STAR DISCOVER INSURANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

Grant Thornton LLP
Certified Public Accountants

CONTENTS

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Certified Public Accountants

JACINTA WANDUNE CHARAGGU
ADVOCATE
Date:
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JACINTA WANDUNE CHARAGGU
ADVOCATE & COMMISSIONER FOR OATHS
Sign.

COMPANY INFORMATION

BOARD OF DIRECTORS	: Anne K Makori		Appointed 19th December 2023
	: Lawrence T Melly		Appointed 26th September 2023
	: Rufus M. Maina		
	: Lambodaran B Aswanth		
KEY MANAGEMENT	: Jonah Tommno	-	Pricipal Officer
	: Richard Bett	-	Head of Underwriting
	: Elisha O. Gogi		Head of Claims
	: Jesse C Waigwa	-	Head of Legal and Corporate affairs
	: Jotham Muchina		Head of Risk and Compliance
	: Antony Kamau	-	Head of Finance
	: Kennedy Munyiri	-	Marketing and Business Development Manager
	: Anne Bahati	-	Head of Human Resources
	: Micah Kasiti	-	Head of Reinsurance

PRINCIPAL PLACE OF BUSINESS	: Arch Place, First Floor : Nyangumi Road, Kilimani : P.O. Box 3421 : NAIROBI
INDEPENDENT AUDITOR	: Grant Thornton LLP : Avocado Towers : 75 Muthithi Road, Westlands : P.O. Box 46986 00100 GPO NAIROBI
COMPANY SECRETARY	: Anjeline A. Otieno : Certified Public Secretary : P.O. Box 31295 00100 : Nairobi
ACTUARIES	: Zamara Actuaries, Administrators & Consultants Limited : Zamara Place Waiyaki Way Westlands P.O Box 52439-00200 City Square, Nairobi
TAX REFERENCE NUMBER	P052054306N
COMPANY REGISTRATION NUMBER	PVT-9XUGVEER
PRINCIPAL BANKERS	: Diamond Trust Bank Kenya Limited : DTB Centre, Mombasa road : P.O Box 61711-00200 : Nairobi, Kenya : NCBA Bank : Ciata City Mall : P.O Box 44599-00100 : Nairobi, Kenya

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COMMISSIONER FOR OATHS

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the company.

COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act 2015, as a private limited liability company and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The company conducts all classes of general insurance as defined by the Kenyan Insurance Act.

COMPANY'S BUSINESS REVIEW

For the year ended 31 December 2023, The insurance revenue was Ksh 1.1Billion compared to Shs. 81.8 Million the prior year.the company recorded a profit before tax of Ksh.30.3 Million (2022: Loss before tax of Shs. 82.5 Million).

Despite 2023 being the second year of operation, the company recorded strong financial performance and management is optimistic that the company peformance will improve in the future as there are measures in place to underwrite policies in other classes

Key Peformance Indicators	**2023 Shs'000**	**2022 Shs'000**
Insurance revenue	1,110,162	81,844
Insurance service expenses	1,116,991	162,211
Investment and other income	37,250	26,708

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on overall performance of the company. The company's strategic focus is on insurance revenue growth by underwriting policies in other insurance classes whilst maintaining profit margins, the success of which remains dependent on overall market conditions, marketing strategies and innovativeness to obtain market share and other factors.

In addition to the business risks discussed above, the company's activities expose it to a number of financial risks which are described in detail in Note 4 to the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)

DIVIDEND

The directors do not recommend declaration of a dividend for the year ended 31 December 2023 (2022: Nil)

DIRECTORS

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

In accordance with the company's Articles of Association, no director is due for retirement by rotation.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
(b) the person has taken all the steps that the person ought to have 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

TERMS OF APPOINTMENT OF THE AUDITOR

The company's auditor, Grant Thornton LLP continues 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. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

Ann K Makori
Director
NAIROBI

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14th JUNE 2024

JACINTA WANDUNE CHARAGGU
ADVOCATE
Date:
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ADVOCATE & COMMISSIONER FOR OATHS
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P.O. Box 55735 - 00200, NBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 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 its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company that disclose, with reasonable accuracy, the financial position of the company that enable them to prepare financial statements of the company that comply with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the 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 such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting and applying appropriate accounting policies; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2023 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

In preparing these financial statements, the directors have assessed the company's ability to continue as a going concern as disclosed in Note 2(a). Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 14th June 2024 and signed on its behalf by:

Grant Thornton LLP
Certified Public Accountants

Ann K Makori
Chairperson

Lawrence T Melly
Director

Jonah Tomno
Principal Officer

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ADVOCATE
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REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of Star Discover Insurance Limited as at 31 December 2023.

The valuation was conducted in accordance with generally accepted actuarial principles, in accordance with the requirements of the Kenya Insurance Act and the IFRS 17 Standard requirements that came into effect on 1 January 2023. These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies

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

In my opinion, the Company was financially sound, and the insurance liabilities booked were adequate as at 31 December 2023.

James I. O. Olubayi
Fellow of the Institute and Faculty of Actuaries
Zamara Actuaries, Administrators & Consultants Ltd

14th June 2024

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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF STAR DISCOVER INSURANCE LIMITED

Opinion

We have audited the financial statements of Star Discover Insurance Limited set out on pages 11 to 59, which comprise the statement of financial position as at 31 December 2023, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of Star Discover Insurance Limited's financial position as at 31 December 2023 and it's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan 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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other 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.

Emphasis of matter

We draw attention to note 4(f) of the financial statements, which indicates that the Company capital adequacy ratio for the year ended 31 December 2023 was of 44% (2022: 83%) which was below the minimum capital requirement as required by The Insurance (Capital Adequacy) Guidelines, 2017. This non-compliance with regulatory minimum capital requirements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Other Information

The directors are responsible for the other information. The other information comprises all information included in the annual report and financial statements but excludes the financial statements and report of the independent auditor.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information 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 that we obtained prior to the date of this auditor's report, 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.

