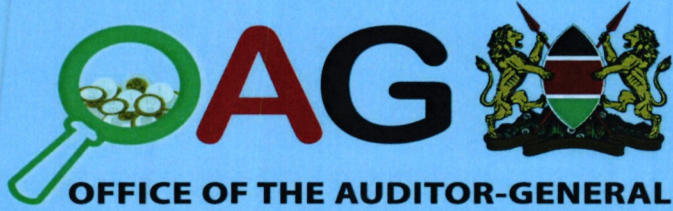


REPUBLIC OF KENYA



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Chief Whip
OF Friday Muriuki

THE AUDITOR-GENERAL

ON

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


**FOR THE YEAR ENDED
31 DECEMBER, 2019**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
8 APR 2020
RECEIVED

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

**ANNUAL REPORT &
FINANCIAL STATEMENTS**

31 DECEMBER 2019

 THE NATIONAL ASSEMBLY PAPERS LAID	
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APPROVED BY:	<input type="text"/>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS 31 DECEMBER 2019

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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. 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 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) To ensure winding up of the company and transfer of all surplus assets to the National Treasury.

Directors

The current Board of Directors are listed on page 4.

Company Secretary



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

2020

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

KEY ENTITY INFORMATION

Registered Office

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

Corporate Bankers

Kenya Commercial Bank Limited
Moi Avenue Branch
P O Box 30081 – 00100
Nairobi, Kenya

Independent Auditors

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

Principal Legal Advisers

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



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

Eng. Stanley K. Kamau is currently the Ag. 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.



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 27 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 Mgt, 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 24 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



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

CHAIRMAN STATEMENT

I am pleased and honoured to present to you the annual report for the period ending 31 December, 2019 in my capacity as Chairman of the Board.

Performance Review

The focus of the company in the year 2019 has been conclusion of pending Court cases. During the year progress was made in a number of the outstanding Court cases paving the way for them to be concluded in the year 2020.

Financial Review

The performance of the company was good under the circumstances which prevailed in 2019. The main source of the company's revenue is interest on fixed deposits which decreased substantially due to transfer of Kshs 357,780,645/- to the Unclaimed Financial Assets Authority in 2014 and 2015 and decrease in deposit market interest rates in the year 2019. 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.

Changes in Directorship

I was appointed to the Board on the 15th January, 2019, while Mr. A.T.Kaminchia and Mr. Michael J.T Owen Burke ceased to be directors on the 31st December, 2018. Mrs Tabitha Mwaniki the Company Secretary was appointed the acting Chief Executive Officer with effect from 1st January, 2019.

Conclusion

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



.....
Chairman

Nairobi

4th June ,2020

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

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 wind up the company by 31st December, 2021 through disposal of all assets and settlement of all liabilities within the framework of the approved Run-off Programme and prepare the Company for winding up.

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, international 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 include 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 consist 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 possess 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 every month 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.

(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 26 to the Financial Statements for the year ended 31 December 2019.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CORPORATE GOVERNANCE STATEMENT (Continued)

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 12 meetings. The Board Members attendance for 2019 was as follows:-

Name	Number of Meetings Attended	Percentage Attended
Eng. Stanley Kamau	12/12	100%
Daniel Mutua	12/12	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, 2019 was as follows:-

Name	No. of Ordinary Shares	Percentage
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)

.....
Chairman

.....
Director


Nairobi

4th June, 2020

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In view of its mandate which is to pursue conclusion of court cases and to prepare the Company for winding up. As a result, the company was not involved in any corporate social activities in the year 2019.


.....
Chairman

Nairobi

4th June, 2020


.....
Director

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 2019, 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 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 mandates of the company's directors as follows:

- (a) To spearhead conclusion of the outstanding court cases .
- (b) To ensure winding up/liquidation of the company and transfer of all surplus assets to the National Treasury by 31 December, 2021.

RESULTS

	Sh'000
Loss before Taxation	
Taxation	(23,227)

Loss for the year transferred to the Statutory Reserve	<u>(23,227)</u>

DIRECTORS

The current Board of Directors are listed on page 2.

