contents

KENINDIA

KENINDIA

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	Kenya Pravack Limited Kenindia Asset Management Company Limited Tanzindia Assurance Company Limited	
Board of Directors	Mr M N Mehta	(Chairman)
	Dr M P Chandaria, OBE, EBS	(Vice-Chairman)
	Mr V Bharatan	Managing Director
	Hon Simeon Nyachae, EGH	
	Mr S K Roy	(Alternate Mr S B Mainak)
	Mr A K Roy	(Alternate Mr Y R Sunkara)
	Mr M A Kharat	(Alternate Mrs Asha Nair Appointed 23.04.2014)
	Mr A N Ngugi, OGW	
	Dr B M Sabana	
	Ms S M R M'mbijjewe	
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	Managing Director/Principal Officer
	Mr J K Macharia	Chief Operating Officer (Appointed 13.10.2014)
	Mr M K Rao	Financial Controller (Resigned 30.09.2014)
	Mr R Sudhakar	General Manager (Life)
	Mr I Singh	General Manager(Non-Life)/Acting Financial Controller

board of directors

KENINDIA

M N Mehta
Chairman

Dr M P Chandaria
Vice-Chairman

Hon. Simeon Nyachae
Director

S K Roy
Director

A K Roy
Director

A N Ngugi
Director

Dr Beatrice M Sabana
Director

Sheila M'mbijjewe
Director

Milind A Kharat
Director

V Bharatan
Managing Director

KENINDIA

notice of the annual general meeting

Notice is hereby given that the Thirty–Sixth Annual General Meeting of the Company will be held on Thursday, 11th June 2015 at the Registered Office of the Company, Kenindia House, 12th Floor, Loita Street, Nairobi at 12 noon to transact the following 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 2014.
3. To receive the Directors' report and audited financial statements for the year ended 31st December 2014.
4. To approve Directors' fees.
5. To re-elect Directors: Mr M N Mehta and Ms S M R M'mbijjewe retire by rotation and being eligible offer themselves for re-election.
6. To appoint Deloitte & Touche as auditors of the Company, in terms of the Insurance Act (Cap 487). Deloitte & Touche have expressed willingness to continue in office in accordance with section 159 (2) of the Companies Act (Cap 486).

By Order of the Board

N P Kothari
Secretary

11th May 2015

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

KENINDIA

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, 2014.

M. N. Mehta
Chairman

OVERVIEW OF THE ECONOMY

The Kenyan economy expanded 5.5% year-on-year in the third quarter of 2014 from a revised 5.7% increase in the previous period (the revision in 2013 was attributable to rebasing). The expansion in 2014 was mainly driven by finance and insurance activities, wholesale and retail trade, agriculture and forestry while the tourism sector shrank. The country has struggled to attain its true growth potential of above 6% percent in recent years, due to a host of challenges including political uncertainties, periodic droughts and frequent attacks blamed on terrorists.

The annual average inflation rose from 5.7% in December 2013 to 6.9% in December 2014, remaining below the upper band of the government's target range of 7.5%. This is largely due to the Central Bank's monetary policy measures in place together with its effective liquidity management operations which continue to moderate any pressures that might give rise to adverse inflation expectations. Overall domestic inflation is expected to stabilize in the short term on account of lower fuel and energy inflation.

The Central Bank maintained the Central Bank rate at 8.5% throughout the year in order to continue anchoring inflationary expectations. This acted to lower the interest rates with the indicative 91 day Treasury Bills rate, which is a benchmark for the general trend of interest rates, from 9.52% in 2013 to 8.58% as at end of 2014.

The Kenya Shilling displayed mixed performance against major international and East African Community (EAC) currencies during the month of December 2014. It strengthened against the Pound Sterling, the Euro and the Japanese Yen and weakened against the US Dollar largely on account of the strengthening of the US Dollar on the back of sustained optimism on US growth performance and high dollar demand on the domestic market during the festive season.

Thus, the exchange rate of the Kenya Shilling against the US Dollar ranged from KShs 86.2361 in January 2014 to KShs 90.5978 in December 2014. In the East Africa Community region, the Kenya Shilling strengthened against the Ugandan Shilling and weakened against the Tanzania Shilling, the Rwanda Franc and the Burundi Franc.

The equity market at the Nairobi Securities Exchange recorded gains as reflected in NSE 20 Share Index closing at 5,113 points from 4,926 points in 2013. Despite the underperformance of the blue chip stocks, which delivered returns of 3.79%, the stocks of mid sized firms recorded significant growth in prices and shareholders' wealth as evidenced in market capitalization, recording a growth of 19.2%. The recent reintroduction of Capital Gains Tax is expected to have an impact on stock market participation in the coming year.

COMPANY PERFORMANCE

(i) GENERAL INSURANCE BUSINESS:

The General Insurance business registered a gross premium of KShs 2.646 billion compared to KShs 2.776 billion in 2013, registering a decline in growth of 4.68%. The Company reported a net loss after tax of KShs 252.69 million (2013: Profit of KShs 454.62 million) under non-life segment. This loss is arrived at after recognition of an additional one off provision of KShs 501 million in respect of Incurred But Not Reported (IBNR) Claims Reserve as a result of adopting the technical guidelines issued recently by Insurance Regulatory Authority (IRA), on valuation of technical liabilities.

(ii) LIFE ASSURANCE BUSINESS:

The long-term business recorded gross premium income, including pension fund deposits, of KShs 2.533 billion, against KShs 2.118 billion in 2013, registering a growth of 19.59%. Premium income for Ordinary Life was KShs 698.54 million compared to KShs 434.58 million for the year 2013, registering a growth of 60.74%. The Group Life Business registered a decline of 39.65% recording business of KShs 39.97 million compared to KShs 66.23 million for the year 2013. Contributions under Deposit Administration and Retirement Fund increased from KShs 1.617 billion to KShs 1.794 billion registering a growth of 10.95%.

The funds in the long term business (Life Fund) and Deposit Administration stood at KShs 18.15 billion as at 31st December, 2014 compared to KShs 15.72 billion in the previous year representing a growth of 15.46%.

ACTUARIAL VALUATION

The Company's Actuarial Valuation for Life Business was carried out at the end of the year. The actuarial surplus inclusive of Deposit Administration and Retirement Fund (net of actuarial reserves set aside brought forward) before any allocation for the year 2014 was KShs 2.062 billion. The Company declared an interest rate of 15.25% (2013: 15%) on Retirement Benefit funds, a simple Reversionary Bonus of 5.5% (2013: 6%) on with-profit ordinary life policies, 3.5% (2013: 3.5%) terminal bonus on policies matured, bonus of 13% (2013 : 13%) on Capital Advantage policies for the year 2014 and 14% interest on Bima Account Plan (2013: 14%). The Actuary recommended a transfer of KShs 60 million out of the actuarial surplus, for the benefit of shareholders.