When we read the other reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Key Audit Matters

This section of the audit report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgment, were of most significance in the audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GrantThornton

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF STAR DISCOVER INSURANCE LIMITED (CONTINUED)

Key audit matters (continued)

Key Audit Matter	How the matter was addressed in the audit
Estimation of insurance contract liabilities	
Valuation of the insurance contract liabilities is highly judgmental and requires significant estimation by management. IFRS 17 which became effective for the company on 01 January 2023 presents a profound change to accounting and presentation in financial statements of insurance companies. The complexity of IFRS 17 is such that achieving compliance requires a transformation of accounting standards, systems and redefining the actuarial processes. The valuation of non-life insurance contract liabilities or assets has a significant risk of misstatement due to the complexity associated with the underlying assumptions and the sensitivity to assumption and actuarial judgement applied.	Our audit procedures included but we are not limited to: - Gaining and documenting our understanding of the IFRS 17 implementation process and gaining an understanding of any changes in the reserving models (IFRS 4 to IFRS 17). - Tested the appropriateness of the underlying data by: - Reconciling UPR and DAC policy data to IFRS4 data and IFRS 4 to 17 reconciliations performed by the company. - Testing contracts and relevant reserving attributes to verify whether the data has been appropriately interpreted concerning contractual terms. - Assessing judgements made in selecting data
Most of the actuarial assumptions relate to the calculation of the Liability for Incurred Claims (LIC), Liability for Remaining Coverage (LRC), Reinsurance Assets and the Risk Adjustment (RA). The valuation of outstanding claims relies on the quality of the underlying data. It involves complex and subjective judgements about future events both internal and external to the business for which small changes in assumptions can result in material impacts to the estimates. We identified this as a key audit matter due to the significance of the balances to the financial statements and the high degree of estimation uncertainty and significant judgement applied by management in the determination of the value of these liabilities. We also considered that the disclosures on contract liabilities are critical to the understanding of the financial statements.	- Involving our actuarial specialists to evaluate the actuarial valuation process, reasonableness of assumptions applied, and appropriateness of the methodologies used. - Reviewed the model results to determine if they are compliant with the IFRS 17 requirements - Recomputed the risk adjustment, UPR and DAC reserves. - Evaluating the key controls around the claims handling and reserve setting process and performing a walkthrough of the process. - Tested a sample of claims reserves, by comparing the estimated amount of the reserve to appropriate documentation and where relevant, the correspondence with lawyers and reinsurers where the claims are under investigation. - We evaluated the overall adequacy of the Company's disclosures in terms of IFRS 17 Insurance Contracts.
Expected credit loss provision on financial assets carried at amortised cost	
The expected credit losses on financial assets carried at amortized cost are determined under application of IFRS 9 Financial Instruments. This was a key audit matter because significant judgement was involved in determining the credit losses on cash and cash equivalents, government securities held at amortised cost and deposits held with other financial institutions Key areas of judgement included: • The interpretation of the requirements to determin impairment under application of IFRS 9, which is reflected in the Company's expected credit loss model:	We assessed and tested the key assumptions adopted for the assessment of the expected credit loss. We assessed the adequacy of disclosures in the financial statements.

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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF STAR DISCOVER INSURANCE LIMITED (CONTINUED)

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs 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 the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 controls.
- Obtain an understanding of internal controls 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 controls.

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ADVOCATE
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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF STAR DISCOVER INSURANCE LIMITED (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 director'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 '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 to cease to continue as a going concern.
- Conclude on the appropriateness of director'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 '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 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.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 3 - 4 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Dipesh Shah, Practising certificate No. 1729.

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CINTIA WANDUHE CHARAGGU
ADVOCATE
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ADVOCATE
COMMISSIONER FOR OATHS
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P.O. BOX 55735 - 00200, NBI

For and on behalf of Grant Thornton LLP
Certified Public Accountants (Kenya)
Nairobi, Kenya

28 JUNE 2024

S/1642/1223/AUD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 Shs'000	2022 Shs'000 Restated
Insurance revenue	5	1,110,162	81,844
Insurance service expenses	6	(1,116,991)	(162,211)
Insurance service result before reinsurance contract		**(6,829)**	**(80,367)**
Income/(expenses) from Reinsurance Contracts Held	7	1,080	(28,907)
Insurance service result		(5,749)	(109,274)
Investment income	8a	37,250	26,708
Net finance expenses from insurance contracts issued	8b	(1,682)	-
Net finance income from reinsurance contracts held	8b	503	-
Net Insurance Finacial Results		**36,071**	**26,708**
Other operating income	9	76	-
Profi/ (Loss) before tax		**30,398**	**(82,566)**
Tax credit	13	(13,715)	8,647
Profit/(Loss) for the year		**16,683**	**(73,919)**
Other comprehensive income/(loss)			
Other comprehensive (loss) income for the year		-	-
Total comprehensive income/(loss) for the year		**16,683**	**(73,919)**

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STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2023 Shs'000	2022 Shs'000 Restated*
Assets			
Property, plant and equipment	16	12,997	719
Right of use assets	17	8,139	-
Intangible Assets	18	27,461	13,261
Deferred tax	19	-	8,647
Government securities measured at amortised cost	24	35,813	36,501
Deposits with financial institutions	26	371,989	351,495
Due from related parties	21	-	180,403
Receivables from shareholders	23	367,737	600,000
Insurance contract assets	20	-	9,065
Reinsurance contract assets	21	16,459	-
Receivables	25	198,700	-
Tax recoverable	14	5,639	2,949
Cash and bank balances	27	95,758	-
Total assets		1,140,692	1,203,040
Liabilities			
Insurance contract Liabilities	20	49,637	-
Reinsurance contract liabilities	21	-	29,391
Due to related parties	28	495,497	33,364
Lease liabilities	17	8,206	-
Deferred tax	19	3,229	-
Other payables	29	41,360	13,509
Bank overdraft	27	-	600,695
Total liabilities		597,929	676,959
Net assets		542,763	526,081
CAPITAL EMPLOYED			
Share capital	15	600,000	600,000
Accumulated losses		(57,237)	(73,919)
Shareholders' funds		542,763	526,081

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The financial statements were approved and authorised for issue by the Board of Directors on ____________________ 2024 and were signed on its behalf by:

JACINTA WANDUHE CHARAGGU
ADVOCATE
Date:
Sign:
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Ann K Makori
Chairperson

WANDUHE CHARAGGU
ADVOCATE & COMMISSIONER FOR OATHS
Sign.

