards (IFRS)

(i) New standards and interpretations effective in the current period

Various standards interpretations and amendments were effective in the period under review but had no effect on the company's financial statements.

(ii) New and revised standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The directors anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the company.

(iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2017.

Basis of preparation

The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value and its liabilities to the amounts payable. The Financial Statements do not include any provision for future costs of terminating the business of the company, except to the extent that such were committed at the reporting date.

Revenue recognition

- Interest on Treasury bonds, short term Deposits, Mortgages and policy loans is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the Financial asset or when appropriate, a shorter period to net carrying amount of the Financial asset.
- Dividends are recognised as income in the period in which the right to receive payment is established.
- Rental income is recognised per the policy under leases below.
- All other income is recognised on the accruals basis.

Taxation

Tax expense/ (income) comprises of current taxation and deferred taxation.

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the reporting date are used to determine deferred taxation.

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

Claims incurred

Claims include maturities, annuities, surrenders, death and disability claims. Maturity and annuity claims are recorded as they fall due for payment. Death and disability claims and surrenders are accounted for when notified.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as Finance Leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the company as a lessee. All other leases are classified as operating leases.

The company as lessor

Rental income in respect of operating leases is recognised in the profit or loss in the period to which it relates.

The company as a lessee

Rental payments in respect of operating leases are charged to the profit or loss in the period to which they relate.

Investment Revaluation Surplus

Gains or losses arising from changes in the fair value of Financial Instruments classified as available-for-sale are recognised in other comprehensive income and accumulated in the investment revaluation reserve with exception of impairment losses which are recognised in the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Statutory reserve

The statutory reserve relates to the surplus on the long term business which is not distributable as per the requirements of the Insurance Act.

Equipment

Equipment has been written down to its realisable amounts.

Intangible assets

Intangible assets include cost of purchase or development of computer software, which are stated at the lower of their carrying amounts and fair values less estimated selling costs. The costs are amortised over the intangible assets expected useful lives on a straight-line basis at an annual rate of 25%. The useful life and mode of amortisation are reviewed at each end of the reporting period and any significant changes are accounted for prospectively.

Provisions

The major provisions outstanding as at the reporting date include liabilities under insurance contracts, staff gratuity provision and leave pay provision. Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

Financial instruments

Financial instruments are recognized in the Company's Statement of Financial Position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets

For the purpose of financial reporting, the Financial Assets are classified into the following categories:

- (a) At fair value through profit or loss;
- (b) Held-to-maturity;
- (c) Loans and receivables; and
- (d) Available-for-sale financial assets.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

At fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking or if so designated by management.

Held-to-maturity instruments

Held to maturity instruments are non-derivative Financial Assets with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity.

Loans and receivable

Loans and receivables are non-derivative Financial Assets with fixed or determinable payments that are not Quoted in an active market. They arise when the company provides money, services directly to a debtor with no intention of trading.

Available for sale financial instruments

This category covers Financial Assets that are not (a) Financial Assets at fair value through profit or loss, (b) loans and receivables, or (c) Financial Assets held-to-maturity.

Recognition

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale Financial Assets and Financial Assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the profit and loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit and loss. In particular these are accounted for as follows:

Quoted and unquoted equity instruments

Investments in shares of other entities that give the company a residual interest in the assets of that enterprise after deducting all of its liabilities are classified as equity instruments. Investment in equity instruments quoted on the Nairobi Securities Exchange or other equity markets are stated at market values ruling as at the reporting date. Unquoted investments are reported at their acquisition costs, less any accumulated impairment losses. All equity investments are classified as available for sale financial instruments.

Mortgage and policy loans

Mortgage and policy loans are classified as loans and receivables and are carried at amortized cost, less accumulated impairment losses, where applicable.

Premiums, rent and other receivables

Premiums, rent and other receivables are non interest bearing and are carried at their original invoiced amount less an estimate made for bad and doubtful receivables based on the review of all outstanding amounts on, an account by account basis, at the year end. Bad debts are written off in the year in which they are identified as irrecoverable. They are classified as loans and receivables.