DIVIDEND

The Directors do not recommend the payment of a dividend in the current year (2018: 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 2019

BY ORDER OF THE BOARD



Secretary

Nairobi, Kenya

4th June 2020

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 2015 in the Laws of Kenya requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of operating results for that year. It also requires the Directors to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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

The Directors accept responsibility for the Annual 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 and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors acknowledge that the Government has given them a mandate to conclude all outstanding Court cases and to wind up the company and transfer surplus assets to the National Treasury by 31 December, 2021.

.....
Chairman

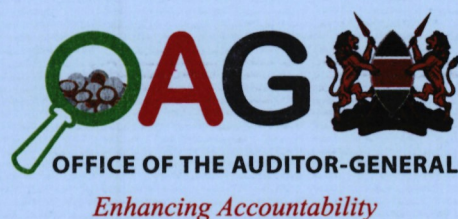
Nairobi

.....
Director

4th June 2020

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, 2019

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 16 to 47, which comprise the statement of financial position as at 31 December, 2019, 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 performance 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 effect 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, 2019, 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 Kenya Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Continued 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, 2021. 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 ISSAIs 1570 which requires such statements to be prepared on a net realizable value basis. Consequently, the financial statements are not IFRS compliant.

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.

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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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

Late Submission of Financial Statements

Section 68(2)(k) of the Public Finance Management Act, 2012 requires that an Accounting Officer of an entity should prepare annual financial statements for each financial year and submit them to the Auditor-General for audit within three months after the end of the financial year. However, the financial statements for the year ended 31 December, 2019 were submitted for audit on 8 April, 2020 which was later than the stipulated timeline of 31 March, 2020.

The Company is in breach of the law to this extent.

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 Companies Act, 2015, except for the matters under the Basis for Qualified Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, 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 going concern 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 financial reporting process, reviewing the effectiveness of how the Company 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 220(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 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 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 of the Company or business activities 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.



Nancy Gathungu

AUDITOR-GENERAL

Nairobi

09 July, 2021

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Sh'000	2018 Sh'000
Investment income	7	3,336	5,493
Movement in claims	8	(97)	(62)
Other operating income	9	1,420	23
Expenses of management	10	(27,886)	(36,294)
Loss before taxation		(23,227)	(30,840)
Taxation	12	-	-
Loss for the year		(23,227)	(30,840)
Other comprehensive income: <i>Items that may be reclassified to profit or loss in subsequent periods:</i>		-	-
Total comprehensive loss for the year		(23,227)	(30,840)

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED


STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 Sh'000	2018 Sh'000
EQUITY AND RESERVES			
Share Capital	13	50,000	50,000
Investment Revaluation Surplus	14	103,563	103,564
Statutory Reserve	15	32,515	55,742
		<hr/>	<hr/>
Total shareholders' funds		186,078	209,306
		<hr/> <hr/>	<hr/> <hr/>
REPRESENTED BY			
ASSETS			
Asset held for Sale	14	2,500	2,501
Unquoted Equity Investments	14	101,063	101,063
Equipment	16	152	231
Mortgage Loans	17	4,280	4,280
Government Securities	18(a)	48,872	70,093
Short Term Deposits	18(b)	4047	7,014
Rent and other Receivables	19	35,643	35,735
Bank and Cash Balances		(259)	172
		<hr/>	<hr/>
Total Assets		196,298	221,089
		<hr/>	<hr/>
LIABILITIES			
Liabilities under Insurance Contracts	21	35	20
Contingency Reserve	15	5,000	5,000
Payables and Accruals	22	5,185	6,762
		<hr/>	<hr/>
Total Liabilities		10,220	11,782
		<hr/>	<hr/>
Net Assets		186,078	209,306
		<hr/> <hr/>	<hr/> <hr/>

The Financial Statements on pages 16 to 46 were approved and authorised for issue by the Board of Directors on 4th June 2020 and were signed on its behalf by:


Director


Director


Principal Officer

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital Sh'000	Investments Revaluation Surplus Sh'000	Statutory Reserve Sh'000	Total Sh'000
At 1 January 2018	50.000	103.564	86.582	240.146
Loss for the year	-	-	-	-
Other comprehensive loss for the year	-	-	(30.840)	(30.840)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	-	55.742	(30,840)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	50.000	103.564	55.742	209.306
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2019	50,000	103.564	55.742	209.306
Loss for the year				
Other comprehensive loss for the year	-	(1)	(23.227)	(23.228)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(1)	32.515	(23.228)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>50.000</u>	<u>103.563</u>	<u>32.515</u>	<u>186.078</u>