INVESTMENT INCOME

The net investment income of the Company has decreased by 0.77% from KShs 2.460 billion in 2013 to KShs 2.441 billion. The net investment income of Life Business was KShs 2.184 billion compared to KShs 2.051 billion in 2013, an increase of 6.48%. The net investment income of Non-Life business was KShs 257.01 million compared to KShs 409.09 million in 2013.

chairman's statement cont'd

KENINDIA

GROUP PERFORMANCE

The Group recorded gross premium income of KShs 3.48 billion, in General Business compared to KShs 3.49 billion in the previous year, a decline of 0.29%. The Long-term business recorded gross premium income, including pension fund deposits, of KShs 2.533 billion against KShs 2.118 billion in 2013, a growth of 19.59%. The Group recorded a net loss attributable to equity holders of parent company of KShs 125.89 million compared to a net profit attributable to shareholders of parent company of KShs 416.236 million (restated) for the year 2013, in respect of Life and Non-Life Business. As indicated under 'Company Performance' above, this loss is arrived at after recognition of an additional one off provision of KShs 501 million in respect of Incurred But Not Reported (IBNR) Claims Reserve as a result of adopting the technical guidelines issued recently by Insurance Regulatory Authority (IRA), on valuation of technical liabilities.

The total gross premium accounted by Tanzindia Assurance Company Limited, Tanzania, a subsidiary of the Company was KShs 834.61 million compared to KShs 718.92 million for the year 2013, being a growth of 16.1% and its net profit was KShs 18.34 million compared to a net profit of KShs 13.58 million in 2013, a growth of 35.1%.

The total assets for the Group stood at KShs 31.94 billion compared to KShs 30.77 billion in 2013. The shareholders' funds decreased from KShs 1.94 billion (restated) in 2013 to KShs 1.82 billion at the end of 2014.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st December 2014.

BOARD

I take this opportunity to welcome Mrs A Nair, Director and General Manager, United India Insurance Company Limited, who joined the Board as Alternate Director to Mr M A Kharat. Her experience and contribution will be very valuable to the Company.

FUTURE OUTLOOK

The Kenya economy is expected to grow by 6% in 2015, as lower oil prices spur consumption and the government proceeds from rail and energy projects. The plunge in crude oil prices may encourage consumer spending, providing a boost to manufacturers. The rise in real income is expected to trigger significant increases in private consumption, the engine of Kenya's economy. Higher aggregate demand is also likely to incentivize private investment.

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

Your Company is taking all the required steps in implementing the 2015-2017 strategic plan, re-engineering business processes, reorienting its policies to strengthen the Company and improve both the top and bottom lines.

APPRECIATION

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.

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

corporate governance

Corporate governance is the set of processes and organizational structures through which the Board and senior executives manage the Company at the highest level.
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 is responsible to shareholders for promoting the long term success of the Company, and in particular, for setting the Company's strategy, monitoring management's performance against the strategy, setting the Company's risk appetite, ensuring the Company is adequately resourced and ensuring that effective controls are in place in the business. The Board also sets the values and the culture of the Company and has a duty to protect the interests of the policyholders.

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's operations, strategies, investments, asset liability management, policyholders' protection, nomination and remuneration matters amongst others. Its main functions include sanction of insurance claims and capital expenditure 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'mbijjewe 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 and 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) Review of 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.

(iv) Risk Management Committee

The Committee is chaired by Mr S K Roy, a non-executive Director and includes one other non-executive director, two independent non-executive directors 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 Registered Trustees	432,484	7.70
Sansora Investments Limited	414,254	7.38
Mehta Group Limited	346,400	6.17
Lex Holdings Limited	257,230	4.58
Others (numbering 30)	1,022,259	18.20
Total	**5,613,880**	**100.00**

CORPORATE SOCIAL RESPONSIBILITY

The Company continues to undertake 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. Under its corporate social responsibility (CSR) programmes, the Company conducts community support activities every year. The main activities undertaken by the company under Corporate Social Responsibility during the year were the following:

(a) Missionaries of Charity Brothers, Kibera, Nairobi: donations to the home that caters for mentally handicapped, physically challenged and elderly men.
(b) Thika School for the Blind: donations to the school which specializes in educating blind children.
(c) Community Based Healthcare Program: a programme run by the Catholic Church in Machakos, supporting HIV orphans and vulnerable children by providing food.
(d) Little Sisters of the Poor-Nyumba ya Wazee: food donations for the home which takes care of the elderly.
(e) Kenya Brahma Sabha Donation to Navaratri 2014: supporting the Hindu Festival that carries out projects in rural areas to improve standards of living for citizens by donating food, clothing, education amongst others.
(f) Assumbi Girls Boarding Primary: donation towards the reconstruction of burnt dormitories at the school.
(g) Seventh Day Adventist: supporting the Cornerstone Church Land Project.
(h) Celebral Palsy Society of Kenya/Insurance Regulatory Authority (IRA) Annual Charity Walk 2014: supporting the awareness about Celebral Palsy.
(i) Ayushi Chandaria Project: supporting paraplegic swimmers.
(j) Matulani Secondary School: donation towards construction of the Girls' Hostel.
(k) Karura Memorial Challenge: sponsorship towards the Karura Memorial Challenge.
(l) The Company offers attachment to university students to enable them gain practical knowledge in Insurance.

M.N. MEHTA
CHAIRMAN

21st April, 2015

KENINDIA

report of the directors

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of the Group comprising the Company and its subsidiaries: Kenya Pravack Limited, Kenindia Asset Management Limited and Tanzindia Assurance Company Limited.

Principal Activities

The Company underwrites all classes of life and non-life insurance risks as defined by the Insurance Act (Cap 487). It also provides its customers with asset management solutions for their savings and retirement needs.

Results

	KShs'000
Group loss before tax	(276,213)
Taxation credit	156,741
Group loss after tax	(119,472)
Non-controlling interest	(6,420)
Net loss for the year transferred to reserves	**(125,892)**

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: KShs 10 per share).

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 all our staff for all their good work in the year.

Auditors

The Auditors, Deloitte &Touche 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

24th March 2015

statement of directors' responsibilities

KENINDIA

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	**Dr. B. M. Sabana**	**V. Bharatan**
Director	Director	Managing Director/Principal Officer

24th March 2015

KENINDIA

Standing: (From left to right)

Inderjeet Singh - General Manager (Non-Life) / Acting Financial Controller

V. Bharatan - Managing Director / Principal Officer

James Macharia - Chief Operating Officer

R. Sudhakar - General Manager (Life Business)

Deloitte.

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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 20 to 142, which comprise the consolidated and the company statements of financial position as at 31 December 2014, 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 2014 and of the group's and company's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Deloitte.

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

24th March 2015

report of the consulting actuary

KENINDIA

I have conducted an actuarial valuation of the life assurance business and an insurance liability valuation of the short term business of Kenindia Assurance Company Limited as at 31 December 2014.

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 insurance liabilities, 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;

(i) 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 2014.

(ii) the calculation of the short term insurance liabilities as at 31 December 2014 is appropriate and that the insurance liabilities as per the valuation are sufficiently prudent and appropriate, given the nature of the business and existing liabilities.