Short term deposits

Short term deposits are interest bearing and are expected to mature within three months from the date of acquisition. Short term Deposits are carried at nominal values plus any accrued interest. They are classified as held-to-maturity instruments.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

All financial liabilities are classified as other liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Impairment and uncollectability of financial assets

The company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the statement of profit or loss.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

When there is a decline in the fair value of an available-for-sale financial asset whose fair value gains and losses have been accumulated in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been in equity is removed from equity and recognised in the statements of profit or loss even though the financial asset has not been derecognised.

De-recognition of financial instruments

Financial assets (or a portion thereof) are de-recognized when the company's rights to the cash flows expire or when the company transfers substantially all the risks and rewards related to the financial asset or when the entity loses control of the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been accumulated in equity are included in the statement of comprehensive income. Financial liabilities (or a portion thereof) are de-recognized when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortized costs and amounts paid for it are included in the statement of profit or loss.

Impairment of tangible and intangible assets

At each end of the reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the losses are recognised as an expense in the statement of profit or loss in the period in which they are identified. Impairment gains, however, are recognised only to the extent that they represent a reversal of an impairment loss previously incurred on the same asset.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

Contingent liabilities

Contingent liabilities arise if there is a possible obligation; or present obligations that may, but probably will not, require an outflow of economic resources; or there is a present obligation, but there is no reliable method to estimate the monetary value of the obligation.

Retirement benefits

Statutory defined contribution scheme

The company contributes to a statutory defined contribution scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Sh 200 per employee per month. The employer's contribution to the retirement benefit scheme is recognised in the statement of profit or loss when they fall due.

Service gratuity provision

Management and other staff are entitled to a service gratuity of 31% per month in service. The service gratuity is provided for in the financial statements as it accrues to each employee.

Employee benefits

The estimated monetary liability for employees' accrued annual leave at the end of the reporting period is charged to the profit or loss in the year to which it relates.

Comparatives

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the Directors have made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgement, key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period in applying the entity's accounting policies are dealt with below:

The ultimate liability arising from claims made under insurance contracts

The ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The ultimate liability arising from claims made under insurance contracts (Continued)

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the company. Estimates are made as to the expected number of deaths for each of the years in which the company is exposed to risk. The company bases these estimates on standard mortality tables that reflect historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Impairment losses

At each end of the reporting period, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Determining whether assets are impaired requires an estimation of the value of the assets.

Equipment

Critical estimates are made by the Directors in determining useful lives of equipment and intangible assets. Equipment has been written down to the realisable amounts to 31 December 2017.

Receivables

Critical estimates are made by the Directors in determining the recoverable amount of receivables.

3 RISK MANAGEMENT

The company's activities expose it to a variety of financial and insurance risks. The company's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance.

The disclosures below summarises the way the company manages key risks:

Insurance risk

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 RISK MANAGEMENT (Continued)

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics such as AIDS or widespread changes in lifestyle, such as eating, smoking, exercise habits resulting in earlier or more claims than expected.

For contracts that survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

The Company does not have in place any reinsurance arrangements because all liabilities are maturities.

Life insurance contracts sensitivity analysis

The actuarial assumptions used as at 31 December 2017 are unlikely to change significantly to result in material variation in actuarial liabilities.

(b) Actuarial valuations

The company did not carry out actuarial valuation of the life fund because all inforce policies were converted into maturities and paid in 2010.

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy. The amounts are the carrying amounts of the insurance liabilities arising from insurance contracts:

	Carrying amount Sh'000	0-1 yr Sh'000	1-3 yrs Sh'000	3-5 yrs Sh'000	> 5 yrs Sh'000
31 December 2017					
Short term insurance liabilities:					
Liabilities under insurance contracts	11	11	-	-	-
31 December 2016					
Short term insurance liabilities:					
Liabilities under insurance contracts	34	34	-	-	-

Financial risk

The company is exposed to a range of financial risks through its financial assets and liabilities. In particular, the key financial risk is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from insurance policies as they fall due. However the proceeds from its financial assets are sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk. The obligations arising from insurance contracts are fully provided.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 RISK MANAGEMENT (Continued)

Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

An increase/decrease of 5 percentage points in interest yields would result in increase/decrease in the profit before tax of Shs 5,536,500 (2016: Sh 389,669).