The investment revaluation surplus 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 revaluation surplus is transferred to profit or loss. The revaluation surplus is non distributable, except when realised.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Sh'000	2018 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operations	23(a)	(24.619)	(37.210)
Taxation paid		-	-
		<hr/>	<hr/>
Net cash generated from operating activities		(24.619)	(37.210)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments			
Purchase of assets		-	(205)
		<hr/>	<hr/>
Net cash used in investing activities		-	(205)
		<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS		(24.619)	(37.415)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		77.279	111.694
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23(b)	52.660	77.279
		<hr/> <hr/>	<hr/> <hr/>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

	Original Budget Sh'000	Adjustm ents Sh'000	Final Budget Sh'000	Actual on Comparable Basis Sh'000	Performance Difference Sh'000	Performance Difference %
Income						
Interest on Treasury Bills	1,745	0	1,745	3,336	1,591	191%
Sale of Malindi Plot	2,500	0	2,500	0	(2,500)	0
Mortgage Recovery	30,000	0	30,000	0	(30,000)	0
Interest on Staff Advances	-	0	0	8	7.88	0
Sundry Income	0	0	0	4	4.39	0
Over Provision of Audit Fees -2018	0	0	0	1,408	1,408	0
TOTAL	34,245	-	34,245	4,756	(29,489)	
EXPENSES						
Staff Costs-(note 11 b)	13,340	0	13,340	12,934	406	96%
Legal and Professional Fees	12,000	0	12,000	488	11,512	4%
Go down Rent and Water Expenses	3,474	0	3,474	2,635	839	76%
Directors Remuneration-fees	0	0	0	0	0	-
- other Emoluments	992	0	992	506	486	51%
Auditors Remuneration-current	2,400	0	2,400	350	2,050	15%
Squatters Evictions Costs(Taskforce)	10,000	0	10,000	7,894	2,106	79%
Office Expenses	317	0	317	382	-65	-21%
Advertising	320	0	320	128	192	40%
Telephone and Postage	108	0	108	66	42	61%
Travel and Accommodation	900	0	900	877	23	97%
Property Rent and Rates	50	0	50	48	2	96%
Electronic Data Processing	72	0	72	20	52	28%
Insurance	1,108	0	1,108	905	203	82%
Depreciation	75	0	75	53	22	71%
Printing and Stationery	126	0	126	171	-45	-36%
Training and Subscription	500	0	500	262	238	52%
Bank Charges	78	0	78	112	-34	-44%
Motor Vehicle Expenses	210	0	210	29	181	14%
Amortisation (NOTE 17)	0	0	0	26	-26	0
TOTAL	46,070	=	46,070	27,886	18,184	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 ACCOUNTING POLICIES

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

(a) Basis of preparation

Statement of compliance

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For the purposes of reporting under the Kenyan Companies Act, 2015 the balance sheet in these financial statements is represented by/is equivalent to the Statement of Financial Position and the Profit and Loss Account is presented in the statement of profit or loss and other comprehensive Income.

(b) Application of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2017

Various standards, interpretations and amendments became effective in the year under review. The Directors have evaluated the impact of these new standards and interpretations and none of them had a significant impact on the company's financial statements.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2019

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS11	1 January 2018
Amendments to IAS 16 and IAS 38	1 January 2018

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2019 and future annual periods

IFRS 9 Financial Instruments

In July 2016, the IASB finalised the reforms of financial instruments Accounting and issued IFRS 9 (as revised in 2016), which contains the requirements for a) the classification and measurement of Financial Assets and Financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2016) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (Continued)

(iii) Impact of relevant new and amended standards and interpretations on the Financial Statements for the year ended 31 December 2019 and future annual periods

IFRS 9 Financial Instruments (Continued)

- A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- A debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at FVTPL.
- All equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and de-recognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a Financial Liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (Continued)

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2019 and future annual periods (Continued)*

Transitional provisions

IFRS 9 (as revised in 2016) is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. The presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. Hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The Directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the company's Financial Assets and Financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (Continued)

(iii) *Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2019 and future annual periods (Continued)*

IFRS 15 Revenue from Contracts with Customers (Continued)

- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the company's financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(a) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (Continued)

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2019 and future annual periods (Continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's Financial Statements.