Name of Actuary: MR. SAKET SINGHAL

Saket Singhal

24th March 2015

KENINDIA

financial highlights

for the year ended 31 december 2014

	2014 KShs'million	2013 KShs'million (Restated)	% VARIATION OVER PREVIOUS YEAR
GROUP			
GROSS PREMIUM WRITTEN	**3,480.56**	**3,494.50**	**(0.40)**
GROSS EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	3,479.87	3,866.67	(10.00)
(II) LONG-TERM BUSINESS	738.51	500.81	47.46
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,794.29	1,617.39	10.94
TOTAL	**6,012.67**	**5,984.87**	**0.46**
NET EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	1,923.17	2,114.67	(9.06)
(II) LONG-TERM BUSINESS	714.56	455.63	56.83
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,794.29	1,617.39	10.94
TOTAL	**4,432.02**	**4,187.69**	**5.83**
INVESTMENT INCOME			
(I) SHORT-TERM BUSINESS	287.85	441.50	(34.80)
(II) LONG-TERM BUSINESS	2,183.65	2,050.64	6.49
TOTAL	**2,471.50**	**2,492.14**	**-0.83**
(LOSS)/PROFIT BEFORE TAX	(276.21)	531.98	(151.92)
(LOSS)/PROFIT AFTER TAX	(119.47)	493.74	(124.20)
MINORITY INTEREST	6.42	4.75	35.16
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(125.89)	488.98	(125.75)
SHARE CAPITAL	561.39	561.39	-
SHAREHOLDERS' FUND	1,822.93	1,944.56	(6.25)
POLICYHOLDERS' LIABILITIES	4,182.88	3,652.23	14.53
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	13,963.56	12,069.11	15.70
TOTAL ASSETS	31,936.07	30,767.66	3.80
COMPANY			
GROSS PREMIUM WRITTEN	**2,645.95**	**2,775.58**	**(4.67)**
GROSS EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	2,703.50	3,145.70	(14.06)
(II) LONG-TERM BUSINESS	738.51	500.81	47.46
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,794.29	1,617.39	10.94
TOTAL	**5,236.30**	**5,263.90**	**(0.52)**
NET EARNED PREMIUM			
(I) SHORT-TERM BUSINESS	1,627.73	1,876.71	(13.27)
(II) LONG-TERM BUSINESS	714.56	455.63	56.83
(III) DEPOSIT ADMINISTRATION CONTRACTS	1,794.29	1,617.39	10.94
TOTAL	**4,136.58**	**3,949.73**	**4.73**
INVESTMENT INCOME			
(I) SHORT-TERM BUSINESS	257.01	409.09	(37.18)
(II) LONG-TERM BUSINESS	2,183.65	2,050.64	6.49
TOTAL	**2,440.66**	**2,459.73**	**(0.78)**
(LOSS)/PROFIT BEFORE TAX	(300.63)	508.02	(159.18)
(LOSS)/PROFIT AFTER TAX	(137.04)	475.62	(128.81)
SHARE CAPITAL	561.39	561.39	-
SHAREHOLDERS' FUND	1,760.75	1,891.19	(6.90)
POLICYHOLDERS' LIABILITIES	4,182.88	3,652.23	14.53
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	13,963.56	12,069.11	15.70
TOTAL ASSETS	30,281.96	29,048.76	4.25
PROPOSED DIVIDEND	-	56.14	(100.00)

financial statements 2014

KENINDIA

consolidated statement of profit or loss

for the year ended 31 december 2014

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000 (Restated)
Premium income							
Gross earned premium income	2a	738,512	3,479,865	4,218,377	500,805	3,866,668	4,367,473
Premium ceded to reinsurers	2b	(23,957)	(1,556,695)	(1,580,652)	(45,172)	(1,751,999)	(1,797,171)
Net earned premium income		**714,555**	**1,923,170**	**2,637,725**	**455,633**	**2,114,669**	**2,570,302**
Other income							
Investment income	3	2,183,649	287,850	2,471,499	2,050,638	441,497	2,492,135
Commissions income	4a	-	436,967	436,967	-	428,904	428,904
Other income	4c	3,839	22,924	26,763	7,530	2,395	9,925
Net other income		**2,187,488**	**747,741**	**2,935,229**	**2,058,168**	**872,796**	**2,930,964**
Benefits and claims expense							
Claims and policy holder benefits expense	5a	(1,364,784)	(2,550,926)	(3,915,710)	(852,431)	(7,325,137)	(8,177,568)
Surrender and annuity incurred	5a	(1,126,544)	-	(1,126,544)	(1,387,779)	-	(1,387,779)
Claims ceded to reinsurers	5a	-	916,584	916,584	-	6,141,161	6,141,161
Net benefits and claims expense		**(2,491,328)**	**(1,634,342)**	**(4,125,670)**	**(2,240,210)**	**(1,183,976)**	**(3,424,186)**
Expenses							
Operating expenses	5b	(211,434)	(679,214)	(890,648)	(139,008)	(573,803)	(712,811)
Other expenses	6a	(12,097)	(54,055)	(66,152)	(8,781)	(43,342)	(52,123)
Allowance for credit losses	22	-	(50,282)	(50,282)	-	(52,358)	(52,358)
Write off of rental debtors		(4,722)	(594)	(5,316)	-	(5,575)	(5,575)
Commissions expense	4b	(116,653)	(558,220)	(674,873)	(91,385)	(590,349)	(681,734)
Premium levy		(5,018)	(23,898)	(28,916)	(3,764)	(29,246)	(33,010)
Contribution to policy holders compensation fund		(791)	(6,519)	(7,310)	(653)	(6,833)	(7,486)
Total expenses		**(350,715)**	**(1,372,782)**	**(1,723,497)**	**(243,591)**	**(1,301,506)**	**(1,545,097)**
Profit/(loss) before taxation	8	**60,000**	**(336,213)**	**(276,213)**	**30,000**	**501,983**	**531,983**
Income tax credit/(expense)	7c	55,656	101,085	156,741	(81,747)	(29,248)	(110,995)
Profit/(loss) for the year		**115,656**	**(235,128)**	**(119,472)**	**(51,747)**	**472,735**	**420,988**
Basic (loss)/earnings per share (KShs)	8	**-**	**-**	**(22.43)**	**-**	**-**	**74.14**
Diluted (loss)/earnings per share (KShs)	8	**-**	**-**	**(22.43)**	**-**	**-**	**74.14**
Attributable to:							
Equity holders of parent		115,656	(241,548)	(125,892)	(51,747)	467,983	416,236
Non-controlling interest		-	6,420	6,420	-	4,752	4,752
		115,656	**(235,128)**	**(119,472)**	**(51,747)**	**472,735**	**420,988**

consolidated statement of other comprehensive income

KENINDIA

for the year ended 31 december 2014

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000 (Restated)
Profit/(loss) for the year		**115,656**	**(235,128)**	**(119,472)**	**(51,747)**	**472,735**	**420,988**
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods:							
Net (gain)/loss on available-for-sale investments:							
- Government securities	25	-	31,870	31,870	-	(24,205)	(24,205)
Exchange differences on translation of foreign operations	9	-	(2,911)	(2,911)	-	2,360	2,360
		-	28,959	28,959	-	(21,845)	(21,845)
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	25,404	25,404	-	118,000	118,000
Deferred tax on revaluation		-	(7,621)	(7,621)	-	(35,400)	(35,400)
Depreciation released on revaluation	9	-	13,661	13,661	-	9,800	9,800
		-	31,444	31,444	-	92,400	92,400
Other comprehensive income for the year net of tax		**-**	**60,403**	**60,403**	**-**	**70,555**	**70,555**
Total comprehensive income		**115,656**	**(174,725)**	**(59,069)**	**(51,747)**	**543,290**	**491,543**
Attributable to:							
Equity holders of the parent		115,656	(181,145)	(65,489)	(51,747)	538,538	486,791
Non-controlling interest		-	6,420	6,420	-	4,752	4,752
		115,656	**(174,725)**	**(59,069)**	**(51,747)**	**543,290**	**491,543**

