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company information

Registered Office	Kenindia House Loita Street P.O. Box 44372 - 00100 NAIROBI KENYA	
Website	www.kenindia.com	
Email	kenindia@kenindia.com	
Subsidiary Companies	Tanzindia Assurance Company Limited Kenya Pravack Limited Kenindia Asset Management Company Limited	
Board of Directors	Mr M N Mehta Dr M P Chandaria, OBE, EBS Mr V Bharatan Mr N S Maddipatla Hon Simeon Nyachae, EGH Mr S K Roy Mr D K Mehrotra Mr A K Roy Mr M A Kharat Mr A N Ngugi, OGW Ms B M Sabana Ms S M R M'mbijewe	(Chairman) (Vice-Chairman) Managing Director (Appointed 26.07.2013) Ex-Managing Director (Resigned 26.07.2013) (Appointed 16.07.2013) (Alternate Mr S B Mainak Appointed 07.08.2013) (Ceased 31.05.2013) (Alternate Mr T S Vijayan Ceased 31.05.2013) (Alternate Mr Y R Sunkara Appointed 14.06.2013)
Company Secretary	Mr N P Kothari FCPS (Kenya)	
Auditors	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P O Box 40092 - 00100, GPO	
Management Team	Mr V Bharatan Mr M K Rao Mr R Sudhakar Mr I Singh	Managing Director/Principal Officer Financial Controller General Manager (Life) General Manager (Non-Life)



board of directors



M N Mehta
Chairman



Dr M P Chandaria
Vice-Chairman



Hon. Simeon Nyachae
Director



S K Roy
Director
(w.e.f. 16.07.2013)



A K Roy
Director



A N Ngugi
Director



Beatrice M Sabana
Director



Sheila M'mbijewe
Director



Milind A Kharat
Director



V Bharatan
Managing Director
(w.e.f. 26.07.2013)





KENINDIA

notice of the annual general meeting

Notice is hereby given that the Thirty - Fifth Annual General Meeting of the Company will be held on Thursday, 10th July 2014 at the Registered Office of the Company, Kenindia House, 12th Floor, Loita Street, Nairobi at 12 noon to transact the following business:

ORDINARY BUSINESS

1. To read the notice convening the meeting.
2. To receive the report of the auditors on the financial statements for the year ended 31st December 2013.
3. To receive the Directors' report and audited financial statements for the year ended 31st December 2013.
4. To declare a dividend.
5. To approve Directors' fees.
6. To re-elect Directors: Hon Simeon Nyachae and Dr M P Chandaria retire by rotation and being eligible offer themselves for re-election.
7. To appoint Deloitte & Touche as auditors of the Company, in terms of the Insurance Act (Cap 487). Deloitte & Touche continue in office in accordance with section 159(2) of the Companies Act (Cap 486).

By Order of the Board

N P Kothari

Secretary

26th May 2014

1. A Member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed.
2. To be valid the proxy form should be completed and deposited at the Registered Office not less than 24 hours before the time appointed for holding the meeting or adjourned meeting.

chairman's statement



On behalf of the Board of Directors of Kenindia Assurance Company Limited, I am pleased to present to you the Annual Report and audited Financial Statements of the Company for the year ended 31st December, 2013.



M. N. Mehta
Chairman

COMPANY PERFORMANCE

(i) GENERAL INSURANCE BUSINESS:

The Company reported a net profit after tax of KShs 454.62 million (2012: KShs 92.46 million-restated) under non-life segment. The General Insurance business registered a gross premium of KShs 2.776 billion compared to KShs 3.377 billion in 2012, registering a decline in growth of 17.80%.

(ii) LIFE ASSURANCE BUSINESS:

The long-term business recorded gross premium income, including pension fund deposits, of KShs 2.118 billion, against KShs 2.051 billion in 2012, registering a growth of 3.28%. Premium income for Ordinary Life was KShs 434.58 million compared to KShs 405.67 million for the year 2012, registering a growth of 7.13%. The Group Life Business registered a growth of 14.84% recording business of KShs 66.23 million compared to KShs 57.67 million for the year 2012. Contributions under Deposit Administration and Retirement Fund also increased from KShs 1.588 billion to KShs 1.617 billion registering a growth of 1.88%.

The funds in the long term business (Life Fund) and Deposit Administration stood at KShs 15.72 billion as at 31st December, 2013 compared to KShs 13.57 billion in the previous year representing a growth of 15.84%.

ACTUARIAL VALUATION

The Company's Actuarial Valuation for Life Business was carried out at the end of the year. The actuarial surplus before any allocation for the year 2013 was KShs 1.949 billion. The Company declared an interest rate of 15% (2012: 13.5%) on Retirement Benefit funds, a simple Reversionary Bonus of 6% (2012: 6%) on with-profit ordinary life policies, 3.5% (2012: 3%) terminal bonus on policies matured, bonus of 13% (2012 : 12.50%) on Capital Advantage policies for the year 2013 and 14% interest on Bima Account Plan, launched in 2013. The Actuary recommended a transfer of KShs 30 million out of the actuarial surplus, for the benefit of shareholders.

INVESTMENT INCOME

The net investment income of the Company has increased by 10.09% from KShs 2.232 billion (restated) in 2012 to KShs 2.460 billion. The net investment income of Life Business was KShs 2.051 billion compared to KShs 1.818 billion in 2012, an increase of 12.78%. Similarly, the net investment income of Non-Life business was KShs 409.09 million compared to KShs 413.40 million (restated) in 2012.



chairman's statement cont'd

GROUP PERFORMANCE

The Group recorded gross premium income of KShs 3.49 billion, in General Business compared to KShs 4.09 billion in the previous year, a decline by 14.67%. The Long-term business recorded gross premium income, including pension fund deposits, of KShs 2.118 billion against KShs 2.051 billion in 2012, a growth of 3.28%.

The Group recorded a net profit attributable to equity holders of parent company at KShs 488.98 million compared to KShs 137.72 million (restated) for the year 2012, in respect of Life and Non-Life Business.

The total gross premium accounted by Tanzindia Assurance Company Limited, Tanzania, a subsidiary of the Company was KShs 718.92 million against KShs 711.60 million for the year 2012, being a growth of 1.03% and its net profit was KShs 13.58 million compared to a net profit of KShs 12.29 million in 2012, a growth of 10.50%.

The total assets for the Group stood at KShs 30.77 billion as against KShs 23.11 billion (restated) in 2012. The shareholders' funds increased from KShs 1.51 billion (restated) in 2012 to KShs 2.04 billion at the end of 2013.

DIVIDENDS

The Board has recommended a dividend of KShs 10/- per share for the year ended 31st December 2013 (2012: KShs 5/- per share), subject to members' approval at the Annual General Meeting.

BOARD

Since my last report, there have been changes in the composition of the Board.

Mr D K Mehrotra ceased to be a Director of the Company and I wish to express the Board's gratitude to him for his diligent and committed guidance to the Board. Mr T S Vijayan ceased to be an alternate to Mr D K Mehrotra.

I also take this opportunity to welcome Mr S K Roy, the Chairman of Life Insurance Corporation of India, who was appointed to the Board. His experience and contribution will be very valuable to the Company.

During the period, Messrs Y R Sunkara and S B Mainak joined the Board as Alternate Directors to Mr A K Roy and Mr S K Roy respectively.

BUSINESS ENVIRONMENT AND FUTURE OUTLOOK

The economic growth for 2013 in Kenya was estimated at about 5% compared to 4.6% in 2012. Kenya could maintain the economic stability even in the face of the new devolved system of governance, rising security costs both within and outside the borders of Kenya and fiscal pressure from 2013 elections.

The annual average inflation increased from 3.70% (2012: 18.30%) in January, 2013 to 7.2% (2012: 3.20%) in December, 2013 and this was mainly due to increased food and transport prices amongst others.

During the year, the Kenyan Shilling remained relatively stable against the US Dollar ranging from KShs 86.90 in January, 2013 to KShs 86.31 in December, 2013.

chairman's statement cont'd



The equity market at the Nairobi Securities Exchange recorded gains as reflected in NSE Share Index closing at 4,926 points from 4,133 points in 2012.

Despite projected economic growth in Kenya, the future outlook largely depends on the improvement of the fragile security situation in the country which is affecting the investment climate.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to congratulate and thank the Company's Management and Staff for their sincere efforts in bringing the strategic changes during the year taking the Company to a progressive direction and for the improved financial performance.

I would like to take this opportunity to record my and the Board's appreciation to Mr M N Sarma, the immediate past-Managing Director, who initiated the strategic changes in the Company and left to join his parent company in India. We also welcome Mr. Vinod Bharatan, the new Managing Director, and wish him very well.

My deep appreciation is also extended to my fellow board members for the invaluable guidance they have extended to the Company's leadership. I also extend my sincere appreciation to you, our Shareholders and members, for the continuous support provided to the Company. I also sincerely thank all our brokers, agents and associates for their committed support.

M.N. MEHTA
CHAIRMAN



KENINDIA

corporate governance

The Company is committed to uphold the best standards of corporate governance. The role of the Board is to determine the Company's policies and strategies, to monitor the attainment of business objectives and to ensure that the Company meets its obligations to the shareholders and all other stakeholders.

THE BOARD OF DIRECTORS

The composition of the Board is compliant with good corporate governance practices. The role of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business. A non-executive director acts as Chairman of the Board. The current Board is composed of one Executive Director (Managing Director) and nine non-executive directors including three independent directors. The Board consists of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience in the Board.

The directors are given appropriate and timely information enabling them maintain full and effective control over all strategic, financial, operational and compliance issues. During the period under review and to the date of this statement, none of the Directors has received any benefit from the company other than directors' fees and emoluments disclosed in the financial statements and no loans have been advanced to the directors during this period.

BOARD COMMITTEES

The Board has delegated certain authorities to Board Committees. It has four committees all of which are guided by clear terms of reference. The committees are instrumental in monitoring business operations, systems and internal control. The committees are as follows:

(i) Executive Committee

The Committee is chaired by Dr M P Chandaria, the Vice-Chairman of the Board and includes two non-executive independent directors and the Managing Director. The Committee reviews the company operations, strategies, investments, asset liability management, policyholders' protection, nomination and remuneration matters amongst others. Its main functions include sanction of insurance claims, capital expenditure and mortgage loans in excess of the financial authority of the Managing Director.

(ii) Audit Committee

The Committee is chaired by an independent non-Executive Director, Ms Sheila M'mbijewe and includes two non-Executive Directors and two independent non-Executive Directors. The Committee meets at least four times in a year. The Managing Director, Financial Controller, Chief Internal Auditor attend meetings of the Committee as and when required. The Committee also meets external auditors in accordance with terms of reference. The roles of the committee include:

- a) The review of interim and annual financial statements to ensure compliance with Accounting Standards and other disclosure requirements.
- b) Defining the scope and responsibilities of the internal auditors.
- c) Reviewing the internal audit reports and compliance of the audit recommendations.
- d) Review of the Company's system of accounting and internal controls.
- e) Liaising with external auditors and effecting their recommendations.

(iii) Credit Management Committee

The Committee is chaired by Mr A K Roy, a non-executive director and includes two other non-executive directors and the Managing Director. The Committee's terms of reference include reviewing the Credit Policy of the Company, outstanding receivables from the premium debtors and provisioning /write off of bad and doubtful debts, amongst others.

corporate governance cont'd



(iv) Risk Management Committee

The Committee is chaired by Mr S K Roy, a non-executive director and includes one other non-executive director, one independent non-executive director and the Managing Director. The terms of reference include reviewing on continuous basis the potential risks the Company is exposed to; monitor the system of management of risks and to ensure that the required action is taken by the management to mitigate the impact of risks, amongst others, with the assistance of the Risk Manager of the Company.

SHAREHOLDERS

The list of major shareholders and their individual holdings at the year end was as follows

	Number of Shares	% age of holding
Life Insurance Corporation of India	573,124	10.21
General Insurance Corporation of India	515,776	9.19
The National Insurance Company Limited	515,776	9.19
The New India Assurance Company Limited	515,776	9.19
The United India Insurance Company Limited	515,776	9.19
The Oriental Insurance Company Limited	505,025	9.00
The Chandaria Foundation	432,484	7.70
Sansora Investments Limited	409,254	7.29
Mehta Group Limited	346,400	6.17
Others (numbering 31)	1,284,489	22.87
Total	5,613,880	100.00

CORPORATE SOCIAL RESPONSIBILITY

The Company continues to meet its corporate social responsibilities by promoting various activities of local communities in which it operates. The company is committed to the principle of responsible corporate citizenship and makes corporate social responsibility an integral part of its annual business plans. The main activities undertaken by the company under Corporate Social Responsibility are the following:

- AKI Medical Camp in Matungulu, Machakos, offering medical services to the less fortunate.
- Cerebral Palsy Society of Kenya, supporting the awareness about Cerebral Palsy.
- Sri Sathya Sai Centre-Kenya, supporting the poor and needy in providing food and medicines.
- Nairobi Hospice, supporting terminally ill patients
- Cottolengo Children's Home, supporting the needy children

M.N. MEHTA
CHAIRMAN

11th April, 2013



report of the directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2013, which disclose the state of affairs of the Group comprising Kenindia Assurance Company Limited, Kenindia Asset Management Limited, Kenya Pravack Limited and Tanzindia Assurance Company Limited.

Principal Activities

The Company underwrites all classes of life and non-life insurance risks except aviation as defined by the Kenya Insurance Act. It also issues products to provide its customers with asset management solutions for their savings and retirement needs.

Results

	KShs'000
Group profit before tax	531,983
Taxation	<u>(38,248)</u>
Group profit after tax	493,735
Non-controlling interest	<u>(4,752)</u>
Net profit for the year transferred to reserves	<u>488,983</u>

Dividends

The directors recommend the payment of a dividend of KShs 56.14 million representing KShs 10 per share for the year ended 31 December 2013 (2012: The directors recommended the payment of KShs 28.07 million representing KShs 5 per share). The proposed dividend is subject to approval by the shareholders at the Annual General Meeting.

Directors

The names of the directors, who held office during the year and up to the date of this report, are set out on page 2.

Staff

The board of directors wishes to extend their appreciation to the management and staff for all their good work in the year.

Auditors

Deloitte & Touche were appointed during the year and have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486) and subject to Section 56(4) of the Insurance Act (Cap 487).

By order of the Board

N. P. Kothari
Secretary

28th March 2014

statement of directors' responsibilities



The Kenyan Companies Act 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 group and of the company as at the end of the financial year and of their operating results for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the group and of the company. They are also responsible for safeguarding the assets of the group.

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of their operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer

28th March 2014



Standing: (From left to right)

- Inderjeet Singh - General Manager (Non-Life)
- V. Bharatan - Managing Director / Principal Officer
- Madireddi K. Rao - General Manager (Financial Controller)
- R. Sudhakar - General Manager (Life Business)


Deloitte & Touche

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**REPORT OF THE INDEPENDENT AUDITORS
 To the members of
 KENINDIA ASSURANCE COMPANY LIMITED AND SUBSIDIARIES**

Report on the Financial Statements

We have audited the accompanying financial statements of Kenindia Assurance Company Limited (the Company) and its subsidiaries (together “the Group”), set out on pages 18 to 141, which comprise the consolidated and the company statements of financial position as at 31 December 2013, the consolidated and company statements of profit or loss, the consolidated and company statements of other comprehensive income, consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity’s preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 31 December 2013 and of the group’s profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.



Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- (i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- (iii) the company's statement of financial position (balance sheet) and statement of profit or loss (profit and loss account) is in agreement with the books of account.

*The engagement partner responsible for the audit resulting in this independent auditors' report is **J W Wangai (P/No 1118)**.*

Deloitte & Touche

**Certified Public Accountants (Kenya)
Nairobi, Kenya**

29 April 2014

report of the consulting actuary



I have conducted an actuarial valuation of the life assurance business of Kenindia Assurance Company Limited as at 31 December 2013.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. Those 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 Life Assurance Business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of Life Insurance Business did not exceed the amount of funds of the Life Assurance Business at 31 December 2013.

Name of Actuary: MR. SAKET SINGHAL

A handwritten signature in black ink, appearing to read "Saket Singhal".

28th March 2014



financial highlights

for the year ended 31 december 2013

	2013 KShs'million	2012 KShs'million (Restated)	% VARIATION OVER PREVIOUS YEAR
GROUP			
GROSS PREMIUM WRITTEN	3,494.50	4,088.15	(14.52)
GROSS EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	3,866.67	4,241.24	(8.83)
(II) LONG-TERM BUSINESS	500.81	463.34	8.09
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,617.39	1,587.57	1.88
TOTAL	5,984.87	6,292.15	(4.88)
NET EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	2,114.67	2,393.46	(11.65)
(II) LONG-TERM BUSINESS	455.63	438.57	3.89
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,617.39	1,587.57	1.88
TOTAL	4,187.69	4,419.60	(5.25)
INVESTMENT INCOME			
(I) SHORT-TERM BUSINESS	441.50	442.84	(0.30)
(II) LONG-TERM BUSINESS	2,050.64	1,818.22	12.78
TOTAL	2,492.14	2,261.06	10.22
PROFIT BEFORE TAX	531.98	165.00	(222.41)
PROFIT AFTER TAX	493.74	142.02	(247.66)
MINORITY INTEREST	4.75	4.30	10.47
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	488.98	137.72	(255.05)
SHARE CAPITAL	561.39	561.39	-
SHAREHOLDERS' FUND	2,042.86	1,511.39	35.16
POLICYHOLDERS' LIABILITIES	3,652.23	3,227.89	13.15
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	12,069.11	10,342.20	16.70
TOTAL ASSETS	30,767.66	23,112.57	33.12
COMPANY			
GROSS PREMIUM WRITTEN	2,775.58	3,376.54	(17.80)
GROSS EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	3,145.70	3,540.79	(11.16)
(II) LONG-TERM BUSINESS	500.81	463.34	8.09
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,617.39	1,587.57	1.88
TOTAL	5,263.90	5,591.70	(5.86)
NET EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	1,876.71	2,170.10	(13.52)
(II) LONG-TERM BUSINESS	455.63	438.57	3.89
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,617.39	1,587.57	1.88
TOTAL	3,949.73	4,196.24	(5.87)
INVESTMENT INCOME			
(I) SHORT-TERM BUSINESS	409.09	413.40	(1.04)
(II) LONG-TERM BUSINESS	2,050.64	1,818.22	12.78
TOTAL	2,459.73	2,231.62	10.22
PROFIT BEFORE TAX	508.02	143.25	(254.64)
PROFIT AFTER TAX	475.62	127.46	(273.15)
SHARE CAPITAL	561.39	561.39	-
SHAREHOLDERS' FUND	1,989.49	1,473.27	35.04
POLICYHOLDERS' LIABILITIES	3,652.23	3,227.89	13.15
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	12,069.11	10,342.20	16.70
TOTAL ASSETS	29,048.76	22,137.40	31.22
PROPOSED DIVIDEND	56.14	28.07	100.00

financial statements 2013





consolidated statement of profit or loss

for the year ended 31 december 2013

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000 (Restated)
Premium income							
Gross earned premium income	2a	500,805	3,866,668	4,367,473	463,337	4,241,237	4,704,574
Premium ceded to reinsurers	2b	(45,172)	(1,751,999)	(1,797,171)	(24,768)	(1,847,781)	(1,872,549)
Net earned premium income		455,633	2,114,669	2,570,302	438,569	2,393,456	2,832,025
Other income							
Investment income	3	2,050,638	441,497	2,492,135	1,818,220	442,843	2,261,063
Commissions income	4a	-	428,904	428,904	-	387,867	387,867
Other income	4c	7,530	2,395	9,925	9,530	3,451	12,981
Net income		2,058,168	872,796	2,930,964	1,827,750	834,161	2,661,911
Benefits and claims expense							
Claims and policy holder benefits expense	5a	(852,431)	(7,325,137)	(8,177,568)	(1,355,079)	(2,721,443)	(4,076,522)
Surrender and annuity incurred	5a	(1,387,779)	-	(1,387,779)	(657,934)	-	(657,934)
Claims ceded to reinsurers	5a	-	6,141,161	6,141,161	-	867,063	867,063
Net benefits and claims expense		(2,240,210)	(1,183,976)	(3,424,186)	(2,013,013)	(1,854,380)	(3,867,393)
Expenses							
Operating expenses	5b	(139,008)	(573,803)	(712,811)	(109,482)	(569,232)	(678,714)
Other expenses	6a	(8,781)	(43,342)	(52,123)	(5,847)	(40,334)	(46,181)
Allowance for credit losses	22	-	(52,358)	(52,358)	-	(40,688)	(40,688)
Write off of rental debtors		-	(5,575)	(5,575)	-	-	-
Commissions expense	4b	(91,385)	(590,349)	(681,734)	(83,473)	(568,320)	(651,793)
Premium levy		(3,764)	(29,246)	(33,010)	(3,968)	(31,422)	(35,390)
Contribution to policy holders compensation fund		(653)	(6,833)	(7,486)	(536)	(8,238)	(8,774)
Total expenses		(243,591)	(1,301,506)	(1,545,097)	(203,306)	(1,258,234)	(1,461,540)
Profit before taxation		30,000	501,983	531,983	50,000	115,003	165,003
Income tax expense	7c	(9,000)	(29,248)	(38,248)	(15,000)	(7,986)	(22,986)
Profit for the year		21,000	472,735	493,735	35,000	107,017	142,017
Basic earnings per share (KShs)	8	-	-	87.10	-	-	24.53
Diluted earnings per share (KShs)	8	-	-	87.10	-	-	24.53
Attributable to:							
Equity holders of parent		21,000	467,983	488,983	35,000	102,715	137,715
Non-controlling interest		-	4,752	4,752	-	4,302	4,302
		21,000	472,735	493,735	35,000	107,017	142,017

consolidated statement of other comprehensive income



for the year ended 31 december 2013

		Long-term assurance business	Short-term insurance business	Total 2013	Long-term assurance business	Short-term insurance business	Total 2012 (Restated)
Note		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Profit for the year		21,000	472,735	493,735	35,000	107,017	142,017
Other comprehensive income							
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>							
Net (loss)/gain on available-for-sale investments:							
- Government securities	25	-	(24,205)	(24,205)	-	96,129	96,129
Exchange differences on translation of foreign operations	9	-	2,360	2,360	-	(1,272)	(1,272)
		-	(21,845)	(21,845)	-	94,857	94,857
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>							
Revaluation of buildings		-	127,800	127,800	-	78,440	78,440
Deferred tax on revaluation	9	-	(35,400)	(35,400)	-	(21,120)	(21,120)
		-	92,400	92,400	-	57,320	57,320
Other comprehensive income for the year net of tax		-	70,555	70,555	-	152,177	152,177
Total comprehensive income		21,000	543,290	564,290	35,000	259,194	294,194
Attributable to:							
Equity holders of the parent		21,000	538,538	559,538	35,000	254,892	289,892
Non-controlling interest		-	4,752	4,752	-	4,302	4,302
		21,000	543,290	564,290	35,000	259,194	294,194



company statement of profit or loss

for the year ended 31 december 2013

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000 (Restated)
Premium income							
Gross earned premium income	2a	500,805	3,145,700	3,646,505	463,337	3,540,787	4,004,124
Premiums ceded to reinsurers	2b	(45,172)	(1,268,994)	(1,314,166)	(24,768)	(1,370,690)	(1,395,458)
Net earned premium income		455,633	1,876,706	2,332,339	438,569	2,170,097	2,608,666
Other income							
Investment income	3	2,050,638	409,092	2,459,730	1,818,220	413,400	2,231,620
Commissions income	4a	-	301,353	301,353	-	353,565	353,565
Other income	4c	7,530	(11,094)	(3,564)	9,530	2,261	11,791
Net income		2,058,168	699,351	2,757,519	1,827,750	769,226	2,596,976
Benefits and claims expense							
Claims and policy holders benefits expense	5a	(852,431)	(6,377,150)	(7,229,581)	(1,355,079)	(2,573,224)	(3,928,303)
Surrender and annuity incurred	5a	(1,387,779)	-	(1,387,779)	(657,934)	-	(657,934)
Claims ceded to reinsurers	5a	-	5,336,669	5,336,669	-	867,063	867,063
Net benefits and claims expense		(2,240,210)	(1,040,481)	(3,280,691)	(2,013,013)	(1,706,161)	(3,719,174)
Expenses							
Operating expenses	5b	(139,008)	(467,102)	(606,110)	(109,482)	(473,793)	(583,275)
Other expenses	6	(8,781)	(36,347)	(45,128)	(5,847)	(27,555)	(33,402)
Allowance for credit losses	22	-	(51,779)	(51,779)	-	(40,688)	(40,688)
Write off of rental debtors		-	(5,575)	(5,575)	-	-	-
Commissions expense	4b	(91,385)	(466,143)	(557,528)	(83,473)	(561,603)	(645,076)
Premium levy		(3,764)	(23,778)	(27,542)	(3,968)	(28,038)	(32,006)
Contribution to policy holders compensation fund		(653)	(6,833)	(7,486)	(536)	(8,238)	(8,774)
Total expenses		(243,591)	(1,057,557)	(1,301,148)	(203,306)	(1,139,915)	(1,343,221)
Profit before taxation		30,000	478,019	508,019	50,000	93,247	143,247
Income tax expense	7d	(9,000)	(23,402)	(32,402)	(15,000)	(784)	(15,784)
Profit for the year		21,000	454,617	475,617	35,000	92,463	127,463
Basic earnings per share (KShs) 8		-	-	84.72	-	-	22.70
Diluted earnings per share (KShs) 8		-	-	84.72	-	-	22.70