(ii) Equity price risk

The company is not exposed to equity securities price risk as a result of its sale of holdings in quoted equity investments, previously classified as available for sale.

In the prior year, if equity market indices had increased/decreased by 5% for the Quoted Equity investments, with all other variables held constant, the total comprehensive income for the year would increase/decrease by (2016: Sh 1,132,031).

(a) Market risk

(iii) Currency risk

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

(b) Credit risk

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

- Mortgage loans;
- Receivables arising from rental properties and
- Short term deposits
- Bank balances

The company has no significant concentrations of credit risk.

The exposure to individual counterparties is managed by obtaining charges on mortgage securities. Management information reported to the Directors include details of provisions for impairment on receivables and subsequent write offs. Internal audit makes regular reviews to assess the degree of compliance with the company's procedures on credit.

Maximum exposure to credit risk

Debt that is past due but not impaired continues to be paid. The debt that is impaired has been fully provided for.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 RISK MANAGEMENT (Continued)

Financial risk (Continued)

(b) Credit risk (Continued)

Maximum exposure to credit risk (Continued)

The credit risk on short term deposits and bank balances is considered low because counterparties are banks with high credit rating.

	Total amount 31.12.2017 Sh' 000	Fully performing Sh' 000	Past due but not impaired Sh' 000	Impaired Sh' 000
31 December 2017				
Rent and other receivables	284,265	35,942	-	248,323
Mortgage loans	4,280	-	4,280	-
Treasury Bills	100,000	100,000	-	-
Short term deposits	11,491	11,491	-	-
Bank balances	3,203	3,203	-	-
	<u>403,239</u>	<u>150,636</u>	<u>4,280</u>	<u>248,323</u>
31 December 2016				
Rent and other receivables	285,456	37,134	-	248,323
Mortgage loans	4,280	-	4,280	-
Short term deposits	112,504	112,504	-	-
Bank balances	605	605	-	-
Quoted equity	22,641	22,641	-	-
	<u>425,486</u>	<u>172,884</u>	<u>4,280</u>	<u>248,323</u>

The table below shows the ageing profile of past due but not impaired receivables:

	2017 Sh'000	2016 Sh'000
Within 30 days	-	-
31 - 60 days	-	-
61 - 90 days	-	-
Above 90 days	4,280	4,280
	<u>4,280</u>	<u>4280</u>

(c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities as they fall due.

The key objective of the Board in managing liquidity risk is to ensure that the closed fund is able to pay off its liabilities with the existing assets of the company.

The table below includes the weighted average effective interest rate and the cash flows payable by the company under financial liabilities and cash flows receivable under financial assets by remaining contractual maturities at the end of the reporting period.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 RISK MANAGEMENT (Continued)

Financial risk (Continued)

(c) Liquidity risk (Continued)

	Weighted average effective interest Rate	1-3 months Sh'000	3-12 months Sh'000	Total Sh'000
31 December 2017				
Financial assets				
Rent and other receivables (net)		35,942	-	35,942
Treasury Bills		100,000	-	100,000
Short term deposits		11,491	-	11,491
Bank and cash balances		3,203	-	3,203
Total financial assets		150,636	-	150,636
Financial liabilities				
Liabilities under insurance contracts		11	-	11
Total financial liabilities		11	-	11
Liquidity gap		150,625	-	150,625
31 December 2016				
Financial assets				
Mortgage loans		-	4,280	4,280
Quoted equity investments		22,641	-	22,641
Rent and other receivables (net)		37,134	-	-
Short term deposits		112,504	-	112,504
Bank and cash balances		650	-	650
Total financial assets		172,929	4,280	140,075
Financial liabilities				
Liabilities under insurance contracts		34	-	34
Total financial liabilities		34	-	34
Liquidity gap		172,895	-	140,041

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 CAPITAL MANAGEMENT

The company's objectives when managing capital are:

- To comply with the capital requirements as set out in the Insurance Act Cap 487 of the Laws of Kenya; and
- To comply with regulatory solvency requirements as set out in the Insurance Act.