Amendments to IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of Property, Plant and Equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2019. Currently, the company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

The Directors of the Company do not anticipate that the application of the standard will have a significant impact on the Company's Financial Statements.

Annual Improvements 2012-2016 Cycle

The Annual Improvements to IFRSs 2012-2016 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa).

The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations. The amendments to IFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim Financial Statements to satisfy the requirements in IAS 34 *Interim Financial Reporting*.

The amendments to IAS 19 clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to Market yields at the end of the reporting period on high quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high-quality bonds, the market yields (at the end of the reporting period) on Government bonds denominated in that currency should be used.

The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the company's Financial Statements.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

(a) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (Continued)

(iv) Early adoption of standards

The Company did not early-adopt new or amended standards in 2019.

The principal accounting policies adopted are set out below:

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.

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.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

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 2019.

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 2019 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 2019					
Short Term Insurance Liabilities:					
Liabilities under Insurance Contracts	35	35			
31 December 2018					
Short Term Insurance Liabilities:					
Liabilities under Insurance Contracts	20	20	-	-	-

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 23,227,000 (2018: Sh30,840,412).

(ii) Equity Price Risk

The company is exposed to equity securities price risk as a result of its holdings in quoted equity investments, classified as available for sale. Investments held are listed and traded on the Nairobi Securities Exchange.

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.

(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 31.12.2019 Sh' 000	Fully performing Sh' 000	Past due but not impaired Sh' 000	Impaired Sh' 000
31 December 2019				
Rent and other Receivables	284,058	35,643	-	248,415
Mortgage Loans	4,280	-	4,280	-
Short Term Deposits	52,919	52,919	-	-
Bank Balances	(259)	(259)	-	-
	<u>340,998</u>	<u>88,303</u>	<u>4,280</u>	<u>248,415</u>
31 December 2018				
Rent and other Receivables	284,058	35,735	-	248,323
Mortgage Loans	4,280	-	4,280	-
Short Term Deposits	77,107	77,107	-	-
Bank Balances	172	172	-	-
Quoted Equity	-	-	-	-
	<u>365,617</u>	<u>113,014</u>	<u>4,280</u>	<u>248,323</u>

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

	2019 Sh'000	2018 Sh'000
Within 30 days	-	-
31 - 60 days	-	-
61 - 90 days	-	-
Above 90 days	4,280	4,280
	<u>4,280</u>	<u>4,280</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 2019				
Financial Assets				
Mortgage Loans		-	4,280	4,280
Quoted Equity Investments		-	-	-
Rent and other Receivables (net)		35,643	-	35,643
Short Term Deposits		52,919	-	52,919
Bank and Cash Balances		(259)		(259)
Total Financial Assets		88,303	4,280	92,583
Financial Liabilities				
Liabilities under Insurance Contracts		35	-	35
Total Financial Liabilities		35	-	35
Liquidity Gap		88,268	4,280	92,548
31 December 2018				
Financial Assets				
Mortgage Loans		-	4,280	4,280
Rent and other Receivables (net)		35,735	-	35,735
Short Term Deposits		77,107	-	77,107
Bank and Cash Balances		172	-	172
Total Financial Assets		113,014	4,280	117,294
Financial Liabilities				
Liabilities under Insurance Contracts		20	-	20
Total Financial Liabilities		20	-	20
Liquidity Gap		112,994	-	117,274

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 Board of Directors as follows:

- To spearhead conclusion of all the outstanding court cases
- To ensure winding up of the company and transfer of all surplus assets to the National Treasury by 31 December 2021.

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 2019(2018: Nil) as there are no policies still in force. Any premium received after maturity or surrender is refundable to the policyholder.