company statement of other comprehensive income



for the year ended 31 december 2013

Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000 (Restated)
	21,000	454,617	475,617	35,000	92,463	127,463
Other comprehensive income						
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>						
Net (loss)/gain on available-for-sale investments:						
- Government securities	25	-	(23,733)	(23,733)	-	92,908
		-	(23,733)	(23,733)	-	92,908
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Revaluation of buildings		-	127,800	127,800	-	78,440
Deferred tax on revaluation		-	(35,400)	(35,400)	-	(21,120)
	9	-	92,400	92,400	-	57,320
Other comprehensive income for the year net of tax						
	-	68,667	68,667	-	150,228	150,228
Total comprehensive income						
	21,000	523,284	544,284	35,000	242,691	277,691



long-term assurance business revenue account

for the year ended 31 december 2013

	Ordinary life business KShs'000	Group life business KShs'000	Retirement benefit fund KShs'000	Total 2013 KShs'000
Gross premium income	434,580	66,225	-	500,805
Premiums ceded to reinsurers	(2,698)	(42,474)	-	(45,172)
Contributions received	-	-	1,617,385	1,617,385
Net premium income	431,882	23,751	1,617,385	2,073,018
Investment income	464,496	16,966	1,569,176	2,050,638
Other income	7,530	-	-	7,530
	472,026	16,966	1,569,176	2,058,168
Claims incurred	302,863	(16,668)	32,369	318,564
Surrenders and annuity incurred	19,808	-	1,367,971	1,387,779
Net claims and policyholder benefits expense	322,671	(16,668)	1,400,340	1,706,343
Operating expenses	97,307	720	40,981	139,008
Other expenses	6,146	46	2,589	8,781
Commissions expense	67,637	8,009	15,739	91,385
Premium levy	3,764	-	-	3,764
Contribution to policy holders compensation fund	653	-	-	653
Total expenses	175,507	8,775	59,309	243,591
Results of operating activities	405,730	48,610	1,726,912	2,181,252
Transfer to statutory reserve	-	(30,000)	-	(30,000)
Increase in funds	405,730	18,610	1,726,912	2,151,252
Funds at the beginning of the year	3,116,062	111,823	10,342,199	13,570,084
Funds at the end of the year	3,521,792	130,433	12,069,111	15,721,336
Long term funds at the end of the year comprise amounts attributable to:				
Policyholders:				
- Actuarial liabilities	2,632,388	66,225	10,343,378	13,041,991
	2,632,388	66,225	10,343,378	13,041,991

long-term assurance business revenue account



for the year ended 31 december 2012

	Ordinary life business KShs'000	Group life business KShs'000	Retirement benefit fund KShs'000	Total 2012 KShs'000
Gross premium income	405,668	57,669	-	463,337
Premiums ceded to reinsurers	(6,724)	(18,044)	-	(24,768)
Contributions received	-	-	1,587,566	1,587,566
Net premium income	398,944	39,625	1,587,566	2,026,135
Investment income	407,417	24,473	1,386,330	1,818,220
Other income	9,530	-	-	9,530
	416,947	24,473	1,386,330	1,827,750
Claims incurred	265,449	38,319	46,576	350,344
Surrenders and annuity incurred	15,432	-	642,502	657,934
Net claims and policyholder benefits expense	280,881	38,319	689,078	1,008,278
Operating expenses	76,637	568	32,277	109,482
Other expenses	4,093	30	1,724	5,847
Commissions expense	69,400	6,333	7,740	83,473
Premium levy	3,969	-	-	3,969
Contribution to policy holders compensation fund	535	-	-	535
Total expenses	154,634	6,931	41,741	203,306
Results of operating activities	380,376	18,848	2,243,077	2,642,301
Transfer to statutory reserve	-	(50,000)	-	(50,000)
Transfer of check offs	42,050	-	-	42,050
Increase in funds	422,426	(31,152)	2,243,077	2,634,351
Funds at the beginning of the year	2,693,636	142,975	8,099,122	10,935,733
Funds at the end of the year	3,116,062	111,823	10,342,199	13,570,084
Long term funds at the end of the year comprise amounts attributable to:				
Policyholders:				
- Actuarial liabilities	2,296,315	57,649	9,318,022	11,671,986
	2,296,315	57,649	9,318,022	11,671,986



KENINDIA

consolidated statement of financial position

as at 31 december 2013

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
EQUITY				
Share capital	8	161,388	400,000	561,388
Available-for-sale reserve	9	-	16,408	16,408
Share premium	8	-	1,198	1,198
Revaluation reserve	9	-	208,260	208,260
Retained earnings	10	29,728	1,238,222	1,267,950
Foreign currency translation reserve	9	-	(12,343)	(12,343)
Equity attributable to shareholders of parent		191,116	1,851,745	2,042,861
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9	-	47,752	47,752
Total equity		509,632	1,899,497	2,409,129
REPRESENTED BY:				
Assets				
Property and equipment	12	12,710	567,176	579,886
Intangible assets	14	4,333	2,165	6,498
Prepaid operating lease rentals	15	14,269	14,583	28,852
Deferred tax asset	29	-	9,345	9,345
Investment properties	16	953,711	1,228,560	2,182,271
Due from Kenya Motor Insurance Pool	24	-	78,489	78,489
Available-for-sale equity investments	18	675	175,790	176,465
Financial assets at fair value through profit and loss	19	84,635	74,164	158,799
Loans receivable	20	77,753	1,392	79,145
Receivables arising out of reinsurance arrangements	21	37,348	1,446,904	1,484,252
Receivables arising out of direct insurance arrangements	22	-	586,819	586,819
Reinsurers' share of insurance liabilities	37	-	7,882,047	7,882,047
Other receivables	24	44,633	382,068	426,701
Taxation recoverable	7	-	33,868	33,868
Government securities:				
Held to maturity	25	13,928,539	-	13,928,539
Available-for-sale	25	-	875,990	875,990
Deposits with financial institutions	33	1,132,297	810,316	1,942,613
Commercial paper	33	100,493	-	100,493
Bank and cash balances	32	30,086	176,500	206,586
Total assets		16,421,482	14,346,176	30,767,658
Liabilities				
Insurance liabilities	23	33,543	8,727,132	8,760,675
Payable under deposit administration contracts	26	12,069,111	-	12,069,111
Actuarial value of policyholders' liabilities	27	3,652,225	-	3,652,225
Provision for unearned premium	28	-	1,389,927	1,389,927
Taxation payable	7	12,005	-	12,005
Deferred tax liability	29	-	60,987	60,987
Payables arising from reinsurance arrangements	30	13,622	1,706,169	1,719,791
Payables arising out of direct insurance arrangements	30	-	178,108	178,108
Other payables	31	131,344	384,356	515,700
Total liabilities		15,911,850	12,446,679	28,358,529
Total assets net of liabilities		509,632	1,899,497	2,409,129

The financial statements on pages 18 to 141 were approved and authorised for issue by the Board of Directors on 28th March 2014 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer

consolidated statement of financial position

as at 31 december 2012



	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000 (Restated)
EQUITY				
Share capital	8	161,388	400,000	561,388
Available-for-sale reserve	9	-	40,613	40,613
Share premium	8	-	1,198	1,198
Revaluation reserve	9	-	117,620	117,620
Retained earnings	10	36,797	768,479	805,276
Foreign currency translation reserve	9	-	(14,703)	(14,703)
Equity attributable to shareholders of parent		198,185	1,313,207	1,511,392
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9	-	43,000	43,000
Total equity		516,701	1,356,207	1,872,908
REPRESENTED BY:				
Assets				
Property and equipment	12	7,717	436,643	444,360
Intangible assets	14	2,196	3,092	5,288
Prepaid operating lease rentals	15	14,710	14,961	29,671
Investment properties	16	686,411	975,560	1,661,971
Due from Kenya Motor Insurance Pool	24	-	77,147	77,147
Available-for-sale equity investments	18	675	145,635	146,310
Financial assets at fair value through profit and loss	19	171,077	137,801	308,878
Loans receivable	20	80,888	2,478	83,366
Receivables arising out of reinsurance arrangements	21	37,172	496,770	533,942
Receivables arising out of direct insurance arrangements	22	-	607,678	607,678
Reinsurers' share of insurance liabilities	37	-	4,108,409	4,108,409
Other receivables	24	15,256	197,462	212,718
Taxation recoverable	7	-	62,405	62,405
Government securities:				
Held to maturity	25	11,291,718	-	11,291,718
Available-for-sale	25	-	897,360	897,360
Deposits with financial institutions	33	1,927,787	430,536	2,358,323
Commercial paper	33	-	-	-
Bank and cash balances	32	56,349	226,677	283,026
Total assets		14,291,956	8,820,614	23,112,570
Liabilities				
Insurance liabilities	23	72,028	4,868,368	4,940,396
Payable under deposit administration contracts	26	10,342,199	-	10,342,199
Actuarial value of policyholders' liabilities	27	3,227,885	-	3,227,885
Provision for unearned premium	28	-	1,765,892	1,765,892
Taxation payable	7	6,138	477	6,615
Deferred tax liability	29	-	21,120	21,120
Payables arising from reinsurance arrangements	30	3,049	488,849	491,898
Payables arising out of direct insurance arrangements	30	-	83,832	83,832
Other payables	31	123,956	235,869	359,825
Total liabilities		13,775,255	7,464,407	21,239,662
Total assets net of liabilities		516,701	1,356,207	1,872,908

The financial statements on pages 18 to 141 were approved and authorised for issue by the Board of Directors on 28th March 2014 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer



KENINDIA

consolidated statement of financial position

as at 1 January 2012 (Restated)

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
EQUITY				
Share capital	8	161,388	400,000	561,388
Available-for-sale reserve	9	-	(55,516)	(55,516)
Share premium	8	-	1,198	1,198
Revaluation reserve	9	-	60,300	60,300
Retained earnings	10	29,862	665,764	695,626
Foreign currency translation reserve	9	-	(13,431)	(13,431)
Equity attributable to shareholders of parent		191,250	1,058,315	1,249,565
Statutory reserve	11	318,516	-	318,516
Non-controlling interest		-	38,698	38,698
Total equity		509,766	1,097,013	1,606,779
REPRESENTED BY:				
Assets				
Property and equipment	12	6,244	370,288	376,532
Intangible assets	14	1,765	4,897	6,662
Prepaid operating lease rentals	15	15,151	15,339	30,490
Investment properties	16	599,000	781,960	1,380,960
Due from Kenya Motor Insurance Pool	24	-	67,039	67,039
Available-for-sale equity investments	18	675	143,231	143,906
Financial assets at fair value through profit and loss	19	570,165	267,968	838,133
Loans receivable	20	75,974	2,746	78,720
Receivables arising out of reinsurance arrangements		60,730	506,710	567,440
Receivables arising out of direct insurance arrangements		-	684,667	684,667
Reinsurers' share of insurance liabilities	37	-	3,940,777	3,940,777
Other receivables	24	25,543	139,636	165,179
Tax recoverable	7	5,826	56,612	62,438
Government securities:				
Held to maturity	25	9,880,480	-	9,880,480
Available-for-sale	25	-	797,650	797,650
Deposits with financial institutions	33	424,175	360,225	784,400
Commercial paper	33	9,714	-	9,714
Bank and cash balances	32	29,416	256,804	286,220
Total assets		11,704,858	8,396,549	20,101,407
Liabilities				
Insurance liabilities	23	68,697	4,680,342	4,749,039
Payable under deposit administration contracts	26	8,099,122	-	8,099,122
Actuarial value of policyholders' liabilities	27	2,836,611	-	2,836,611
Provision for unearned premium	28	-	1,871,509	1,871,509
Tax liability	7	-	789	789
Payables arising from reinsurance arrangements	30	41,723	360,344	402,067
Payables arising out of direct insurance arrangements	30	-	182,701	182,701
Other payables	31	148,939	203,851	352,790
Total liabilities		11,195,092	7,299,536	18,494,628
Total assets net of liabilities		509,766	1,097,013	1,606,779

The financial statements on pages 18 to 141 were approved and authorised for issue by the Board of Directors on 28th March 2014 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer

company statement of financial position

as at 31 december 2013



	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
CAPITAL EMPLOYED				
Share capital	8	161,388	400,000	561,388
Share premium	8	-	1,198	1,198
Available-for-sale reserve	9	-	16,413	16,413
Revaluation reserve	9	-	208,260	208,260
Retained earnings	10	29,728	1,172,502	1,202,230
Total ordinary shareholders' equity		191,116	1,798,373	1,989,489
Statutory reserve	11	318,516	-	318,516
Total equity		509,632	1,798,373	2,308,005
REPRESENTED BY:				
Assets				
Property and equipment	13	12,710	558,212	570,922
Intangible assets	14	4,333	2,165	6,498
Prepaid operating lease rentals	15	14,269	14,445	28,714
Deferred tax asset	29	-	8,937	8,937
Investment properties	16	953,711	1,221,000	2,174,711
Due from Kenya Motor Insurance Pool	24	-	78,489	78,489
Investment in subsidiaries	17	-	71,005	71,005
Available-for-sale equity investments	18	675	119,149	119,824
Financial assets at fair value through profit and loss	19	84,635	66,474	151,109
Loans receivable	20	77,753	1,392	79,145
Receivables arising out of reinsurance arrangements	21	37,348	1,247,380	1,284,728
Receivables arising out of direct insurance arrangements	22	-	397,451	397,451
Reinsurers' share of insurance liabilities	37	-	6,863,509	6,863,509
Other receivables	24	44,633	379,319	423,952
Taxation recoverable	7	-	23,574	23,574
Government securities:				
Held to maturity investments	25	13,928,539	-	13,928,539
Available-for-sale	25	-	819,921	819,921
Deposits with financial institutions	33	1,132,297	606,927	1,739,224
Commercial paper	33	100,493	-	100,493
Bank and cash balances	32	30,086	147,930	178,016
Total assets		16,421,482	12,627,279	29,048,761
Liabilities				
Insurance liabilities	23	33,543	7,791,515	7,825,058
Payable under deposit administration contracts	26	12,069,111	-	12,069,111
Actuarial value of policyholders' liabilities	27	3,652,225	-	3,652,225
Provision for unearned premium	28	-	1,034,726	1,034,726
Payables arising from reinsurance arrangements	30	13,622	1,394,263	1,407,885
Payables arising out of direct insurance arrangements	30	-	178,108	178,108
Other payables	31	131,344	373,774	505,118
Deferred tax liability	29	-	56,520	56,520
Taxation payable	7	12,005	-	12,005
Total liabilities		15,911,850	10,828,906	26,740,756
Total assets net of liabilities		509,632	1,798,373	2,308,005

The financial statements on pages 18 to 141 were approved and authorised for issue by the Board of Directors on 28th March 2014 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer



company statement of financial position

as at 31 december 2012

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000 (Restated)
CAPITAL EMPLOYED				
Share capital	8	161,388	400,000	561,388
Share premium	8	-	1,198	1,198
Available-for-sale reserve	9	-	40,146	40,146
Revaluation reserve	9	-	117,620	117,620
Retained earnings	10	36,797	716,125	752,922
Total ordinary shareholders' equity		198,185	1,275,089	1,473,274
Statutory reserve	11	318,516	-	318,516
Total equity		516,701	1,275,089	1,791,790
REPRESENTED BY:				
Assets				
Property and equipment	13	7,717	427,811	435,528
Intangible assets	14	2,196	3,092	5,288
Prepaid operating lease rentals	15	14,710	14,821	29,531
Investment properties	16	686,411	968,000	1,654,411
Due from Kenya Motor Insurance Pool	24	-	77,147	77,147
Investment in subsidiaries	17	-	71,005	71,005
Available-for-sale equity investments	18	675	119,149	119,824
Financial assets at fair value through profit and loss	19	171,077	137,529	308,606
Loans receivable	20	80,888	2,478	83,366
Receivables arising out of reinsurance arrangements	21	37,172	378,035	415,207
Receivables arising out of direct insurance arrangements	22	-	426,106	426,106
Reinsurers' share of insurance liabilities	37	-	3,699,176	3,699,176
Other receivables	24	15,256	194,733	209,989
Taxation recoverable	7	-	55,913	55,913
Government securities:				
Held to maturity investments	25	11,291,718	-	11,291,718
Available-for-sale	25	-	843,654	843,654
Deposits with financial institutions	33	1,927,787	226,386	2,154,173
Commercial paper	33	-	-	-
Bank and cash balances	32	56,349	200,403	256,752
Total assets		14,291,956	7,845,438	22,137,394
Liabilities				
Insurance liabilities	23	72,028	4,612,453	4,684,481
Payable under deposit administration contracts	26	10,342,199	-	10,342,199
Actuarial value of policyholders' liabilities	27	3,227,885	-	3,227,885
Provision for unearned premium	28	-	1,404,845	1,404,845
Deferred tax liability	29	-	21,120	21,120
Payables arising from reinsurance arrangements	30	3,049	227,125	230,174
Payables arising out of direct insurance arrangements	30	-	83,832	83,832
Other payables	31	123,956	220,974	344,930
Taxation payable	7	6,138	-	6,138
Total liabilities		13,775,255	6,570,349	20,345,604
Total assets net of liabilities		516,701	1,275,089	1,791,790

The financial statements on pages 18 to 141 were approved and authorised for issue by the Board of Directors on 28th March 2014 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer

company statement of financial position



as at 1 january 2012 (Restated)

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
CAPITAL EMPLOYED				
Share capital	8	161,388	400,000	561,388
Share premium	8	-	1,198	1,198
Available-for-sale reserve	9	-	(52,762)	(52,762)
Revaluation reserve	9	-	60,300	60,300
Retained earnings	10	29,862	623,662	653,524
Total ordinary shareholders' equity		191,250	1,032,398	1,223,648
Statutory reserve	11	318,516	-	318,516
Total equity		509,766	1,032,398	1,542,164
REPRESENTED BY:				
Assets				
Property and equipment	13	6,244	360,252	366,496
Intangible assets	14	1,765	4,262	6,027
Prepaid operating lease rentals	15	15,151	15,197	30,348
Investment properties	16	599,000	774,400	1,373,400
Due from Kenya Motor Insurance Pool	24	-	67,039	67,039
Investment in subsidiaries	17	-	71,005	71,005
Available-for-sale equity investments	18	675	119,149	119,824
Financial assets at fair value through profit and loss	19	570,165	267,755	837,920
Loans receivable	20	75,974	2,746	78,720
Receivables arising out of reinsurance arrangements	21	60,730	489,845	550,575
Receivables arising out of direct insurance arrangements	22	-	539,147	539,147
Reinsurers' share of insurance liabilities	37	-	3,711,174	3,711,174
Other receivables	24	25,543	97,609	123,152
Tax recoverable	7	5,826	56,414	62,240
Government securities:				
Held to maturity investments	25	9,880,480	-	9,880,480
Available-for-sale	25	-	750,227	750,227
Deposits with financial institutions	33	424,175	140,326	564,501
Commercial paper	33	9,714	-	9,714
Bank and cash balances	32	29,416	234,170	263,586
Total assets		11,704,858	7,700,717	19,405,575
Liabilities				
Insurance liabilities	23	68,697	4,605,131	4,673,828
Payable under deposit administration contracts	26	8,099,122	-	8,099,122
Actuarial value of policyholders' liabilities	27	2,836,611	-	2,836,611
Provision for unearned premium	28	-	1,528,978	1,528,978
Payables arising from reinsurance arrangements	30	41,723	190,188	231,911
Payables arising out of direct insurance arrangements	30	-	182,700	182,700
Other payables	31	148,939	161,322	310,261
Total liabilities		11,195,092	6,668,319	17,863,411
Total assets net of liabilities		509,766	1,032,398	1,542,164

The financial statements on pages 18 to 141 were approved and authorised for issue by the Board of Directors on 28th March 2014 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Allan N. Ngugi
Director

V. Bharatan
Managing Director/Principal Officer

consolidated statement of changes in equity

for the year ended 31 december 2013

Year ended 31 December 2013

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available- for-sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Proposed dividends (Note 8) KShs'000	Foreign currency translation reserve (Note 9) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Non- controlling interest (Note 9) KShs'000	Total equity and reserves KShs'000
At 1 January 2013-as previously reported	561,388	1,198	40,613	-	944,016	-	(15,100)	1,532,115	318,516	43,397	1,894,028
Reclassifications	-	-	-	(21,120)	-	-	397	(20,723)	-	(397)	(21,120)
Prior year adjustment (Note 43)	-	-	-	138,740	(138,740)	-	-	-	-	-	-
At 1 January 2013- as restated	561,388	1,198	40,613	117,620	805,276	-	(14,703)	1,511,392	318,516	43,000	1,872,908
Profit for the year	-	-	-	-	467,983	-	-	467,983	21,000	4,752	493,735
Other comprehensive income	-	-	(24,205)	92,400	-	-	2,360	70,555	-	-	70,555
Total comprehensive income	-	-	(24,205)	92,400	467,983	-	2,360	538,538	21,000	4,752	564,290
Excess of depreciation	-	-	-	(1,760)	1,760	-	-	-	-	-	-
<i>Transactions with owners:</i>											
Proposed dividends in 2012	-	-	-	-	(28,069)	28,069	-	-	-	-	-
Proposed dividends in 2012 paid in 2013	-	-	-	-	-	(28,069)	-	(28,069)	-	-	(28,069)
Transfer from statutory reserve	-	-	-	-	21,000	-	-	21,000	(21,000)	-	-
At 31 December 2013	561,388	1,198	16,408	208,260	1,267,950	-	(12,343)	2,042,861	318,516	47,752	2,409,129

consolidated statement of changes in equity

for the year ended 31 december 2013

Year ended 31 December 2012

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available-for-sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Proposed dividends (Note 8) KShs'000	Foreign currency translation reserve (Note 9) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Non-controlling interest (Note 9) KShs'000	Total equity and reserves KShs'000
At 1 January 2012-as previously reported	561,388	1,198	(55,516)	-	755,926	-	(13,431)	1,249,565	318,516	38,698	1,606,779
Prior year adjustment (Note 43)	-	-	-	60,300	(60,300)	-	-	-	-	-	-
At 1 January 2012-as restated	561,388	1,198	(55,516)	60,300	695,626	-	(13,431)	1,249,565	318,516	38,698	1,606,779
Profit for the year	-	-	-	-	102,715	-	-	102,715	35,000	4,302	142,017
Other comprehensive income	-	-	96,129	57,320	-	-	(1,272)	152,177	-	-	152,177
Total comprehensive income	-	-	96,129	57,320	102,715	-	(1,272)	254,892	35,000	4,302	294,194
<i>Transactions with owners:</i>											
Proposed dividends in 2011	-	-	-	-	(28,065)	28,065	-	-	-	-	-
Proposed dividends in 2011 paid in 2012	-	-	-	-	-	(28,065)	-	(28,065)	-	-	(28,065)
Transfer from statutory reserve	-	-	-	-	35,000	-	-	35,000	(35,000)	-	-
At 31 December 2012	561,388	1,198	40,613	117,620	805,276	-	(14,703)	1,511,392	318,516	43,000	1,872,908

company statement of changes in equity

for the year ended 31 december 2013

Year ended 31 December 2013

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available- for-sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Proposed dividend (Note 8) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Total equity and reserves KShs'000
At 1 January 2013- as previously reported	561,388	1,198	40,146	-	891,662	-	1,494,394	318,516	1,812,910
Prior year adjustment (Note 43)	-	-	-	138,740	(138,740)	-	-	-	-
Prior year adjustment (Note 43)	-	-	-	(21,120)	-	-	(21,120)	-	(21,120)
At 1 January 2013- as restated	561,388	1,198	40,146	117,620	752,922	-	1,473,274	318,516	1,791,790
Profit for the year	-	-	-	-	454,617	-	454,617	21,000	475,617
Other comprehensive income	-	-	(23,733)	92,400	-	-	68,667	-	68,667
Total comprehensive income	-	-	(23,733)	92,400	454,617	-	523,284	21,000	544,284
Transfer of excess depreciation	-	-	-	(1,760)	1,760	-	-	-	-
<i>Transactions with owners:</i>									
Proposed dividend in 2012	-	-	-	-	(28,069)	28,069	-	-	-
Proposed dividend in 2012 paid in 2013	-	-	-	-	-	(28,069)	(28,069)	-	(28,069)
Transfer from statutory reserve	-	-	-	-	21,000	-	21,000	(21,000)	-
At 31 December 2013	561,388	1,198	16,413	208,260	1,202,230	-	1,989,489	318,516	2,308,005

company statement of changes in equity

for the year ended 31 december 2013

Year ended 31 December 2012

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available- for-sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Proposed dividend (Note 8) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Total equity and reserves KShs'000
At 1 January 2012- as previously reported	561,388	1,198	(52,762)	-	713,824	-	1,223,648	318,516	1,542,164
Prior year adjustment (Note 43)	-	-	-	60,300	(60,300)	-	-	-	-
At 1 January 2012- as restated	561,388	1,198	(52,762)	60,300	653,524	-	1,223,648	318,516	1,542,164
Profit for the year	-	-	-	-	92,463	-	92,463	35,000	127,463
Other comprehensive income	-	-	92,908	57,320	-	-	150,228	-	150,228
Total comprehensive income	-	-	92,908	57,320	92,463	-	242,691	35,000	277,691
<i>Transactions with owners:</i>									
Proposed dividend in 2011	-	-	-	-	(28,065)	28,065	-	-	-
Proposed dividend in 2011 paid in 2012	-	-	-	-	-	(28,065)	(28,065)	-	(28,065)
Transfer from statutory reserve	-	-	-	-	35,000	-	35,000	(35,000)	-
At 31 December 2012	561,388	1,198	40,146	117,620	752,922	-	1,473,274	318,516	1,791,790



