SIDIAN INSURANCE AGENCY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Contents

Directors	**Executive**	
	Chege Thumbi	
	Non-executive	
	Dr. James Mworia	Chairman
	Mary Ann Musangi	
	Kimanthi Mutua	
	Tom Kariuki	Independent
	Catherine Mturi-Wairi	Independent
	Oscar Kang'oro	Independent (Deceased 8 January 2021)

Company Secretary

Sarah Chepsoi (Acting)
R/CPS 3309
Certified Public Secretary
P O Box 25363 - 00603
Nairobi

Registered Office

K-Rep Centre
Wood Avenue, Kilimani
P O Box 25363 - 00603
Nairobi

Auditor

PricewaterhouseCoopers LLP
PwC Tower, Waiyaki Way / Chiromo Road, Westlands
P O Box 43963 - 00100
Nairobi

The directors submit their report together with the audited financial statements of Sidian Insurance Agency Limited (the "Company") for the year ended 31 December 2020.

Principal activities

The Company provides Bancassurance services.

Business review

A detailed business review is on page 3 of this report.

Results and dividend

Profit for the year of Shs 37,322,000 (2019: Shs 23,043,000) has been added to retained earnings. An interim dividend of Shs 80,000,000 was approved and paid during the year (2019: Nil). The directors did not recommend payment of a final dividend (2019: Nil).

Directors

The directors who held office during the year and to the date of this report are shown on page 1.

Disclosures to auditors

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

(a) there was, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Terms of appointment of auditors

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

Approval of financial statements

The financial statements set out on pages 8 to 31 were approved at a meeting of the directors held on 5 March 2021.

By order of the Board

Sarah Chepsoi
Acting Company Secretary

5 March 2021

Overall performance

The Company recorded a profit of Shs 37,322,000 in 2020, which was a 62% increase from 2019.

Revenues increased by 28% in the year attributed to aggressive selling and onboarding of new customers and partnerships with insurance companies that yielded additional income. Operating expenses increased at a lower rate of 1% attributed to various cost control measures instituted. Further, the expenses incurred supported the maintenance of a quality ICT infrastructure to enhance customer experience and enable efficient business operations. The COVID 19 pandemic slowed down performance in 2020 especially in quarter 2 immediately after the outbreak of the pandemic. Customer transactions were impacted with the Company encouraging its customers to utilize its digital channels and electronic payments to continue transacting during the pandemic. Business however picked up from quarter 3 with operations largely resuming back to normal.

The Company's key performance ratio is the return on equity. Below is the return on equity over the last two years;

	2020	**2019**
Return on equity	93%	46%

Principal risks and mitigation strategies

Below is a summary of the Company's principal risks and mitigation strategies in place:

Description	**Example**	**Mitigation measures**
Credit risk		
Failure of a counterparty to honour their obligations to the Company.	Default on credit extended	Monitoring and reporting of customer profiles and setting limits on the credit period extended to customers.
Market risk		
Market risk at Sidian Insurance Agency includes settlement risk. This poses a potential loss of earnings or economic value due to sudden shifts in financial and economic factors.	Inability to settle insurance premiums payable and claims	Regular monitoring of the Company's risk profile against risk appetite limits.
Operational risk		
Operational risk for the Company includes reliance on a third party for IT system support.	Delay in business processes due to IT system errors	Regular review of vendors and service providers against the business needs.
Reputational risk		
Any negative publicity regarding the Company's business practices, whether true or not, will cause a decline in customer confidence and revenue reduction.	Negative publicity	Senior management oversight, effective and efficient complaint management system, monitoring print, electronic and social media and resolution of issues. Strong risk management and ethics culture.

2021 Focus

The Company will focus on onboarding new customers, customer retention and enhanced customer experience. Strategic partnerships with insurance companies will also drive growth.

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii. Selecting suitable accounting policies and then applying them consistently; and
iii. Making judgements and accounting estimates that are reasonable in the circumstances.