	2019 Sh'000	2018 Sh'000
7 INVESTMENT INCOME		
Interest on Government Securities and Fixed Deposits	3,336	5,493
	<u>3,336</u>	<u>5,493</u>
	=====	=====
8 CLAIM EXPENSE		
Benefits to Policy Holders	97	62
	<u>97</u>	<u>62</u>
	=====	=====

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Sh'000	2018 Sh'000
9	OTHER OPERATING INCOME	
	8	6
	4	17
	1,408	-
	<u>1,420</u>	<u>23</u>
	=====	=====
10	EXPENSES OF MANAGEMENT	
	12,934	23,581
	488	940
	2,635	3,431
	-	1,200
	506	1,262
	350	2,158
	7,894	-
	382	523
	128	141
	66	106
	877	381
	48	-
	20	212
	905	857
	53	70
	171	165
	262	1,052
	112	63
	29	138
	26	14
	<u>27,886</u>	<u>36,294</u>
	=====	=====
11(a)	STAFF COSTS	
	9,613	17,514
	2,766	4,663
	450	1,258
	21	24
	84	110
	<u>12,934</u>	<u>23,581</u>
	=====	=====

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11(b) STAFF COSTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
Salaries and Allowances	9,731	-	9,731	9,613	118
Gratuity	3,053	-	3,053	2,766	287
Leave Pay	439	-	439	450	(11)
NSSF Contribution	93	-	93	84	9
NHF Contributions	24	-	24	21	3
	<u>13,340</u>	<u>-</u>	<u>13,340</u>	<u>12,934</u>	<u>406</u>

2019
Sh'000

2018
Sh'000

12 TAXATION

(a) Taxation credit

Current taxation based on the taxable profit at 30%

Deferred tax credit (6,968) (9,252)

Deferred tax not recognised 9252

6,968

-

(b) Reconciliation of expected taxation credit based on accounting loss

Accounting loss before taxation (23,227) (30,840)

Tax at the applicable rate of 30% (6,939) (8,931)

Tax effect of items not allowable for tax (29) (321)

Deferred tax not recognised 6,968 9252

-

13 SHARE CAPITAL

Authorised, issued and fully paid:

50,000 ordinary shares of Sh 1,000 each 50,000 50,000

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INVESTMENT REVALUATION SURPLUS

	Quoted equity investments Sh'000	Unquoted equity investments Sh'000	Assets held For sale Sh'000	Total 2019 Sh'000	Total 2018 Sh'000
At 1 January	-	101,063	2,501	103,564	103,564
At 31 December 2019	-	101,063	2500	103,563	103,563

(a) Unquoted Investments

Unquoted Investments relate to 3,958,300, 4% preference shares in Consolidated Bank of Kenya Limited valued at Sh 79,192,000 (2018: Sh 79,192,000) and 1,094,487 Ordinary shares held in Consolidated Bank of Kenya Limited valued at Sh 21,871,000 (2018: 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.

(b) 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 25.03.2020 by Ministry of Land and Physical Planning. Value indicated at Sh 2.5 Million. The title has no encumbrances.

15 STATUTORY RESERVE

Reconciliation of Statutory Fund to the Actuarial Surplus

	2019 Sh'000	2018 Sh'000
Life Fund	37,515	60,742
Less:		
- Contingency Reserve	(5,000)	(5,000)
Statutory Reserve	32,515	55,742

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 as disclosed in note 23.

Movement in the Statutory Reserve are shown in the statement of changes in equity on page 18.

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16.(a) EQUIPMENT

	Furniture fittings and equipment Sh'000	Motor vehicles Sh'000	Computer hardware Sh'000	Total Sh'000
COST				
At 1 January 2018	1,742	1,867	3,842	7,456
Additions	15	-	102	117
At 31 December 2019	1,757	1,867	3,944	7,573
At 1 January 2019	1,766	1,867	3,944	7,573
Additions				
At 31 December 2019	1,766	1,867	3,944	7,573
DEPRECIATION				
At 1 January 2018	1,717	1,867	37,59	7,343
Charge for the year	13	-	60	73
At 31 December 2018	1,730	1,867	3,819	7,416
At 1 January 2019	1,730	1,867	3,824	7,416
Charge for the year	5	-	48	53
At 31 December 2019	1,735	1,867	3,872	7,469
NET BOOK VALUE				
At 31 December 2019	31	-	72	103
At 31 December 2018	34	-	124	158