consolidated statement of cash flows

for the year ended 31 december 2013

	2013 KShs'000	2012 KShs'000 (Restated)
Cash flows from operating activities		
Profit before tax	531,983	165,003
Adjustments for:		
Depreciation on property and equipment	25,921	20,243
Amortisation of intangible assets	2,784	2,315
Amortisation of prepaid lease	819	819
Exchange adjustment on property and equipment	-	(849)
Impairment of intangible assets	-	587
Fair value gains on investment properties	(515,898)	(279,600)
Interest from government securities (Held to maturity)	(1,635,936)	(1,300,727)
Interest from government securities (Available-for-sale)	(104,541)	(99,727)
Bank deposit interest	(178,354)	(351,288)
Loan interest	(8,433)	(11,310)
Commercial paper interest	(493)	(937)
Dividends received from equity investments	(14,172)	(21,814)
Fair value loss/(gains) on quoted investments	6,597	(31,063)
Gains on sale of quoted shares	(4,472)	(133,672)
Loss/(gains) on sale of property and equipment	3,451	(9,241)
Operating loss before working capital changes	(1,890,744)	(2,051,261)
Increase in insurance liabilities	3,820,279	191,357
Increase in payable under deposit administration contracts	1,726,912	2,243,077
Increase in actuarial value of policyholders' liabilities	424,340	391,274
Decrease in unearned premium reserve	(375,965)	(105,617)
Increase in reinsurance arrangements payables	1,227,893	89,831
Increase/(decrease) in direct insurance arrangements payables	94,276	(98,869)
Increase in other payables	155,875	7,035
Increase in motor pool	(1,342)	(10,108)
(Increase)/decrease in reinsurance arrangements receivables	(950,310)	33,498
Decrease in direct insurance arrangements receivables	20,859	76,989
Increase in reinsurers' share of insurance liabilities	(3,773,638)	(167,632)
Increase in other receivables	(213,983)	(47,539)
Cash generated from operations	264,452	552,035
Income tax paid	(9,199)	(17,127)
Net cash flows generated from operating activities	255,253	534,908

consolidated statement of cash flows cont'd

for the year ended 31 december 2013



	2013 KShs'000	2012 KShs'000 (Restated)
Cash flows from investing activities		
Purchase of property and equipment	(42,209)	(9,426)
Purchase of intangible assets	(3,994)	(1,528)
Proceeds from disposal of property and equipment	5,111	9,885
Additions to investment properties	(4,402)	(1,411)
Net increase in available-for-sale equity investments	(30,155)	(2,404)
Sale of financial assets at fair value through profit and loss (Quoted shares)	147,954	713,708
Purchase of financial assets at fair value through profit and loss (Quoted shares)	-	(19,718)
Repayment of mortgage loans	3,942	1,912
Policy loans advanced	(21,542)	(11,863)
Repayment of policy loans	20,735	5,037
Motor vehicle loans advanced	(1,056)	(1,655)
Repayment of motor vehicle loans	2,142	1,923
Net movement in investment in government securities (Held to maturity)	(2,636,821)	(1,411,238)
Net increase in investment in government securities (Available-for-sale)	(2,835)	(3,581)
Decrease/(increase) in deposits with financial institutions (maturing after 90 days of date of acquisition)	1,337,803	(1,459,935)
Net movement in investment in commercial paper	(100,493)	-
Interest from government securities (Held to maturity)	1,635,936	1,300,727
Interest from government securities (Available-for-sale)	104,541	99,727
Bank deposit interest	178,354	351,288
Loan interest	8,433	11,310
Commercial paper interest	493	937
Dividends received from equity investments	14,172	21,814
Net cash flows generated from/(used in) investing activities	616,109	(404,491)
Cash flows from financing activities		
Dividends paid	(28,069)	(28,065)
Share premium	-	-
Net cash flows used in financing activities	(28,069)	(28,065)
Increase in cash and cash equivalents	843,293	102,352
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	812,783	711,703
Increase in cash and cash equivalents	843,293	102,352
Exchange differences on translation of foreign operations	2,360	(1,272)
Cash and cash equivalents at the end of the year (Note 32)	1,658,436	812,783

company statement of cash flows

for the year ended 31 december 2013

	2013 KShs'000	2012 KShs'000 (Restated)
Cash flows from operating activities		
Profit before tax	508,019	143,247
Adjustments for:		
Depreciation on property and equipment	23,982	17,784
Amortisation of intangible assets	2,784	2,267
Amortisation of prepaid lease	817	817
Fair value gains on investment properties	(515,898)	(279,600)
Interest from government securities (Held to maturity)	(1,635,936)	(1,300,727)
Interest from government securities (Available-for-sale)	(99,208)	(99,727)
Bank deposit interest	(156,506)	(325,806)
Loan interest	(8,378)	(11,012)
Commercial paper interest	(493)	(937)
Dividends received from equity investments	(12,133)	(19,490)
Fair value loss/(gains) on quoted investments	9,727	(31,004)
Gains on sale of quoted shares	(4,472)	(132,395)
Loss/(gains) on sale of property and equipment	2,631	(9,433)
Operating loss before working capital changes	(1,885,064)	(2,046,016)
Increase in insurance liabilities	3,140,577	10,653
Increase in payable under deposit administration contracts	1,726,912	2,243,077
Increase in actuarial value of policyholders' liabilities	424,340	391,274
Decrease in unearned premium reserve	(370,119)	(124,133)
Increase/(decrease) in reinsurance arrangements payables	1,177,711	(1,737)
Increase/(decrease) in direct insurance arrangements payables	94,276	(98,868)
Increase in other payables	160,188	34,669
Increase in motor pool	(1,342)	(10,108)
(Increase)/decrease in reinsurance arrangements receivables	(869,521)	135,368
Decrease in direct insurance arrangements receivables	28,655	113,041
(Increase)/decrease in reinsurers' share of insurance liabilities	(3,164,333)	11,998
Increase in other receivables	(213,963)	(86,837)
Cash generated from operations	248,317	572,381
Income tax paid	(3,133)	(3,319)
Net cash flows generated from operating activities	245,184	569,062

company statement of cash flows cont'd

for the year ended 31 december 2013



	2013 KShs'000	2012 KShs'000 (Restated)
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(38,020)	(8,430)
Purchase of intangible assets	(3,994)	(1,528)
Proceeds from disposal of property and equipment	3,813	9,487
Additions to investment properties	(4,402)	(1,411)
Sale of financial assets at fair value through profit and loss (Quoted shares)	152,242	712,431
Purchase of commercial paper	(100,493)	-
Purchase of financial assets at fair value through profit and loss (Quoted shares)	-	(19,718)
Repayment of mortgage loans	3,942	1,912
Policy loans advanced	(21,542)	(11,863)
Repayment of policy loans	20,735	5,037
Motor vehicle loans advanced	(1,056)	(1,655)
Repayment of motor vehicle loans	2,142	1,923
Net movement in investment in government securities (Held to maturity)	(2,636,821)	(1,411,238)
Net increase in investment in government securities (Available-for-sale)	-	(519)
Decrease/(increase) in deposits with financial institutions (maturing after 90 days of date of acquisition)	1,535,881	(1,459,072)
Interest from government securities (Held to maturity)	1,635,936	1,300,727
Interest from government securities (Available-for-sale)	99,208	99,727
Bank deposit interest	156,506	325,806
Loan interest	8,378	11,012
Commercial paper interest	493	937
Dividends received from equity investments	12,133	19,490
Net cash flows generated from / (used in) investing activities	825,081	(426,945)
Cash flows from financing activities		
Dividends paid	(28,069)	(28,065)
Net cash flows used in financing activities	(28,069)	(28,065)
Increase in cash and cash equivalents	1,042,196	114,052
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	587,670	473,618
Increase in cash and cash equivalents	1,042,196	114,052
Cash and cash equivalents at the end of the year (Note 32)	1,629,866	587,670



KENINDIA

notes to the financial statements

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in compliance with the requirements of the Kenyan Companies Act. The financial statements are prepared on the historical cost basis, except for investment properties and certain investments which are carried at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional Group's currency.

The financial statements comprise the consolidated and company statements of profit or loss, consolidated and company statements of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cash flows, and explanatory notes. Income and expenses, excluding the components of other comprehensive income, are recognised in profit or loss. Other comprehensive income is recognised in the statement of other comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after reporting date (current) and more than twelve months after reporting date (non-current), is presented in the notes (note 42(iii)).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 1 (w) below.

For the purposes of reporting under the Kenyan Companies Act, the balance sheet in these financial statements is represented by/equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit and loss.

(b) Adoption of New and Revised International Financial Reporting Standards (IFRS)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2013:

The adoption of the standards or interpretations is described below:

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminology have been adopted in these financial statements in other respects. The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Liabilities.
- The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

The Group does not have any defined benefit plans and was therefore not impacted by a number of these amendments.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities, what remains of IAS 27 is limited to accounting for the investment in subsidiaries, jointly controlled entities, and associates in separate financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and amended standards and interpretations (continued)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 1 Government Loans - Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9: Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect the amount of the investor's returns.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and amended standards and interpretations (continued)

IFRS 10 Consolidated Financial Statements (continued)

IFRS 10 also provides a number of clarifications on applying this new definition of control, including the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor.
- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control).
- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control.
- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control.
- Consolidation is required until such time as control ceases, even if control is temporary.

The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.

Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.

The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)

New and amended standards and interpretations (continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted, as well as providing clarification on certain areas. Under IFRS 13, fair value is presumed to be the "exit price", the price that would be received to sell an asset or paid to transfer a liability. New disclosures related to fair value measurements are also introduced by IFRS 13.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

These revised standards did not have any material effect on the financial performance or position of the Group.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off".

This means that the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
 - the normal course of business;
 - the event of default; and
 - the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group (Company and its subsidiaries) as at 31 December each year. Subsidiary companies are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. The Group companies are as set out in note 17.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.



KENINDIA

notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of Consolidation (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

All intra-group balances, transactions, income and expenses and profits and losses, resulting from intra- group transactions and dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it;

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services, excluding discounts, rebates, and value added taxes or other taxes. Sale of services is recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

The following specific criteria must also be met before revenue is recognised:

Gross premiums

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium, business revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Net premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations and less unearned premium.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue Recognition (continued)

Gross premiums (continued)

Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date, and is computed using the 1/24 method and the 365th method in general business and group life policies respectively.

Reinsurance premiums

Gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Commission income and fees

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. Commission income is recognized in the period in which they are earned.

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established. For listed securities, this is the date the security is listed as ex dividend.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

Realised gains and losses

Realised gains and losses recorded in the statement of profit or loss on investments include gains and losses on the financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

e) Benefits, Claims and Expense Recognition

Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance contract liabilities. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.



KENINDIA

notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Benefits, Claims and Expense Recognition (continued)

Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during the year, whether arising from events during that or earlier years. Outstanding claims represent claims arising from incidents occurring prior to the accounting date and not settled, and are computed on the basis of the best information available at the time the records for the period are closed and include provisions for claims incurred but not reported (IBNR). IBNR is computed based on certain minimum percentages of gross premium written on each class of business, as stipulated by the insurance industry regulator. This amount is included in the outstanding claims as at year end.

Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

Outstanding claims in short term business are not discounted.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Policyholder benefits

Policyholder benefits incurred comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policyholders and are discounted to the present value.

f) Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Investment contracts are further classified as being either with or without Discretionary Participation Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- i) Likely to be a significant portion of the total contractual benefits
- ii) The amount or timing of which is contractually at the discretion of the issuer
- iii) That are contractually based on:
 - The performance of a specified pool of contracts or a specified type of contract
 - Realised and or unrealised investment returns on a specified pool of assets held by the issuer
 - The profit or loss of the company, fund or other entity that issues the contract

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets consist of the amount due from reinsurers for claims submitted as well as the portion of the current long term insurance that is ceded to the reinsurers on the basis of the reinsurance agreement (treaty proportional or facultative).

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss. Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

h) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are recognised when the recognition criteria for financial assets, as described in note (u), has been met.

i) Policyholder Benefits

Policy holder benefits incurred comprise benefits paid in the year and changes in the provision for insurance contract liabilities. Benefits paid represent all payments made during the year, whether arising from events during that or earlier years. Insurance contract liabilities represent the estimated ultimate cost of settling all benefits accruing to policy holders and are discounted to the present value.



KENINDIA

notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Deposit Administration Contracts

The Group administers the funds of a number of retirement benefit schemes. The liability of the Group to the schemes is measured at fair value and is included within the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium and investments income in the consolidated statement of profit or loss.

k) Expenses

Expenses are recognised in the statement of profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures.

This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment. In such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

An expense is recognised immediately in the statement of profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

l) Property and Equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Subsequent costs (including replacement costs) are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when incurred and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred. All items of property and equipment are subsequently carried at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Depreciation of an asset begins when it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the reducing balance basis to write down carrying values of the assets over their useful lives at the following annual rates:

Furniture, fixtures and office equipment	12.5%
Computer equipment, duplicators and copies	30%
Motor vehicles	25%

The assets' residual values, and useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of profit or loss as an expense. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognised.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Investment Properties

Investment properties comprise buildings and parts of buildings held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost, including the transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and lease back arrangements, special consideration or concessions granted by anyone associated with the sale.

The Group determines fair value without any deductions for transactional costs it may incur on sale or other disposal. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Fair values are evaluated annually by an accredited external independent valuer. Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss in the year of disposal or retirement.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

n) Intangible Assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use, the specific software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life at 30 percent per annum, using the reducing balance method. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Intangible Assets (continued)

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

o) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

p) Foreign Currency Transactions

The Group's consolidated financial statements are presented in KShs which is also the Company's functional currency. That is the currency of the primary economic environment in which Kenindia Assurance Company Limited operates. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of profit or loss. Tax changes and credits attributable to exchange differences on these items are also recorded in other comprehensive income.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Foreign Currency Transactions

i) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

ii) Group companies

The assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

q) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of profit or loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The income tax charge is analysed between tax in respect of policyholders' returns and the balance which represents the tax on equity holders' returns. The income tax charge in respect of policyholders' returns reflects the movement in current and deferred income tax recognised in respect of those items of income, gains and expenses, which inure to the benefit of policyholders.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 reassessed 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.

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 or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of sales taxes and premium taxes except when:

- the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable,
- receivables and payables that are stated with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

r) Employee Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the liability for annual leave as a result of services rendered by employees up to the statement of financial position.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions mainly relate to leave accrual. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

t) Retirement Benefits Obligations

The company operates a defined contribution pension scheme for all its employees, the assets of which are held in trustee administered funds. The retirement plan is funded by payments from both employees and the company.

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by the local statute and currently limited to KShs 200 per employee per month.

The company's contributions to the defined contribution pension scheme are charged to statement of profit or loss in the year to which they relate.

u) Financial Instruments

Initial recognition and measurement

Financial instruments within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The Group determines the classification of its financial assets and financial liabilities at initial recognition.

Financial assets and financial liabilities are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group initially recognises a financial asset or financial liability in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Purchases and sales of investments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. When the Group uses settlement date accounting for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the trade date.

Management determines the appropriate classification of its financial instruments at initial recognition and designation at every reporting date. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' equity) is passively managed and/or carried at fair value on initial recognition.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables and quoted and unquoted financial instruments.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial Instruments (continued)

Initial recognition and measurement (continued)

Financial liabilities within the scope of IAS 39 are classified as other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. The financial liabilities are recognised initially at fair value. The Group's financial liabilities include insurance payables and other payables (see note 30 and 31).

Subsequent measurement

The subsequent measurement of financial assets and liabilities depends on their classification as follows;

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Information regarding these instruments is reported to the key management personnel on a fair value basis.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the statement of profit or loss.

Financial assets at fair value through profit or loss (financial assets held for trading) comprise quoted shares.

Financial assets at fair value through profit or loss (those designated upon initial recognition at fair value through profit or loss) comprise deposits with financial institutions and commercial paper.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity. They include government securities (long term business). These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method, less impairment. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include mortgage and policy loans, receivables arising from direct insurance arrangements and other receivables. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial Instruments (continued)

Subsequent measurement (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets include equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. They include government securities (short term business) and investments in unquoted shares. These investments are initially recorded at fair value.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised and reported as a separate component in other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income or the investment is determined to be impaired or the cumulative loss is recognised in the statement of profit or loss in finance cost and removed from available-for-sale reserve. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the statement of profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of profit or loss.

Financial liabilities

Financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs.

For financial instruments where there is not an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. Certain financial instruments are recorded at fair value using valuation techniques because current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions.



notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial Instruments (continued)

Fair value of financial instruments (continued)

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 33.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial Instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed what the amortised cost would have been (at the reversal date) had the particular impairment loss not been recognised in the past.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either
 - a) The Group has transferred substantially all the risks and rewards of the asset, or
 - b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial Instruments (continued)

Derecognition of financial liabilities

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

v) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

w) Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. These factors could include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Operating lease commitments – Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

Product classification between Insurance and Investment contracts

The Group uses judgement to distinguish between insurance and investment contracts for its life products.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Valuation of insurance contract liabilities

Life insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The carrying value at the reporting date of life insurance liabilities is as follows: KShs 33,542,543 (2012: KShs 72,027,578) for insurance liabilities and KShs 3,652,225,499 (2012: KShs 3,227,885,000) for actuarial value of policy holders' liabilities.

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The key variables include frequency of claims, average claim costs, inflation and average handling costs and are covered in detail under note 41.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Significant Accounting Judgements and Estimates (continued)

Estimates and assumptions (continued)

(a) Valuation of insurance contract liabilities (continued)

Non-life insurance (which comprises general insurance and healthcare) contract liabilities (continued)

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, by being reserved at the face value of loss adjuster estimates.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of non-life insurance liabilities is as follows: For Group KShs 8,727,132,000 (2012: KShs 4,868,368,000) and for Company KShs 7,791,515,000 (2012: KShs 4,612,453,000).

(b) Fair value of financial assets determined using valuation techniques

Where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(c) Deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Significant Accounting Judgements and Estimates (continued)

Estimates and assumptions (continued)

(c) *Deferred tax assets and liabilities*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Details on deferred taxes are disclosed in Note 29.

(d) *Property and equipment and intangible assets*

Critical estimates are made by the directors in determining depreciation and amortisation rates for property and equipment and intangible assets. The rates used are set out in the accounting policy (l) and (n) above.

x) Segment Reporting

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- The life insurance segment offers a wide range of whole life, term assurance and guaranteed pensions.
- The non-life insurance segment comprises both general insurance and healthcare. General insurance products offered include motor, household, commercial and business interruption insurance. Non-life healthcare contracts provide medical cover to policyholders.

No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the consolidated financial statements.

No inter-segment transactions occurred in 2013 and 2012. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

No impairment losses in respect of intangibles have been recognised during the year.

Segmental reporting is disclosed in note 34.

y) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends (if any) are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.



KENINDIA

notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

aa) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

For the purpose of the consolidated and company's statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (if any).

ab) Share Capital

The Group has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

ac) Events After Reporting Date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

ad) Insurance Contract Liabilities

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

notes to the financial statements cont'd



for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

ad) Insurance Contract Liabilities (continued)

Life insurance contract liabilities (continued)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows. Aggregation levels and the level of prudence applied in the test are consistent with IFRS 4 (Insurance Contracts) requirements. To the extent that the test involves discounting of cash flows, the interest rate applied may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

Non-life insurance (which comprises general insurance and healthcare) contract liabilities

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using actual claims data. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income. At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy. There was no deficiency noted at the reporting date.

ae) Off-setting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

af) Statutory reserve

The statutory reserve represents a reserve maintained within the long term assurance business and represents amounts recommended for transfer by the actuary from actuarial valuation as required by the Kenyan Insurance Act.



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notes to the financial statements cont'd

for the year ended 31 december 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

af) Statutory reserve (continued)

Transfers into the statutory reserve are processed through the statement of changes in equity. Transfers from the statutory reserve relates to amounts on the life assurance business which is distributable as dividends upon the recommendation of the actuary.

2. Gross earned premium income

(a) Gross earned premium income

The company is organised into two main divisions, short term insurance business and long term assurance business. Long term assurance business comprises life assurance business and deposit administration business. Life assurance business relates to the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a term dependent on the termination or continuance of the life of an insured person. Short term insurance business relates to all other categories of general insurance business written by the company, analysed into several sub-classes of business based on the nature of the assumed risks. Approximately 83% of the Group's business is generated in Kenya.

The premium income of the Group and the Company can be analysed between the main classes of business as shown below:

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Short term insurance business:				
Motor	1,042,587	1,142,625	827,740	961,035
Fire	991,397	999,455	768,810	791,533
Personal accident	201,692	334,244	201,692	334,244
Marine	378,932	411,224	334,504	369,094
Theft	316,575	313,582	316,575	313,582
Workmen compensation	469,289	522,091	469,289	522,091
Engineering	204,968	239,925	168,618	180,585
Public liability	36,894	37,852	36,894	37,852
Aviation	47,308	66,952	-	-
Other miscellaneous	177,026	173,287	21,578	30,771
	3,866,668	4,241,237	3,145,700	3,540,787
Long term assurance business:				
Ordinary life	434,580	405,668	434,580	405,668
Group life	66,225	57,669	66,225	57,669
	500,805	463,337	500,805	463,337
	4,367,473	4,704,574	3,646,505	4,004,124

notes to the financial statements cont'd



for the year ended 31 december 2013

2. Gross earned premium income (continued)

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
(b) Premium ceded to re-insurers on re-insurance contracts				
Long term business	(45,172)	(24,768)	(45,172)	(24,768)
Short term business	(1,486,638)	(1,838,810)	(1,050,387)	(1,350,164)
Change in unearned premiums provision (Note 28)	(265,361)	(8,971)	(218,607)	(20,526)
	(1,751,999)	(1,847,781)	(1,268,994)	(1,370,690)
Net earned premiums	2,570,302	2,832,025	2,332,339	2,608,666

3. Investment income

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
	(a) Group 2013		
Interest from government securities (Held to maturity)	1,635,936	-	1,635,936
Interest from government securities (Available-for-sale)	-	104,541	104,541
Bank deposit interest	113,318	65,036	178,354
Loan interest	8,124	309	8,433
Operating lease income/rent from investment properties	51,374	50,875	102,249
Gains on valuation of investment properties (Note 16)	262,898	253,000	515,898
Dividends receivable from equity investments	3,236	10,936	14,172
Commercial paper interest	493	-	493
(Loss)/gains on valuation of quoted investments	(7,721)	1,124	(6,597)
Other investment charges	(17,910)	(47,906)	(65,816)
Gains on sale of quoted investments	890	3,582	4,472
	2,050,638	441,497	2,492,135
(a) Group 2012			
Interest from government securities (Held to maturity)	1,300,727	-	1,300,727
Interest from government securities (Available-for-sale)	-	99,727	99,727
Bank deposit interest	279,661	71,627	351,288
Loan interest	10,987	323	11,310
Operating lease income/rent from investment properties	49,553	50,684	100,237
Gains on valuation of investment properties (Note 16)	86,000	193,600	279,600
Dividends receivable from equity investments	10,287	11,527	21,814
Commercial paper interest	937	-	937
Gains on valuation of quoted investments	14,986	16,077	31,063
Other investment charges	(33,060)	(36,252)	(69,371)
Gains on sale of quoted investments	98,142	35,530	133,672
	1,818,220	442,843	2,261,063

notes to the financial statements cont'd

for the year ended 31 december 2013

3. Investment income (continued)

(a) Company 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	1,635,936	-	1,635,936
Interest from government securities (Available-for-sale)	-	99,208	99,208
Bank deposit interest	113,318	43,188	156,506
Loan interest	8,124	254	8,378
Operating lease income/rent from investment properties	51,374	50,875	102,249
Gains on valuation of investment properties (Note 16)	262,898	253,000	515,898
Dividends receivable from equity investments	3,236	8,897	12,133
Commercial paper interest	493	-	493
Loss on valuation of quoted investments	(7,721)	(2,006)	(9,727)
Other investment charges	(17,910)	(47,906)	(65,816)
Gains on sale of quoted investments	890	3,582	4,472
	2,050,638	409,092	2,459,730
(a) Company 2012	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	1,300,727	-	1,300,727
Interest from government securities (Available-for-sale)	-	99,727	99,727
Bank deposit interest	279,661	46,145	325,806
Loan interest	10,987	25	11,012
Operating lease income/rent from investment properties	49,553	50,684	100,237
Gains on valuation of investment properties (Note 16)	86,000	193,600	279,600
Dividends receivable from equity investments	10,287	9,203	19,490
Commercial paper interest	937	-	937
Gains on valuation of quoted investments	14,986	16,018	31,004
Other investment charges	(33,060)	(36,255)	(69,315)
Gain on sale of quoted investments	98,142	34,253	132,395
	1,818,220	413,400	2,231,620

notes to the financial statements cont'd



for the year ended 31 december 2013

4. (a) Commissions income

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Re-insurance commission income	428,904	387,867	301,353	353,565