KENINDIA

company statement of profit or loss

for the year ended 31 december 2014

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000 (Restated)
Premium income							
Gross earned premium income	2a	738,512	2,703,496	3,442,008	500,805	3,145,700	3,646,505
Premiums ceded to reinsurers	2b	(23,957)	(1,075,764)	(1,099,721)	(45,172)	(1,268,994)	(1,314,166)
Net earned premium income		**714,555**	**1,627,732**	**2,342,287**	**455,633**	**1,876,706**	**2,332,339**
Other income							
Investment income	3	2,183,649	257,011	2,440,660	2,050,638	409,092	2,459,730
Commissions income	4a	-	301,368	301,368	-	301,353	301,353
Other income	4c	3,839	7,636	11,475	7,530	(11,094)	(3,564)
Net other income		**2,187,488**	**566,015**	**2,753,503**	**2,058,168**	**699,351**	**2,757,519**
Benefits and claims expense							
Claims and policy holders benefits expense	5a	(1,364,784)	(1,974,235)	(3,339,019)	(852,431)	(6,377,150)	(7,229,581)
Surrender and annuity incurred	5a	(1,126,544)	-	(1,126,544)	(1,387,779)	-	1,387,779)
Claims ceded to reinsurers	5a	-	522,731	522,731	-	5,336,669	5,336,669
Net benefits and claims expense		**(2,491,328)**	**(1,451,504)**	**(3,942,832)**	**(2,240,210)**	**(1,040,481)**	**(3,280,691)**
Expenses							
Operating expenses	5b	(211,434)	(556,278)	(767,712)	(139,008)	(467,102)	(606,110)
Other expenses	6	(12,097)	(45,635)	(57,732)	(8,781)	(36,347)	(45,128)
Allowance for credit losses	22	-	(48,841)	(48,841)	-	(51,779)	(51,779)
Write off of rental debtors		(4,722)	(594)	(5,316)	-	(5,575)	(5,575)
Commissions expense	4b	(116,653)	(423,095)	(539,748)	(91,385)	(466,143)	(557,528)
Premium levy		(5,018)	(21,915)	(26,933)	(3,764)	(23,778)	(27,542)
Contribution to policy holders compensation fund		(791)	(6,519)	(7,310)	(653)	(6,833)	(7,486)
Total expenses		**(350,715)**	**(1,102,877)**	**(1,453,592)**	**(243,591)**	**(1,057,557)**	**(1,301,148)**
Profit/(loss) before taxation	8	**60,000**	**(360,634)**	**(300,634)**	**30,000**	**478,019**	**508,019**
Income tax credit/(charge)	7d	55,656	107,940	163,596	(81,747)	(23,402)	(105,149)
Profit/(loss) for the year		**115,656**	**(252,694)**	**(137,038)**	**(51,747)**	**454,617**	**402,870**
Basic (loss)/earnings per share (KShs)	8	**-**	**-**	**(24.41)**	**-**	**-**	**71.76**
Diluted (loss)/earnings per share (KShs)	8	**-**	**-**	**(24.41)**	**-**	**-**	**71.76**

company statement of other comprehensive income

KENINDIA

for the year ended 31 december 2014

	Note	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000 (Restated)
Profit/(loss) for the year		**115,656**	**(252,694)**	**(137,038)**	**(51,747)**	**454,617**	**402,870**
Other comprehensive income							
Items that may be reclassified to profit or loss in subsequent periods:							
Net gain/(loss)on available-for-sale investments:							
- Government securities	25	-	31,298	31,298	-	(23,733)	(23,733)
		-	31,298	31,298	-	(23,733)	(23,733)
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	25,404	25,404	-	118,000	118,000
Depreciation released on revaluation		-	13,661	13,661	-	9,800	9,800
Deferred tax on revaluation		-	(7,621)	(7,621)	-	(35,400)	(35,400)
	9	-	31,444	31,444	-	92,400	92,400
Other comprehensive income for the year net of tax		**-**	**62,742**	**62,742**	**-**	**68,667**	**68,667**
Total comprehensive income		**115,656**	**(189,952)**	**(74,296)**	**(51,747)**	**523,284**	**471,537**

KENINDIA

long-term assurance business revenue account

for the year ended 31 december 2014

	Ordinary life business KShs'000	Group life business KShs'000	Retirement benefit fund KShs'000	Total 2014 KShs'000
Gross premium income	698,544	39,968	-	738,512
Premiums ceded to reinsurers	(2,177)	(21,780)	-	(23,957)
Contributions received	-	-	1,794,285	1,794,285
Net premium income	**696,367**	**18,188**	**1,794,285**	**2,508,840**
Investment income	468,492	18,332	1,696,292	2,183,116
Other income	4,372	-	-	4,372
	472,864	**18,332**	**1,696,292**	**2,187,488**
Claims incurred	323,641	4,763	405,569	733,973
Surrenders and annuity incurred	18,152	-	1,108,392	1,126,544
Net claims and policyholder benefits expense	**341,793**	**4,763**	**1,513,961**	**1,860,517**
Operating expenses	149,278	1,599	62,378	213,255
Other expenses	10,499	112	4,387	14,998
Commissions expense	95,546	5,700	15,407	116,653
Premium levy	5,018	-	-	5,018
Contribution to policy holders compensation fund	791	-	-	791
Total expenses	**261,132**	**7,411**	**82,172**	**350,715**
Results of operating activities	**566,306**	**24,346**	**1,894,444**	**2,485,096**
Transfer to statutory reserve	-	(60,000)	-	(60,000)
Increase/(decrease) in funds	**566,306**	**(35,654)**	**1,894,444**	**2,425,096**
Funds at the beginning of the year	3,521,792	130,433	12,069,111	15,721,336
Funds at the end of the year	**4,088,098**	**94,779**	**13,963,555**	**18,146,432**
Long term funds at the end of the year comprise amounts attributable to:				
Policyholders:				
- Actuarial liabilities	3,219,380	10,870	12,089,540	15,319,790
	3,219,380	**10,870**	**12,089,540**	**15,319,790**