The Insurance Act requires each insurance company to hold the minimum level of paid up capital as follows:

	Current Sh'000
Composite insurance companies	450,000
General insurance companies	300,000
Long-term insurance companies	150,000
	=====

The company will not increase its share capital to be in line with the new requirements because it operates as a closed life fund and is not writing new business.

5 GOING CONCERN ASSUMPTION

The Government of Kenya through the National Treasury renewed the mandate of the current Board of Directors on 17 June 2017 as follows:

- To spearhead conclusion of the court cases by 30 June 2018.
- To ensure voluntary winding up of the company and transfer of all surplus assets to the National Treasury by 30 June 2018.

6 GROSS AND NET EARNED PREMIUM

The company operates as a closed life fund and is not writing new business. There was no recorded premium in 2017 (2016: Nil) as there are no policies still in force. Any premium received after maturity or surrender is refundable to the policyholder.

	2017 Sh'000	2016 Sh'000
7 INVESTMENT INCOME		
Interest on short term deposits at fair value through profit or loss	7,412	10,279
Dividend income on available for sale assets	2,250	1,502
	=====	=====
	9,662	11,781
	=====	=====
8 CLAIM EXPENSE		
Benefits to policy holders	23	(206)
	=====	=====

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017 Sh'000	2016 Sh'000
9	LOSS BEFORE TAXATION	
	The loss before taxation has been arrived at after charging	
	Staff costs – (note 12)	22,972 24,006
	Directors' remuneration -fees	1,200 1,200
	-other emoluments	692 1,019
	Auditors' remuneration - current	2,199 2,128
	Depreciation	93 94
	=====	=====
10	OTHER OPERATING INCOME	
	Gain on disposal of available for sale investments	8,683 -
	Cumulative gains reclassified from equity on disposal of available for sale investments (note 15)	21,785 -
	Interest on staff advances	9 4
	Other sundry income	514 1,437
	=====	=====
	30,991	1,441
	=====	=====
11	EXPENSES OF MANAGEMENT	
	Staff costs – (note 12)	22,972 24,006
	Legal and professional fees	4,022 3,231
	Godown rent	3,097 3,097
	Directors' remuneration -fees	1,200 1,200
	-other emoluments	692 1,019
	Auditors' remuneration - current	2,199 2,128
	Taskforce	5,807 1,576
	Office expenses	979 1,097
	Advertising	- 550
	Telephone and postage	142 141
	Travel and accommodation	347 981
	Property rent and rates	- 6
	Electronic data processing costs	320 202
	Insurance costs	1041 902
	Depreciation (Note 17)	93 94
	Printing and stationery	292 239
	Training and subscriptions	762 814
	Bank charges	105 94
	Motor vehicle expenses	99 184
	=====	=====
	44,169	41,561
	=====	=====
12	STAFF COSTS	
	Salaries and allowances	17,513 17,905
	Gratuity	4,668 4,470
	Leave pay	641 1,481
	National Social Security Fund	29 29
	National Health Insurance Fund	121 121
	=====	=====
	22,972	24,006
	=====	=====

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2017 Sh'000	2016 Sh'000			
13	TAXATION					
	(a) Taxation credit					
	Current taxation based on the taxable profit at 30%	-	-			
	Deferred tax credit	(8,258)	(8,997)			
	Deferred tax not recognised	8,258	8,997			
		<u>-</u>	<u>-</u>			
		=====	=====			
	(b) Reconciliation of expected taxation credit based on accounting loss					
	Accounting loss before taxation	(25,278)	(28,545)			
		<u>(25,278)</u>	<u>(28,545)</u>			
	Tax at the applicable rate of 30%	(7,583)	(8,564)			
	Tax effect of items not allowable for tax	(675)	(433)			
	Deferred tax not recognised	8,258	8,997			
		<u>-</u>	<u>-</u>			
		=====	=====			
14	SHARE CAPITAL					
	Authorised, issued and fully paid:					
	50,000 ordinary shares of Sh 1,000 each	50,000	50,000			
		<u>50,000</u>	<u>50,000</u>			
15	INVESTMENTS REVALUATION RESERVE					
		Quoted equity investments Sh'000	Unquoted equity investments Sh'000	Assets held For sale Sh'000	Total 2017 Sh'000	Total 2016 Sh'000
	At 1 January	21,785	101,063	2,501	125,349	137,162
	Accumulated net gains/losses reclassified to profit or loss on disposal of quoted investments (note 10)	(21,785)	-	-	(21,785)	-
	Net gain/(loss)	-	-	-	-	(11,813)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	At 31 December 2017	-	101,063	2,501	103,564	125,349
		=====	=====	=====	=====	=====
	(a) Quoted investments					
	Quoted Investments relate to 787,500 shares held in KCB as at 31 December 2016. These were disposed of during the year and the accumulated gains/losses totalling Shs 21,785,000 in the investment revaluation reserve transferred to profit or loss. Further disclosures have been made in note 22.					