Lawrence T Melly
Director

Jonah Tomno
Principal Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023	**Notes**	**Share capital Shs'000**	**Retained earnings Shs'000**	**Total Shs'000**
1 January 2023		600,000	(73,919)	526,081
Total comprehensive income for the year: - Loss for the year		-	16,683	16,683
31 December 2023		600,000	(57,237)	542,763
Year ended 31 December 2022				
1 January 2022		-	-	-
Issued share		600,000		600,000
Total comprehensive income for the year: - Loss for the year		-	(73,919)	(73,919)
31 December 2022		600,000	(73,919)	526,081

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STATEMENT OF CASH FLOWS

	Notes	2023 Shs'000	2022 Shs'000
Cash flows from operating activities			
Cash used in operations	30	712,393	(156,162)
Tax paid	14	(4,529)	(2,949)
Net cash used in operations		707,864	(159,111)
Cash flows from investing activities			
Purchase of property and equipment	16	(12,552)	(744)
Purchase of intangible assets	18	(16,167)	(13,261)
Movement in government securities carried at amortsied cost	24	689	(36,501)
Investment in deposits with financial institutions	26	(20,494)	(351,495)
Interest income received	8a	37,250	26,708
Net cash used in investing activities		(11,274)	(375,293)
Cash flows from financing activities			
Interest paid on bank overdraft	12	-	(66,291)
Lease liabilities interest paid	17	(89)	-
Payments of principal portion of lease liabilities	17	(48)	-
Net cash used in financing activities		(137)	(66,291)
Decrease in cash and cash equivalents		696,453	(600,695)
Movement in cash and cash equivalents			
1 January	27	(600,695)	-
Decrease during the year		696,453	(600,695)
31 December	27	95,758	(600,695)

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1. **General information**

Star Discover Insurance Limited underwrites classes of general insurance as defined by the Kenyan Insurance Act.

The Company is a limited company incorporated and domiciled in Kenya. The address of its registered office is as disclosed in Page 1.

For Kenyan Companies Act, 2015 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.

2. **Material accounting policy information**

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

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 - Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfer between levels of the fair value hierarchy are recognised by the directors at the end of the reporting period during which the change occurred.

The financial performance of the company is set out in the report of the directors and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 4.

These financial statements comply with the requirements of the Kenyan Companies Act, 2015. The statement of profit or loss and other comprehensive income represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

This audit opinion only covers the company financial statements. Separate consolidated financial statements will be prepared for the group which will include the audit opinion of the group.

Going concern

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

2. Material accounting policy information (continued)

a) Basis of preparation (continued)

i) New standards, amendments and interpretations adopted by the company

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policy information and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the company's financial statements.

Amendments to IAS 8 'Definition of Accounting Estimates'

The amendments introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the company's financial statements.

Amendments to IAS 12 'Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the company's financial statements.

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IFRS 17 Insurance Contracts

A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).

Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period;

The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice. The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense. Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2. **Material accounting policy information (continued)**

a) **Basis of preparation (continued)**

i) New standards, amendments and interpretations adopted by the company (continued)

IFRS 17 Insurance Contracts (continued)

Both the Company's audit committee and the Board Risk from a IFRS 17 Steering committee that provide oversight and governance over the implementation of the IFRS 17 project. The committee is comprised of executive management as well as senior management from various functions including finance, Actuarial, risk information technology and operations. Accounting policy papers, actuarial methodologies and disclosure requirements have been defined and are being implemented. The IFRS 17 project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments. Where applicable, the policy and methodology papers are updated to requirements.

On the transition date, 1 January 2023, the company identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied.

- Identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always been applied.
- Derecognised any existing balances that would not exist had IFRS 17 always applied
- Recognised any resulting net difference in equity

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants' (issued in January 2020 and October 2022), effective for annual periods beginning or after 1 January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

  The company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' (issued in May 2023), effective for annual reporting periods beginning on or after 1 January 2024, clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

- Amendment to IAS 21 'Lack of Exchangeability' (issued in August 2023), Effective for annual periods beginning on or after 1 January 2025, specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' (issued in September 2014), applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- Amendment to IFRS 16 'Lease Liability in a Sale and Leaseback' (issued in September 2022), effective for annual periods beginning on or after 1 January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

  Except where indicated above, the directors do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The company plans to apply the changes above, if applicable, from their effective dates.

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts**

Classification

The company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. Non-life insurance products offered include property, marine, and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The company does not issue any contracts with direct participating features.

Accounting treatment

Separating components from insurance and reinsurance contracts

The company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the company's products do not include any distinct components that require separation.

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Accounting treatment (continued)

Level of aggregation (continued)

The company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:
• A group of contracts that are onerous at initial recognition (if any)
• A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
• A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

• Pricing information
• Results of similar contracts it has recognised
• Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

Recognition

The company recognises groups of insurance contracts it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the company recognises an onerous group of underlying insurance contracts if the company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Accounting treatment (continued)

Contract boundary

The company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or

Both of the following criteria are satisfied:

- The company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio

- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

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2 Material accounting policy information (continued)

i Insurance and reinsurance contracts (continued)

Accounting treatment (continued)

Measurement - Premium Allocation Approach

	IFRS 17 Options	*Adopted approach*
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Star Discover has adopted the Premium Allocation Approach (PAA) for the measurement of all insurance contracts and the reinsurance contracts held. This follows from the assessment of the standard policy durations of the polices as at the transition date, where the insurance contracts issued were observed to be short term with average coverage periods of one year or less.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	Insurance acquisition cash flows are allocated to and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	Star Discover has not made allowance for a financing component in the liability for remaining coverage. This follows from the assessment of the policy data which revealed the period of time between the premium due date and the provision of services is no more than a year.
Liability for Incurred Claims, (LFIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	Star Discover has made allowance for the time value of money in the liability for incurred claims in line with the expected settlement delay of incurred claims extending beyond one year from the date of reporting.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	Star Discover has not adopted the OCI option. Insurance finance income or expenses for the period are presented in the profit or loss

NOTES (CONTINUED)

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Insurance contracts – initial measurement

The company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary

Or

- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the contracts
- The length of the coverage period of the group of contracts

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the company pays or receives before the group of insurance contracts is recognised.