long-term assurance business revenue account

KENINDIA

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**

KENINDIA

consolidated statement of financial position

as at 31 december 2014

	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	-	48,278	48,278
Share premium		-	1,198	1,198
Revaluation reserve	9	-	236,119	236,119
Retained earnings	10	19,011	972,190	991,201
Foreign currency translation reserve	9	-	(15,254)	(15,254)
Equity attributable to shareholders of parent		**180,399**	**1,642,531**	**1,822,930**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9	-	54,172	54,172
Total equity		**498,915**	**1,696,703**	**2,195,618**
REPRESENTED BY:				
Assets				
Property and equipment	12	20,932	650,132	671,064
Intangible assets	14	3,864	1,515	5,379
Prepaid operating lease rentals	15	13,828	16,988	30,816
Deferred tax asset	29	-	118,485	118,485
Investment properties	16	1,100,533	1,322,440	2,422,973
Due from Kenya Motor Insurance Pool	24	-	86,857	86,857
Available-for-sale equity investments	18	675	175,451	176,126
Financial assets at fair value through profit and loss	19	177,878	94,223	272,101
Loans receivable	20	85,379	1,169	86,548
Receivables arising out of reinsurance arrangements	21	36,179	1,112,974	1,149,153
Receivables arising out of direct insurance arrangements	22	-	718,074	718,074
Reinsurers' share of insurance liabilities	36	-	6,360,152	6,360,152
Other receivables	24	59,242	380,531	439,773
Taxation recoverable	7	-	59,761	59,761
Government securities:				
Held to maturity	25	16,336,729	-	16,336,729
Available-for-sale	25	-	916,376	916,376
Deposits with financial institutions	33	1,002,051	835,814	1,837,865
Commercial paper	33	103,734	-	103,734
Bank and cash balances	32	31,326	112,776	144,102
Total assets		**18,972,350**	**12,963,718**	**31,936,068**
Liabilities				
Insurance liabilities	23	36,676	7,569,573	7,606,249
Payable under deposit administration contracts	26	13,963,555	-	13,963,555
Actuarial value of policyholders' liabilities	27	4,182,877	-	4,182,877
Provision for unearned premium	28	-	1,381,350	1,381,350
Taxation payable	7	30,005	-	30,005
Deferred tax liability	29	24,648	65,272	89,920
Payables arising from reinsurance arrangements	30	18,100	1,519,627	1,537,727
Payables arising out of direct insurance arrangements	30	-	272,423	272,423
Other payables	31	217,574	458,770	676,344
Total liabilities		**18,473,435**	**11,267,015**	**29,740,450**
Total assets net of liabilities		**498,915**	**1,696,703**	**2,195,618**

The financial statements on pages 20 to 142 were approved and authorised for issue by the Board of Directors on 24th March 2015 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Dr. B. M. Sabana
Director

V. Bharatan
Managing Director/Principal Officer

consolidated statement of financial position

KENINDIA

as at 31 december 2013 (restated)

	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	-	16,408	16,408
Share premium		-	1,198	1,198
Revaluation reserve	9	-	208,260	208,260
Retained earnings	10	(68,576)	1,238,222	1,169,646
Foreign currency translation reserve	9	-	(12,343)	(12,343)
Equity attributable to shareholders of parent		**92,812**	**1,851,745**	**1,944,557**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9	-	47,752	47,752
Total equity		**411,348**	**1,899,497**	**2,310,825**
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	36	-	7,882,047	7,882,047
Other receivables	24	44,633	382,068	426,701
Taxation recoverable	7a	-	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	7a	12,005	-	12,005
Deferred tax liability	29	98,304	60,987	159,291
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		**16,010,154**	**12,446,679**	**28,456,833**
Total assets net of liabilities		**411,328**	**1,899,497**	**2,310,825**

The financial statements on pages 20 to 142 were approved and authorised for issue by the Board of Directors on 24th March 2015 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Dr. B. M. Sabana
Director

V. Bharatan
Managing Director/Principal Officer

KENINDIA

consolidated statement of financial position

as at 1 january 2013 (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	-	40,613	40,613
Share premium		-	1,198	1,198
Revaluation reserve	9	-	117,620	117,620
Retained earnings	10	11,240	768,479	779,719
Foreign currency translation reserve	9	-	(14,703)	(14,703)
Equity attributable to shareholders of parent		**172,628**	**1,313,207**	**1,485,835**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest		-	43,000	43,000
Total equity		**491,144**	**1,356,207**	**1,847,351**
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	36	-	4,108,409	4,108,409
Other receivables	24	15,256	197,462	212,718
Tax 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
Tax payable	7	6,138	477	6,615
Deferred tax liability	29	25,557	21,120	46,677
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		**13,800,812**	**7,464,407**	**21,265,219**
Total assets net of liabilities		**491,144**	**1,356,207**	**1,847,351**

The financial statements on pages 20 to 142 were approved and authorised for issue by the Board of Directors on 24th March 2015 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Dr. B. M. Sabana
Director

V. Bharatan
Managing Director/Principal Officer

company statement of financial position

KENINDIA

as at 31 december 2014

	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		-	1,198	1,198
Available-for-sale reserve	9	-	47,711	47,711
Revaluation reserve	9	-	236,119	236,119
Retained earnings	10	19,011	895,324	914,335
Total ordinary shareholders' equity		**180,399**	**1,580,352**	**1,760,751**
Statutory reserve	11	318,516	-	318,516
Total equity		**498,915**	**1,580,352**	**2,079,267**
REPRESENTED BY:				
Assets				
Property and equipment	13	20,932	640,021	660,953
Intangible assets	14	3,864	1,515	5,379
Prepaid operating lease rentals	15	13,828	16,852	30,680
Deferred tax asset	29	-	117,878	117,878
Investment properties	16	1,100,533	1,314,880	2,415,413
Due from Kenya Motor Insurance Pool	24	-	86,857	86,857
Investment in subsidiaries	17	-	81,905	81,905
Available-for-sale equity investments	18	675	122,779	123,454
Financial assets at fair value through profit and loss	19	177,878	84,528	262,406
Loans receivable	20	85,379	1,169	86,548
Receivables arising out of reinsurance arrangements	21	36,179	876,328	912,507
Receivables arising out of direct insurance arrangements	22	-	495,363	495,363
Reinsurers' share of insurance liabilities	36	-	5,479,531	5,479,531
Other receivables	24	59,242	376,196	435,438
Taxation recoverable	7b	-	58,479	58,479
Government securities:				
Held to maturity investments	25	16,336,729	-	16,336,729
Available-for-sale	25	-	851,492	851,492
Deposits with financial institutions	33	1,002,051	647,975	1,650,026
Commercial paper	33	103,734	-	103,734
Bank and cash balances	32	31,326	55,865	87,191
Total assets		**18,972,350**	**11,309,613**	**30,281,963**
Liabilities				
Insurance liabilities	23	36,676	6,782,791	6,819,467
Payable under deposit administration contracts	26	13,963,555	-	13,963,555
Actuarial value of policyholders' liabilities	27	4,182,877	-	4,182,877
Provision for unearned premium	28	-	977,183	977,183
Payables arising from reinsurance arrangements	30	18,100	1,222,544	1,240,644
Payables arising out of direct insurance arrangements	30	-	272,423	272,423
Other payables	31	217,574	410,179	627,753
Deferred tax liability	29	24,648	64,141	88,789
Taxation payable	7a	30,005	-	30,005
Total liabilities		**18,473,435**	**9,729,261**	**28,202,696**
Total assets net of liabilities		**498,915**	**1,580,352**	**2,079,267**

The financial statements on pages 20 to 142 were approved and authorised for issue by the Board of Directors on 24th March 2015 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Dr. B. M. Sabana
Director

V. Bharatan
Managing Director/Principal Officer

KENINDIA

company statement of financial position

as at 31 december 2013 (restated)

	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		-	1,198	1,198
Available-for-sale reserve	9	-	16,413	16,413
Revaluation reserve	9	-	208,260	208,260
Retained earnings	10	(68,576)	1,172,502	1,103,926
Total ordinary shareholders' equity		**92,812**	**1,798,373**	**1,891,185**
Statutory reserve	11	318,516	-	318,516
Total equity		**411,328**	**1,798,373**	**2,209,701**
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	36	-	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
Deferred tax liability	29	98,304	56,520	154,824
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
Taxation payable	7	12,005	-	12,005
Total liabilities		**16,010,154**	**10,828,906**	**26,839,060**
Total assets net of liabilities		**411,328**	**1,798,373**	**2,209,701**