(b) Commissions expense

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Commissions on direct insurance arrangements	671,417	638,497	547,211	631,779
Commissions on inward re-insurance arrangements	10,317	13,296	10,317	13,297
	681,734	651,793	557,528	645,076

(c) Other income

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
	Group 2013		
Gain/(loss) on disposal of property and equipment	172	(3,623)	(3,451)
Exchange gain	-	2,353	2,353
Administration fees	-	227	227
Miscellaneous income	7,358	3,438	10,796
	7,530	2,395	9,925
Group 2012			
Gain/(loss) on disposal of property and equipment	9,244	(3)	9,241
Exchange gain	-	528	528
Administration fees	130	-	130
Miscellaneous income	156	2,926	3,082
	9,530	3,451	12,981
Company 2013			
Gain/(loss) on disposal of property and equipment	172	(2,803)	(2,631)
Exchange loss	-	(2,381)	(2,381)
Administration fees	-	227	227
Miscellaneous income	7,358	(6,137)	1,221
	7,530	(11,094)	(3,564)
Company 2012			
Gain on disposal of property and equipment	9,244	189	9,433
Exchange gain	-	528	528
Administration fees	130	-	130
Miscellaneous income	156	1,544	1,700
	9,530	2,261	11,791

notes to the financial statements cont'd

for the year ended 31 december 2013

5. (a) Claims expenses

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Paid claims long term business	324,680	657,934	324,680	657,934
Paid claims short term business	3,933,021	2,711,800	3,625,209	2,574,430
Change in outstanding claims	3,919,867	706,788	3,279,692	695,939
Gross claims	8,177,568	4,076,522	7,229,581	3,928,303
Surrender and annuity payments	1,387,779	657,934	1,387,779	657,934
Less: amounts recoverable from re-insurers	(6,141,161)	(867,063)	(5,336,669)	(867,063)
Net claims payable	3,424,186	3,867,393	3,280,691	3,719,174

(b) Operating expenses

Group 2013	Long-term	Short-term	Total 2013
	assurance business KShs'000	insurance business KShs'000	
Staff costs	91,495	404,738	496,233
Rent	6,714	31,767	38,481
Printing and stationery	3,038	16,596	19,634
Telephone expenses	2,804	7,346	10,150
Travelling expenses	5,809	17,143	22,952
Repairs and maintenance expenditure (Note 16)	4,328	14,513	18,841
Advertisement expenses	10,080	21,807	31,887
Entertainment expenses	677	2,416	3,093
Bank charges	1,241	2,015	3,256
Training expenses	975	4,198	5,173
General office expenses	11,847	51,264	63,111
	139,008	573,803	712,811
Staff costs include the following:			
- Salaries and wages	82,044	341,171	423,215
- Social security benefit costs	233	11,306	11,539
- Retirement benefit costs	9,218	52,261	61,479
	91,495	404,738	496,233

notes to the financial statements cont'd



for the year ended 31 december 2013

5. (b) Operating expenses (continued)

Group 2012	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
Staff costs	74,053	415,856	489,909
Rent	5,606	32,453	38,059
Printing and stationery	4,796	40,450	45,246
Telephone expenses	1,930	6,631	8,561
Travelling expenses	4,049	11,746	15,795
Repairs and maintenance expenditure (Note 16)	3,471	22,657	26,128
Advertisement expenses	7,275	17,572	24,847
Entertainment expenses	795	2,138	2,933
Bank charges	2,507	2,774	5,281
Training expenses	1,423	4,617	6,040
General office expenses	3,577	12,338	15,915
	109,482	569,232	678,714
Staff costs include the following:			
- Salaries and wages	64,539	340,862	405,401
- Social security benefit costs	5,414	49,334	54,748
- Retirement benefit costs	4,100	25,660	29,760
	74,053	415,856	489,909

Company 2013	KShs'000	KShs'000	Total 2013 KShs'000
Staff costs	91,495	342,187	433,682
Rent	6,714	18,649	25,363
Printing and stationery	3,038	15,032	18,070
Telephone expenses	2,804	6,095	8,899
Travelling expenses	5,809	11,388	17,197
Repairs and maintenance expenditure	4,328	9,650	13,978
Advertisement expenses	10,080	18,085	28,165
Entertainment expenses	677	2,416	3,093
Bank charges	1,241	1,479	2,720
Training expenses	975	4,090	5,065
General office expenses	11,847	38,031	49,878
	139,008	467,102	606,110
Staff costs include the following:			
- Salaries and wages	82,044	290,343	372,387
- Social security benefit costs	233	1,114	1,347
- Retirement benefit costs	9,218	50,730	59,948
	91,495	342,187	433,682



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notes to the financial statements cont'd

for the year ended 31 december 2013

5. (b) Operating expenses (continued)

Company 2012	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
Staff costs	74,053	353,106	427,159
Rent	5,606	16,124	21,730
Printing and stationery	4,796	38,799	43,595
Telephone expenses	1,930	4,667	6,597
Travelling expenses	4,049	7,089	11,138
Repairs and maintenance expenditure	3,471	18,017	21,488
Advertisement expenses	7,275	15,355	22,630
Entertainment expenses	795	2,138	2,933
Bank charges	2,507	2,582	5,089
Training expenses	1,423	3,950	5,373
General office expenses	3,577	11,966	15,543
	109,482	473,793	583,275
Staff costs include the following:			
- Salaries and wages	64,539	293,368	357,907
- Social security benefit costs	5,414	34,078	39,492
- Retirement benefit costs	4,100	25,660	29,760
	74,053	353,106	427,159

The number of persons employed by the Group at year end was 311 (2012: 305). At company level, the employees as at year end were 279 (2012: 271).

6. Other expenses

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
(a) Group						
Depreciation and amortisation	4,882	23,823	28,705	2,725	19,833	22,558
Amortisation of prepaid lease	441	376	817	441	378	819
Audit fee	452	5,185	5,637	1,225	4,345	5,570
Donations	82	560	642	-	-	-
Directors' remuneration (Note 40)	506	1,519	2,025	442	3,434	3,876
Other directors' expenses	2,418	11,879	14,297	1,014	12,344	13,358
	8,781	43,342	52,123	5,847	40,334	46,181
(b) Company						
Depreciation and amortisation	4,882	21,884	26,766	2,725	17,326	20,051
Amortisation of prepaid lease	441	376	817	441	376	817
Audit fee	452	3,480	3,932	1,225	2,205	3,430
Donations	82	245	327	-	-	-
Directors' remuneration (Note 40)	506	1,519	2,025	442	1,416	1,858
Other directors' expenses	2,418	8,843	11,261	1,014	6,232	7,246
	8,781	36,347	45,128	5,847	27,555	33,402

notes to the financial statements cont'd



for the year ended 31 december 2013

7. Income tax

Statement of financial position

Tax liability / (recoverable)

(a) Group 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Balance brought forward	6,138	(62,405)	(56,267)
Charge for the year	9,000	25,320	34,320
Underprovision in previous year	-	9,283	9,283
Paid during the year	(3,133)	(6,066)	(9,199)

Balance carried forward	12,005	(33,868)	(21,863)
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Balance brought forward	-	477	477
Overprovision in previous year	-	(477)	(477)
Paid during the year	-	-	-

Balance carried forward	-	-	-
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(a) Group 2012

Balance brought forward	(5,826)	(56,612)	(62,438)
Charge for the year	15,000	7,818	22,818
Overprovision in previous year	-	(317)	(317)
Paid during the year	(3,036)	(13,294)	(16,330)

Balance carried forward	6,138	(62,405)	(56,267)
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Balance brought forward	-	789	789
Charge for the year	-	485	485
Paid during the year	-	(797)	(797)

Balance carried forward	-	477	477
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(b) Company 2013

Balance brought forward	6,138	(55,913)	(49,775)
Charge for the year	9,000	23,056	32,056
Underprovision in previous year	-	9,283	9,283
Paid during the year	(3,133)	-	(3,133)

Balance carried forward	12,005	(23,574)	(11,569)
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(b) Company 2012

Balance brought forward	(5,826)	(56,414)	(62,240)
Charge for the year	15,000	1,101	16,101
Overprovision in previous year	-	(317)	(317)
Paid during the year	(3,036)	(283)	(3,319)

Balance carried forward	6,138	(55,913)	(49,775)
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notes to the financial statements cont'd

for the year ended 31 december 2013

7. Income tax (continued)

Statement of profit or loss

(c) Group 2013

Current income tax

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Current income tax charge	9,000	25,320	34,320
Overprovision in previous year	-	8,806	8,806
Deferred tax credit	-	(4,878)	(4,878)
	9,000	29,248	38,248

(c) Group 2012

Current income tax

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Current income tax charge	15,000	8,303	23,303
Overprovision in previous year	-	(317)	(317)
	15,000	7,986	22,986

The Group's current tax charge is computed in accordance with the income tax rules applicable to composite Kenyan Insurance companies. A reconciliation of the tax charge is shown below.

Group 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
Profit before taxation	30,000	501,983	531,983
Tax calculated at a statutory tax rate of 30%	9,000	150,595	159,595
Tax effect of income not subject to tax	(9,000)	(75,900)	(84,900)
Effect of utilisation of tax losses carried forward	-	(71,171)	(71,171)
Tax effect of expenses not deductible for tax purposes	-	25,724	25,724
Transfer to shareholders	9,000	-	9,000
Current income tax charge	9,000	29,248	38,248

Group 2012

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
Profit before tax	50,000	115,003	165,003
Tax calculated at a statutory tax rate of 30%	15,000	34,501	49,501
Tax effect of income not subject to tax	(15,000)	(128,421)	(143,421)
Tax effect of expenses not deductible for tax purposes	-	102,223	102,223
Overprovision in previous year	-	(317)	(317)
Transfer to shareholders	15,000	-	15,000
Current income tax charge	15,000	7,986	22,986

notes to the financial statements cont'd



for the year ended 31 december 2013

7. Income tax (continued)

Statement of profit or loss (continued)

(d) Company 2013

Current income tax

	assurance business KShs'000	Long-term insurance business KShs'000	Short-term Total 2013 KShs'000
Current income tax charge	9,000	23,056	32,056
Underprovision in previous year	-	9,283	9,283
Deferred tax credit	-	(8,937)	(8,937)

9,000 23,402 32,402

(d) Company 2012

Current income tax

			Total 2012 KShs'000
Current income tax charge	15,000	1,101	16,101
Overprovision in previous year	-	(317)	(317)
Deferred tax charge	-	-	-

15,000 784 15,784

Company 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
Profit before taxation	30,000	478,019	508,019
Tax calculated at a tax rate of 30%	9,000	143,406	152,406
Tax effect of income not subject to tax	(9,000)	(75,900)	(84,900)
Effect of utilisation of tax losses carried forward	-	(71,171)	(71,171)
Tax effect of expenses not deductible for tax purposes	-	27,067	27,067
Transfer to shareholders	9,000	-	9,000
Current income tax charge	9,000	23,402	32,402

Company 2012

			Total 2012 KShs'000
Profit before taxation	50,000	93,247	143,247
Tax calculated at a tax rate of 30%	15,000	27,974	42,974
Tax effect of income not subject to tax	(15,000)	(57,466)	(72,466)
Tax effect of expenses not deductible for tax purposes	-	30,593	30,593
Overprovision in previous year	-	(317)	(317)
Transfer to shareholders	15,000	-	15,000
Current income tax charge	15,000	784	15,784



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notes to the financial statements cont'd

for the year ended 31 december 2013

8. Share capital

	Number of shares		Share capital	
	2013	2012	2013 KShs'000	2012 KShs'000
Authorised (Short-term business)				
Ordinary shares of KShs 100 each	5,500,000	5,500,000	550,000	550,000
Authorised (Long-term business)				
Ordinary shares of KShs 100 each	500,000	500,000	50,000	50,000
Total	6,000,000	6,000,000	600,000	600,000
Ordinary shares: Issued and fully paid				
At start and end of year (Short-term business)	4,000,002	4,000,002	400,000	400,000
Increase in share capital	-	-	-	-
At end year (Short term business)	4,000,002	4,000,002	400,000	400,000
At start of year (Long-term business)	1,613,880	1,613,880	161,388	161,388
Increase in share capital	-	-	-	-
At end of year (Long-term business)	1,613,880	1,613,880	161,388	161,388
Total	5,613,882	5,613,882	561,388	561,388

Ordinary shares are long term in nature. All ordinary shares issued are fully paid. All ordinary shares are held by external parties and companies to the Group.

Share premium

Share Premium arose during the year 2011 as a result of some bonus shares issued and purchased at a price higher than the par value.

Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders of the parent by the number of shares outstanding at the reporting date. Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year plus the number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Basic and diluted earnings per share are the same. Group earnings reported for 2013 and 2012 were KShs 488,983,000 and KShs 137,715,000 respectively. Company earnings reported for 2013 and 2012 were KShs 475,617,000 and KShs 127,463,000 respectively.

The movement in the number of shares is shown below:

	2013 KShs'000	2012 KShs'000
Ordinary shares outstanding brought forward	5,613,882	5,613,882
Bonus issue	-	-
Ordinary shares outstanding carried forward	5,613,882	5,613,882

notes to the financial statements cont'd



for the year ended 31 december 2013

8. Share capital (continued)

Earnings per share (continued)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013 KShs'000	2012 KShs'000
GROUP		
Net profit attributable to ordinary shareholders for basic and diluted earnings	488,983	137,715
Number of ordinary shares for basic earnings per share	5,613,882	5,613,882
Effect of dilution	-	-
Number of ordinary shares adjusted for the effect of dilution	5,613,882	5,613,882
Basic earnings per share (KShs)	87.10	24.53
Diluted earnings per share (KShs)	87.10	24.53
COMPANY		
Net profit attributable to ordinary shareholders for basic and diluted earnings	475,617	127,463
Number of ordinary shares for basic earnings per share	5,613,882	5,613,882
Effect of dilution	-	-
Number of ordinary shares adjusted for the effect of dilution	5,613,882	5,613,882
Basic earnings per share (KShs)	84.72	22.70
Diluted earnings per share (KShs)	84.72	22.70

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Dividend per share

Dividend per share is calculated by dividing dividends for the year by the weighted average number of ordinary shares outstanding during the year.

	2013 KShs'000	2012 KShs'000
Dividend proposed	KShs 56,140	28,069
Dividend per share	KShs 10	KShs 5

In respect of the current year, the Directors propose the payment of a dividend KShs 10 (2012: KShs 5) per share equivalent to total sum of KShs 56.14 million (2012: KShs 28.07 million) be paid to the shareholders.

The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents. For resident shareholders, withholding tax is only deductible where the shareholding is below 12.5%.

9. Reserves

a) Available-for-sale reserve

The fair value reserve relate to valuation of available-for-sale financial instruments. The movement in the fair value reserve for the Group and Company is shown below and in note 25 and in the statement of other comprehensive income on pages 8 and 10 respectively.

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
At 1 January	40,613	(55,516)	40,146	(52,762)
Net gain/(loss) on available-for-sale investments:				
Government securities	(24,205)	96,129	(23,733)	92,908
Adjustment for gains included in statement of profit or loss on disposal of investments	-	-	-	-
Net gain/(loss)	(24,205)	96,129	23,733	92,908
At 31 December	16,408	40,613	16,413	40,146

b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations.

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
At 1 January	(14,703)	(13,431)	-	-
Exchange difference on translation	2,360	(1,272)	-	-
Income tax effect	-	-	-	-
At 31 December	(12,343)	(14,703)	-	-

c) Revaluation reserve (Group and Company)

	2013 KShs'000	2012 KShs'000
At 1 January-as previously stated	-	-
Prior year adjustment (Note 43)	138,740	60,300
Reclassifications	(21,120)	-
At 1 January-as restated	117,620	60,300
Revaluation of building	118,000	70,400
Deferred tax on revaluation	(35,400)	(21,120)
Depreciation released on revaluation	9,800	8,040
	92,400	57,320
Transfer of excess depreciation	(1,760)	-
At 31 December	208,260	117,620

notes to the financial statements cont'd



for the year ended 31 december 2013

9. Reserves

(d) Non-controlling interests-Group

	2013 KShs'000	2012 KShs'000
At 1 January	43,000	38,698
Share of profit for the year	4,752	4,302
At 31 December	47,752	43,000
The non-controlling interests consist of:		
Equity interests held by individual shareholders	35%	47,752
		43,000

10. Retained earnings

Included within retained earnings are gains arising from the revaluation of investment properties whose distribution is subject to restrictions imposed by legislation. The Commissioner of Insurance has placed restrictions on distribution of gains arising from the revaluation of investment properties of KShs 1,837.718 million (KShs 1,321.82 million for 2012). The movement for the year is shown below.

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Retained earnings				
At 1 January-as previously reported	944,016	755,926	891,662	713,824
Prior year adjustment (Note 43)	(138,740)	(60,300)	(138,740)	(60,300)
At 1 January - as restated	805,276	695,626	752,922	653,524
Profit for the year	467,983	102,715	454,617	92,463
Transfer of excess depreciation	1,760	-	1,760	-
Dividends paid	(28,069)	(28,065)	(28,069)	(28,065)
Transfer from statutory reserve to retained earnings	21,000	35,000	21,000	35,000
At 31 December	1,267,950	805,276	1,202,230	752,922

11. Statutory reserve

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

Movement in the statutory reserve for the Group and Company is shown below and in the statement of changes in equity on pages 30, 31, 32 and 33 respectively.

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Statutory reserve				
At 1 January	318,516	318,516	318,516	318,516
Profit/surplus for the year	21,000	35,000	21,000	35,000
Transfer to retained earnings	(21,000)	(35,000)	(21,000)	(35,000)
At 31 December	318,516	318,516	318,516	318,516



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notes to the financial statements cont'd

for the year ended 31 december 2013

12. Property and equipment (Group)

	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
(a) 31 December 2013					
Cost					
At 1 January 2013 as previously reported	-	21,837	141,858	155,030	318,725
Prior year adjustment (Note 43)	392,000	-	-	-	392,000
At 1 January 2013-as restated	392,000	21,837	141,858	155,030	710,725
Reclassification	-	1,380	2,491	(349)	3,502
Revaluation surplus	118,000	-	-	-	118,000
Additions	-	13,829	5,832	22,548	42,209
Disposals	-	(5,344)	(2,095)	(9,946)	(17,385)
At 31 December 2013	510,000	31,702	148,066	167,283	857,051
Depreciation					
At 01 January 2013	-	19,881	126,671	119,813	266,365
Reclassification	-	192	5,413	(2,103)	3,502
Eliminated on revaluation	(9,800)	-	-	-	(9,800)
Charge for the year	9,800	3,826	5,071	7,224	25,921
Eliminated on disposal	-	(5,046)	(1,743)	(2,034)	(8,823)
Exchange adjustment	-	-	-	-	-
At 31 December 2013	-	18,853	135,412	122,900	277,165
Net book value					
At 31 December 2013	510,000	12,849	12,654	44,383	579,886
(b) 31 December 2012					
Cost					
At 1 January 2012 as previously reported	-	22,728	137,686	149,036	309,450
Prior year adjustment (Note 43)	321,600	-	-	-	321,600
At 1 January 2012-as restated	321,600	22,728	137,686	149,036	631,050
Revaluation surplus	70,400	-	-	-	70,400
Additions	-	43	3,389	5,994	9,426
Disposals	-	(934)	(66)	-	(1,000)
Exchange adjustment	-	-	849	-	849
At 31 December 2012	392,000	21,837	141,858	155,030	710,725
Depreciation					
At 1 January 2012	-	19,327	124,313	110,878	254,518
Eliminated on revaluation	(8,040)	-	-	-	(8,040)
Charge for the year	8,040	847	2,421	8,935	20,243
Eliminated on disposal	-	(293)	(63)	-	(356)
Exchange adjustment	-	-	-	-	-
At 31 December 2012	-	19,881	126,671	119,813	266,365
Net book value					
At 31 December 2012	392,000	1,956	15,187	35,217	444,360

notes to the financial statements cont'd



for the year ended 31 december 2013

13. Property and equipment (Company)

	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
(a) 31 December 2013					
Cost					
At 1 January 2013-as previously reported	-	17,183	135,104	142,464	294,751
Prior year adjustment (Note 43)	392,000	-	-	-	392,000
At 1 January 2013 -as restated	392,000	17,183	135,104	142,464	686,751
Reclassification	-	740	3,143	(350)	3,533
Revaluation surplus	118,000	-	-	-	118,000
Additions	-	12,626	4,875	20,519	38,020
Disposals	-	(4,848)	(1,258)	(7,584)	(13,690)
At 31 December 2013	510,000	25,701	141,864	155,049	832,614
Depreciation					
At 1 January 2013	-	16,057	122,053	113,113	251,223
Reclassification	-	163	5,305	(1,935)	3,533
Charge for the year	9,800	3,148	4,693	6,071	23,982
Eliminated on revaluation	(9,800)	-	-	-	(9,800)
Eliminated on disposal	-	(4,619)	(1,137)	(1,490)	(7,246)
At 31 December 2013	-	15,019	130,914	115,759	261,692
Net book value					
At 31 December 2013	510,000	10,682	10,950	39,290	570,922
(b) 31 December 2012					
Cost					
At 1 January 2012-as previously reported	-	17,487	131,954	137,227	286,668
Prior year adjustment (Note 43)	321,600	-	-	-	321,600
At 1 January 2012-as restated	321,600	17,487	131,954	137,227	608,268
Revaluation surplus	70,400	-	-	-	70,400
Additions	-	43	3,150	5,237	8,430
Disposals	-	(347)	-	-	(347)
At 31 December 2012	392,000	17,183	135,104	142,464	686,751
Depreciation					
At 1 January 2012	-	15,989	120,069	105,714	241,772
Eliminated on revaluation	(8,040)	-	-	-	(8,040)
Charge for the year	8,040	361	1,984	7,399	17,784
Eliminated on disposal	-	(293)	-	-	(293)
At 31 December 2012	-	16,057	122,053	113,113	251,223
Net book value					
At 31 December 2012	392,000	1,126	13,051	29,351	435,528

No property and equipment are held as security against any liabilities.

In the opinion of the directors, there is no impairment of property and equipment in 2013 and 2012.



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notes to the financial statements cont'd

for the year ended 31 december 2013

14. Intangible assets

Group 2013

Cost

At 1 January
Additions

At 31 December

Amortisation

At 1 January
Charge for the year

At 31 December

Net book value

At 31 December

Group 2012

Cost

At 1 January
Additions
Eliminated on impairment

At 31 December

Amortisation

At 1 January
Charge for the year
Eliminated on impairment

At 31 December

Net book value

At 31 December

Company 2013

Cost

At 1 January
Additions

At 31 December

Amortisation

At 1 January
Charge for the year

At 31 December

Net book value

At 31 December

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At 1 January	8,724	8,079	16,803
Additions	3,994	-	3,994
At 31 December	12,718	8,079	20,797
At 1 January	6,528	4,987	11,515
Charge for the year	1,857	927	2,784
At 31 December	8,385	5,914	14,299
Net book value At 31 December	4,333	2,165	6,498
	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
At 1 January	7,352	10,568	17,920
Additions	1,372	156	1,528
Eliminated on impairment	-	(2,645)	(2,645)
At 31 December	8,724	8,079	16,803
At 1 January	5,587	5,671	11,258
Charge for the year	941	1,374	2,315
Eliminated on impairment	-	(2,058)	(2,058)
At 31 December	6,528	4,987	11,515
Net book value At 31 December	2,196	3,092	5,288
	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At 1 January	8,724	8,079	16,803
Additions	3,994	-	3,994
At 31 December	12,718	8,079	20,797
At 1 January	6,528	4,987	11,515
Charge for the year	1,857	927	2,784
At 31 December	8,385	5,914	14,299
Net book value At 31 December	4,333	2,165	6,498

notes to the financial statements cont'd



for the year ended 31 december 2013

14. Intangible assets

Company 2012

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
Cost			
At 1 January	7,352	7,923	15,275
Additions	1,372	156	1,528
At 31 December	8,724	8,079	16,803
Amortisation			
At 1 January	5,587	3,661	9,248
Charge for the year	941	1,326	2,267
At 31 December	6,528	4,987	11,515
Net book value			
At 31 December	2,196	3,092	5,288

Intangible assets relate to the cost of purchase and installation of computer software (PREMIA). As at 31 December 2013, these intangible assets were tested for impairment, and management has determined no impairment provision is required in respect of these intangibles.