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INVESTMENTS REVALUATION RESERVE (CONTINUED)

(b) Unquoted Investments

Unquoted Investments relate to 3,958,300, 4% preference shares in Consolidated Bank of Kenya Limited valued at Sh 79,192,000 (2016; Sh 79,192,000) and 1,094,487 Ordinary shares held in Consolidated Bank of Kenya Limited valued at Sh 21,871,000 (2016; Sh 21,871,000).

The company's share of Consolidated Bank's net assets is now above the amount initially invested in the shares of the bank. The cost of the shares has been used as the best estimate of the recoverable amount for the investment in the Bank's Shares.

(c) Asset held for sale

This relates to a piece of land owned by the company and located in Malindi Town.

The land is registered in Mombasa, parcel no 361829; portion 13312 whose size is 0.0628 Ha. Land was valued on 6.10.2016 by Ministry of Land and Physical Planning. Value indicated at Sh 2.5 Million. The title has no encumbrances.

16 STATUTORY RESERVE

Reconciliation of Statutory Fund to the Actuarial Surplus

	2017 Sh'000	2016 Sh'000
Life fund	91,582	95,075
Less:		
- Contingency reserve	(5,000)	(5,000)
Statutory reserve	<u>86,582</u>	<u>90,075</u>

The statutory reserve represents profits from long term business whose distribution is subject to restrictions imposed by the Insurance Act. The Act restricts the amounts of surpluses of the long term business available for distribution to the shareholders to 30% of the actuarial surplus of the life business.

The Contingency reserve of Kshs 5 Million is a provision to cover any new additional claims that may arise which have not been provided for in outstanding claims.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 EQUIPMENT

	Furniture fittings and Equipment Sh'000	Motor vehicles Sh'000	Computer hardware Sh'000	Total Sh'000
COST				
At 1 January 2016	1,741	1,867	3,754	7,362
Additions	-	-	80	80
At 31 December 2016	1,741	1,867	3,834	7,442
At 1 January 2017	1,741	1,867	3,834	7,442
Additions	6	-	8	14
At 31 December 2017	1,747	1,867	3,842	7,456
DEPRECIATION				
At 1 January 2016	1,692	1,867	3,597	7,156
Charge for the year	14	-	80	94
At 31 December 2016	1,706	1,867	3,677	7,250
At 1 January 2017	1,706	1,867	3,677	7,250
Charge for the year	11	-	82	93
At 31 December 2017	1,717	1,867	3,759	7,343
NET BOOK VALUE				
At 31 December 2017	30	-	83	113
At 31 December 2016	35	-	157	192

At 31 December 2017, motor vehicles and equipment with a total cost of Sh 7,027,141 (2016: Sh 6,941,632) were fully depreciated. The notional depreciation charge in respect of these assets amount to Sh 1,421,694 (2016: Sh 1,402,460).

	2017 Sh'000	2016 Sh'000
18 MORTGAGE LOANS		
Maturing within one year	367,641	367,641
Less: Provision for impairment losses	(363,361)	(363,361)
	4,280	4,280

Mortgage loans were advanced at the rate of 23% per annum for commercial clients, 6% per annum for Staff and 21% per annum for non-commercial clients.