At 31 December 2019, motor vehicles and equipment with a total cost of Sh 8,772,236 (2018: 8,694,601) were fully depreciated. The notional depreciation charge in respect of these assets amount to Sh 97,061 (2018: Sh 84,005)

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 (b) INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2019 Sh'000	2018 Sh'000
COST		
At 1 January and 31 December	1,349	1,260
Additions	-	87
	<u>1,349</u>	<u>1,347</u>
AMORTISATION		
At 1 January	1,274	1,260
Charge for the year	26	14
	<u>1,300</u>	<u>1,274</u>
NET BOOK VALUE		
31 December	<u>49</u>	<u>73</u>

17 MORTGAGE LOANS

Maturing within one year	367,641	367,641
Less: Provision for impairment losses	(363,361)	(363,361)
	<u>4,280</u>	<u>4,280</u>

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.

18(a) GOVERNMENT SECURITIES

Central Bank Limited

	Principal Sh'000	Accrued interest Sh'000	2019 Sh'000	2018 Sh'000
Treasury bills	<u>48,347</u>	<u>525</u>	<u>48,872</u>	<u>70,093</u>
	<u>48,347</u>	<u>525</u>	<u>48,872</u>	<u>70,093</u>

The Weighted Average interest rate on Treasury Bills during the year was 7% (2018– 8%).

18(b) SHORT TERM DEPOSITS

Kenya Commercial Bank Limited

	Principal Sh'000	Accrued interest Sh'000	2019 Sh'000	2018 Sh'000
Short Term Deposits	4,000	47	4,047	7,014
	<u>4,000</u>	<u>47</u>	<u>4,047</u>	<u>7,014</u>

The Weighted Average interest rate on Short Term Deposits during the year was 4.7% (2018– 8%).

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Sh'000	2018 Sh'000
19 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	474	578
Staff Advances.	82	-
	<hr/>	<hr/>
	284,036	284,058
Less: Provision for Rent and other Debtors	(248,393)	(248,323)
	<hr/>	<hr/>
	35,643	35,735
	<hr/> <hr/>	<hr/> <hr/>

*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. 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. An application was made to Court on the 5th October, 2018 seeking to set aside the eviction Order and substitute it with an order to subdivide and sell the land to the squatters. The Court granted the orders on 24th April, 2019 and the enumeration of the squatters on the land and the physical planning started. The process of planning and surveying is still going on and once completed the individual plots will be valued by government valuer and using the valuation as the sale price the plots will be sold to the current settlers in the land. The proceeds from sale will be apportioned between KNAC (2001) Ltd and Kencent Holdings Limited at a ration 80:20 respectively.

20 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:

	2019 Sh'000	2018 Sh'000
Deferred Tax Assets:		
Tax losses available for offset against future profits	6,968	9,252
Gratuity Provision	2,766	1,435
Leave Pay Provision	-	452
Excess Depreciation over Capital Allowances	-	205
	<hr/>	<hr/>
	9,734	11,344
	<hr/>	<hr/>
Deferred Taxation Asset	9,734	11,344
Deferred Taxation Asset not recognised	(9,734)	(11,344)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The movement on the Deferred Tax Account is as follows:

At 1 January-		
Deferred Taxation Credit - current year	9,734	11,344
Deferred Taxation Credit not recognised - current year	(9,734)	(11,344)
	<hr/>	<hr/>
At 31 December	-	-
	<hr/> <hr/>	<hr/> <hr/>

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.

21 (a) 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 2019	-	-	-	-	20	20
Adjustment to Claim Values	-	55	42	-	-	97
Benefits to policyholders						
Claims Reversed	15	-	-	-	-	15
Claims Paid during the year	-	(55)	(42)	-	-	(97)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	15	-	-	-	20	35
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2018	-	-	-	-	20	20
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 (b) LIABILITIES UNDER INSURANCE CONTRACTS (Continued)

On the 27th June, 2014 claims worth Shs 348,754,305 for 22,356 and on 30th October, 2015 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.