For marine and personal accident insurance, the liability for remaining coverage is discounted to reflect the time value of money and the effect of financial risk. For all other business, there is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Reinsurance contracts held – initial measurement (continued)

The company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

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Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

NOTES (CONTINUED)

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

With the exception of the property insurance product line, for which the Company chooses to expense insurance acquisition cash flows as they occur, the Company uses a systematic and rational method to allocate:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  (i) to that group; and
  (ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when th insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocat to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method c allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

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If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The company recognises in profit or loss a reversal of some or all of an impairment loss previously recognisec and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)
Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract

NOTES (CONTINUED)

2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Insurance contracts – modification and derecognition (continued)

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

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For the periods presented, all revenue has been recognised on the basis of the passage of time.

Loss components

The company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in level of aggretion indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in insurance contracts – subsequent measurement. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

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2. **Material accounting policy information (continued)**

b) **Insurance and reinsurance contracts (continued)**

Loss-recovery components

As described in reinsurance contracts held – initial measurement above, where the company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The company disaggregates insurance finance income or expenses on insurance contracts issued for its personal accident product line between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets backing the personal accident insurance portfolios are predominantly measured FVOCI. For all other business, the company does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVPL.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

c) **Other income**

Interest income

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2. **Material accounting policy information (continued)**

d) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and any accumulated impairment lossses (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Leasehold land and buildings are subsequently measured at fair value, based on periodic valuations, less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income. All other decreases are charged to profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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 can be reliably measured. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated on a straightline basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

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	Rate %
Furniture and fittings	12.5
Office equipment	12.5
Computers	20

Assets are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted prospectively, if appropriate. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining

2. Material accounting policy information (continued)

e) Impairment of non-financial assets and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible 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 (if any).

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually.

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 an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

f) Financial instruments

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument.

- ***Financial assets***

  All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

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2. **Material accounting policy information (continued)**

g) **Financial instruments (continued)**

i) **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 (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) **Fair Value Through Other Comprehensive Income (FVTOCI):**
Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, interest revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

iii) **Fair Value Through Profit or Loss (FVTPL):**
Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income.

Notwithstanding the above, the Company may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at **fair value through other comprehensive income**.
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at **fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

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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.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

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Impairment

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment assessment. No impairment loss is recognised on investments measured at FVTPL.

2. **Material accounting policy information (continued)**

g) **Financial instruments (continued)**

- ***Financial assets (continued)***

Impairment (continued)

The Company recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost:

- Receivables arising out of direct reinsurance arrangements
- Receivables arising out of direct insurance arrangements
- Government securities measured at amortised cost
- Due from related parties
- Deposits with financial institutions

The loss allowance is measured at an amount equal to the lifetime expected credit losses for receivables arising out of direct insurance arrangements and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- 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 receivables arising out of direct insurance arrangements 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.

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 reporting date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

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Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- All other financial liabilities are classified and measured at amortised cost.
- All financial liabilities are recognised initially at fair value and, in the case of loans and and borrowings and payables, net of directly attributable transaction costs.
- 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 reporting date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

2. **Material accounting policy information (continued)**

g) **Financial Instruments (continued)**

- **Financial assets (continued)**

Derecognition

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

- **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

h) **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

i) **Employee entitlements**

The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

j) **Retirement benefit obligations**

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the Company and employees. 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 employees of the Company are also members of the National Social Security Fund ("NSSF").

The Company's contributions to the defined contribution scheme and NSSF are charged to the profit or loss in the year to which they relate. The Company has no further obligation once the contributions have been paid.

k) **Accounting for leases**

The Company as lessee

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value), the Company recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

For leases that contain non-lease components, the Company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

2. **Material accounting policy information (continued)**

l) **Taxation**

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

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

For the purposes of measuring deferred tax liablitles and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recoverable entirely through sale unless presumption is rebutted. The presumption is rebutted when the investment property is depreciable and held within a business model whose objective is to consume substantially all its economic benefits embodied in it over time rather than through sale.

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

The Company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

m) **Dividends**

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liability in the year in which they are approved by the shareholders.

n) **Share capital**

Ordinary shares are classified as equity.

o) **Comparatives**

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

3. **Significant accounting judgements, estimates and assumptions**

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The assumptions and judgements set-out below do not consider the full potential impact of the recent coronavirus outbreak as it is diffucult at this stage to predict the full potential impact of this on the financial statements of the Company.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) **Measurement of expected credit losses (ECL):**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

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

- Determining criteria for significant increase in credit risk;
- Choosing 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 associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument. remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments that are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The company uses these guidelines in determining the staging of its financial assets unless there is persuasive evidence available to rebut these presumptions.

NOTES (CONTINUED)

3. **Critical accounting estimates and judgments (continued)**

(a) **Measurement of expected credit losses (ECL) (continued):**

For receivables arising out of direct insurance arrangements, the company has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

The carrying amounts of the Company's financial assets that are subject to impairment assessment are disclosed in note 4.

(b) **Useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets**

Management reviews the useful lives, depreciation methods and residual values of the items of property and equipment, intangible assets and right-of-use assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts and depreciation methods of property and equipment, right-of-use assets and intangible assets are disclosed in notes 14, 16(a) and 17 respectively.

(c) **Accounting for leases under IFRS 16**

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in notes 16 (a) and 16 (b) respectively.

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

The estimation of 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.

Judgement is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not yet reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed. Note 31 contains further details on this process.

4. **Management of insurance and financial risk**

Insurance risk

The company's activities expose it to a variety of risks, including insurance risk and financial risk (credit risk, and the effect changes in debt and equity market prices, foreign currency exchange rates and interest rates). 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, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the company manages them.