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

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

Approved by the Board of Directors on 5 March 2021 and signed on its behalf by:

Chege Thumbi
Chief Executive Officer

Dr. James Mworia
Chairman

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SIDIAN INSURANCE AGENCY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sidian Insurance Agency Limited (the "Company") set out on pages 8 to 31, which comprise the statement of financial position at 31 December 2020 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of Sidian Insurance Agency Limited at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SIDIAN INSURANCE AGENCY LIMITED (CONTINUED)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SIDIAN INSURANCE AGENCY LIMITED (CONTINUED)

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

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

PricewaterhouseCoopers LLP.

Certified Public Accountants
Nairobi

25th March **2021**

FCPA Michael Mugasa, Practising certificate No. 1478
Signing partner responsible for the independent audit

Statement of profit or loss and other comprehensive income

	Notes	2020 Shs'000	2019 Shs'000
Revenue	5	67,909	53,034
Operating expenses	6	(18,134)	(17,922)
Profit before income tax		49,775	35,112
Income tax expense	7	(12,453)	(12,069)
Profit for the year		37,322	23,043
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		37,322	23,043

Statement of financial position

	Notes	2020 Shs'000	2019 Shs'000
ASSETS			
Non-current assets			
Furniture, fittings and equipment	8	162	25
Intangible assets	9	4,446	4,550
Deferred income tax	10	73	-
		4,681	4,575
Current assets			
Cash and bank balances	11	27,252	68,330
Trade and other receivables	12	4,068	4,250
Current income tax	7	3,537	2,835
		34,857	75,415
Total assets		39,538	79,990
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	20,596	18,234
Deferred income tax	10	-	136
		20,596	18,370
Equity attributable to owners			
Share capital	14	5,000	1,000
Retained earnings		13,942	60,620
		18,942	61,620
Total equity and liabilities		39,538	79,990

The financial statements on pages 8 to 31 were approved by the Board of Directors on 5 March 2021 and were signed on its behalf by:

Chege Thumbi
Chief Executive Officer

Dr. James Mworia
Chairman

Statement of changes in equity

	Share capital Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 31 December 2019			
At start of year	1,000	37,577	38,577
Total comprehensive income for the year	-	23,043	23,043
At end of year	1,000	60,620	61,620
Year ended 31 December 2020			
At start of year	1,000	60,620	61,620
Bonus shares issued	4,000	(4,000)	-
Dividends paid	-	(80,000)	(80,000)
Total comprehensive income for the year	-	37,322	37,322
At end of year	5,000	13,942	18,942

Statement of cash flows

	Notes	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Profit before income tax		49,775	35,112
Adjustments for:			
Depreciation of property and equipment	8	70	15
Amortisation of intangible assets	9	604	600
Changes in working capital:			
Trade and other receivables		181	6,894
Trade and other payables		2,363	(20,364)
Cash generated from operating activities		52,993	22,257
Income tax paid	7	(13,364)	(11,453)
Net cash flows from operating activities		39,629	10,804
Cashflows from investing activities			
Purchase of intangible assets		(500)	-
Purchase of furniture, fittings and equipment		(207)	-
Net cash flow from investing activities		(707)	-
Cash flow from financing activities			
Dividends paid		(80,000)	-
Net cash flow from financing activities		(80,000)	-
Net (decrease) / increase in cash and cash equivalents		(41,078)	10,804
Cash and cash equivalents at start of year	11	68,330	57,526
Cash and cash equivalents at end of year	11	27,252	68,330

Notes

1 General information

Sidian Insurance Agency Limited (the "Company") provides Bancassurance services. The Company is a private limited liability company, incorporated and domiciled in Kenya.