15. Prepaid operating lease rentals

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
Group 2013			
Cost			
At 1 January	23,081	24,387	47,468
Additions	-	-	-
At 31 December	23,081	24,387	47,468
Amortisation			
At 1 January	8,371	9,426	17,797
Charge for the year	441	378	819
At 31 December	8,812	9,804	18,616
Net book value			
At 31 December	14,269	14,583	28,852
Group 2012			
Cost			
At 1 January	23,081	24,387	47,468
Additions	-	-	-
At 31 December	23,081	24,387	47,468
Amortisation			
At 1 January	7,930	9,048	16,978
Charge for the year	441	378	819
At 31 December	8,371	9,426	17,797
Net book value			
At 31 December	14,710	14,961	29,671

notes to the financial statements cont'd

for the year ended 31 december 2013

15. Prepaid operating lease rentals (continued)

Company 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
Cost			
At 1 January	23,081	24,101	47,182
Additions	-	-	-
At 31 December	23,081	24,101	47,182
Amortisation			
At 1 January	8,371	9,280	17,651
Charge for the year	441	376	817
At 31 December	8,812	9,656	18,468
Net book value			
At 31 December	14,269	14,445	28,714

Company 2012

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
Cost			
At 1 January	23,081	24,101	47,182
Additions	-	-	-
At 31 December	23,081	24,101	47,182
Amortisation			
At 1 January	7,930	8,904	16,834
Charge for the year	441	376	817
At 31 December	8,371	9,280	17,651
Net book value			
At 31 December	14,710	14,821	29,531

16. Investment properties

Group 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At start of year-as previously stated	686,411	1,367,560	2,053,971
Prior year adjustment (Note 43)	-	(392,000)	(392,000)
At start of year-as restated	686,411	975,560	1,661,971
Additions	4,402	-	4,402
Fair value gains	262,898	253,000	515,898
At end of year	953,711	1,228,560	2,182,271

notes to the financial statements cont'd



for the year ended 31 december 2013

16. Investment properties (continued)

Company 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At start of year - as previously stated	686,411	1,360,000	2,046,411
Prior year adjustment (Note 43)	-	(392,000)	(392,000)
At start of year - as restated	686,411	968,000	1,654,411
Additions	4,402	-	4,402
Fair value gains	262,898	253,000	515,898
At end of year	953,711	1,221,000	2,174,711
Group 2012	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
At start of year - as previously stated	599,000	1,103,560	1,702,560
Prior year adjustment (Note 43)	-	(321,600)	(321,600)
At start of year - as restated	599,000	781,960	1,380,960
Additions	1,411	-	1,411
Fair value gains	86,000	193,600	279,600
At end of year	686,411	975,560	1,661,971
Company 2012	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
At start of year - as previously stated	599,000	1,096,000	1,695,000
Prior year adjustment (Note 43)	-	(321,600)	(321,600)
At start of year - as restated	599,000	774,400	1,373,400
Additions	1,411	-	1,411
Fair value gains	86,000	193,600	279,600
At end of year	686,411	968,000	1,654,411

Investment properties are stated at fair value, which has been determined based on valuation (open market value for existing use) performed by City Valuers Limited as at 31 December 2013. City Valuers Limited are industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation in accordance with the standards issued by the International Valuation Standards Committee. In estimating the fair value of the properties, the highest and best use of the properties is their current use. Valuations are performed on an annual basis using recent transaction prices for similar use assets and the fair value gains and losses are recorded within the statement of profit or loss.

The Group enters into operating leases for all its investment properties. The rental income arising during the year amounted to KShs 102,249,000 (2012: KShs 100,237,000), which is included in investment income - (see note 3).

Direct operating expenses (included within operating expenses in note 5) arising in respect of such properties during the year were KShs 18,841,000 (2012: KShs 26,128,000).

Disclosures regarding minimum lease payments have been made in Note 39(b).



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notes to the financial statements cont'd

for the year ended 31 december 2013

16. Investment properties (continued)

The following table shows an analysis of investment properties recorded at fair value by level of the fair value hierarchy

Group	2013 KShs'000	2012 KShs'000
Level 1	-	-
Level 2	2,182,271	1,661,971
Level 3	-	-
Fair value as at 31 December	2,182,271	1,661,971
Company		
Level 1	-	-
Level 2	2,174,711	1,654,411
Level 3	-	-
Fair value as at 31 December	2,174,711	1,654,411

17. Investment in subsidiaries (Company)

	Percentage (%) of shareholding	2013 KShs'000	2012 KShs'000
At cost :			
Kenya Pravack Limited	100	3,640	3,640
Kenindia Asset Management Company Limited	100	10,000	10,000
Tanzindia Assurance Company Limited	65	57,365	57,365
At 31 December		71,005	71,005

Investment in subsidiaries is stated at cost.

Kenya Pravack Limited

The principal activity of Kenya Pravack Limited is to carry out investments for Kenindia Assurance Company Limited. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Set out below are the summarised financial information for the subsidiary;

Summarised statement of financial position

	2013 KShs'000	2012 KShs'000
Total assets	10,812	11,745
Total liabilities	(50)	(1,025)
Net assets	10,762	10,720

Summarised statement of profit or loss

Gross income	144	160
Expenses	(102)	(46)
Profit before income tax	42	114
Other comprehensive income	-	-
Total comprehensive income	42	114

Summarised statement of cash flows

Net cash (used in)/generated from operating activities	(935)	163
Net cash generated from investing activities	27	13
Net (decrease)/increase in cash and cash equivalents	(908)	176
Cash and cash equivalents at beginning of the year	908	732
Cash and cash equivalents at end of the year	-	908

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17. Investment in subsidiaries (Company) (continued)

Kenindia Asset Management Company Limited

The principal activity of Kenindia Asset Management Company Limited is that the company manages and administers retirement benefit schemes. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Set out below are the summarised financial information for the subsidiary;

Summarised statement of financial position

	2013 KShs'000	2012 KShs'000
Total assets	26,515	25,020
Total liabilities	(5,220)	(7,610)
Net assets	21,295	17,410

Summarised statement of profit or loss and other comprehensive income

Gross income	5,440	3,634
Expenses	(1,826)	(2,018)
Profit before income tax	3,614	1,616
Income tax expense/income	744	(485)
Other comprehensive income	(473)	1,016
Total comprehensive income	3,885	2,147

Summarised statement of cash flows

Net cash (used in)/generated from operating activities	(3,676)	154
Net cash generated from investing activities	1,918	1,574
Net (decrease)/increase in cash and cash equivalents	(1,758)	1,728
Cash and cash equivalents at beginning of the year	2,610	882
Cash and cash equivalents at end of the year	4,982	2,610

Tanzindia Assurance Company Limited

The principal activity of Tanzindia Assurance Company Limited is the transaction of general insurance business. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The total non-controlling interest for the period is KShs 47,412,000 which is wholly attributed to Tanzindia Assurance Company Limited.

Set out below are the summarised financial information for the subsidiary whose non-controlling interest are material to the group;

Summarised statement of financial position

	2013 KShs'000	2012 KShs'000
Total assets	1,747,968	1,009,416
Total liabilities	(1,612,504)	(885,425)
Net assets	135,464	123,991



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for the year ended 31 december 2013

17. Investment in subsidiaries (Company) (continued)

Tanzindia Assurance Company Limited (continued)

Summarised statement of profit or loss

	2013 KShs'000	2012 KShs'000
Gross earned premiums	720,967	700,449
Underwriting (loss)/profit	(8,540)	5,293
Profit before income tax	20,309	19,009
Income tax expense	(6,731)	(6,718)
Other comprehensive income	(2,107)	1,134
Total comprehensive income	11,471	13,425
Total comprehensive income allocated to non-controlling interests	4,015	4,699

Summarised statement of cash flows

Net cash generated from/(used in) operating activities	40,125	(24,478)
Net cash (used in)/generated from investing activities	(34,916)	27,188
Net cash used in financing activities	-	(1,411)
Net increase in cash and cash equivalents	5,209	1,299
Cash and cash equivalents at beginning of year	22,745	21,019
Exchange gains on cash and cash equivalents	4,982	1,726
Cash and cash equivalents at end of the year	27,727	22,745

18. Available-for-sale equity investments

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
(a) Group 2013			
At start of year	675	145,635	146,310
Additions	-	30,155	30,155
At the end of year	675	175,790	176,465
	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
(a) Group 2012			
At start of year	675	143,231	143,906
Additions	-	2,404	2,404
At the end of year	675	145,635	146,310
	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
(b) Company 2013			
At start of year	675	119,149	119,824
Additions	-	-	-
At end of year	675	119,149	119,824

notes to the financial statements cont'd



for the year ended 31 december 2013

18. Available-for-sale equity investments (continued)

	KShs'000	KShs'000	Total KShs'000
(b) Company 2012			
At start of year	675	119,149	119,824
Additions	-	-	-
At end of year	675	119,149	119,824

Available-for-sale equity investments comprise of investments in shares of unquoted companies, and are carried at cost, since their fair value cannot be reliably estimated (2012: the same). There is no market for these investments and the Group intends to hold them for the long term. At the reporting date, there were no available-for-sale equity assets that were overdue but not impaired.

19. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss relate to equity investments/shares invested at the Securities Exchange.

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
(a) Group 2013			
At start of year	171,077	137,801	308,878
Disposals	(78,721)	(64,761)	(143,482)
Fair value gains	(7,721)	1,124	(6,597)
At end of year	84,635	74,164	158,799
(a) Group 2012			Total 2012 KShs'000
At start of year	570,165	267,968	838,133
Additions	14,964	4,754	19,718
Disposals	(429,038)	(150,998)	(580,036)
Fair value gains	14,986	16,077	31,063
At end of year	171,077	137,801	308,878
(b) Company 2013	KShs'000	KShs'000	Total 2013 KShs'000
At start of year	171,077	137,529	308,606
Disposals	(78,721)	(69,049)	(147,770)
Fair value losses	(7,721)	(2,006)	(9,727)
At end of year	84,635	66,474	151,109
(b) Company 2012			Total 2012 KShs'000
At start of year	570,165	267,755	837,920
Additions	14,964	4,754	19,718
Disposals	(429,038)	(150,998)	(580,036)
Fair value gains	14,986	16,018	31,004
At end of year	171,077	137,529	308,606



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notes to the financial statements cont'd

for the year ended 31 december 2013

20. Loans receivable (Group and company)

Mortgage loans 2013At start of year
Loan repayments

Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
8,755	-	8,755
(3,942)	-	(3,942)
4,813	-	4,813

At end of year**Mortgage loans 2012**At start of year
Loan repayments

Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
10,667	-	10,667
(1,912)	-	(1,912)
8,755	-	8,755

At end of year**Maturity profile of mortgage loans 2013**In 1-5 years
In over 5 years

Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
3,546	-	3,546
1,267	-	1,267
4,813	-	4,813

At end of year**Maturity profile of mortgage loans 2012**In 1-5 years
In over 5 years

7,488	-	7,488
1,267	-	1,267
8,755	-	8,755

At end of year**Policy loans 2013**At start of year
Loans advanced
Loan repayments

Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
71,980	-	71,980
21,542	-	21,542
(20,735)	-	(20,735)
72,787	-	72,787

At end of year**Policy loans 2012**At start of year
Loans advanced
Loan repayments
Accrued interest

65,154	-	65,154
11,863	-	11,863
(5,037)	-	(5,037)
-	-	-
71,980	-	71,980

At end of year

notes to the financial statements cont'd



for the year ended 31 december 2013

20. Loans receivable (Group and company) (continued)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Motor vehicle loans 2013			
(Maturing between 1-5 years)			
At start of year	153	2,478	2,631
Loans advanced	-	1,056	1,056
Loan repayments	-	(2,142)	(2,142)
At end of year	153	1,392	1,545

Motor vehicle loans 2012

(Maturing between 1-5 years)

At start of year	153	2,746	2,899
Loans advanced	-	1,655	1,655
Loan repayments	-	(1,923)	(1,923)
At end of year	153	2,478	2,631

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Maturity profile of policy loans 2013			
Loans maturing			
Within 1 year	15,283	-	15,283
In 1-5 years	42,510	-	42,510
In over 5 years	14,994	-	14,994
	72,787	-	72,787

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Maturity profile of policy loans 2012			
Loans maturing			
Within 1 year	6,965	-	6,965
In 1-5 years	27,756	-	27,756
In over 5 years	37,259	-	37,259
	71,980	-	71,980

			Total 2013 KShs'000
Book amount of: 2013			
Mortgage loans	4,813	-	4,813
Policy loans	72,787	-	72,787
Motor vehicles	153	1,392	1,545
At end of year	77,753	1,392	79,145

20. Loans receivable (Group and company)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2012 KShs'000
Book amount of: 2012			
Mortgage loans	8,755	-	8,755
Policy loans	71,980	-	71,980
Motor vehicles	153	2,478	2,631
At end of year	80,888	2,478	83,366

Mortgage loans, policy loans and staff motor vehicle loans are carried at amortised cost. The weighted average effective interest rates for these loans are shown in Note 36. There is no concentration of credit risk with respect to these loans.

Collateral

The group holds collateral against loans to loanees (staff and non-staff) in the form of mortgage interests over property and motor vehicle. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. The Group can liquidate the collateral in case of default. The collateral for the policy loans is the cash surrender value of the underlying policy. The Group holds in its custody the title deeds and log books for the mortgage loans and motor vehicle loans respectively on behalf of the loanees. The title documents are released to the loanees upon full settlement of the respective loans. In the opinion of the directors, the collateral in place is adequate to cover the debt amount. In case of default, the policy loan is written off against the cash surrender value. None of these loans have had their terms renegotiated.

21. Receivables arising out of reinsurance arrangements

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Group 2013			
Amounts due from re-insurers	37,348	1,446,904	1,484,252
Group 2012			
Amounts due from re-insurers	37,172	496,770	533,942
Company 2013			
Amounts due from re-insurers	37,348	1,247,380	1,284,728
Company 2012			
Amounts due from re-insurers	37,172	378,035	415,207

Receivables arising out of reinsurance arrangements are non-interest bearing. Those past due and non-interest bearing are not considered impaired as these relate to active accounts and recovery is still being pursued by the group. For an analysis of the past due not impaired receivables arising from reinsurance arrangements, refer to Note 42 (Credit Risk).

notes to the financial statements cont'd



for the year ended 31 december 2013

22. Receivables arising out of direct insurance arrangements (Outstanding premium)

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Outstanding premium	789,037	757,538	596,926	573,802
Allowance for credit losses	(202,218)	(149,860)	(199,475)	(147,696)
At 31 December	586,819	607,678	397,451	426,106
Allowance for credit losses				
At the beginning of the year	149,860	109,172	147,696	107,008
Charge for the year	52,358	40,688	51,779	40,688
At 31 December	202,218	149,860	199,475	147,696
Aged analysis of outstanding premium				
Neither past due nor impaired				
Less than 30 days	111,616	307,269	111,616	65,367
31 - 60 days	53,006	120,782	53,006	155,913
61 - 90 days	58,574	55,136	58,574	40,656
Past due but not impaired				
91 - 120 days	12,582	32,814	12,582	26,702
Over 120 days	351,041	91,677	161,673	137,468
At 31 December	586,819	607,678	397,451	426,106

Receivables arising out of direct insurance arrangements are non-interest bearing and are generally on cash and carry terms (require immediate settlement). Amounts that are past due are not considered impaired as these relate to active accounts and recovery is still being pursued by the group. The impairment was written off to expenses in the respective periods.

23. Insurance liabilities

Insurance liabilities comprise gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported and are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2013 and 2012 are insignificant.

23. Insurance liabilities (continued)

(i) Outstanding balances

Group	2013 KShs'000	2012 KShs'000
Short term / (non-life) insurance contracts		
Claims reported and claims handling expenses	8,425,544	4,686,525
Salvage recoverable	(3,877)	-
Claims incurred but not reported	305,465	181,843
	8,727,132	4,868,368
Reinsurers' share of insurance liabilities	(7,356,037)	(3,317,038)
Net outstanding liabilities	1,371,095	1,551,330
Long term assurance contracts		
Claims reported and claims handling expenses	33,543	72,028
Total gross insurance liabilities	8,760,675	4,940,396
Company		
Short term / (non-life) insurance contracts		
Claims reported and claims handling expenses	7,645,863	4,473,262
Claims incurred but not reported	149,529	139,191
Salvage recoverable	(3,877)	-
	7,791,515	4,612,453
Reinsurers' share of insurance liabilities	(6,531,904)	(3,148,963)
Net outstanding liabilities	1,259,611	1,463,490
Long term assurance contracts		
Claims reported and claims handling expenses	33,543	72,028
Total gross insurance liabilities	7,825,058	4,684,481
Outstanding claims provisions movement		
Long term assurance business (Group and Company)		
At 1 January	72,028	68,697
Claims incurred in current year	286,195	350,344
Claims paid	(324,680)	(347,013)
At 31 December	33,543	72,028

notes to the financial statements cont'd



for the year ended 31 december 2013

23. Insurance liabilities (continued)

(i) Outstanding balances (continued)

Outstanding claims provisions movement (continued)

Short term insurance business

(a) Group 2013

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 37) KShs'000	Net KShs'000
At 1 January 2013	4,868,368	3,317,038	1,551,330
Claims incurred in current accident year	7,193,290	6,009,313	1,183,977
Other movements in claims incurred in prior accident years	9,196	9,920	(724)
Claims paid during the year	(3,343,722)	(1,980,234)	(1,363,488)
At 31 December 2013	8,727,132	7,356,037	1,371,095

(a) Group 2012

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 37) KShs'000	Net KShs'000
At 1 January 2012	4,680,342	3,140,435	1,539,907
Claims incurred in current accident year	2,900,910	1,043,817	1,857,093
Other movements in claims incurred in prior accident years	241,474	239,742	1,732
Claims paid during the year	(2,954,358)	(1,106,956)	(1,847,402)
At 31 December 2012	4,868,368	3,317,038	1,551,330

(b) Company 2013

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 37) KShs'000	Net KShs'000
At 1 January 2013	4,612,453	3,148,963	1,463,490
Claims incurred in current accident year	6,245,303	5,204,822	1,040,481
Other movements in claims incurred in prior accident years	6,465	6,465	-
Claims paid during the year	(3,072,706)	(1,828,346)	(1,244,360)
At 31 December 2013	7,791,515	6,531,904	1,259,611

Adjustments to claims incurred in prior accident years due to changes in assumption:

Average claim cost	199	(118)	81
Average number of claims	25	(25)	25
Average claims settlement period (days)	60	60	60

23. Insurance liabilities (continued)

(i) Outstanding balances (continued)

Outstanding claims provisions movement (continued)

(b) Company 2012

	Insurance liabilities KShs'000	Re-insurers' Share/Re- insurance of liabilities (Note 37) KShs'000	Net KShs'000
At 1 January 2012	4,605,131	3,140,435	1,464,696
Claims incurred in current accident year	2,585,555	879,394	1,706,161
Other movements in claims incurred in prior accident years	(3,803)	(3,803)	-
Claims paid during the year	(2,574,430)	(867,063)	(1,707,367)
At 31 December 2012	4,612,453	3,148,963	1,463,490
Adjustments to claims incurred in prior accident years due to changes in assumption			
Average claim cost	160	(55)	105
Average number of claims	15	(15)	15
Average claims settlement period (days)	60	60	60

(i) Claims development table

(a) Group 2013

Accident year	2008 KShs'000	2009 KShs'000	2010 KShs'000	2011 KShs'000	2012 KShs'000	2013 KShs'000	Total KShs'000
At end of accident year	1,427,870	1,271,296	686,247	833,129	1,059,943	905,700	
One year later	1,436,346	1,581,869	1,643,704	1,418,960	1,353,618	-	
Two years later	1,587,760	1,868,258	1,918,265	1,493,892	-	-	
Three years later	1,770,997	1,985,138	1,944,439	-	-	-	
Four years later	1,889,385	1,912,927	-	-	-	-	
Five years later	1,928,870	-	-	-	-	-	
Current estimate of cumulative claims incurred	1,928,870	1,912,927	1,944,439	1,493,892	1,353,618	905,700	9,539,446
Claims paid							
At end of accident year	480,167	453,865	401,589	113,280	496,528	442,909	
One year later	1,021,102	1,238,233	925,765	672,373	961,682	-	
Two years later	1,284,315	1,528,701	1,250,655	1,210,259	-	-	
Three years later	1,401,559	1,674,259	1,639,553	-	-	-	
Four years later	1,560,421	1,940,217	-	-	-	-	
Five years later	1,973,731	-	-	-	-	-	
Cumulative payments to date	1,973,731	1,940,217	1,639,553	1,210,259	961,682	442,909	8,168,351
Net short term insurance contract liabilities as at per reporting date	(44,861)	(27,290)	304,886	283,633	391,936	462,791	1,371,095

notes to the financial statements cont'd



for the year ended 31 december 2013

23. Insurance liabilities (continued)

(iii) Claims development table

(b) Company

Accident year	2008	2009	2010	2011	2012	2013	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At end of accident year	1,152,574	1,043,080	546,751	622,388	876,232	417,919	
One year later	1,256,359	1,420,686	1,343,372	1,036,894	1,188,955	-	
Two years later	1,396,733	1,691,034	1,606,287	1,227,219	-	-	
Three years later	1,574,029	1,803,515	1,739,372	-	-	-	
Four years later	1,689,166	1,798,334	-	-	-	-	
Five years later	1,786,407	-	-	-	-	-	

Current estimate of cumulative claims incurred

	1,786,407	1,798,334	1,739,372	1,227,219	1,188,955	417,919	8,158,206
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Claims paid

At end of accident year	480,167	453,865	401,589	113,280	496,528	308,382	
One year later	1,021,102	1,238,233	925,765	672,373	849,488	-	
Two years later	1,284,315	1,528,701	1,250,655	852,017	-	-	
Three years later	1,401,559	1,674,259	1,354,765	-	-	-	
Four years later	1,560,421	1,759,238	-	-	-	-	
Five years later	1,774,705	-	-	-	-	-	

Cumulative payments to date

	1,774,705	1,759,238	1,354,765	852,017	849,488	308,382	6,898,595
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Net short term insurance contract liabilities as at per reporting date

	11,702	39,096	384,607	375,202	339,467	109,537	1,259,611
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24.(a) Other receivables

Group	Long-term assurance business	Short-term insurance business	Total
	KShs'000	KShs'000	KShs'000
Group 2013			
Prepayments	-	7,908	7,908
Deposits, outstanding rental income and others	44,633	374,160	418,793
	44,633	382,068	426,701
Group 2012			
Prepayments	-	11,855	11,855
Deposits, outstanding rental income and others	15,256	185,607	200,863
	15,256	197,462	212,718

notes to the financial statements cont'd

for the year ended 31 december 2013

24.(a) Other receivables (continued)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Company 2013			
Amounts due from related companies	-	4,962	4,962
Prepayments	-	5,719	5,719
Deposits, outstanding rental income and others	44,633	368,638	413,271
	44,633	379,319	423,952
Company 2012			
Prepayments	-	11,855	11,855
Deposits, outstanding rental income and others	15,256	182,878	198,134
	15,256	194,733	209,989

Other receivables category is made up of amounts due from related companies, inter-departmental balance, pre-payments, deposits, outstanding rental income and miscellaneous receivables.

For terms and conditions relating to related party receivables refer to note 40. Other receivables are non-interest bearing and are generally on 30-90 days terms.

(b) Kenya Motor Insurance Pool (Group and company)

The amount due from Kenya Motor Insurance Pool relates to the Group's share of net assets in a motor insurance pool where underwriters/insurance companies in Kenya were required to cede a portion of their premiums to a statutory pool in order to cushion themselves from excessive claims arising from public vehicles incidences. The Kenya Motor Insurance Pool is able to settle claims as and when they fall due. In the opinion of the directors, the amount due from Kenya Motor Insurance Pool is fully recoverable.

	2013 KShs'000	2012 KShs'000
At 1 January	77,147	67,039
Net increase in group share of net assets of the pool	1,342	10,108
31 December	78,489	77,147
Total assets new pool	789,376	789,686
Total liabilities new pool	(70,616)	(78,488)
Total net assets	718,760	711,198
Group's share of the net assets	78,489	77,147
Revenue new pool	144,878	110,450
Group's share of the profit	1,342	10,108
Group's share of other comprehensive income	-	-

notes to the financial statements cont'd



for the year ended 31 december 2013

25. Government securities

(a) Group 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	
	Held to maturity	Available- for-sale	Total KShs'000
Treasury bills and bonds movement:			
At start of year	11,291,718	897,360	12,189,078
Additions	3,314,453	-	3,314,453
Maturity of bonds	(726,250)	-	(726,250)
Fair value adjustment recorded in other comprehensive income	-	(24,205)	(24,205)
Accrued interest	48,618	2,835	51,453
At end of year	13,928,539	875,990	14,804,529
Treasury bills and bonds maturing:			
	Held to maturity	Available- for-sale	Total KShs'000
- Within 1 year	942,260	55,769	998,029
- In 1-5 years	2,261,208	174,763	2,435,971
- After 5 years	10,725,071	645,458	11,370,529
At end of year	13,928,539	875,990	14,804,529

(a) Group 2012

	Held to maturity	Available- for-sale	Total KShs'000
Treasury bills and bonds movement:			
At start of year	9,880,480	797,650	10,678,130
Additions	1,947,406	40,006	1,987,412
Maturity of bonds	(558,950)	(36,944)	(595,894)
Fair value adjustment recorded in other comprehensive income	-	96,129	96,129
Accrued interest	22,782	519	23,301
At end of year	11,291,718	897,360	12,189,078
Treasury bills and bonds maturing:			
	Held to maturity	Available- for-sale	Total KShs'000
- Within 1 year	716,702	-	716,702
- In 1-5 years	2,840,506	228,297	3,068,803
- After 5 years	7,734,510	669,063	8,403,573
At end of year	11,291,718	897,360	12,189,078

for the year ended 31 december 2013

25. Government securities (continued)**(b) Company 2013**

Treasury bills and bonds movement:

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	
	Held to maturity	Available- for-sale	Total KShs'000
At start of year	11,291,718	843,654	12,135,372
Additions	3,314,453	-	3,314,453
Maturity of bonds	(726,250)	-	(726,250)
Fair value adjustment recorded in other comprehensive income	-	(23,733)	(23,733)
Income tax effect	-	-	-
Accrued interest	48,618	-	48,618

At end of year

13,928,539	819,921	14,748,460
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Treasury bills and bonds maturing:

	Held to maturity	Available- for-sale	Total KShs'000
- Within 1 year	942,260	55,769	998,029
- In 1-5 years	2,261,208	174,763	2,435,971
- After 5 years	10,725,071	589,389	11,314,460

At end of year

13,928,539	819,921	14,748,460
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(b) Company 2012

Treasury bills and bonds movement:

	Held to maturity	Available- for-sale	Total KShs'000
At start of year	9,880,480	750,227	10,630,707
Additions	1,947,406	-	1,947,406
Maturity of bonds	(558,950)	-	(558,950)
Fair value adjustment recorded in other comprehensive income	-	92,908	92,908
Income tax effect	-	-	-
Accrued interest	22,782	519	23,301

At end of year

11,291,718	843,654	12,135,372
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Treasury bills and bonds maturing:

	Held to maturity	Available- for-sale	Total KShs'000
- Within 1 year	716,702	-	716,702
- In 1-5 years	2,840,506	228,297	3,068,803
- After 5 years	7,734,510	615,357	8,349,867

11,291,718	843,654	12,135,372
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Held to maturity government securities are in long term business and are carried at amortised costs (i.e. cost plus accrued discount or interest) and any premium or discount is amortised through income during the tenancy of the bond or securities. Available-for-sale government securities are in short term business, and are carried at fair value. Gains and losses on valuation of fair value on available-for-sale investments are included in the statement of other comprehensive income.

notes to the financial statements cont'd



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26. Amounts payable under deposit administration contracts (Group and company)

Movements in amounts payable under deposit administration contracts during the year were as shown below. The liabilities are shown inclusive of interest accumulated to 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 15.0% for the year (2012: 13.5%).