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

	2017 Sh'000	2016 Sh'000
19 GOVERNMENT SECURITIES		
Treasury Bills –at amortised cost		
At 1 January	-	-
Purchases	100,000	-
	<u>100,000</u>	<u>-</u>
At 31 December	100,000	-
	<u>100,000</u>	<u>-</u>

The weighted average effective interest rate on treasury bonds at 31 December 2017 was 11.81% per annum and mature within 90 days.

20 SHORT TERM DEPOSITS				
Kenya Commercial Bank Limited				
	Principal Sh'000	Accrued interest Sh'000	2017 Sh'000	2016 Sh'000
On call	11,452	39	11,491	8,044
Fixed	-	-	-	103,290
	<u>11,452</u>	<u>39</u>	<u>11,491</u>	<u>111,334</u>

The Weighted Average interest rate on Short Term Deposits during the year was 7% (2016 – 3.5%).

	2017 Sh'000	2016 Sh'000
21 RENT AND OTHER RECEIVABLES		
Rent and other Debtors	247,932	247,932
Proceeds due from sale of non current Assets held for sale*	35,548	35,548
Prepayments and Deposits	725	1,854
Staff advances	60	123
	<u>284,265</u>	<u>285,456</u>
Less: provision for rent and other debtors	(248,323)	(248,323)
	<u>35,942</u>	<u>37,134</u>

*Included in the sales proceeds from the sale of non-current assets held for sale is Sh 35,145,000 relating to sale of plot number MN/397/1 of Mombasa Municipality. The Company sold plot number MN/1/397 of Mombasa Municipality in 2005 for Sh 43,945,000. A 20% deposit amounting to Sh 8,800,000 was paid in 2005 and the buyer provided a Bank Guarantee for the balance of Sh 35,546,716 to the company. This amount is payable to the company when vacant possession is handed over to the buyer. The property has been the subject of a Court case Civil Suit number 110 of 2006, in which the company was the respondent. In a judgment dated 23 February 2009 the suit was dismissed in favour of the company. The company filed Civil Suit 123 of 2009 before the High Court Mombasa seeking eviction orders against the squatters. Judgment was delivered on 12th October, 2012 and eviction orders issued. Due to the changes brought about by the devolved system of governance the eviction orders were amended on the 4th March, 2017 and directed to the County Commissioner of Mombasa, the Inspector General of Police and Secretary to the County Government of Mombasa to supervise the eviction of the squatters. The Government convened a Taskforce to recommend a solution to the problem which recommended that the sale agreement with Kencent Holdings Limited be rescinded. However, before the sale agreement could be fully rescinded the Court issued contempt order against the County Commissioner of Mombasa for failure to comply with the eviction order. The Attorney General has appealed against the said order but the appeal is yet to be heard. The rescission of the sale agreement will be done after the appeal is heard and determined.

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

22 QUOTED EQUITY INVESTMENTS

Available for sale investments

Investment	No of shares	Market value 1 January 2017 Sh'000	Disposal of shares Sh'000	Gain on disposal Sh'000	Market value 31 December 2017 Sh'000
KCB Bank of Kenya Limited	-	22,641	(31,324)	8,683	-
		<u>22,641</u>	<u>(31,324)</u>	<u>8,683</u>	<u>-</u>

At year end the company did not hold investments in quoted equities (2016: 787,500 Kenya Commercial Bank Limited shares with a market value of Sh 22,640,625).

The shares were held by the High Court of Kenya as lien in respect of a litigation case relating to the predecessor company's general business. The company (Kenya National Assurance Company (2001) Limited), through its lawyers, petitioned the Court of Appeal to allow the company repossess the shares in a case which was decided on 17 February 2017 and the shares were released to the company and sold on 17 July 2017. The company received dividends amounting to Sh 2,249,533 (2016: Sh 1,496,250).