It is a wholly owned subsidiary of Sidian Bank Limited. The address of its registered office is included in page 1 of this report.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

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

(i) Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Measurement basis (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(iii) Changes in accounting policies and disclosures

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

Standards, amendments and interpretations to existing standards that have been adopted as from 1 January 2020 by the Company

Definition of Material – amendments to IAS 1 and IAS 8

This interpretation clarifies the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. This interpretation addresses: Information as material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

In particular, the amendments clarify:
- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Company assessed the impact of this amendments to IAS 1 and IAS 8 and concluded the its adoption did not have a material impact and there were therefore no transition adjustments required.

Definition of a Business – amendments to IFRS 3

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting year beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that year. Earlier application is permitted.

The Company assessed the impact of this amendments to IFRS 3 and concluded the its adoption did not have a material impact and there were therefore no transition adjustments required.

Notes (continued)

Summary of significant accounting policies (continued)

Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures(continued)

Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (continued)

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect . The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. It also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards.

Key changes include:
- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards are needed to have applied the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Annual Improvements to IFRS Standards 2018-2020 Cycle

The following improvements were finalised in May 2020:
- IFRS 16 Leases- Lease incentives- clarified that the illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IFRS 9 Financial Instruments - clarified which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

These improvements did not have a material impact and there were therefore no transition adjustments required.

Notes (continued)

Summary of significant accounting policies (continued)

Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC) (continued)

Covid-19-Related Rent Concessions – amendments to IFRS 16

The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

These improvements did not have a material impact and there were therefore no transition adjustments required.

Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7

Also referred to as Clearly IFRS that addresses the recent amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. The IASB has modified the amendments to the hedge accounting requirements that impact both IFRS 9 and IAS 39 because entities have an accounting policy choice under IFRS 9 as to whether to continue to apply the hedge accounting model in IAS 39 or IFRS 9. In addition, some insurance companies have not adopted IFRS 9 as they are deferring the application until they apply IFRS 17 Insurance Contracts so they continue to apply IAS 39 in its entirety.

The amendments applies to hedging relationships. However the Company does not participate in hedging relationships.

IFRS 17 Insurance contracts

The new standard, effective for annual periods beginning on or after 1 January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Functional and presentation currency

The accounting records are maintained in the currency of the primary economic environment in which the Company operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings, which the Company's functional and presentation currency. The figures shown in the financial statements are stated Kenya Shilling (Shs), rounded to the nearest thousand.

(v) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income' or 'other expenses'.

(b) Revenue recognition

Revenue primarily constitutes commissions receivable from insurance companies for business rendered during the year. Commissions are recognised as income in the period they are earned.

The Company recognises revenue as and when it satisfies a performance obligation by collecting premiums from the clients on behalf of the insurer and subsequently remitting the premium to the insurer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

(c) Financial assets

Initial recognition

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

Classification

All financial assets of the Company are classified at amortised cost. Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

Initial measurement

On initial recognition:

- Financial assets or financial liabilities classified at fair value through profit or loss are measured at fair value;
- Trade receivables are measured at their transaction price;
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Fair value is determined as set out in Note 2(a), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Financial assets (continued)

Impairment of financial assets (continued)

Prior to 1 January 2019, the Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(e) Share capital

Ordinary shares are classified as 'share capital' in equity.

(f) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

(g) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Employee benefits

(i) Retirement benefit obligations

The Company and all its employees contribute to a defined contribution scheme and also to the National Social Security Fund, which is a defined contribution scheme. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

(ii) Other entitlements

The estimated monetary liability for employees' including annual leave entitlement at the balance sheet date is recognized as an expense accrual.

(i) Furniture, fittings and equipment

Furniture, fittings and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Computer equipment	3 years
Office equipment	8 years
Furniture and fittings	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Furniture, fittings and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(k) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term deposits with an original maturity of three months or less. For purposes of the statement of cash flows, cash and cash equivalents comprise of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If objective evidence on impairments losses exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

In determining the recoverable amount, the Company considers the higher of the fair value of the asset less costs to sell, and value in use. In estimating value in use, the Company is cognisant of the estimated future cash flow discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

(ii) Income taxes

Significant judgement is required in determining the company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(ii) Income taxes (continued)

Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

(iii) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

4 Financial risk management objectives and policies

The Board of directors have embedded the Company's financial risk management objectives as an integral part of the overall management information systems of the Company and has supplemented those polices with a management reporting structure for measuring, monitoring, controlling and mitigation of the risks in the Company.