	2013 KShs'000	2012 KShs'000
At start of the year	10,342,199	8,099,122
Pension fund deposits received	1,617,385	1,587,566
Surrenders and annuities paid	(1,400,340)	(689,078)
Commissions and expenses charged	(59,309)	(41,741)
Investment income	1,569,176	1,386,330
At end of year	12,069,111	10,342,199

27. Actuarial value of policy holders' liabilities (Group and Company)

The company underwrites long term policies under its long term assurance business. This type of business is subjected to an actuarial method where liabilities are determined by the company on the advice of the consulting actuary and actuarial valuations are carried out on an annual basis. The annual actuarial valuation of the life fund was carried out by Saket Singhal and A. V. Ganapathy, as at 31 December 2013 and 31 December 2012 respectively, using the net premium method and revealed an actuarial surplus of KShs 434 million (2012: KShs 374 million) before declaration of interest and bonuses to policy holders and distribution to shareholders. The actuary recommended KShs 30 million (2012: KShs 50 million) transfer from the life fund to the shareholders.

Assets and liabilities of the life fund	2013 KShs'000	2012 KShs'000
Actuarial value of policy holders' liabilities	3,652,225	3,227,885
Life fund assets	3,652,225	3,227,885

Policy holders' liabilities are stated inclusive of cumulative provisions for interest and bonuses payable as at 31 December 2013 and 31 December 2012 respectively.

Movement is as follows:	2013 KShs'000	2012 KShs'000
At start of year	3,227,885	2,836,611
Policyholders' bonuses and interest	349,330	247,010
Surrenders and annuity payments	(19,807)	(15,431)
Increase in the period (net)	94,817	159,695
At end of the year	3,652,225	3,227,885

Actuarial assumptions:

The significant valuation assumptions for the actuarial valuation as at 31 December 2013 are summarised below. The same assumptions were used in 2012.

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.



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27. Actuarial value of policy holders' liabilities (Group and Company) (continued)

Actuarial assumptions (continued)

Mortality rates

Assumptions are based on standard industry and national tables, according to the type of contract written. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

The rates of mortality used in calculating the liability under a policy are the rates assumed in accordance with the tables published for the Institute of Actuaries in England and the Faculty of Actuaries of Scotland. The company uses the KE 2001-2003 mortality table as a base table for standard mortality rates. The rate of interest used was 4% per annum compound for all long term assurance policies. For valuing annuities, the KE 2001-2003 mortality table for annuities is used with interest at 6.5% per annum. Statistical methods are used to adjust the mortality rates reflected on the base table based on the company's experience of improvement or worsening of the mortality. There are reserves established to take account of the possible deterioration of mortality experience in respect of HIV/AIDS related deaths.

Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

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for the year ended 31 december 2013

27. Actuarial value of policy holders' liabilities (Group and Company) (continued)

Actuarial assumptions (continued)

Discount rate (continued)

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivity analysis on actuarial assumptions

The basis of valuation of life insurance contracts is prescribed in the Insurance Act of Kenya 1984. The Act prescribes Net Premium Valuation method which is very conservative. Changes in actuarial basis derived from recent experience investigations do not have a significant impact in the actuarially derived reserves. The actuarial method used is not sensitive to changes in the key assumptions used in determining the actuarial liabilities. The key actuarial assumptions will need to change very significantly for the actuarial liabilities to change by a relatively small percentage.

Changes in economic mortality and expense assumptions will have the following impact in the statement of profit or loss.

Sensitivities	% change in base	Insurance participating KShs'000	Assets backing life shareholders KShs'000
31 December 2013			
Interest rate	+(-) 1%	-	+(-)36,522
Expenses	+(-) 5%	+(-)134,931	-
Discount rate on:			
Assurance mortality	+1%	(64,240)	-
Assurance mortality	-1%	69,970	-
Annuitant mortality	+1%	(47)	-
Annuitant mortality	-1%	52	-
Lapse and surrender rates	+(-) 5%	(131,619)	-
31 December 2012			
Interest rate	+(-) 1%	-	+(-)23,540
Expenses	+(-) 5%	+(-)117,698	-
Discount rate on:			
Assurance mortality	+1%	(52,314)	-
Assurance mortality	-1%	56,800	-
Annuitant mortality	+1%	(45)	-
Annuitant mortality	-1%	49	-
Lapse and surrender rates	+(-) 5%	(114,816)	-

28. Provision for unearned premium

(b) Group	2013			2012		
	Gross KShs'000	Re- insurance KShs'000	Net KShs'000	Gross KShs'000	Re- insurance KShs'000	Net KShs'000
At beginning of year	1,765,892	791,371	974,521	1,871,509	800,342	1,071,167
Decrease in the year	(375,965)	(265,361)	(110,604)	(105,617)	(8,971)	(96,646)
At end of year	1,389,927	526,010	863,917	1,765,892	791,371	974,521
(b) Company						
At beginning of year	1,404,845	550,212	854,633	1,528,978	570,738	958,240
Decrease in the year	(370,119)	(218,607)	(151,512)	(124,133)	(20,526)	(103,607)
At end of year	1,034,726	331,605	703,121	1,404,845	550,212	854,633

Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the reporting date, and is computed using the 1/24th method.

Provision for unexpired risks: Unexpired risks provision relates to insurance contracts for which the company expects to pay claims in excess of the related unearned premium provision. The provision for unexpired risks was KShs Nil (2012: KShs Nil).

The movement in the unearned premium is as follows:

Group 2013	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000
At 1 January	1,765,892	791,371	974,521
Premium written during the year	3,490,703	1,486,638	2,004,065
Premium earned during the year (Note 2a and 2b)	(3,866,668)	(1,751,999)	(2,114,669)
At 31 December 2013	1,389,927	526,010	863,917
Group 2012			
At 1 January	1,871,509	800,342	1,071,167
Premium written during the year	4,135,620	1,838,810	2,296,810
Premium earned during the year (Note 2a and 2b)	(4,241,237)	(1,847,781)	(2,393,456)
At 31 December 2012	1,765,892	791,371	974,521
Company 2013			
At 1 January	1,404,845	550,212	854,633
Premium written during the year	2,775,581	1,050,387	1,725,194
Premium earned during the year (Note 2a and 2b)	(3,145,700)	(1,268,994)	(1,876,706)
At 31 December 2013	1,034,726	331,605	703,121
Company 2012			
At 1 January	1,528,978	570,738	958,240
Premium written during the year	3,416,654	1,350,164	2,066,490
Premium earned during the year (Note 2a and 2b)	(3,540,787)	(1,370,690)	(2,170,097)
At 31 December 2012	1,404,845	550,212	854,634

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for the year ended 31 december 2013

29. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2012: 30%). The deferred tax assets and liabilities are made up of the following:

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Group 2013 (Deferred tax asset)			
Excess depreciation over capital allowances	-	486	486
Temporary differences arising from accrued leave	-	8,483	8,483
Tax losses carried forward	-	376	376
	-	9,345	9,345

Group 2013 (Deferred tax liability)

The provision for the deferred tax comprises:

Accelerated capital allowances	-	(4,467)	(4,467)
Deferred tax on revaluation	-	(56,520)	(56,520)
	-	(60,987)	(60,987)

Company 2013 (Deferred tax asset)

The provision for the deferred tax comprises:

Excess depreciation over capital allowances	-	486	486
Temporary differences arising from accrued leave	-	8,451	8,451
	-	8,937	8,937

Company 2013 (Deferred tax liability)

The provision for the deferred tax comprises:

Deferred tax on revaluation	-	(56,520)	(56,520)
	-	(56,520)	(56,520)

Group 2012 (Deferred tax liability)

The provision for the deferred tax comprises:

Accelerated depreciation for tax purposes	-	(1,909)	(1,909)
Deferred tax on revaluation	-	(21,120)	(21,120)
Temporary differences arising from accrued leave	-	9,245	9,245
Tax losses carry-forwards	-	71,171	71,171
Deferred tax not recognised	-	(78,507)	(78,507)
	-	(21,120)	(21,120)

Company 2012 (Deferred tax liability)

The provision for the deferred tax comprises:

Accelerated depreciation for tax purposes	-	(111)	(111)
Deferred tax on revaluation	-	(21,120)	(21,120)
Temporary differences arising from accrued leave	-	9,245	9,245
Tax losses carry-forwards	-	71,171	71,171
Deferred tax not recognised	-	(80,305)	(80,305)
	-	(21,120)	(21,120)

Deferred tax assets amounting to Group KShs 78.507 million and Company KShs 80.305 million relating to short term business and arising mainly from accumulated tax losses were not recognised in these financial statements in 2012 as it was not certain that the losses would be utilised in the foreseeable future.

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

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for the year ended 31 december 2013

30. Insurance payables

	Amounts payable on direct insurance business KShs'000	Amounts payable from reinsurance KShs'000
(a) Group		
At 1 January 2012	182,701	402,067
Arising during the year	-	404,741
Utilised/paid	(98,869)	(314,910)
At 31 December 2012	83,832	491,898
At 1 January 2013	83,832	491,898
Arising during the year	94,276	1,227,893
Utilised/paid	-	-
At 31 December 2013	178,108	1,719,791
	Amounts payable on direct insurance business KShs'000	Amounts payable from reinsurance KShs'000
(a) Company		
At 1 January 2012	182,700	231,911
Arising during the year	-	-
Utilised/paid	(98,868)	(1,737)
At 31 December 2012	83,832	230,174
(a) Company		
At 1 January 2013	83,832	230,174
Arising during the year	94,276	1,177,711
Utilised/paid	-	-
At 31 December 2013	178,108	1,407,885

Insurance payables comprise of amounts payable on direct insurance business (to agents and brokers) and amounts payable from reinsurance (payable to the reinsurers)

31. Other payables

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
(a) Group 2013			
Accrued expenses	5,608	50,638	56,246
Other liabilities	125,736	333,718	459,454
At end of year	131,344	384,356	515,700
(b) Group 2012			
Amounts due to related companies	-	787	787
Accrued expenses	5,259	54,941	60,200
Other liabilities	118,697	180,141	298,838
At end of year	123,956	235,869	359,825

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for the year ended 31 december 2013

31. Other payables (continued)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
(b) Company 2013			
Accrued expenses	5,608	48,492	54,100
Other liabilities	125,736	325,282	451,018
At end of year	131,344	373,774	505,118
(b) Company 2012			
Accrued expenses	5,259	54,941	60,200
Other liabilities	118,697	166,033	284,730
At end of year	123,956	220,974	344,930

For terms and conditions relating to related party payables, refer to Note 40.

Other payables are non-interest bearing and are generally on 30-90 day terms. Other payables are carried at amortised cost.

32. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Group 2013			
Bank and cash balances	30,086	176,500	206,586
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	915,257	536,593	1,451,850
Commercial paper maturing within 90 days of the date of acquisition	-	-	-
At end of year	945,343	713,093	1,658,436
Group 2012			
Bank and cash balances	56,349	226,677	283,026
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	162,638	367,119	529,757
Commercial paper maturing within 90 days of the date of acquisition	-	-	-
At end of year	218,987	593,796	812,783

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for the year ended 31 december 2013

32. Cash and cash equivalents (continued)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Company 2013			
Bank and cash balances	30,086	147,930	178,016
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	915,257	536,593	1,451,850
Commercial paper maturing within 90 days of the date of acquisition	-	-	-
At end of year	945,343	684,523	1,629,866
Company 2012			
Bank and cash balances	56,349	200,403	256,752
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	162,638	168,280	330,918
Commercial paper maturing within 90 days of the date of acquisition	-	-	-
At end of year	218,987	368,683	587,670

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. All bank balances are subject to an average variable interest rate of 2.12% (2012: 2.55%).

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. There are no restrictions or collateral held on cash and cash equivalents.

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for the year ended 31 december 2013

33. Financial instruments

a) Summary per category

i) Group

The Group's financial instruments are summarized by categories as follows:

Financial assets	Held-to-maturity financial assets (Note 25) KShs'000	Loans and receivables (Note 20, 24,32) KShs'000	Available-for-sale financial assets (Note 25) KShs'000	Financial assets at fair value through profit and loss (Note 19,33) KShs'000	Total KShs'000
31 December 2013					
Investment in quoted shares	-	-	-	158,799	158,799
Investment in government securities	13,928,539	-	875,990	-	14,804,529
Loans receivable	-	79,145	-	-	79,145
Other receivables	-	437,786	-	-	437,786
Deposits with financial institutions:					
- Maturing after 90 days of the date of acquisition	-	-	-	490,763	490,763
- Maturing within 90 days of the date of acquisition	-	1,451,850	-	-	1,451,850
	-	1,451,850	-	490,763	1,942,613
Commercial paper	-	-	-	100,493	100,493
Bank and cash balances	-	206,586	-	-	206,586
Carrying value	13,928,539	2,175,367	875,990	750,055	17,729,951
Fair value	13,928,539	2,175,367	875,990	750,055	17,729,951
Financial liabilities	Liabilities at amortised cost KShs'000		Liabilities at fair value KShs'000		Total KShs'000
31 December 2013:					
Financial liabilities at amortised cost (Note 31)	515,700		-		515,700
Payable under deposit administration liabilities (Note 26)	-		12,069,111		12,069,111
Carrying value	515,700		12,069,111		12,584,811
Fair value	515,700		12,069,111		12,584,811

33. Financial instruments (continued)

a) Summary per category (continued)

i) Group

The Group's financial instruments are summarised by categories as follows:

Financial assets	Held-to-maturity financial assets (Note 25) KShs'000	Loans and receivables (Note 20, 24,32) KShs'000	Available- for-sale financial assets (Note 25) KShs'000	Financial assets at fair value through profit and loss (Note 19,33) KShs'000	Total KShs'000
31 December 2012:					
Investment in quoted shares	-	-	-	308,878	308,878
Investment in government securities	11,291,718	-	897,360	-	12,189,078
Loans receivable	-	83,366	-	-	83,366
Other receivables	-	212,718	-	-	212,718
Deposits with financial institutions:					
- Maturing after 90 days of the date of acquisition	-	-	-	1,828,566	1,828,566
- Maturing within 90 days of the date of acquisition	-	529,757	-	-	529,757
Bank and cash balances	-	529,757	-	1,828,566	2,358,323
	-	283,026	-	-	283,026
Carrying value	11,291,718	1,108,867	897,360	2,137,444	15,435,389
Fair value	11,291,718	1,108,867	897,360	2,137,444	15,435,389
Financial liabilities	Liabilities at amortised cost KShs'000		Liabilities at fair value KShs'000		Total KShs'000
31 December 2012:					
Financial liabilities at amortised cost (Note 31)	359,825		-		359,825
Payable under deposit administration liabilities (Note 26)	-		10,342,199		10,342,199
Carrying value	359,825		10,342,199		10,702,024
Fair value	359,825		10,342,199		10,702,024

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33. Financial instruments (continued)

a) Summary per category (continued)

ii) Company

The Company's financial instruments are summarized by categories as follows:

Financial assets	Held-to-maturity financial assets (Note 25) KShs'000	Loans and receivables (Note 20, 24,32) KShs'000	Available-for-sale financial assets (Note 25) KShs'000	Financial assets at fair value through profit and loss (Note 19,33) KShs'000	Total KShs'000
31 December 2013:					
Investment in quoted shares	-	-	-	151,109	151,109
Investment in government securities	13,928,539	-	819,921	-	14,748,460
Loans receivable	-	79,145	-	-	79,145
Other receivables	-	435,308	-	-	435,308
Deposits with financial institutions:					
- Maturing after 90 days of the date of acquisition	-	-	-	287,374	287,374
- Maturing within 90 days of the date of acquisition	-	1,451,850	-	-	1,451,580
	-	1,451,850	-	287,374	1,739,224
Commercial paper	-	-	-	100,493	100,493
Bank and cash balances	-	178,016	-	-	178,016
Carrying value	13,928,539	2,144,319	819,921	538,976	17,431,755
Fair value	13,928,539	2,144,319	819,921	538,976	17,431,755
Financial liabilities	Liabilities at amortised cost KShs'000		Liabilities at fair value KShs'000		Total KShs'000
31 December 2013:					
Financial liabilities at amortised cost (Note 31)	505,118		-		505,118
Payable under deposit administration liabilities (Note 26)	-		12,069,111		12,069,111
Carrying value	505,118		12,069,111		12,069,111
Fair value	505,118		12,069,111		12,574,229

33. Financial instruments (continued)

b) Summary per category (continued)

ii) Company

The Company's financial instruments are summarized by categories as follows:

Financial assets	Held-to-maturity financial assets (Note 25) KShs'000	Loans and receivables (Note 20, 24,32) KShs'000	Available-for-sale financial assets (Note 25) KShs'000	Financial assets at fair value through profit and loss (Note 19,33) KShs'000	Total KShs'000
31 December 2012:					
Investment in quoted shares	-	-	-	308,606	308,606
Investment in government securities	11,291,718	-	843,654	-	12,135,372
Loans receivable	-	83,366	-	-	83,366
Other receivables	-	209,989	-	-	209,989
Deposits with financial institutions:					
- Maturing after 90 days of the date of acquisition	-	-	-	1,823,255	1,823,255
- Maturing within 90 days of the date of acquisition	-	330,918	-	-	330,918
	-	330,918	-	1,823,255	2,154,173
Bank and cash balances	-	256,752	-	-	256,752
Carrying value	11,291,718	881,025	843,654	2,131,861	15,148,258
Fair value	11,291,718	881,025	846,654	2,131,861	15,148,258
Financial liabilities	Liabilities at amortised cost KShs'000		Liabilities at fair value KShs'000		Total KShs'000
31 December 2012:					
Financial liabilities at amortised cost (Note 31)	344,930		-		344,930
Payable under deposit administration liabilities (Note 26)	-		10,342,199		10,342,199
Carrying value	344,930		10,342,199		10,687,129
Fair value	344,930		10,342,199		10,687,129

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for the year ended 31 december 2013

33. Financial instruments (continued)

c) Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e., held to maturity and loans and receivables).

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

d) Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in level 2 category are financial assets and liabilities measured using significant inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

33. Financial instruments (continued)

d) Determination of fair value and fair value hierarchy (continued)

Level 3

Financial assets and liabilities measured using significant inputs that are not based on observable market data are categorised as level 3. Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. However, significant portion of the unquoted shares have been valued at cost and variation in inputs would not have significant fair value change.

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

Group	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total fair value KShs'000
As at 31 December 2013				
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	158,799	-	-	158,799
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,942,613	-	-	1,942,613
Commercial paper	-	100,493	-	100,493
Bank and cash balances	-	206,586	-	206,586
	<u>1,942,613</u>	<u>307,079</u>	<u>-</u>	<u>2,249,692</u>
Available-for-sale financial assets				
Investment in government securities	875,990	-	-	875,990
Total financial assets	<u>2,977,402</u>	<u>307,079</u>	<u>-</u>	<u>3,284,481</u>
Financial liabilities:				
Deposit administration contracts	-	12,069,111	-	12,069,111

notes to the financial statements cont'd



for the year ended 31 december 2013

33. Financial instruments (continued)

d) Determination of fair value and fair value hierarchy (continued)

Group As at 31 December 2012	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total fair value KShs'000
Group				
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	308,878	-	-	308,878
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	2,358,323	-	-	2,358,323
Commercial paper	-	-	-	-
Bank and cash balances	-	283,026	-	283,026
	<u>2,358,323</u>	<u>283,026</u>	<u>-</u>	<u>2,641,349</u>
Available-for-sale financial assets				
Investment in government securities	897,360	-	-	897,360
Total financial assets	<u>3,564,561</u>	<u>283,026</u>	<u>-</u>	<u>3,847,587</u>
Financial liabilities:				
Deposit administration contracts	-	10,342,199	-	10,342,199
Company				
As at 31 December 2013				
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	151,109	-	-	151,109
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,739,224	-	-	1,739,224
Commercial paper	-	100,493	-	100,493
Bank and cash balances	-	178,016	-	178,016
	<u>1,739,224</u>	<u>278,509</u>	<u>-</u>	<u>2,017,733</u>
Available-for-sale financial assets				
Investment in government securities	819,921	-	-	819,921
Total financial assets	<u>2,710,254</u>	<u>278,509</u>	<u>-</u>	<u>2,988,763</u>
Financial liabilities:				
Deposit administration contracts	-	12,069,111	-	12,069,111



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33. Financial instruments (continued)

d) Determination of fair value and fair value hierarchy (continued)

Company As at 31 December 2012	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total fair value KShs'000
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	308,606	-	-	308,606
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	2,154,173	-	-	2,154,173
Commercial paper	-	-	-	-
Bank and cash balances	-	256,752	-	256,752
	<u>2,154,173</u>	<u>256,752</u>	<u>-</u>	<u>2,410,925</u>
Available-for-sale financial assets				
Investment in government securities	843,654	-	-	843,654
Total financial assets	<u>3,306,433</u>	<u>256,752</u>	<u>-</u>	<u>3,563,185</u>
Financial liabilities:				
Deposit administration contracts	-	10,342,199	-	10,342,199

34. Segment information

The gross earned premium income of the Group can be analysed between the main classes of business, general insurance and life assurance as follows:

	2013 KShs'000	2012 KShs'000
Gross earned premium		
Short-term insurance business		
Fire	991,397	999,455
Motor	1,042,587	1,142,625
Marine	378,932	411,224
Theft	36,575	313,582
Others	1,417,177	1,374,351
Total short term insurance business	<u>3,866,668</u>	<u>4,241,237</u>
Long term assurance business		
Ordinary life	434,580	405,668
Group life and other superannuation	66,225	57,669
Total long term assurance business	<u>500,805</u>	<u>463,337</u>
Grand total	<u>4,367,473</u>	<u>4,704,574</u>

notes to the financial statements cont'd



for the year ended 31 december 2013

34. Segment information (continued)

Segment results for the year

	Short-term insurance business (Company) KShs'000	Long-term assurance business (Company) KShs'000	Others (Subsidiaries) KShs'000	2013 Total KShs'000
Gross insurance premium revenue	3,145,700	500,805	720,968	4,367,473
Insurance premium ceded to reinsurers	(1,268,994)	(45,172)	(483,005)	(1,797,171)
Investment income and gains	409,092	2,050,638	32,405	2,492,135
Other income and commission earned	290,259	7,530	141,040	438,829
Income net of reinsurance ceded	2,576,057	2,513,801	411,408	5,501,266
Gross benefits and claims from insurance contracts	(6,377,150)	(2,240,210)	(947,987)	(9,565,347)
Insurance benefits and claims recovered from reinsurers	5,336,669	-	804,492	6,141,161
Other expenses	(1,057,557)	(243,591)	(243,949)	(1,545,097)
Expenses	(2,098,038)	(2,483,801)	(387,444)	(4,969,283)
Results of operating activities	478,019	30,000	23,964	531,983
Income tax expense	(23,402)	(9,000)	(5,846)	(38,248)
Profit for the year	454,617	21,000	17,499	493,735
Non-controlling interest	-	-	(4,752)	(4,752)
Segment results for the year	454,617	21,000	12,747	488,983

Segment results for the year

	Short-term insurance business (Company) KShs'000	Long-term assurance business (Company) KShs'000	Others (Subsidiaries) KShs'000	2012 Total KShs'000
Gross insurance premium revenue	3,540,787	463,337	700,450	4,704,574
Insurance premium ceded to reinsurers	(1,370,690)	(24,768)	(477,091)	(1,872,549)
Investment income and gains	413,400	1,818,220	29,443	2,261,063
Other income and commission earned	355,826	9,530	35,492	400,848
Income net of reinsurance ceded	2,939,323	2,266,319	288,294	5,493,936
Gross benefits and claims from insurance contracts	(2,573,224)	(2,013,013)	(148,219)	(4,734,456)
Insurance benefits and claims recovered from reinsurers	867,063	-	-	867,063
Other expenses	(1,139,915)	(203,306)	(118,319)	(1,461,540)
Expenses	(2,846,076)	(2,216,319)	(266,538)	(5,328,933)
Results of operating activities	93,247	50,000	21,756	165,003
Income tax expense	(784)	(15,000)	(7,202)	(22,986)
Profit for the year	92,463	35,000	14,554	142,017
Non-controlling interest	-	-	4,302	4,302
Segment results for the year	92,463	35,000	10,252	137,715

35. Actuarial valuation

In accordance with section 57 of the Insurance Act, 1984 as amended by the Insurance (Amendment) Act, 1994, an actuarial valuation of the life fund was carried out by Saket Singhal actuaries and financial consultants into the financial condition in respect of the long-term insurance business of the company and revealed an actuarial surplus of KShs 2,709 million before declaration of interest and bonuses to policyholders. The value of the life fund at 31 December 2013 was KShs 15,571 million. Transfers were made out of the statutory reserve in the year 2013 amounting to KShs 21 million (2012: KShs 35 million) based on the recommendation of the Actuary.