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.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

a) **Short term insurance contracts**

i) **Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors. The most significant are the increase in the number of cases coming to court that have been inactive or latent for a long period of time. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The concentration of insurance risk before and after reinsurance by class in relation to the type of casualty insurance risk accepted is summarised below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from casualty insurance contracts:

4. **Management of insurance and financial risk (continued)**

Insurance risk (continued)

a) **Short term insurance contracts (continued)**

i) **Sources of uncertainty in the estimation of future benefit payments and premium receipts**

Claims on casualty contracts/general risks are payable on a claims-occurrence basis. The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

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4. **Management of insurance and financial risk (continued)**

Financial risk (continued)

b) **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, government securities, as well as credit exposures to customers relating to outstanding receivables arising out of direct insurance arrangements.

If customers arising from direct insurance arrangements are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

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 90 days past due.

For these 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. 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's financial assets on the basis of shared credit risk characteristics, such as:

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

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

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 relating to receivables arising out of direct insurance arrangements is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a regular basis.

4. **Management of insurance and financial risk (continued)**

Financial risk (continued)

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 and to replace funds when they are withdrawn.

The company is exposed to daily calls on its available cash for claims settlement and other administration expenses. The company does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. On large claims arrangements are in place to obtain cash calls from reinsurers. The Board sets limits on the minimum level of bank overdraft facilities that should be in place to cover expenditure at unexpected levels of demand.

The table on the following page presents the undiscounted cash flows payable by the company under financial liabilities by remaining contractual maturities (other than insurance contract liabilities which are based on expected maturities) at the reporting date.

	Interest rate %	0 - 12 months Shs '000	1 - 5 years Shs '000	Over 5 years Shs '000	Total Shs '000
At 31 December 2023					
Non - Interest bearing liabilities					
- Insurance contract liabilities	0%	-	-	49,637	49,637
- Other payables	0%	41,360	-	-	41,360
Total financial liabilities		41,360	-	49,637	90,997
At 31 December 2022					
Non - Interest bearing liabilities					
- Other payables	0%	13,509	-	-	13,509
Total financial liabilities		13,509	-	-	13,509

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4. Management of insurance and financial risk (continued)

Financial risk (continued)

d) Financial assets by category

Financial assets	Amortised cost Shs '000	Financial assets at fair value through other comprehensive income (FVTOCI) Shs '000	Total Shs '000
As at 31 December 2023			
Government securities	35,813	-	35,813
Deposits with financial institutions	371,989	-	371,989
Loan receivables	367,737	-	367,737
Unquoted equity investments at fair value through other comprehensive income	-	198,700	198,700
Bank balances	95,758	-	95,758
	871,297	198,700	1,069,997
As at 31 December 2022			
Government securities	36,501	-	36,501
Deposits with financial institutions	351,495	-	351,495
Loan receivables	780,403	-	780,403
	1,168,400	-	1,168,400

e) Financial liabilities

Financial liabilities	2023 Shs '000	2023 Shs '000
Lease liabilities	8,206	-
Due to related parties	495,497	33,364
Other payables	41,360	13,509
Bank Overdraft	-	600,695
	545,063	647,568

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4. Management of insurance and financial risk (continued)

Financial risk (continued)

f) Capital management

Internally imposed capital requirements

The Company's objectives when managing capital, which is a broader concept than the 'shareholders' funds' on the financial position are to:

- to comply with the capital requirements as set out in the Insurance Act Cap 487;
- to comply with regulatory solvency requirements as set out in the Insurance Act Cap 487;
- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business;
- to maintain an optimal capital structure to reduce the cost of capital; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The insurance capital requirements regulations 2015 under Section 180 of the Insurance Act require that a company, should maintain risk based capital determined by its size and risk profile. Such a Company should achieve the prescribed capital requirement and maintain a capital adequacy ratio which shall at all times be at least 100%.

The capital adequacy status of the company as at the reporting date is as follows:

	2023 Shs '000	2022 Shs '000
Tier-1 Capital	536,893	579,223
Tier-2 Capital	-	-
Deductions	(270,918)	(35,420)
Total Capital Available (TCA)	**265,975**	**543,803**
Absolute Amount Minimum 1	600,000	600,000
Volume of Business Minimum 2	8,145	-
Risk Based Capital Minimum	116,927	659,068
Minimum Required Capital (Absolute)	**600,000**	**659,068**
Capital Adequacy Ratio	**44%**	**83%**

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5. Insurance revenue

	2023 Shs'000	2022 Shs'000
Insurance revenue from contracts measured under PAA	1,110,162	81,844
	1,110,162	81,844

6. Insurance service expenses

	2023 Shs'000	2022 Shs'000
Actual claims and expenses over the period	1,041,501	78,854
Changes that relate to past service - adjustments to the LIC	81,736	30,199
Release of deferred acquisition cost	36,446	914
Increase in losses on onerous contracts	(42,692)	52,244
	1,116,991	162,211

7. Net Expense/Income from Reinsurance Contract Held

	2023 Shs'000	2022 Shs'000
PAA premium reserve release	333,701	41,455
Actual claim recoveries	(271,234)	0
Change in present value and risk adjustment of incurred liability	(23,748)	(9,031)
Release of deferred acquisition cost	(39,800)	(3,517)
	(1,080)	28,907

8 a Investment Income

	2023 Shs'000	2022 Shs'000
Interest on government securities at amortised cost	2,444	3,144
Interest on deposits with financial institutions	34,806	23,564
	37,250	26,708

8 b Finance expenses/Income from Insurance contracts issued

	2023 Shs'000	2022 Shs'000
Net finance expenses from insurance contracts issued	1,682	-
Net finance income from reinsurance contracts held	(503)	-
	1,179	-

9. Other operating Income

	2023 Shs'000	2022 Shs'000
Miscellanious Income	76	-

10. Operating and other expenses

Management has allocated 100% of the operating expenses as directly attributable to insurance business operation