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

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Credit risk arises principally from the agency commission's receivable from the insurance companies.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations.

Notes (continued)

4 Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Basis for measurement of loss allowance	Gross amounts	Expected credit losses	Net balance
At 31 December 2020	**Shs '000**	**Shs '000**	**Shs '000**
Trade and other receivables	6,211	(2,143)	4,068
Cash and bank balances	28,165	(913)	27,252
Exposure to credit risk	34,376	(3,056)	31,320
At 31 December 2019			
Trade and other receivables	4,250	-	4,250
Cash and bank balances	70,666	(2,336)	68,330
Exposure to credit risk	74,916	(2,336)	72,580

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows: -

- financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
- financial assets that are credit impaired at the balance sheet date;
- trade receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

(ii) Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through capital and retained earnings. Consistent with others in the industry, the Company's Board of Directors monitors capital on the basis of the gearing ratio.
The Company had no debt in its statement of financial position at the end of the year (2019: nil).

Notes (continued)

4 Financial risk management objectives and policies (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the nature of the business, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management perform cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the financial period end to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	2020 Shs'000	**2019 Shs'000**
Trade and other payables		
Less than 1 year	20,596	18,234

(iv) Market risk

The company does not hold any financial instruments subject to interest rate risk, foreign exchange risk or price risk.

5 Revenue

This comprises agency commissions earned from insurance companies.

	2020 Sh'000	**2019 Sh'000**
Commissions earned	67,909	53,034

6 (a) Administrative expenses

Administrative expenses include the following:		
Employee benefits (Note 6 (b))	11,422	12,613
Auditor's remuneration	340	340
Depreciation of property and equipment (Note 8)	70	15
Amortisation of intangible assets (Note 9)	604	600
Provision for expected credit losses	720	44
Other administrative expenses	4,978	4,310
	18,134	17,922

Notes (continued)

6 (b) Employee benefits

	2020 Sh'000	2019 Sh'000
Salaries and allowances	9,510	10,182
Retirement costs - Defined Contribution Scheme	485	761
- National Social Security Fund	14	12
Staff medical expenses	723	686
Other staff costs	690	972
	11,422	12,613

The Company had an average of 6 employees in the year ended 31 December 2020 (2019: 5).

7 Income tax

a) Income tax expense	2020 Sh'000	2019 Sh'000
Charge for the year	12,662	10,553
Deferred income tax charge (Note 10)	(209)	1,516
	12,453	12,069

Reconciliation of tax expense to tax based on profit before income tax:

Profit before income tax	49,775	35,112
Income tax calculated at the statutory rate of 25% (2019: 30%)	12,444	10,534
Tax effect of expenses not deductible for tax purposes	44	1,535
Effect of change in tax rate	(35)	-
	12,453	12,069

b) Current income tax recoverable:

At start of year	(2,835)	(1,935)
Tax paid during the year	(13,364)	(11,453)
Charge for the year	12,662	10,553
At end of year	(3,537)	(2,835)

Notes (continued)

8 Furniture, fittings and equipment

	Furniture & fittings	Office Equipment & Computers	Total
	Shs'000	Shs'000	Shs'000
Year ended 31 December 2020			
Cost			
At start of year	42	133	175
Additions	-	207	207
At end of year	42	340	382
Depreciation			
At start of year	17	133	150
Charge for the year	5	65	70
At end of year	22	198	220
Net carrying amount			
At end of year	20	142	162
Year ended 31 December 2019			
Cost			
At start of year	42	133	175
Additions	-	-	-
At end of year	42	133	175
Depreciation			
At start of year	12	123	135
Charge for the year	5	10	15
At end of year	17	133	150
Net carrying amount			
At end of year	25	-	25