The financial statements on pages 20 to 142 were approved and authorised for issue by the Board of Directors on 24th March 2015 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Dr. B. M. Sabana
Director

V. Bharatan
Managing Director/Principal Officer

company statement of financial position

KENINDIA

as at 1 january 2013 (restated)

	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		-	1,198	1,198
Available-for-sale reserve	9	-	40,146	40,146
Revaluation reserve		-	117,620	117,620
Retained earnings	10	11,240	716,125	727,365
Proposed dividend	8	-	-	-
Total ordinary shareholders' equity		**172,628**	**1,275,089**	**1,447,717**
Statutory reserve	11	318,516	-	318,516
Total equity		**491,144**	**1,275,089**	**1,766,233**
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	36	-	3,699,176	3,699,176
Other receivables	24	15,256	194,733	209,989
Tax 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
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	25,557	21,120	46,677
Payables arising from reinsurance arrangements	30	3,049	227,125	230,174
Payables arising out of direct insurance arrangements	30	-	83,832	83,832
Taxation payable	7	6,138	-	6,138
Other payables	31	123,956	220,974	344,930
Total liabilities		**13,800,812**	**6,570,349**	**20,371,161**
Total assets net of liabilities		**491,144**	**1,275,089**	**1,766,233**

The financial statements on pages 20 to 142 were approved and authorised for issue by the Board of Directors on 24th March 2015 and signed on its behalf by:

Dr. M.P. Chandaria
Director

Dr. B. M. Sabana
Director

V. Bharatan
Managing Director/Principal Officer

KENINDIA

consolidated statement of changes in equity

for the year ended 31 december 2014

	Share capital (Note 8) KShs'000	Share premium 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 2014-as previously reported	**561,388**	**1,198**	**16,408**	**208,260**	**1,267,950**	**-**	**(12,343)**	**2,042,861**	**318,516**	**47,752**	**2,409,129**
Prior year adjustment (Note 42)	-	-	-	-	(98,304)	-	-	(98,304)	-	-	(98,304)
At 1 January 2014-as restated	**561,388**	**1,198**	**16,408**	**208,260**	**1,169,646**	**-**	**(12,343)**	**1,944,557**	**318,516**	**47,752**	**2,310,825**
Profit/(loss) for the year	-	-	-	-	(241,548)	-	-	(241,548)	115,656	6,420	(119,472)
Other comprehensive income	-	-	31,870	31,444	-	-	(2,911)	60,403	-	-	60,403
Total comprehensive income	**-**	**-**	**31,870**	**31,444**	**(241,548)**	**-**	**(2,911)**	**(181,145)**	**115,656**	**6,420**	**(59,069)**
Excess of depreciation	-	-	-	(3,585)	3,585	-	-	-	-	-	-
Transactions with owners:											
Proposed dividends in 2013	-	-	-	-	(56,138)	56,138	-	-	-	-	-
Proposed dividends in 2013 paid in 2014	-	-	-	-	-	(56,138)	-	(56,138)	-	-	(56,138)
Transfer from statutory reserve	-	-	-	-	115,656	-	-	115,656	(115,656)	-	-
At 31 December 2014	**561,388**	**1,198**	**48,278**	**236,119**	**991,201**	**-**	**(15,254)**	**1,822,930**	**318,516**	**54,172**	**2,195,618**

KENINDIA

consolidated statement of changes in equity

for the year ended 31 december 2013

	Share capital (Note 8) KShs'000	Share premium 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**	**117,620**	**805,276**	**-**	**(14,703)**	**1,511,392**	**318,516**	**43,000**	**1,872,908**
Prior year adjustment (Note 42)	-	-	-	-	(25,557)	-	-	**(25,557)**	-	-	**(25,557)**
At 1 January 2013-as restated	**561,388**	**1,198**	**40,613**	**117,620**	**779,719**	**-**	**(14,703)**	**1,485,835**	**318,516**	**43,000**	**1,847,351**
Profit/(loss) for the year	-	-	-	-	467,983	-	-	**467,983**	(51,747)	4,752	**420,988**
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**	**(51,747)**	**4,752**	**491,543**
Excess depreciation	-	-	-	(1,760)	1,760	-	-	**-**	-	-	**-**
Transactions with owners:											
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	-	-	-	-	(51,747)	-	-	**(51,747)**	51,747	-	**-**
At 31 December 2013	**561,388**	**1,198**	**16,408**	**208,260**	**1,169,646**	**-**	**(12,343)**	**1,944,557**	**318,516**	**47,752**	**2,310,825**

company statement of changes in equity

for the year ended 31 december 2014

	Share capital (Note 8) KShs'000	Share premium 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 2014- as previously reported	**561,388**	**1,198**	**16,413**	**208,260**	**1,202,230**	**-**	**1,989,489**	**318,516**	**2,308,005**
Prior year adjustment (Note 42)	-	-	-	-	(98,304)	-	**(98,304)**	-	**(98,304)**
At 1 January 2014- as restated	**561,388**	**1,198**	**16,413**	**208,260**	**1,103,926**	**-**	**1,891,185**	**318,516**	**2,209,701**
Profit/(loss) for the year	-	-	-	-	(252,694)	-	**(252,694)**	115,656	**(137,038)**
Other comprehensive income	-	-	31,298	31,444	-	-	**62,742**	-	**62,742**
Total comprehensive income	**-**	**-**	**31,298**	**31,444**	**(252,694)**	**-**	**(189,952)**	**115,656**	**(74,296)**
Transfer of excess depreciation	-	-	-	(3,585)	3,585	-	**-**	-	**-**
Transactions with owners:									
Proposed dividend in 2013	-	-	-	-	(56,138)	(56,138)	**-**	-	**-**
Proposed dividend in 2013 paid in 2014	-	-	-	-	-	(56,138)	**(56,138)**	-	**(56,138)**
Transfer from statutory reserve	-	-	-	-	115,656	-	**115,656**	(115,656)	**-**
At 31 December 2014	**561,388**	**1,198**	**47,711**	**236,119**	**914,335**	**-**	**1,760,751**	**318,516**	**2,079,267**

KENINDIA

company statement of changes in equity

for the year ended 31 december 2013

	Share capital (Note 8) KShs'000	Share premium 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 1January 2013- as previously reported	**561,388**	**1,198**	**40,146**	**117,620**	**752,922**	**-**	**1,473,274**	**318,516**	**1,791,790**
Prior year adjustment (Note 42)	-	-	-	-	(25,557)	-	**(25,557)**	-	**(25,557)**
At 1 January 2013- as restated	**561,388**	**1,198**	**40,146**	**117,620**	**727,365**	**-**	**1,447,717**	**318,516**	**1,766,233**
Profit/(loss) for the year	-	-	-	-	454,617	-	**454,617**	(51,747)	**402,870**
Other comprehensive income	-	-	(23,733)	92,400	-	-	**68,667**	-	**68,667**
Total comprehensive income	**-**	**-**	**(23,733)**	**92,400**	**454,617**	**-**	**523,284**	**(51,747)**	**471,537**
Transfer of excess depreciation	-	-	-	(1,760)	1,760	-	**-**	-	**-**
Transactions with owners:									
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	-	-	-	-	(51,747)	-	**51,747**	51,747	**-**
At 31 December 2013	**561,388**	**1,198**	**16,413**	**208,260**	**1,103,926**	**-**	**1,891,185**	**318,516**	**2,209,701**