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	2023 Shs'000	2022 Shs'000
Staff costs (12)	57,912	2,036
Directors remuneration	125	-
Management fees	-	-
Auditor Remuneration	1,705	574
Depreciation on property, plant and equipment (Note 17)	2,240	25
Depreciation on right of use (Note 18)	115	-
Policyholders compensation Fund	94	777
Premium tax	370	1,109
Subscriptions	1,391	2,065
Legal and professional fees	14,607	2,311
Licenses and permits	368	600
Postage and telephone	171	3
Selling and marketing expenses	39,017	100
Bank Charges	4,149	479
Donations	1,100	-
Fines and Penalties	55	-
Motor vehicles expenses	1,313	-
ICT maintenance costs	6,090	-
Rent and rates	1,864	
Office expenses	1,510	-
Miscellaneous expenses	379	-
Foreign exchange loss	193	-
Expected credit loss allowance	341	2,483
	135,107	12,562

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	2023 Shs'000	2022 Shs'000
11. Staff expense		
Salaries and wages	57,173	2,036
Staff medical covers	247	-
Staff welfare	492	-
	57,912	2,036

The average number of persons employed during the year, by category, were:

	2023	2022
- Underwriting	1	1
- Management	4	1
- Finance	3	1
- Administration	4	4
	12	7

12. Finance costs

	2023	2022
Interest on bank overdraft	-	66,291
Lease liability interest	89	-
	89	66,291

13 Tax

	2023	2022
Current income tax	(1,839)	-
Deferred income tax (Note 18)	(11,876)	8,647
	(13,715)	8,647

The company's current income tax charge is computed in accordance with income tax rules applicable to composite insurance companies. A reconciliation of the tax charge is shown

	2023	2022
Profit before tax		
Tax calculated at the statutory income	30,398	(82,566)
tax rate of 30%	9,119	(24,770)
Tax effect of:		
- expenses not allowable for tax purposes	1,819	33,417
-Prior year deferred tax overprovision	2,776	-
-Tax losses brought forward	(27,431)	-
	(13,715)	8,647

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14 Tax recoverable
The movement in tax receivable is as follows:

	2023	2022
At the beginning of the year	2,949	-
Tax charge	(1,839)	-
Taxes paid	4,529	2,949
At the end of the year	5,639	2,949

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NOTES (CONTINUED)

	2023 Shs'000	2022 Shs'000
15 Share capital		
Authorised and issued share capital:		
60,000,000 ordinary shares of Shs 10 each	600,000	600,000

All authorised and issued share capital has not been paid up

16 Property and equipment

Year ended 31 December 2023	Office Equipments Shs'000	Computer Shs'000	Motor vehicle Shs'000	Furniture and fittings Shs'000	Total Shs'000
Cost/valuation					
1 January 2023	-	-	-	744	744
Additions	120	1,392	10,400	640	12,552
31 December 2023	120	1,392	10,400	1,384	13,296
Accumulated Depreciation					
1 January 2023	-	-	-	25	25
Charge for the year	9	112	-	153	274
31 December 2023	9	112	-	178	299
Carrying amount 31 December 2023	111	1,280	10,400	1,206	12,997
Carrying amount 31 December 2022	-	-	-	719	719

17 Leases

	2023 Shs'000	2022 Shs'000
Right of Use		
As start of the year	-	
Additions	8,254	-
Depreciation	(115)	-
	8,139	-
Lease liabilities		
1 January	-	-
Additions for the year	8,254	-
Interest charge	89	-
Payment of interest	(89)	-
Payments of principal portion of lease liabilities	(48)	-
31 December	8,206	-
Non-current	7,497	-
Current	709	-
	8,206	-

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18. Intangible Assets

	Computer Software 2023 Shs'000	Computer Software 2022 Shs'000
Cost/valuation		
At start of the year	13,261	-
Work In Progress	16,167	13,261
At end of year	29,427	13,261
Accumulated amortization		
At start of the year	-	-
Charge for the year	1,966	-
At end of year	1,966	-
Carrying amount	27,461	13,261

19. Deferred Tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%). The movement on the deferred income tax account is as follows:

	2023 Shs'000	2022 Shs'000
1 January	8,647	-
Deferred tax charge/(credit) for the year (Note 9)	(11,876)	8,647
31 December	(3,229)	8,647

Deferred tax assets and liabilities in the statement of financial position and deferred tax charge to profit or loss are attributable to the following items:

2023	At start of year Shs'000	(Charge)/ credit to profit or loss Shs'000	At end of year Shs'000
Deferred tax liabilities/ (assets)			
Property and equipment	3,713	-	3,713
Tax losses	4,189	-	4,189
Provision for ECL	745	-	745
Net deferred tax liability/(asset)	8,647	-	8,647

2022	At start of year Shs'000	(Charge)/ credit to profit or loss Shs'000	At end of year Shs'000
Deferred tax liabilities/ (assets)			
Property and equipment	-	3,713	3,713
Tax losses	-	4,189	4,189
Provision for ECL	-	745	745
Net deferred tax liability/(asset)	-	8,647	8,647

20 Insurance contract liabilities

	2023 Remaining Coverage Shs'000	2023 Incurred Claims Shs'000	2023 Total Shs'000	2022 Remaining Coverage Shs'000	2022 Incurred Claims Shs'000	2022 Total Shs'000
Insurance Contract liabilities	9,553	113,617	123,169	52,244	30,199	82,443
Insurance Contract assets	(73,532)	-	(73,532)	(91,508)	-	(91,508)
Net insurance contract (asset)/liabilities closi	(63,980)	113,617	49,637	(39,264)	30,199	(9,065)