	2019 Sh'000	2018 Sh'000
22. PAYABLES AND ACCRUALS		
Accruals	5,185	6,762
Prepaid Rent	-	578
	<hr/>	<hr/>
	5,185	7,340
	<hr/> <hr/>	<hr/> <hr/>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. NOTES TO THE CASH FLOW STATEMENT

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

	2019 Sh'000	2018 Sh'000
Loss before Taxation	(23,227)	(30,604)
Amortization of Intangible Assets (Note 16(b))	26	14
Depreciation of Equipment (Note 16(a))	53	73
Working Capital changes:		
Decrease in Rent and other Receivables	91	206
Increase in Liabilities under Insurance Contracts	15	9
(Decrease)/increase in Payables and Accruals	(1,577)	(6,762)
	<u>(24,619)</u>	<u>(37,210)</u>

b) Analysis of Cash and Cash Equivalents

Cash and Bank Balances	(259)	172
Short Term Deposits- Treasury Bills	48,872	70,093
Short Term Deposits	4,047	7,014
	<u>52,660</u>	<u>77,279</u>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 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.

	2019 Sh'000	2018 Sh'000
--	----------------	----------------

b) Details of related Party balances

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

Short Term Deposits placed with Kenya Commercial Bank Limited	4,047	7,014
Shares in Consolidated Bank of Kenya Limited	101,063	101,063
Bank Accounts at Parastatal's Banks	-259	175
Treasury Bills with Central Bank of Kenya	48,872	70,092
	<u>153,723</u>	<u>178,342</u>

c) Details of related Party transactions

(i) Investment Income

Interest on Short Term Deposits placed with Kenya Commercial Bank Limited and central bank of Kenya	3,336	5,493
Dividends from Kenya Commercial Bank Limited	-	-
	<u>3,336</u>	<u>5,493</u>

(i) Expenses of Management

Property Rent and Rates to Local Authorities	48	-
Telkom Kenya and Postal Corporation of Kenya	66	106
	<u>114</u>	<u>106</u>

Key Management Personnel Remuneration	<u>7,013</u>	<u>12,678</u>
---------------------------------------	--------------	---------------

Directors Remuneration

Fees	-	1,200
Other Emoluments	506	1,262
	<u>506</u>	<u>2,462</u>

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25..	FUTURE OPERATING LEASE COMMITMENTS	2019 Sh'000	2018 Sh'000
	Company as Lessee		
	Amounts payable by the company under lease agreement Negotiated with landlord at end of the reporting period:		
	Within one year	2.301 <u>=====</u>	2.680 <u>=====</u>
26.	CONTINGENT LIABILITIES		
	Pending Litigation Claims	26.923 <u>=====</u>	26.923 <u>=====</u>

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 2019. Based on the advice by the company's lawyers, the Directors are of the opinion that no liabilities will crystallize.

27. CONTINGENT ASSET

Nil

28. CAPITAL EXPENDITURE COMMITMENTS

The Company had no Capital commitments at year end (2018 – Sh Nil).

29. 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.

30. CURRENCY

The Financial Statements are prepared in Thousands of Kenya Shillings (Sh'000).

KENYA NATIONAL ASSURANCE COMPANY (2001) LIMITED

APPENDIX 1: PROGRESS ON FOLLOW UP OF THE AUDITOR GENERAL RECOMMENDATIONS FOR THE FINANCIAL YEAR 2018

The following is a 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 expected the issues to be resolved.

Reference No. on the external Audit Report	Issue/ Observations for Auditor	Management Comments	Focal Point Person to Resolve the issue	Status	Time Frame
1.	Preparation of Financial Statement on Going Concern Basis while the company is planned for winding up on the 31 st December,2021	<p>Management uses conservative methods in the preparation of the financial statements which have been prepared on a basis other than that of a going concern which includes where appropriate. Writing down the company assets to net realizable values and its liabilities to the payable amounts. Net realizable value is the value of an asset that can be realized upon the sale of the assets.</p> <p>To this end management has ensured that the only remaining asset of the company has been subjected to valuation and the valuation figures incorporated in the financial statements. The accounts receivable balances have taken into account provisions for bad and doubtful debts as required under the net realizable value principle.</p> <p>Management will continue ensuring that the accounts are prepared on a basis other than going concern basis as is required by the relevant accounting standards.</p>	Tabitha Mwaniki Ag. CEO	Not Resolved	31 st December,2012



Ag. Chief Executive Officer
Date: 4th June,2020



Chairman of the Board
Date: 4th June,2020