KENINDIA

consolidated statement of cash flows

for the year ended 31 december 2014

	2014 KShs'000	2013 KShs'000
Cash flows from operating activities		
(Loss)/profit before tax	**(276,213)**	**531,983**
Adjustments for:		
Depreciation on property and equipment	37,478	25,921
Amortisation of intangible assets	2,306	2,784
Amortisation of prepaid lease	838	819
Exchange adjustment on property and equipment	365	-
Fair value gains on investment properties	(218,876)	(515,898)
Interest from government securities (Held to maturity)	(1,876,141)	(1,635,936)
Interest from government securities (Available-for-sale)	(106,213)	(104,541)
Bank deposit interest	(175,256)	(178,354)
Loan interest	(7,412)	(8,433)
Commercial paper interest	(14,290)	(493)
Dividends received from equity investments	(13,044)	(14,172)
Fair value (gains)/loss on quoted investments	(23,522)	6,597
Loss/(gains) on sale of quoted shares	31	(4,472)
(Gains)/loss on sale of property and equipment	(738)	3,451
Operating loss before working capital changes	**(2,670,687)**	**(1,890,744)**
(Decrease)/increase in insurance liabilities	(1,154,426)	3,820,279
Increase in payable under deposit administration contracts	1,894,444	1,726,912
Increase in actuarial value of policyholders' liabilities	530,652	424,340
Decrease in unearned premium reserve	(8,577)	(375,965)
(Decrease)/increase in reinsurance arrangements payables	(182,064)	1,227,893
Increase in direct insurance arrangements payables	94,315	94,276
Increase in other payables	160,644	155,875
Increase in motor pool	(8,368)	(1,342)
Decrease/(increase) in reinsurance arrangements receivables	335,099	(950,310)
(Increase)/decrease in direct insurance arrangements receivables	(131,255)	20,859
Decrease/(increase) in reinsurers' share of insurance liabilities	1,521,895	(3,773,638)
Increase in other receivables	(13,072)	(213,983)
Cash generated from operations	**368,600**	**264,452**
Income tax paid	(33,948)	(9,199)
Net cash flows generated from operating activities	**334,652**	**255,253**

consolidated statement of cash flows cont'd

KENINDIA

for the year ended 31 december 2014

	2014 KShs'000	2013 KShs'000
Cash flows from investing activities		
Purchase of property and equipment	(91,584)	(42,209)
Purchase of intangible assets	(1,187)	(3,994)
Proceeds from disposal of property and equipment	2,366	5,111
Purchase of leasehold (prepaid operating rentals)	(2,802)	-
Additions to investment properties	(21,826)	(4,402)
Net decrease/(increase) in available-for-sale equity investments	339	(30,155)
Sale of financial assets at fair value through profit and loss (Quoted shares)	10,595	147,954
Purchase of financial assets at fair value through profit and loss (Quoted shares)	(100,143)	-
Repayment of mortgage loans	-	3,942
Policy loans advanced	(27,435)	(21,542)
Repayment of policy loans	19,809	20,735
Motor vehicle loans advanced	(1,500)	(1,056)
Repayment of motor vehicle loans	1,723	2,142
Net movement in investment in government securities (Held to maturity)	(2,408,190)	(2,636,821)
Net increase in investment in government securities (Available-for-sale)	(8,516)	(2,835)
Increase in deposits with financial institutions (maturing after 90 days of date of acquisition)	(123,026)	(1,337,803)
Net movement in investment in commercial paper	(3,241)	(100,493)
Interest from government securities (Held to maturity)	1,876,141	1,635,936
Interest from government securities (Available-for-sale)	106,213	104,541
Bank deposit interest	175,256	178,354
Loan interest	7,412	8,433
Commercial paper interest	14,290	493
Dividends received from equity investments	13,044	14,172
Net cash flows (used in)/generated from investing activities	**(562,262)**	**616,109**
Cash flows from financing activities		
Dividends paid	(56,138)	(28,069)
Net cash flows used in financing activities	**(56,138)**	**(28,069)**
(Decrease)/increase in cash and cash equivalents	**(283,748)**	**843,293**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,658,436	812,783
(Decrease)/increase in cash and cash equivalents	(283,748)	843,293
Exchange differences on translation of foreign operations	(6,510)	2,360
Cash and cash equivalents at the end of the year (Note 32)	**1,368,178**	**1,658,436**

KENINDIA

company statement of cash flows

for the year ended 31 december 2014

	2014 KShs'000	2013 KShs'000
Cash flows from operating activities		
(Loss)/profit before tax	**(300,634)**	**508,019**
Adjustments for:		
Depreciation on property and equipment	34,959	23,982
Amortisation of intangible assets	2,306	2,784
Amortisation of prepaid lease	836	817
Fair value gains on investment properties	(218,876)	(515,898)
Interest from government securities (Held to maturity)	(1,876,141)	(1,635,936)
Interest from government securities (Available-for-sale)	(99,481)	(99,208)
Bank deposit interest	(153,569)	(156,506)
Loan interest	(7,300)	(8,378)
Commercial paper interest	(14,290)	(493)
Dividends received from equity investments	(12,749)	(12,133)
Fair value (gains)/loss on quoted investments	(21,780)	9,727
Loss/(gains) on sale of quoted shares	31	(4,472)
(Gains)/loss on sale of property and equipment	(1,081)	2,631
Operating loss before working capital changes	**(2,667,769)**	**(1,885,064)**
Decrease/(increase) in insurance liabilities	(1,005,591)	3,140,577
Increase in payable under deposit administration contracts	1,894,444	1,726,912
Increase in actuarial value of policyholders' liabilities	530,652	424,340
Decrease in unearned premium reserve	(57,543)	(370,119)
(Decrease)/increase in reinsurance arrangements payables	(167,241)	1,177,711
Increase in direct insurance arrangements payables	94,315	94,276
Increase in other payables	122,635	160,188
Increase in motor pool	(8,368)	(1,342)
Decrease/(increase) in reinsurance arrangements receivables	372,221	(869,521)
(Increase)/decrease in direct insurance arrangements receivables	(97,912)	28,655
Decrease/(increase) in reinsurers' share of insurance liabilities	1,383,978	(3,164,333)
Increase in other receivables	(11,486)	(213,963)
Cash generated from operations	**382,335**	**248,317**
Income tax paid	(35,906)	(3,133)
Net cash flows generated from operating activities	**346,429**	**245,184**