36. Weighted average effective interest rates

The following table summarises the weighted average effective interest rates at the year end on the principal interest-bearing investments:

	2013	2012
	%	%
Mortgage loans	8.00	8.00
Policy loans	15.00	15.00
Government securities	12.55	12.23
Deposits with financial institutions	14.03	18.24

Deposits with financial institutions regarded as cash and cash equivalents have an average maturity of 3 months (2012: 3 months).

37. Reinsurers' share of insurance liabilities

	2013	2012
	KShs'000	KShs'000
Short term business		
Group		
Reinsurers' share of:		
- unearned premium	526,010	791,371
- notified claims outstanding	7,100,157	3,252,138
- claims incurred but not reported	255,880	64,900
	7,356,037	3,317,038
At end of year	7,882,047	4,108,409
Company		
Reinsurers' share of:		
- unearned premium	331,605	550,212
- notified claims outstanding	6,413,380	3,110,227
- claims incurred but not reported	118,524	38,737
	6,531,904	3,148,964
At end of year	6,863,509	3,699,176

Amounts due from reinsurers in respect of claims already paid by the company on contracts that are reinsured are included in receivables arising out of reinsurance arrangements in the statement of financial position.

Detailed movements in the above reinsurance assets are shown below and in Note 23 and 28.

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
At start of year	4,108,409	3,940,777	3,699,176	3,711,174
Increase /(decrease) during the period (gross)	3,773,638	167,632	3,164,333	(11,998)
At 31 December	7,882,047	4,108,409	6,863,509	3,699,176

Detailed movements in the above reinsurance assets are shown below and in Note 23.

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38. Contingent liabilities

Legal proceedings and regulations

The Group operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. The Group is also subject to insurance solvency regulations in all the territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

Contingent liabilities for custom bonds, at the year-end were KShs 1.775 billion (2012: KShs 1.00 billion).

Material Damage Claim

The company was in discussion with its reinsurers on a matter relating to a claim by one of its clients, relating to material damage as at 31 December 2012. The lead reinsurer on the matter, had contended that the company over ceded on the surplus treaty in respect of material damage portion of the policy. The company subsequently contested this assertion by the reinsurer, and reinsurers paid off their portion of the liability. The company then settled the claim and issued a discharge voucher which was not signed and returned as expected from the claimant alleging dissatisfaction of the quantum of the settlement. The matter is still unresolved.

From management assessment, even if the insured goes to court, any additional liability will be borne by the reinsurers and the company will only suffer to the extent of the retention limit.

39. Commitments

a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised in the financial statements (2012: KShs Nil).

b) Operating lease commitments

The group has entered into commercial property leases in respect of its investment property portfolio. Leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The future minimum lease payments under non-cancellable operating lease are as follows:

	2013 KShs'000	2012 KShs'000
Payable (as a lessee)		
Not later than 1 year	12,006	11,622
Later than 1 year and not later than 5 years	7,708	18,935
At end of year	19,714	30,557
Receivable (as a lessor)		
Not later than 1 year	64,522	61,569
Later than 1 year and not later than 5 years	100,629	141,229
At end of year	165,151	202,798



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40. Related party transactions

There are several companies which are related to the company through common shareholdings or common directorship. General Insurance Corporation, New India Assurance Company Limited and Life Insurance Corporation of India are major shareholders of Kenindia Assurance Company Limited. United Insurance Company Limited, National Insurance Company Limited, Oriental Insurance Company Limited and Kaluworks Kenya Limited are related to Kenindia Assurance Company Limited through common directorship.

Kenindia Asset Management Company Limited and Kenya Pravack Limited are wholly owned subsidiaries of Kenindia Assurance Company Limited. Tanzindia Assurance Company Limited is party owned (65%) by Kenindia Assurance Company Limited.

In the normal course of business, insurance policies are sold to related parties at terms and conditions similar to those offered to major clients.

The following transactions were carried out with related parties:

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	2013 KShs'000
i) Transactions with related parties			
Gross earned premium			
General Insurance Corporation	-	121,704	121,704
Other related parties	-	248,499	248,499
Net claims incurred			
General Insurance Corporation	-	80,144	80,144
Other related parties	-	60,898	60,898
Transactions with related parties			
Gross earned premium			
General Insurance Corporation	-	430,665	430,665
New India Assurance	-	-	-
Other related parties	-	288,401	288,401
Net claims incurred			
General Insurance Corporation	-	280,910	280,910
New India Assurance	-	-	-
Other related parties	-	346,080	346,080
ii) Outstanding balances with related parties			
Premiums receivable from related parties			
General Insurance Corporation	-	121,877	121,877
Life Insurance Corporation of India	(3,050)	-	(3,050)
New India Assurance Company Limited	-	(682,270)	(682,270)
United Insurance Company Limited	-	619	619
National Insurance Company Limited	-	708	708
Oriental Insurance Company Limited	-	335	335
Tanzindia Assurance Company Limited	-	852	852
East Africa Re Limited	(3,396)	81,174	77,778

notes to the financial statements cont'd



for the year ended 31 december 2013

40. Related party transactions (continued)

ii) Outstanding balances with related parties (continued)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	2012 KShs'000
Premiums receivable from related parties			
General Insurance Corporation	-	697,399	697,399
Life Insurance Corporation of India	(3,049)	(410)	(3,459)
New India Assurance Company Limited	-	(166,849)	(166,849)
United Insurance Company Limited	-	619	619
National Insurance Company Limited	-	708	708
Oriental Insurance Company Limited	-	335	335
Tanzindia Assurance Company Limited	-	821	821
Kaluworks Kenya Limited	-	126,485	126,485

There were no provisions made or amounts written off on related party balances during the year (2012: KShs Nil).

iii) Bank deposits (Group and company)

	2013 KShs'000	2012 KShs'000
Credit Bank Limited	-	-

iv) Directors' emoluments (Group)

Directors' fees (Note 6)	2,025	3,876
Other expenses	13,450	5,723
As executives	32,353	16,963

47,828 **26,562**

Directors' emoluments (Company)

Directors' fees (Note 6)	2,025	1,858
Other expenses	10,706	5,945
As executives	21,590	16,963

34,321 **24,766**

v) Key management personnel (Group)

Salaries and benefits	112,261	109,124
Social security benefit costs	2,584	19
Retirement benefit costs	6,006	7,899

120,851 **117,042**

iv) Key management personnel (Company)

Salaries and benefits	85,280	74,666
Social security benefit costs	26	23
Retirement benefit costs	6,006	5,129

91,312 **79,818**

Key management personnel relate to top and middle level management (general managers and managers).



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41. Insurance risk

The company's activities expose it to insurance risk. 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, managing insurance risk through appropriate pricing, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers.

This section summarises the way the company manages key insurance risks:

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the reporting date.

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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.

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for the year ended 31 december 2013

41. Insurance risk (continued)

a) Life assurance contracts

Life assurance contracts offered by the Group include whole life and term assurance. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

The main risks that the Group is exposed to are as follows:

Mortality risk - risk of loss arising due to policyholder death experience being different than expected.

Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.

Longevity risk - risk of loss arising due to the annuitant living longer than expected.

Investment return risk - risk of loss arising from actual returns being different than expected.

Expense risk - risk of loss arising from expense experience being different than expected.

Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the type of risk insured or by industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claimshandling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The Group reinsures its annuity contracts on a quota share basis to mitigate its risk.

The following table shows the concentration of life insurance contract liabilities by type of contract;

Life assurance contract liabilities

	2013 KShs'000	2012 KShs'000
Whole life	46,072	43,415
Term assurances	274	133
Endowments	3,596,260	3,174,365
Annuities	9,619	9,972
	3,652,225	3,227,885

Key assumptions and sensitivities

Refer to note 27 for key assumptions and sensitivities.



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41. Insurance risk (continued)

(b) Non-life insurance contracts (which comprise of general insurance and healthcare)

The Group principally issues the following types of general insurance contracts: motor, household, commercial and business interruption. Healthcare contracts provide medical expense coverage to policyholders and are not guaranteed renewable. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

notes to the financial statements cont'd



for the year ended 31 december 2013

41. Insurance risk (continued)

b) *Non-life insurance contracts (which comprise of general insurance and healthcare) (continued)*

Sensitivities (continued)

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The assumptions are as follows:

	Gross Insurance liabilities KShs'000	Re-insurance assets/ reinsurers' share of insurance liabilities KShs'000	Net insurance liabilities (Gross insurance liabilities less reinsurance assets) KShs'000		
31 December 2013					
Adjustments to claims incurred in prior accident years due to changes in assumption					
Average claim cost(inclusive of average claim amount and average cost to process the claim settlement)	199	(118)	81		
Average number of claims	25	(25)	25		
Average claims settlement period (days)	60	60	60		
31 December 2012					
Adjustments to claims incurred in prior accident years due to changes in assumption					
Average claim cost(inclusive of average claim amount and average cost to process the claim settlement)	160	(55)	105		
Average number of claims	15	(15)	15		
Average claims settlement period (days)	60	60	60		
31 December 2013					
	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit before tax KShs'000	Impact on equity KShs'000
Average claim cost	+10%	872,713	137,110	50,198	47,274
Average number of claims	-10%	(872,713)	(137,110)	(50,198)	(47,274)
Average claim settlement period	Reduce from 60 days to 50 days	(1,454,522)	(228,516)	(83,664)	(78,789)

41. Insurance risk (continued)

b) *Non-life insurance contracts (which comprise of general insurance and healthcare) (continued)*

Sensitivities (continued)

Insurance liabilities (Group)

31 December 2012

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit before tax KShs'000	Impact on equity KShs'000
Average claim cost	+10%	486,837	155,133	(19,344)	(18,546)
Average number of claims	-10%	(486,837)	(155,133)	19,344	18,546
Average claim settlement period	Reduce from 60 days to 50 days	(811,395)	(258,555)	32,241	30,910

Reinsurance assets (Group)

31 December 2013

Average claim cost	+10%	(735,604)	(137,110)	50,198	246,565
Average number of claims	-10%	735,604	137,110	(50,198)	(246,565)
Average claim settlement period	Reduce from 60 days to 50 days	1,226,006	(228,516)	83,664	(410,942)

31 December 2012

Average claim cost	+10%	-	(331,704)	19,344	18,546
Average number of claims	-10%	-	331,704	(19,344)	(18,546)
Average claim settlement period	Reduce from 60 days to 50 days	-	(552,840)	32,241	30,910

Insurance liabilities (Company)

31 December 2013

Average claim cost	+10%	779,151	125,961	(47,802)	(236,452)
Average number of claims	-10%	(779,151)	(125,961)	47,802	236,452
Average claim settlement period	Reduce from 60 days to 50 days	(1,298,586)	(209,935)	79,670	394,088

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41. Insurance risk (continued)

b) Non-life insurance contracts (which comprise of general insurance and healthcare) (continued)

Sensitivities (continued)

Insurance liabilities (Company)

31 December 2012

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit before tax KShs'000	Impact on equity KShs'000
Average claim cost	+10%	461,245	146,349	(17,169)	(17,090)
Average number of claims	-10%	(461,245)	(146,349)	17,169	17,090
Average claim settlement period	Reduce from 60 days to 50 days	(768,742)	(243,915)	28,615	28,484

Reinsurance assets (Company)

31 December 2013

Average claim cost	+10%	(653,190)	(125,961)	(47,802)	(236,453)
Average number of claims	-10%	653,190	125,961	47,802	236,453
Average claim settlement period	Reduce from 60 days to 50 days	1,088,651	(209,935)	(79,670)	(394,088)

31 December 2012

Average claim cost	+10%	-	(314,896)	(17,169)	(17,090)
Average number of claims	-10%	-	314,896	17,169	17,090
Average claim settlement period	Reduce from 60 days to 50 days	-	(524,827)	(28,615)	(28,484)



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notes to the financial statements cont'd

for the year ended 31 december 2013

41. Insurance risk (continued)

b) *Non-life insurance contracts (which comprise of general insurance and healthcare) (continued)*

Claims development table

Refer to note 23 for details on claims development table.

Concentrations

The following table shows the concentration of non-life insurance contract liabilities by type of contract:

Non-life insurance contract liabilities

	Group		Company	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Engineering	1,061,601	1,670,174	1,041,583	1,652,145
Fire Domestic	4,607	10,467	4,607	10,467
Fire Industrial	5,927,438	1,390,119	5,198,476	1,319,026
Public Liability	68,585	64,997	68,585	64,997
Marine	284,071	311,921	269,535	293,932
Motor Private	128,645	163,394	128,645	163,394
Motor Commercial	401,917	391,349	323,372	324,663
Personal Accident	92,152	98,509	92,152	98,509
Theft	176,597	175,652	176,597	175,652
Workmen Compensation	477,056	460,757	477,056	460,757
Medical	8,902	48,305	8,902	48,305
Miscellaneous	95,561	82,724	2,005	606
At 31 December	8,727,132	4,868,368	7,791,515	4,612,453

42. Financial risk management objectives and policies

Financial risk

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign currency exchange risks, interest rate risks, market price risks and the effect of changes in property values risk.

The Group is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, price risk, currency risk, liquidity risk and credit risk.

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

This section summarises the way the Group manages key risks:

Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

notes to the financial statements cont'd



for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(a) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The group has a large portion of its investments in interest (fixed) earning deposits and government securities and variable interest investments such as bank balances. Interest rate risk arises primarily from the group's investments in fixed and variable income securities, which are exposed to fluctuations in interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable interest rate instruments.

The sensitivity analysis on interest rate risk over insurance participating and assets backing life shareholders is shown in Note 27.

Appraisal of investment portfolio is done on a regular basis and the investment spread reviewed depending on the existing interest rates. The group has also placed significant balances in fixed deposits. However, the Group has no loans and borrowings and therefore is not exposed to interest rate risk as far as loans and borrowings are concerned.

The impact of Group's liabilities to interest rates is shown in Note 27 (under 'sensitivity analysis on actuarial assumptions). Short term non-life insurance liabilities are not impacted by interest rate risk since discounting of future cash flows of claims is not carried out. Non-life claims are stated on actual basis.

The quantitative exposure to interest rate risk as required by IFRS 7 is shown below:

Changes in interest rates (for assets with fixed and variable interest rates) will have the following impact in the statement of profit or loss.

Group	% change in base	2013 KShs'000	% change in base	2012 KShs'000
Financial assets				
Variable interest rates				
Bank balances	+(-)10.00%	+(-)20,659	+(-)10.00%	+(-)28,303
Fixed interest rates				
Government securities (Held to maturity)	+(-)10.00%	+(-)1,392,854	+(-)10.00%	+(-)1,129,172
Deposits with financial institutions	+(-)10.00%	+(-)194,261	+(-)10.00%	+(-)235,832
Mortgage loans	+(-)10.00%	+(-)481	+(-)10.00%	+(-)876
Policy loans	+(-)10.00%	+(-)7,279	+(-)10.00%	+(-)7,198

42. Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(a) Interest rate risk (continued)

Company	% change in base	2013 KShs'000	% change in base	2012 KShs'000
Financial assets				
Variable interest rates				
Bank balances	+(-)10.00%	+(-)17,802	+(-)10.00%	+(-)25,675
Fixed interest rates				
Government securities (Held to maturity)	+(-)10.00%	+(-)1,392,854	+(-)10.00%	+(-)1,129,172
Deposits with financial institutions	+(-)10.00%	+(-)173,922	+(-)10.00%	+(-)215,417
Mortgage loans	+(-)10.00%	+(-)481	+(-)10.00%	+(-)876
Policy loans	+(-)10.00%	+(-)7,279	+(-)10.00%	+(-)7,198

Changes in interest rates (for assets with fixed interest rates) will have the following impact in the statement of profit or loss.

Group	% change in base	2013 KShs'000	% change in base	2012 KShs'000
Government securities (Available-for-sale)	+(-)10.00%	+(-)87,599	+(-)10.00%	+(-)89,736

Company	% change in base	2013 KShs'000	% change in base	2012 KShs'000
Government securities (Available-for-sale)	+(-)10.00%	+(-)81,992	+(-)10.00%	+(-)84,365

The group has no significant concentration of interest rate risk other than what is currently disclosed. The method used for deriving sensitivity information and significant variables did not change from the previous period.

(b) Currency rate risk

Currency rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company predominantly transacts in the local currency (Kenya shillings). The risk associated with transactions in other currency (US Dollar) is considered nominal. Except for an amount of USD 2,059/01 (KShs 177,712.54) equivalent, held as bank balances, all other balances are originally denominated in the local currency. If the US Dollar was to appreciate against the Kenya Shilling by 5%, with all other factors remaining constant, the post-tax profit would be higher by KShs 8,886. About 83% of the group's business is generated in Kenya, 17% from the subsidiary (Tanzindia Assurance Company Limited) whose transactions are originally denominated in Tanzania Shillings (TShs). The foreign currency translation of the subsidiary was KShs 12,343,000 (2012: KShs 14,703,000). The group has no significant concentration of currency risk.

notes to the financial statements cont'd



for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(c) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than arising from interest rate risk or currency risk), whether those changes are carried by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The capital is invested in equities and interest-bearing instruments (government securities) that are valued at fair value and are therefore susceptible to market fluctuations. Management assesses the trend in the market prices and the interest rates and ensures a smoothening effect by balancing the portfolios, without contravening investment mandates, in order to ensure investment income growth as well as stability in equities. The Group has no significant concentration of price risk.

At 31 December 2013, if the prices at the Nairobi Stock Exchange had appreciated by 5% with all other variables held constant, the profit for the year would have increased by KShs 7,555,497 (2012: KShs 6,876,441) for long-term business and KShs 3,323,724 (2012: KShs 8,553,873) for short-term business respectively. The method used for deriving sensitivity information and significant variables did not change from the previous period.

Changes in prices of Government Securities (Available-for-sale investments) for the Group and Company will have the following impact in statement of profit or loss and equity.

	% change in base	KShs'000
Group-Short term business		
31 December 2013		
Government securities (Available-for-sale)	+(-)5%	+(-)47,601
31 December 2012		
Government securities (Available-for-sale)	+(-)5%	+(-)41,803
Company-Short term business		
31 December 2013		
Government securities (Available-for-sale)	+(-)5%	+(-)46,897
31 December 2012		
Government securities (Available-for-sale)	+(-)5%	+(-)41,251

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the group's exposure to credit risk.

- The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the management. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the group.

42. Financial risk management objectives and policies (continued)

Credit risk (continued)

- Credit risk in respect to re-insurance is managed by placing the group's reinsurance only with companies that have high international or similar ratings.

The amount that best represents the Group's maximum exposure to credit risk at 31 December is made up as follows:

Group	Note	2013 KShs'000	2012 KShs'000
Financial instruments			
Held-to-maturity financial assets	25	13,928,539	11,291,718
Loans receivable	20	79,145	83,366
Investment in the Kenya Motor Insurance Pool	24	78,489	77,147
Available-for-sale financial assets (Government securities)	25	875,990	897,360
Financial assets at fair value through profit and loss	19	158,799	308,878
Deposits with financial institutions	33	1,942,613	2,358,323
Commercial paper	33	100,493	-
Receivables arising out of reinsurance arrangements	21	1,484,252	533,942
Reinsurers' share of insurance liabilities	37	7,882,047	4,108,409
Receivables arising out of direct insurance arrangements	22	586,819	607,678
Bank and cash balances	32	206,586	283,026
Other receivables	24	426,701	212,718
Total credit risk exposure		27,750,473	20,762,565

The amount that best represents the Company's maximum exposure to credit risk at 31 December is made up as follows:

Company	Note	2013 KShs'000	2012 KShs'000
Financial instruments			
Held-to-maturity financial assets	25	13,928,539	11,291,718
Loans receivable	20	79,145	83,366
Investment in the Kenya Motor Insurance Pool	24	78,489	77,147
Available-for-sale financial assets (Government securities)	25	819,921	843,654
Financial assets at fair value through profit and loss	19	151,109	308,606
Deposits with financial institutions	33	1,739,224	2,154,173
Commercial paper	33	100,493	-
Receivables arising out of reinsurance arrangements	21	1,284,728	415,207
Reinsurers' share of insurance liabilities	37	6,863,509	3,699,176
Receivables arising out of direct insurance arrangements	22	397,451	426,106
Bank and cash balances	32	178,016	256,752
Other receivables	24	423,952	209,989
Total credit risk exposure		26,044,576	19,765,894

Information regarding the credit quality of 'not past due' and 'not impaired' monetary assets is disclosed in Note 22 and Note 42.

notes to the financial statements cont'd



for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Age analysis of Group's financial assets neither past due nor impaired and past due but not impaired:-

31 December 2013

	< 30 days KShs'000	Not past due and not impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	1,962	1,962	1,308	826	75,049	77,183	79,145
Reinsurance assets	495,662	495,662	12,228	7,709	968,653	988,590	1,484,252
Insurance receivables	111,616	111,616	53,006	58,574	363,623	475,203	586,819
Total	609,240	609,240	66,542	66,109	1,407,325	1,570,976	2,150,216

31 December 2012

	< 30 days KShs'000	Not past due and not impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	1,962	1,962	1,308	826	79,270	81,404	83,366
Reinsurance assets	495,662	495,662	12,228	7,709	18,343	38,280	533,942
Insurance receivables	307,269	307,269	120,782	55,136	124,491	300,409	607,678
Total	804,893	804,993	134,318	63,671	222,104	420,093	1,226,986



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notes to the financial statements cont'd

for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Impaired financial assets (continued)

Age analysis of Company's financial assets neither past due nor impaired and past due but not impaired:-

31 December 2013

	< 30 days	Neither past due and not impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	1,962	1,962	1,308	826	75,049	77,183	79,145
Reinsurance assets	375,754	375,754	12,603	7,945	888,426	908,974	1,284,728
Insurance receivables	111,616	111,616	53,006	58,574	174,255	285,835	397,451
Total	489,332	489,332	66,917	67,345	1,137,730	1,271,992	1,761,324

31 December 2012

	< 30 days	Neither past due and not impaired KShs'000	31 to 60 days KShs'000	61 to 90 days KShs'000	Over 90 days KShs'000	Total past due but not impaired KShs'000	Total KShs'000
Loans receivable	1,962	1,962	1,308	826	79,270	81,404	83,366
Reinsurance assets	375,754	375,754	12,603	7,945	18,905	39,453	415,207
Insurance receivables	65,367	65,367	155,913	40,656	164,170	360,739	426,106
Total	443,083	443,083	169,824	49,427	262,345	481,596	924,679

Impaired financial assets

At 31 December 2013, the Group and Company had impaired insurance assets of KShs 52,358,000 and KShs 51,779,000 respectively (2012: Group and Company KShs 40,688,000). For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days.

Collateral is held for loans receivables. For reinsurance assets and insurance receivables, no collateral is held as security for any past due or impaired assets.

The Group and Company records impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as shown in note 22.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty, in meeting obligations associated with its financial liabilities. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out flows and expected reinsurance recoveries. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

notes to the financial statements cont'd



for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk: A Group liquidity risk policy which sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed and for changes in the risk environment. Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Group is exposed to daily calls on its available cash for claims settlement and other administration expenses. The Group does maintain cash resources to meet all these needs and experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of stability.

- The Group holds a large portion of its assets in short term deposits and investments that are easily convertible to cash.
- The cash flow position of the Group is reviewed on a weekly basis.

Maturity profiles

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. Liabilities and payables represent non-discounted cash flows.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been included in the analysis although they are not contractual obligations, since insurance items are included in IFRS 7 disclosures as if the insurance items were financial instruments. Repayments which are subject to notice are treated as if notice were to be given immediately. The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable (if any).