23 DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rate of 30%. The net deferred taxation liability is attributable to the following items:

	2017 Sh'000	2016 Sh'000
Deferred tax assets:		
Tax losses available for offset against future profits	6,009	8,181
Gratuity provision	2,089	712
Leave pay provision	146	98
Excess depreciation over capital allowances	14	6
	<u>8,258</u>	<u>8,997</u>
Deferred taxation asset	8,258	8,997
Deferred taxation asset not recognised	(8,258)	(8,997)
	<u>-</u>	<u>-</u>

The movement on the deferred tax account is as follows:

At 1 January	-	-
Deferred taxation credit - current year	8,258	8,997
Deferred taxation credit not recognised - current year	(8,258)	(8,997)
	<u>-</u>	<u>-</u>
At 31 December	-	-

The company is no longer transacting life business and the deferred tax asset has not been recognised as the company will not be able to generate operating profits relating to this line of business in future to be able to recover the deferred tax asset.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 LIABILITIES UNDER INSURANCE CONTRACTS

	Maturities Sh'000	Death claims Sh'000	Surrenders Sh'000	Institutions and Annuities Sh'000	Refundable premiums Sh'000	Total Sh'000
At 1 January 2017	24	-	-	-	13	34
Adjustment to claim values	-	-	-	-	-	-
Premium refund	-	-	-	-	5	5
Benefits to policyholders						
Claims reversed	(24)	-	-	-	-	(24)
Claims paid during the year	-	-	-	-	(4)	(4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	-	-	14	11
At 31 December 2016	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	24	-	-	-	13	34

On the 27th June, 2015 claims worth Shs 348,754,305 for 22,356 and on 30th October, 2016 claims worth Shs 9,026,338.00 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.

	2017 Sh'000	2016 Sh'000
25 PAYABLES AND ACCRUALS		
Accruals	11,277	7,178
Prepaid rent	2,159	2,159
	<u> </u>	<u> </u>
	13,436	9,337
	<u> </u>	<u> </u>

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

26 NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of loss before taxation to cash used in operations

	2017 Sh'000	2016 Sh'000
Loss before taxation	(3,493)	(28,545)
Adjustments for;		
Depreciation of equipment	93	94
Gain on disposal of investments	(8,683)	-
Accumulated gains transferred from equity to profit or loss on disposal of available for sale investments	(21,785)	-
Working capital changes:		
Decrease in rent and other receivables	1,192	156
Decrease in liabilities under Insurance Contracts	(23)	(85)
Increase/(decrease) in payables and accruals	4,097	(6,506)
Cash used in operations	<u>(28,600)</u>	<u>(34,886)</u>

b) Analysis of cash and cash equivalents

Cash and bank balances	3,203	650
Treasury bills	100,000	-
Short term deposits	11,491	111,334
	<u>114,694</u>	<u>111,984</u>

27 RELATED PARTY DISCLOSURES

a) Nature of related party relationships

Companies and other parties related to Kenya National Assurance Company (2001) Limited include those parties who have ability to exercise control or significant influence over its financial and operating decisions. These include the Government of Kenya, its agencies and close associates.

	2017 Sh'000	2016 Sh'000
b) Details of related party balances		

The following balances arise from transactions carried out with related parties:

Treasury Bills with Central Bank of Kenya	100,000	-
Short term deposits placed with Kenya Commercial Bank Limited	11,491	111,334
Equity shares in Kenya Commercial Bank Limited	-	22,641
Shares in Consolidated Bank of Kenya Limited	101,063	101,063
Bank accounts at Parastatal's Banks	3,302	650
	<u>215,856</u>	<u>235,688</u>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 RELATED PARTY DISCLOSURES (Continued)

c) Details of related party transactions

	2017 Sh'000	2016 Sh'000
(i) Investment income		
Interest on Short Term Deposits placed with Kenya Commercial Bank Limited	7,412	10,278
Dividends from Kenya Commercial Bank Limited	2,250	1,502
	<u>9,662</u>	<u>11,780</u>
(i) Expenses of Management		
Property rent and rates to Local Authorities	-	6
Telkom Kenya and Postal Corporation of Kenya	142	141
	<u>142</u>	<u>147</u>
Key Management Personnel Remuneration	<u>10,376</u>	<u>10,376</u>
Directors Remuneration		
Fees	1,200	1,200
Other Emoluments	692	1,019
	<u>1,892</u>	<u>2,219</u>

28 FUTURE OPERATING LEASE COMMITMENTS

Company as lessee

Amounts payable by the company under lease agreement
Negotiated with landlord at end of the reporting period:

Within one year	<u>2,680</u>	<u>2,680</u>
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29 CONTINGENT LIABILITIES

Pending litigation claims	<u>26,923</u>	<u>26,923</u>
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The pending litigation claims relate to cases instituted by third parties against the company. Judgment in respect of these cases had not been determined as at 31 December 2017. Based on the advice by the company's lawyers, the Directors are of the opinion that no liabilities will crystallize.