Analysis by insurance remaining coverage and incurred claim

Entries	2023 Liability for remaining coverage: Excluding loss Shs'000	Loss Shs'000	Liability for incurred claims: Present Value Shs'000	Risk Adjustment	Total Shs'000
Opening Insurance Contract Liabilities	-	52,244	27,504	2,695	82,443
Opening Insurance Contract Assets	(91,508)	-	-	-	(91,508)
Net insurance contract (asset)/liabilities opening balance	(91,508)	52,244	27,504	2,695	(9,065)
Insurance revenue	1,110,162	-	-	-	1,110,162
Insurance Service expenses					
Incurred claims and other directly attributable expenses	-	-	1,041,500	-	1,041,500
Changes that relate to past service - adjustments to the LIC	-	-	74,518	7,218	81,735
Losses on onerous contracts and reversal of those losses	-	(42,692)	-		(42,692)
Insurance acquisition cashflows amortisation	36,446	-	-		36,446
Total insurance service expenses	36,446	(42,692)	1,116,017	7,218	1,116,990
Insurance service result	1,073,715	42,692	(1,116,017)	(7,218)	(6,828)
Finance income (expenses) from insurance contracts issued			(1,418)	(264)	(1,682)
Total amounts recognised in comprehensive income	1,073,715	42,692	(1,117,436)	(7,482)	(8,510)
Investment components	-	-	-	-	-
Cash flows					-
Premiums received	1,120,911	-	-		1,120,911
Claims and other directly attributable expenses paid	-	-	(1,041,500)	-	(1,041,500)
Insurance acquisition cashflows deducted	(29,220)	-	-	-	(29,220)
Total cash flows	1,091,691	-	(1,041,500)	-	50,191
Net closing balance	(73,532)	9,553	103,440	10,177	49,637
Closing insurance contract liabilities	-	9,553	103,440	10,177	123,169
Closing insurance contract assets	(73,532)	-	-	-	(73,532)
Net insurance contract (asset)/liabilities closing balance	(73,532)	9,553	103,440	10,177	49,637

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20. Insurance contract liabilities

	2022 Remaining Coverage Shs'000	2022 Incurred Claims Shs'000	2022 Total Shs'000	2021 Remaining Coverage Shs'000	2021 Incurred Claims Shs'000	2021 Total Shs'000
Insurance Contract liabilities	52,244	30,199	82,443	-	-	-
Insurance Contract assets	(91,508)	-	(91,508)	-	-	-
Net insurance contract (asset)/liabilities closi	(39,264)	30,199	(9,065)	-	-	-

Analysis by insurance remaining coverage and incurred claim

	2022				
	Liability for remaining coverage		Liability for incurred claims		
Entities	Excluding loss Shs'000	Loss Shs'000	Present Value Shs'000	Risk Adjustment	Total Shs'000
Opening Insurance Contract Liabilities					-
Opening Insurance Contract Assets					-
Net insurance contract (asset)/liabilities opening balance	-	-	-	-	-
Insurance revenue	82,758	-	-	-	**82,758**
Insurance Service expenses					
Incurred claims and other directly attributable expenses	-	-	78,854	-	**78,854**
Changes that relate to past service - adjustments to the LIC	-	-	27,504	2,695	**30,199**
Losses on onerous contracts and reversal of those losses	-	52,244	-		**52,244**
Insurance acquisition cashflows amortisation	914	-	-		**914**
Total insurance service expenses	914	52,244	106,357	2,695	**162,211**
Insurance service result	81,844	(52,244)	(106,357)	(2,695)	**(79,453)**
Finance income (expenses) from insurance contracts issued					-
Total amounts recognised in comprehensive income	81,844	(52,244)	(106,357)	(2,695)	**(79,453)**
Investment components	-	-	-	-	-
Cash flows					-
Premiums received	180	-	-		**180**
Claims and other directly attributable expenses paid	-	-	(78,854)	-	**(78,854)**
Insurance acquisition cashflows deducted	(9,844)	-	-	-	**(9,844)**
Total cash flows	(9,665)	-	(78,854)	-	**(88,518)**
Net closing balance	(91,508)	52,244	27,504	2,695	**(9,065)**
Closing insurance contract liabilities	-	52,244	27,504	2,695	**82,443**
Closing insurance contract assets	(91,508)	-	-	-	**(91,508)**
Net insurance contract (asset)/liabilities closing balance	(91,508)	52,244	27,504	2,695	**(9,065)**

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21. Reinsurance Contract Assets

	2023 Remaining Coverage Shs'000	2023 Incurred Claims Shs'000	2023 Total Shs'000	2022 Remaining Coverage Shs'000	2022 Incurred Claims Shs'000	2022 Total Shs'000
Reinsurance Contract liabilities	(16,823)	-	(16,823)	(38,422)	-	(38,422)
Reinsurance Contract assets	-	33,281	33,281	-	9,031	9,031
Net reinsurance contract assets/(liabilities) closing	(16,823)	33,281	16,459	(38,422)	9,031	(29,391)

Analysis by remaining coverage and incurred claim

	2023 Liability for remaining coverage		Liability for incurred claims		
Entries	**Excluding loss Shs'000**	**Loss Component Shs'000**	**Present Value of Cash flows Shs'000**	**Risk Adjustment**	**Total Shs'000**
Opening Reinsurance Contract Liabilities	(38,422)	-	-	-	(38,422)
Opening Reinsurance Contract Assets	-	-	8,225	806	-
Net reinsurance contract assets / (liabilities) opening balance	(38,422)	-	8,225	806	(29,391)
Reinsurance Cost	333,701	-	-		333,701
Reinsurance Recoveries					
Amounts recoverable for incurred claims and other expenses	-	-	271,234		271,234
Changes to amounts recoverable for incurred claims	-	-	21,662	2,085	23,747
Loss-recovery on onerous underlying contracts and adjustments	-	-	-		-
Insurance acquisition cashflows amortisation	39,800	-	-		39,800
Total Reinsurance Recoveries	39,800	-	292,896	2,085	334,781
Net Expense/income from Reinsurance Contract Held	293,902	-	(292,896)	(2,085)	(1,080)
Finance income (expenses) from reinsurance contracts held			(424)	(79)	(503)
Total amounts recognised in comprehensive income	293,902	-	(293,320)	(2,164)	(1,583)
Investment components	-	-	-		-
Cash flows					-
Premiums paid	325,026	-	-		325,026
Claims recovered	-	-	(271,234)		(271,234)
Acquisition cashflows received	(9,525)				(9,525)
Total cash flows	315,501	-	(271,234)	-	44,267
Net closing balance	(16,823)	-	30,311	2,970	16,459
Closing reinsurance contract liabilities	(16,823)	-	-	-	(16,823)
Closing reinsurance contract assets	-	-	30,311	2,970	33,281
Net reinsurance contract assets / (liabilities) closing balance	(16,823)	-	30,311	2,970	16,459