Group 31 December 2013

	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity/ KShs'000	Total KShs'000
Insurance liabilities	8,760,675	-	-	-	-	-	8,760,675
Payable under deposit administration contracts	-	-	-	-	-	12,069,111	12,069,111
Actuarial value of policyholders' liabilities	243,483	730,445	1,217,408	1,460,890	-	-	3,652,225
Provision for unearned premium	1,389,927	-	-	-	-	-	1,389,927
Tax liability	12,005	-	-	-	-	-	12,005
Reinsurance payables	1,719,791	-	-	-	-	-	1,719,791
Insurance payables	178,108	-	-	-	-	-	178,108
Other payables	515,700	-	-	-	-	-	515,700
Total liabilities	12,819,688	730,445	1,217,408	1,460,890	-	12,069,111	28,297,542



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notes to the financial statements cont'd

for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group
31 December 2012

	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Insurance liabilities	4,940,396	-	-	-	-	-	4,940,396
Payable under deposit administration contracts	-	-	-	-	-	10,342,199	10,342,199
Actuarial value of policyholders' liabilities	138,707	419,417	700,098	1,969,663	-	-	3,227,885
Provision for unearned premium	1,765,892	-	-	-	-	-	1,765,892
Tax liability	6,615	-	-	-	-	-	6,615
Reinsurance payables	491,898	-	-	-	-	-	491,898
Insurance payables	83,832	-	-	-	-	-	83,832
Other payables	359,825	-	-	-	-	-	359,825
Total liabilities	7,787,165	419,417	700,098	1,969,663	-	10,342,199	21,218,542

Company
31 December 2013

	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Insurance liabilities	7,825,058	-	-	-	-	-	7,825,058
Payable under deposit administration contracts	-	-	-	-	-	12,069,111	12,069,111
Actuarial value of policyholders' liabilities	243,482	730,445	1,217,408	1,460,890	-	-	3,652,225
Reinsurance payables	1,407,885	-	-	-	-	-	1,407,885
Insurance payables	178,108	-	-	-	-	-	178,108
Provision for unearned premium	1,034,726	-	-	-	-	-	1,034,726
Tax liability	12,005	-	-	-	-	-	12,005
Other payables	505,118	-	-	-	-	-	505,118
Total liabilities	11,206,382	730,445	1,217,408	1,460,890	-	12,069,111	26,684,236

notes to the financial statements cont'd



for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company

31 December 2012

	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Insurance liabilities	4,684,481	-	-	-	-	-	4,684,481
Payable under deposit administration contracts	-	-	-	-	-	10,342,199	10,342,199
Actuarial value of policyholders' liabilities	138,707	419,417	700,098	1,969,663	-	-	3,227,885
Reinsurance payables	230,174	-	-	-	-	-	230,174
Insurance payables	83,832	-	-	-	-	-	83,832
Provision for unearned premium	1,404,845	-	-	-	-	-	1,404,845
Other payables	344,930	-	-	-	-	-	344,930
Total liabilities	6,886,969	419,417	700,098	1,969,663	-	10,342,199	20,318,346

Group

31 December 2013

	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Held to maturity financial assets	942,260	1,036,154	1,225,054	8,415,616	2,309,455	-	13,928,539
Loans receivable	16,828	27,634	18,422	16,261	-	-	79,145
Available-for-sale financial assets	111,838	34,260	140,503	323,426	265,963	176,465	1,052,455
Financial assets at fair value through profit and loss	-	-	-	-	-	158,799	158,799
Cash and cash equivalents and short term investments	2,149,199	-	-	-	-	-	2,149,199
Commercial paper	100,493	-	-	-	-	-	100,493
Reinsurance assets	9,366,299	-	-	-	-	-	9,366,299
Insurance receivables	586,819	-	-	-	-	-	586,819
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	78,489	78,489
Tax recoverable	33,868	-	-	-	-	-	33,868
Other receivables	426,701	-	-	-	-	-	426,701
Total assets	13,734,305	1,098,048	1,383,979	8,755,303	2,575,418	413,753	27,960,806

42. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group 31 December 2012	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Held to maturity financial assets	716,702	1,077,624	1,762,882	5,349,766	2,384,744	-	11,291,718
Loans receivable	68,999	11,457	2,910	-	-	-	83,366
Available-for-sale financial assets	-	-	98,958	417,701	380,701	146,310	1,043,670
Financial assets at fair value through profit and loss	-	-	-	-	-	308,878	308,878
Cash and cash equivalents and short term investments	2,641,349	-	-	-	-	-	2,641,349
Reinsurance assets	4,642,351	-	-	-	-	-	4,642,351
Insurance receivables	607,678	-	-	-	-	-	607,678
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	77,147	77,147
Tax receivable	62,405	-	-	-	-	-	62,405
Other receivables	212,718	-	-	-	-	-	212,718
Total assets	8,952,202	1,089,081	1,864,750	5,767,467	2,765,445	532,335	20,971,280

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for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company 31 December 2013	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Held to maturity financial assets	942,260	1,036,154	1,225,054	8,415,616	2,309,455	-	13,928,539
Loans receivable	16,828	27,634	18,422	16,261	-	-	79,145
Available-for-sale financial assets	55,769	34,260	140,503	323,426	265,963	119,824	939,745
Financial assets at fair value through profit and loss	-	-	-	-	-	151,109	151,109
Cash and cash equivalents and short term investment	1,917,240	-	-	-	-	-	1,917,240
Commercial paper	100,493	-	-	-	-	-	100,493
Reinsurance assets	8,148,237	-	-	-	-	-	8,148,237
Insurance receivables	397,451	-	-	-	-	-	397,451
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	78,489	78,489
Tax recoverable	23,574	-	-	-	-	-	23,574
Other receivables	423,952	-	-	-	-	-	423,952
Total assets	12,025,804	1,098,048	1,383,979	8,755,303	2,575,418	349,422	26,187,974



KENINDIA

notes to the financial statements cont'd

for the year ended 31 december 2013

42. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2012

	Up to a year KShs'000	1-3 years KShs'000	3-5 years KShs'000	5-15 years KShs'000	Over 15 years KShs'000	On demand/ No maturity KShs'000	Total KShs'000
Held to maturity financial assets	716,702	1,077,624	1,762,882	5,349,766	2,384,744	-	11,291,718
Loans receivable	68,999	11,457	2,910	-	-	-	83,366
Available-for-sale financial assets	-	-	45,252	417,701	380,701	119,824	963,478
Financial assets at fair value through profit and loss	-	-	-	-	-	308,606	308,606
Cash and cash equivalents and short term investments	2,410,925	-	-	-	-	-	2,410,925
Reinsurance assets	4,114,383	-	-	-	-	-	4,114,383
Insurance receivables	426,106	-	-	-	-	-	426,106
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	77,147	77,147
Tax receivable	55,913	-	-	-	-	-	55,913
Other receivables	209,989	-	-	-	-	-	209,989
Total assets	8,003,017	1,089,081	1,811,044	5,767,467	2,765,445	505,577	19,941,631

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Group mitigates this risk through its culture and values, a comprehensive system of internal controls and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

Compliance risk**Laws and regulations:**

The Group considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group's management facilitates the compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with Investment mandates:

Management reviews compliance with Investment mandates on a monthly basis. When a possible breach is detected, management ensure that immediate remedial action is taken.

Property risk

The capital portfolio has limited exposure to investment properties and accordingly the related property risk. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

notes to the financial statements cont'd



for the year ended 31 december 2013

43. Prior year adjustment

The prior year adjustment relates to reclassifications of 40% of investment property with regard to the Kenindia house to property and equipment to comply with ISA 40 provisions as the owner occupied portion was deemed significant.

The financial statements for the financial years ended 31 December 2012 have been restated to comply with the IAS provisions. For purposes of comparative movements, 2011 position has also been shown in the note. The effect of the restatement on those financial statements is summarised below.

Group

(i) Year ended 31 December 2012

	As previously reported At 31 December 2012 KShs'000	Adjustment KShs'000	As restated At 31 December 2012 KShs'000
Assets			
Property and equipment:			
Buildings	-	392,000	392,000
Investment property	2,053,971	(392,000)	1,661,971
Net movement	-	-	-
Liabilities			
Deferred tax liability	-	21,120	21,120
Net movement	-	(21,120)	-
Capital and reserves			
Retained earnings	944,016	(138,740)	805,276
Revaluation reserve	-	117,620	117,620
Net movement	-	21,120	-

Company

(ii) Year ended 31 December 2012

	As previously reported At 31 December 2012 KShs'000	Adjustment KShs'000	As restated At 31 December 2012 KShs'000
Assets			
Property and equipment:			
Buildings	-	392,000	392,000
Investment property	2,046,411	(392,000)	1,654,411
Net movement	-	-	-
Liabilities			
Deferred tax liability	-	21,120	21,120
Net movement	-	(21,120)	-
Capital and reserves			
Retained earnings	891,662	(138,740)	752,922
Revaluation reserve	-	117,620	117,620
Net movement	-	21,120	-



notes to the financial statements cont'd

for the year ended 31 december 2013

43. Prior year adjustment (continued)

Group

(iii) Year ended 31 December 2011

	As previously reported At 31 December 2011 KShs'000	Adjustment KShs'000	As restated At 31 December 2011 KShs'000
Assets			
Property and equipment:			
Buildings	-	321,600	321,600
Investment property	1,702,560	(321,600)	1,380,960
Net movement	-	-	-
Capital and reserves			
Retained earnings	755,926	(60,300)	695,626
Revaluation reserve	-	60,300	60,300
Net movement	-	-	-

Company

(iv) Year ended 31 December 2011

	As previously reported At 31 December 2011 KShs'000	Adjustment KShs'000	As restated At 31 December 2011 KShs'000
Assets			
Property and equipment:			
Buildings	-	321,600	321,600
Investment property	1,695,000	(321,600)	1,373,400
Net movement	-	-	-
Capital and reserves			
Retained earnings	713,824	(60,300)	653,524
Revaluation reserve	-	60,300	60,300
Net movement	-	-	-

Results for the year

Short-term insurance business

	Group 2012 KShs'000	Company 2012 KShs'000
Profit for the year as previously reported	220,457	205,903
Prior period adjustments	(78,440)	(78,440)
Profit for the year as restated	142,017	127,463

notes to the financial statements cont'd



for the year ended 31 december 2013

44. Capital management

Externally imposed capital requirements are set and regulated by the Insurance Regulatory Authority (IRA). These requirements are put in place to ensure solvency margins are maintained in the insurance industry. Further objectives are set by the group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Further, the company currently has a paid up capital of KShs 161,388,000 million in the long term business which exceeds the minimum (KShs 150 million) requirement as per the Insurance Act. In the short term business, the company's paid up capital should not be less than 10% of the total gross premium written in the short term business during the year. The paid up capital is KShs 400,000,000 while 10% of gross premium written is KShs 277,558,108 (2012: KShs 337,654,180).

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

Company solvency margins

Short-term insurance business

	2013 KShs'000	2012 KShs'000
Admitted assets	12,189,024	7,380,428
Net premium for 2013/2012	2,066,491	2,305,399
15% of net premium Admitted liabilities	309,974 10,772,386	345,810 6,465,396
Solvency margin	1,106,664	569,222

Long term assurance business

Admitted assets	16,359,807	14,270,196
5% of admitted assets Admitted liabilities	817,990 13,232,505	713,510 11,877,158
Solvency margin	2,309,312	1,679,528

45. Incorporation and registered office

The company is incorporated in Kenya under the Companies Act. The address of the registered office is given on page 2.

46. Currency

These financial statements are presented in Kenya Shillings (KShs) and are rounded to the nearest KShs 1,000.



company short-term business revenue account

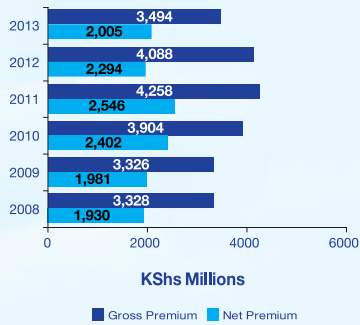
for the year ended 31 december 2013

	Engin- eering KShs'000	Fire Domestic KShs'000	Fire Industrial KShs'000	Public Liability KShs'000	Marine KShs'000	Motor Private KShs'000	Motor Commercial KShs'000	Personal Accident KShs'000	Medical KShs'000	Theft KShs'000	Workmen Compensation KShs'000	Miscell- aneous KShs'000	Total 2013 KShs'000	Total 2012 KShs'000
Gross Premium written	134,495	35,135	635,695	28,232	283,398	309,368	435,732	80,205	71,631	302,172	440,604	18,914	2,775,581	3,376,542
Reinsurance Premium	(130,523)	(8,784)	(539,056)	(17,074)	(61,869)	(13,395)	(9,881)	(55,970)	(23,323)	(164,511)	(13,362)	(12,638)	(1,050,386)	(1,310,051)
Net Premium written	3,972	26,351	96,639	11,158	221,529	295,973	425,851	24,235	48,308	137,661	427,242	6,276	1,725,195	2,066,491
Unearned Premium at the beginning of the year	3,566	10,401	24,322	3,821	138,022	162,235	203,450	16,070	37,327	43,466	207,848	4,105	854,633	958,240
Unearned Premium at the end of the year	(1,666)	(10,676)	(52,871)	(3,851)	(92,595)	(128,176)	(154,852)	(8,621)	(17,243)	(52,027)	(178,185)	(2,358)	(703,121)	(854,634)
Net Earned Premium	5,872	26,076	68,090	11,128	266,956	330,032	474,449	31,684	68,392	129,100	456,905	8,023	1,876,707	2,170,097
Claims Paid	18,726	10,834	65,830	(47,483)	118,419	239,308	306,520	18,386	122,249	88,473	303,257	(159)	1,244,360	1,707,367
Claims o/s 31-12-2013	40,636	7,833	62,673	26,656	125,619	118,259	315,262	6,287	6,552	73,084	475,564	1,186	1,259,611	1,463,490
Claims o/s 01-01-2013	(49,083)	(8,980)	(50,557)	(25,054)	(224,178)	(161,923)	(332,528)	(8,176)	(31,671)	(95,689)	(475,062)	(589)	(1,463,490)	(1,464,696)
Incurred Claims	10,279	9,687	77,946	(45,881)	19,860	195,644	289,254	16,497	97,130	65,868	303,759	438	1,040,481	1,706,161
Commissions	(9,522)	4,154	(16,965)	235	35,995	29,836	41,595	(2,714)	3,261	(2,234)	82,998	(1,849)	164,790	208,037
Expenses of Management	22,634	5,913	106,981	4,751	47,693	52,064	73,329	13,498	12,055	50,852	74,149	3,183	467,102	473,795
Premium Tax	1,152	301	5,446	242	2,428	2,650	3,733	687	614	2,589	3,774	162	23,778	28,038
Policy Compensation Fund	331	86	1,565	69	698	762	1,073	197	176	744	1,085	47	6,833	8,238
Total Outgo	14,595	10,454	97,027	5,297	86,814	85,312	119,730	11,668	16,106	51,951	162,006	1,543	662,503	718,108
Underwriting Surplus/(Deficit) transferred to P&L A/c	(19,003)	5,934	(106,883)	51,711	160,282	49,076	65,466	3,519	(44,843)	11,281	(8,860)	6,043	173,723	(254,172)

group financial indicators



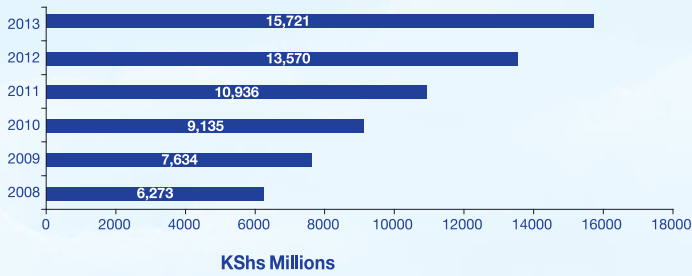
Premium - General Department



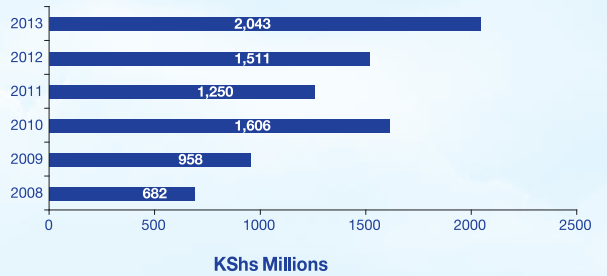
Total Assets



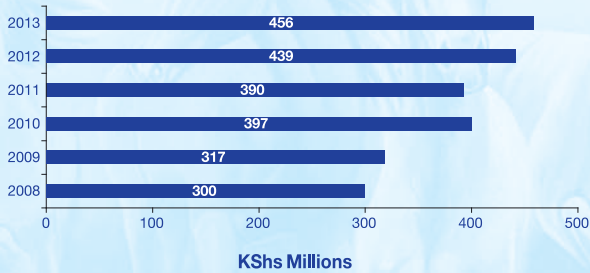
Life Fund



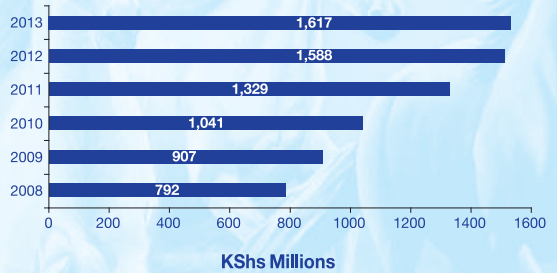
Shareholders' Fund



Net Life Premium



Pension Contributions



company financial summary for 10 years

YEAR	2013	2012 (Restated)	2011 (Restated)	2010	2009	2008	2007	2006	2005	2004
Figures in KShs. Millions										
(i) NON-LIFE										
Gross premium written	2,776	3,37	73,566	3,342	2,834	2,832	3,029	2,904	2,778	2,542
% Growth	(17.80)	(5.30)	6.70	17.93	0.07	(6.50)	4.30	4.54	9.28	5.52
Net Premium written	1,725	2,066	2,305	2,215	1,803	1,775	1,917	1,883	1,749	1,583
% Growth	(16.51)	(10.37)	4.06	22.85	1.58	(7.41)	1.81	7.67	10.49	22.71
Unearned Premium Reserve	(152)	(103)	29	204	1	(76)	16	56	66	142
Net Earned Premium	1,877	2,170	2,276	2,011	1,802	1,851	1,901	1,827	1,683	1,442
Net Incurred Claims	1,040	1,706	1,925	1,292	1,122	1,312	2,003	1,442	1,162	1,076
Net Inc.Claim ratio to net prem.	60.29	82.58	83.51	58.33	62.23	73.92	104.49	76.58	66.44	67.97
Commission	165	208	186	134	92	40	51	21	49	(50)
Management/other Expenses	467	474	487	453	410	393	413	350	389	341
Premium tax/others	31	36	38	39	41	48	51	49	47	36
Underwriting surplus/(deficit)	174	(254)	(361)	93	136	58	(598)	(13)	61	57
(ii) LIFE BUSINESS										
Gross premium written (Including Pension Fund)	2,118	2,051	1,800	1,487	1,256	1,132	972	855	713	672
% Growth	3.27	13.94	21.05	18.39	10.95	16.46	13.68	19.92	6.10	27.51
Net Premium written	2,073	2,026	1,719	1,438	1,224	1,091	929	799	651	600
% Growth	2.32	17.86	19.54	17.48	12.19	17.44	16.27	22.73	8.50	24.74
Total Benefits	1,706	1,008	806	937	490	406	577	323	291	224
Commission	91	83	77	71	55	79	53	39	28	37
Management/Other Expenses	148	115	133	107	91	79	77	67	86	64
Premium tax/other	4	5	4	4	4	6	5	3	2	2
Increase in fund	2,151	2,634	1,801	1,501	1,361	889	791	770	628	471
Life Fund	15,721	13,570	10,936	9,135	7,634	6,273	5,384	4,593	3,823	3,195
(iii) LIFE AND NON-LIFE										
Investment Income	2,459.73	2,231.62	1,311.16	1,626.36	1,008.98	578.2	799	585	498	322
% Yield	12.82	13.50	9.40	12.39	11.29	8.12	10.69	9.07	8.84	6.54
Profit/(Loss)before tax	508.02	143.25	(213.20)	489.13	325.50	245.52	(597)	56	151	111
Profit/(Loss) after tax	475.62	127.46	(188.91)	429.64	325.50	245.35	(636)	22	93	71
Share capital	561	561	561	473.40	362.01	362.01	310.3	310.3	310.3	310.3
Total Assets	29,048.76	22,137.40	19,405.56	14,898.55	12,699.48	10,582.80	9,445	8,699	7,294	6,415
Shareholders' Fund	1,989.49	1,473.27	1,223.65	1,585.22	963.28	688.13	510.89	1,423.00	1,399.00	1,137.00
Dividend declared (%)	10%	5%	5%	10%	0%	5%	-	10%	10%	10%
Earnings Per Share	KShs 84.72	KShs 22.70	KShs -	KShs 76.53	KShs 68.75	KShs 67.8	KShs -	KShs 7.00	KShs 29.86	KShs 22.88



your notes





your notes



proxy form



Kenindia Assurance Company Limited

I/We _____

of _____

being a Member(s) of KENINDIA ASSURANCE COMPANY LIMITED, hereby appoint _____

of _____

or failing him _____

of _____

or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company, Kenindia House, 12th Floor, Loita Street, Nairobi on Thursday, 10th July 2014 and at any adjournment thereof.

Please indicate how you wish to cast your vote.

	FOR	AGAINST
1 To receive the financial statements		
2 To declare a dividend		
3 To approve Directors' fees		
4 To re-elect Hon Simeon Nyachae		
5 To re-elect Dr M P Chandaria		
6 To appoint auditors		
7 To alter Articles of Association		

Dated this _____ day of _____ 2014.

Signature _____

Notes:

- 1 A proxy need not be a member of the Company.
- 2 Unless otherwise instructed the proxy will vote or abstain as he thinks fit in respect of the member's total shareholding.
- 3 In case of a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorized in that behalf.
- 4 Proxies must be lodged at the Registered Office, Kenindia House, Loita Street, P O Box 44372, GPO, 00100, Nairobi, not less than 24 hours before the time for holding the meeting or adjourned meeting.

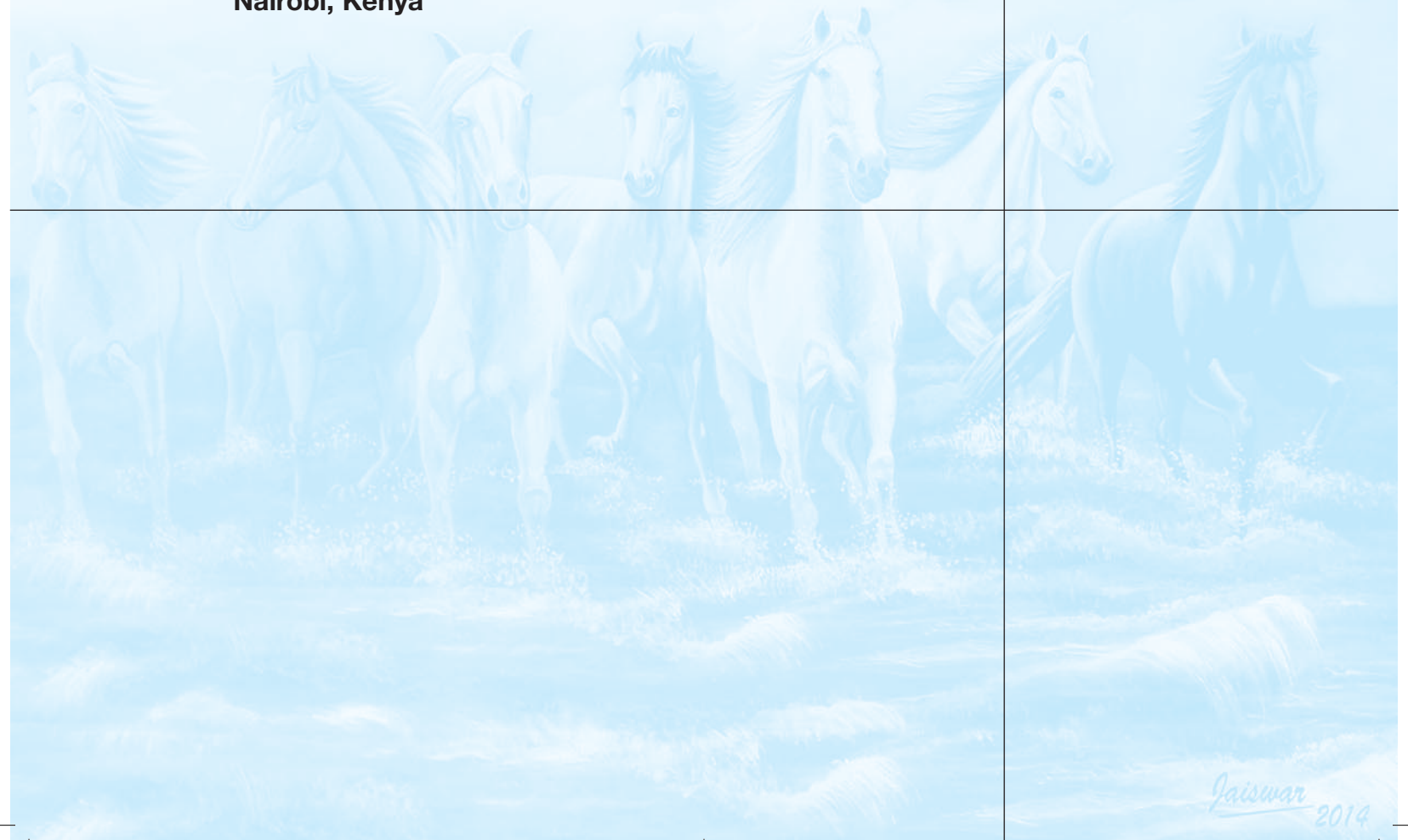


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STAMP

Kenindia Assurance Company Limited
Registered Office
Kenindia House, Loita Street
PO Box 44372, 00100 - GPO
Nairobi, Kenya

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2014