Notes (continued)

9 Intangible assets

	2020 Shs'000	2019 Shs'000
Cost		
At start of year	6,000	6,000
Additions	500	-
At end of year	6,500	6,000
Amortisation		
At start of year	1,450	850
Charge for the year	604	600
At end of year	2,054	1,450
Net carrying amount		
At end of year	4,446	4,550

10 Deferred income tax

The net deferred income tax asset/(liability) computed at the enacted rate of 30% is attributable to the following:

	At 1 January 2020 Shs '000	Profit or loss Shs '000	At 31 December 2020 Shs '000
Furniture, fittings and equipment	(874)	30	(844)
Other temporary differences	738	179	917
Net deferred income tax asset/(liability)	(136)	209	73

	At 1 January 2019 Shs '000	Profit or loss Shs '000	At 31 December 2019 Shs '000
Furniture, fittings and equipment	692	(1,566)	(874)
Other temporary differences	688	50	738
Net deferred income tax asset/(liability)	1,380	(1,516)	(136)

Notes (continued)

11 Cash and bank balances

	2020 Shs '000	2019 Shs '000
Bank balances	28,165	70,666
Provision for expected credit losses	(913)	(2,336)
	27,252	68,330

The movement in the provision for expected credit losses on cash and cash equivalents is as follows:

	2020 Shs '000	2019 Shs '000
At start of year	2,336	2,046
(Credit)/Charge to profit or loss	(1,423)	290
	913	2,336

Bank balances are held with Sidian Bank Limited, the holding Company of Sidian Insurance Agency Limited.

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition, including cash and balances due from Sidian Bank Limited.

12 Trade and other receivables

	2020 Shs '000	2019 Shs '000
Prepayments	170	10
Due from related party (Note 15)	2,097	-
Other receivables	3,944	4,240
Provision for expected credit losses	(2,143)	-
	4,068	4,250

Notes (continued)

12 Trade and other receivables (continued)

The movement in the provision for expected credit losses on trade and other receivables is as follows:

	2020 Shs '000	2019 Shs '000
At start of year	-	246
Charge/(Credit) to profit or loss	2,143	(246)
At end of year	2,143	-

13 Trade and other payables

	2020 Shs '000	2019 Shs '000
Premiums payable	16,066	12,902
Other payables and accrued expenses	4,530	3,941
Due to related party (Note 15)	-	1,391
	20,596	18,234

Premiums payable relate to premiums due to insurance companies.

14 Share capital

	2020 Shs '000	2019 Shs '000
At 1 January and 31 December		
Authorised:		
50,000 (2019:10,000) ordinary shares of Shs. 100 each	5,000	1,000
Issued and fully paid:		
As at 1 January 2020 (10,000 ordinary shares of Shs. 100 each)	1,000	1,000
Bonus issue (40,000 ordinary shares of Shs. 100 each)	4,000	-
As at 31 December 2020 (50,000 ordinary shares of Shs. 100 each)	5,000	1,000

Notes (continued)

15 Related party transactions

The Company's immediate parent is Sidian Bank Limited, which is incorporated in Kenya and its ultimate parent is Centum Investments Company Plc, also incorporated in Kenya. There are other companies that are related to the Company through common shareholdings or common directorships.

The Company transacts business with other companies it is related to through common shareholding. The amounts not settled at year end are as reflected in the statement of financial position.

a) Related party balances at the end of the reporting period were as follows:

	2020 Shs '000	2019 Shs '000
Amounts due from Sidian Bank Limited (Note 12)	2,097	-
Amounts due to Sidian Bank Limited (Note 13)	-	1,391

b) Bank balances held with Sidian Bank Limited

	2020 Shs '000	2019 Shs '000
Bank balances held with Sidian Bank Limited (Note 11)	27,252	68,330

c) Commissions earned

	2020 Shs '000	2019 Shs '000
Commission earned on insurance policies to Sidian Bank Limited	7,408	8,118

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