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21. **Reinsurance Contract Assets**

	2022 Remaining Coverage Shs'000	2022 Incurred Claims Shs'000	2022 Total Shs'000	2021 Remaining Coverage Shs'000	2021 Incurred Claims Shs'000	2021 Total Shs'000
Reinsurance Contract liabilities	(38,422)	-	(38,422)	-	-	-
Reinsurance Contract assets	-	9,031	9,031	-	-	-
Net reinsurance contract assets/(liabilities) closing	(38,422)	9,031	(29,391)	-	-	-

Analysis by remaining coverage and incurred claim

	2022				
	Liability for remaining coverage		Liability for incurred claims		
Entries	Excluding loss Shs'000	Loss Component Shs'000	Present Value of Shs'000	Risk Adjustment	Total Shs'000
Opening Reinsurance Contract Liabilities					-
Opening Reinsurance Contract Assets					-
Net reinsurance contract assets / (liabilities) opening balance	-	-	-	-	-
Reinsurance Cost	41,455	-	-		41,455
Reinsurance Recoveries					
Amounts recoverable for incurred claims and other expenses	-	-			-
Changes to amounts recoverable for incurred claims	-	-	8 225	806	9,031
Loss-recovery on onerous underlying contracts and adjustments	-	-	-		-
Insurance acquisition cashflows amortisation	3,517	-	-		3,517
Total Reinsurance Recoveries	3,517	-	8,225	806	12,548
Net Expense/income from Reinsurance Contract Held	37,938	-	(8,225)	(806)	28,907
Finance income (expenses) from reinsurance contracts held					-
Total amounts recognised in comprehensive income	37,938	-	(8,225)	(806)	28,907
Investment components	-	-	-		-
Cash flows					-
Premiums paid	35,680	-	-		35,680
Claims recovered	-	-	-		-
Acquisition cashflows received	(36,164)				(36,164)
Total cash flows	(484)	-	-	-	(484)
Net closing balance	(38,422)	-	8,225	806	(29,391)
Closing reinsurance contract liabilities	(38,422)	-	-	-	(38,422)
Closing reinsurance contract assets	-	-	8,225	806	9,031
Net reinsurance contract assets / (liabilities) closing balance	(38,422)	-	8,225	806	(29,391)

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NOTES (CONTINUED)

22 Due from Related Parties

	2023 Shs'000	2022 Shs'000
Africare Business Management and Venture Limited	-	173,403
Star Discover Micro Insurance Limited	-	7,000
Star Discover Life Insurance Limited	-	
	-	180,403

23. Due from shareholders

	2023 Shs'000	2022 Shs'000
Due from shareholders (Note 28)	367,737	600,000
	367,737	600,000

24. Treasury bonds at amortised cost

	2023 Shs'000	2022 Shs'000
At 1 January	36,501	-
Additions	-	33,391
Disposal	(666)	-
Accrued interest	-	3,144
Provision for impairement	(22)	(33)
	35,813	36,501

25. Receivables

	2023 Shs'000	2022 Shs'000
Receivable	198,700	-
	198,700	-

26. Deposits with financial institutions at amortised cost

	2023 Shs'000	2022 Shs'000
Deposits maturing:		
Within 3 months	368,825	350,000
Accrued interest	3,483	3,945
Provision for impairement	(319)	(2,450)
	371,989	351,495

27. Cash and cash equivalents

	2023 Shs'000	2022 Shs'000
Cash and bank balances	95,758	-

For purposes of cashflows, cash and cash equivalent is made up of the following:

	2023 Shs'000	2022 Shs'000
Cash and bank balances	95,758	-
Bank overdrafts	-	(600,695)
	95,758	(600,695)

The company had a bank overdraft from Diamond Trust Bank Limited is secured by lien over fixed deposits, counter guarantee for the guarantee issued and joint, several & personal guarantees by the directors of the company.

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28. Related party disclosures

Related parties are defined as entities which are related to the company through common shareholdings or common directorships. In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

	2023 Shs'000	2022 Shs'000
a) Due to Related party balances		
Star Discover Life Insurance Limited	487,061	-
Star Discover Micro Insurance Limited	8,436	33,364
	495,497	33,364
b) Due From Related parties		
Africare Business Management and Venture Limited	-	173,403
Star Discover Micro Insurance Limited	-	7,000
	-	180,403
c) Due from Shareholders		
Unpaid up Share Capital		
Global Optimal Adminsitrarors Limited	36,774	60,000
Saga Innovations Holdings Limited	51,483	84,000
Global Atlas Holdings Limited	73,547	120,000
Global Resurgence International Network Limited	80,902	132,000
Bow Management Services	18,387	30,000
Reliant Technology and Solutions Limited	14,709	24,000
Tecghen Hive Africa Solutions Limited	91,934	150,000
	367,737	600,000

29. Other payables

Other accrued expenses	1,957	13,509
Sundry Payables	32,884	-
Other Payables	6,519	
	41,360	13,509

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30 **Cash from operations**

Reconciliation of profit(loss) before tax to cash from operations:	2023 Shs'000	2022 Shs'000
Profit (loss) before tax	30,398	(82,566)
Adjustments for:		
Interest income	(37,250)	(26,708)
Interest expense	89	66,291
Depreciation on propertyand equipments	274	25
Depreciation on right of use asset	115	
Amortisation of intangible assets	1,966	
Changes in:		
- Reinsurance contract assets	(18,459)	-
- Insurance contract asset	9,065	(9,065)
- Due from related parties	180,403	(180,403)
- Receivable from shareholders	232,263	-
- Due to related party	462,133	33,365
- Reinsurance contract liabilities	(29,391)	29,391
- Other payables	27,850	13,509
- Receivables	(198,700)	-
- Insurance contract liabilities	49,637	-
Cash used in operations	712,393	(156,162)

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