30 CAPITAL EXPENDITURE COMMITMENTS

The Company had no Capital Commitments at year end (2016 – Sh Nil).

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 COUNTRY OF INCORPORATION AND DOMICILE

The Company is domiciled and incorporated in Kenya under the Companies Act, 2015 in the Laws of Kenya and is wholly owned by the Government of Kenya. The Company's operations are controlled and regulated under the Kenyan State Corporations Act.

32 CURRENCY

The financial statements are prepared in thousands of Kenya Shillings (Sh'000).

APPENDIX I

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF COMPARISON BETWEEN BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017.

		Original budget	Adjustments performance	Actual on comparable basis	Performance difference
	Note	Sh'000	Sh'000	Sh'000	Sh'000
Investment income	7	38,583	-	9,662	28,921
Movement in claims	8	-	-	(23)	(23)
Other operating income	9	-	-	9,206	9,206
Expenses of management	10	50,341	-	(48,448)	6,172
Loss before taxation		(11,758)	-	(25,278)	(13,520)
Taxation	14	-	-	-	-
Loss for the year		(11,758)	-	(25,278)	(13,520)
Other comprehensive income:					
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>					
Revaluation surplus transferred to profit and loss					
On disposal of available for sale investments		-	-	125,349	-
Total comprehensive loss for the year		-	-	100,071	-

APPENDIX II

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

COMPARISON OF ACTUAL MANAGEMENT EXPENSES AND BUDGETED MANAGEMENT EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2017

	Original Budget Sh'000	Adjustments Sh'000	Final Budget Sh'000	Actual Comparable Basis Sh'000	Performance Difference Sh'000
Staff Costs – (note 11)	23,060	-	23,060	22,972	88
Legal and Professional fees	4,104	-	4,104	4,022	82
Godown rent and water expenses	3,097	-	3,097	3,097	-
Directors' Remuneration –fees	2,400	-	2,400	1,200	1,200
–Other emoluments	-	-	-	692	(692)
Auditors' Remuneration	2,199	-	2,199	2,199	-
Squatters eviction costs (Taskforce)	5,000	-	5,000	5,807	(807)
Office Expenses	1,085	-	1,085	979	106
Advertising	1,280	-	1,280	-	1,280
Telephone and Postage	216	-	216	142	74
Travel and Accommodation	1,000	-	1,000	347	653
Property Rent and Rates	50	-	50	-	50
Electronic Data Processing costs	264	-	264	320	(56)
Insurance Costs	1,272	-	1,272	1041	231
Depreciation (Note 16)	87	-	87	93	(6)
Printing and Stationery	296	-	296	292	4
Training and Subscriptions	1,500	-	1,500	762	738
Bank charges	93	-	93	105	(11)
Motor Vehicle Expenses	240	-	240	99	141
Amortisation (Note 17)	-	-	-	-	-
	<u>50,341</u>	<u>-</u>	<u>50,341</u>	<u>44,169</u>	<u>6,172</u>

COMPARISON OF ACTUAL STAFF COSTS AND BUDGETED STAFF COSTS FOR THE YEAR ENDED 31 DECEMBER 2017

	Original Budget Sh'000	Adjustments Sh'000	Final Budget Sh'000	Actual on Comparable Basis Sh'000	Performance Difference Sh'000
Salaries and allowances	17,542	-	17,542	17,513	29
Gratuity	4,715	-	4,715	4,668	47
Leave pay	653	-	653	641	12
NSSF Contributions	29	-	29	29	-
NHIF Contribution	121	-	121	121	-
TOTALS	<u>23,060</u>	<u>-</u>	<u>23,060</u>	<u>22,972</u>	<u>88</u>