company statement of cash flows cont'd

KENINDIA

for the year ended 31 december 2014

	2014 KShs'000	2013 KShs'000
Cash flows from investing activities		
Purchase of property and equipment	(87,262)	(38,020)
Purchase of intangible assets	(1,187)	(3,994)
Proceeds from disposal of property and equipment	2,418	3,813
Purchase of prepaid operating lease rentals	(2,802)	-
Additions to investment properties	(21,826)	(4,402)
Net increase in available-for-sale equity investments	(3,630)	-
Sale of financial assets at fair value through profit and loss (Quoted shares)	10,595	152,242
Net movement in investment in commercial paper	(3,241)	(100,493)
Purchase of financial assets at fair value through profit and loss (Quoted shares)	(100,143)	-
Repayment of mortgage loans	-	3,942
Policy loans advanced	(27,435)	(21,542)
Repayment of policy loans	19,809	20,735
Motor vehicle loans advanced	(1,500)	(1,056)
Repayment of motor vehicle loans	1,723	2,142
Net movement in investment in government securities (Held to maturity)	(2,408,190)	(2,636,821)
Net increase in investment in government securities (Available-for-sale)	(273)	-
(Increase)/decrease in deposits with financial institutions (maturing after 90 days of date of acquisition)	(143,780)	1,535,881
Interest from government securities (Held to maturity)	1,876,141	1,635,936
Interest from government securities (Available-for-sale)	99,481	99,208
Bank deposit interest	153,569	156,506
Loan interest	7,300	8,378
Commercial paper interest	14,290	493
Dividends received from equity investments	12,749	12,133
Investment in subsidiary	(10,900)	-
Net cash flows (used in)/generated from investing activities	**(614,094)**	**825,081**
Cash flows from financing activities		
Dividends paid	(56,138)	(28,069)
Net cash flows used in financing activities	**(56,138)**	**(28,069)**
(Decrease)/increase in cash and cash equivalents	**(323,803)**	**1,042,196**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,629,866	587,670
(Decrease)/increase in cash and cash equivalents	(323,803)	1,042,196
Cash and cash equivalents at the end of the year (Note 32)	**1,306,063**	**1,629,866**

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 41(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 purposesof reportingunder 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 2014:

The adoption of the standards or interpretations is described below:

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 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments require retrospective application. The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the group does not have any offsetting arrangements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the group does not have any derivatives.

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 21 Levies

IFRIC 21 addresses the issue of when to recognize a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the group's levies paid by the group are based on the current period's results.

Annual improvements 2010-2012 cycles

These improvements will not have an impact on the group.

IFRS 2

Amends the definitions of "vesting condition "and 'market condition' and adds definition for "performance condition "and "service condition".

IFRS 3

Require contingent consideration on that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8

Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segment and clarifies that reconciliation of the total of the reportable segments assets to the entity's assets are required only if the segment assets are reported regularly.

IFRS 13

Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortization are treated where an entity uses the revaluation model. Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24

Clarifies how payments to entities providing management services are to be disclosed.

These improvements are effective for annual periods beginning on or after 1 July 2014.

notes to the financial statements cont'd

KENINDIA

for the year ended 31 december 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New and amended standards and interpretations (continued)

Annual Improvements 2011-2013 cycles

Makes amendments to the following standards

IFRS 3

The amendments clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13

The amendments clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40

The amendments clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a)the property meets the definition of investment property in terms of IAS 40; and
(b)the transaction meets the definition of a business combination under IFRS 3.

Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2014

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.

IFRS 9 Financial Instruments

The replacement project on financial instruments consists of the following three phases:

- Phase 1: Classification and measurement of financial assets and financial liabilities;
- Phase 2: Impairment methodology; and
- Phase 3: Hedge accounting.

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon the former's effective date.

Compared to IFRS 9 (as revised in 2013), the 2014 version includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2014 (continued)

IFRS 9 Financial Instruments (continued)

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

With respect to the classification and measurement under IFRS 9, all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

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

Phase 2: Impairment methodology

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

Phase 3: Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

notes to the financial statements cont'd

for the year ended 31 december 2014

KENINDIA

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2014 (continued)

IFRS 9 Financial Instruments (continued)

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period ending on 17 October 2014.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

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

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting.

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2014 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The new Revenue Standard introduces a 5-step approach to revenue recognition and measurement:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

- Whether the transaction price allocated to each performance obligation should be recognized as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognized over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognized. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognized as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfill a contract can be recognized as an asset.

The directors of the group anticipate that the application of these amendments may not have a significant impact on the group's financial statements. However it is not practicable to provide a reasonable estimate on the effects of IFRS 15 until a detailed review has been completed.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

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

- When the intangible asset is expressed as a measure of revenue. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

notes to the financial statements cont'd

KENINDIA

for the year ended 31 december 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Relevant new and revised IFRSs in issue but not yet effective for the year ended 31 December 2014 (continued)

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) (continued)

The directors of the group do not anticipate that the application of the standard will have a significant impact on the group's financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

The directors of the group do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the group's financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the group do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the group's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue Recognition (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Reinsurance (continued)

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.

(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.

notes to the financial statements cont'd

KENINDIA

for the year ended 31 december 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(m) Investment Properties (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxation (continued)

Deferred tax (continued)

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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;

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(u) Financial Instruments (continued)

Subsequent measurement (continued)

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.

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.

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.

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.

notes to the financial statements cont'd

for the year ended 31 december 2014

KENINDIA

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.

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 36,676,321 (2013: KShs 33,542,543) for insurance liabilities and KShs 4,182,876,927 (2013: KShs 3,652,225,499) 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 40.

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 7,569,571,000 (2013: KShs 8,727,132,000) and for Company KShs 6,782,791,000 (2013: KShs 7,791,515,000).

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Significant Accounting Judgements and Estimates (continued)

Estimates and assumptions (continued)

(c)Deferred tax assets and liabilities (continued)

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) 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.

(y) 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.

(z) 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).

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(aa) 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.

(ab) 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.

(ac) 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) Insurance Contract Liabilities (continued)

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.

ad) 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.

ae) 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.

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.

notes to the financial statements cont'd

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for the year ended 31 december 2014

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 82% 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	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Short term insurance business:				
Motor	972,259	1,042,587	693,881	827,740
Fire	919,342	991,397	688,311	768,810
Personal accident and medical	146,278	201,692	146,278	201,692
Marine	289,180	378,932	251,757	334,504
Theft	311,813	316,575	311,813	316,575
Workmen compensation	406,688	469,289	406,688	469,289
Engineering	203,370	204,968	150,268	168,618
Liability	32,498	36,894	32,498	36,894
Aviation	20,417	47,308	-	-
Other miscellaneous	178,020	177,026	22,002	21,578
	3,479,865	**3,866,668**	**2,703,496**	**3,145,700**
Long term assurance business:				
Ordinary life	698,544	434,580	698,544	434,580
Group life	39,968	66,225	39,968	66,225
	738,512	**500,805**	**738,512**	**500,805**
	4,218,377	**4,367,473**	**3,442,008**	**3,646,505**

2. Gross earned premium income (continued)

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
(b) Premium ceded to re-insurers on re-insurance contracts				
Long term business	**(23,957)**	**(45,172)**	**(23,957)**	**(45,172)**
Short term business	(1,628,057)	(1,486,638)	(1,093,833)	(1,050,387)
Change in unearned premiums provision (Note 28)	71,362	(265,361)	18,069	(218,607)
	(1,556,695)	**(1,751,999)**	**(1,075,764)**	**(1,268,994)**
Net earned premium income	**2,637,725**	**2,570,302**	**2,342,287**	**2,332,339**

3. Investment income

(a) Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	1,876,141	-	1,876,141
Interest from government securities (Available-for-sale)	-	106,213	106,213
Bank deposit interest	82,454	92,802	175,256
Loan interest	7,150	262	7,412
Operating lease income/rent from investment properties	62,859	50,553	113,412
Gains on valuation of investment properties (Note 16)	140,336	78,540	218,876
Dividends receivable from equity investments	1,882	11,162	13,044
Commercial paper interest	14,290	-	14,290
Gains on valuation of quoted investments	16,198	7,595	23,793
Other investment charges	(17,630)	(59,277)	(76,907)
Loss on sale of quoted investments	(31)	-	(31)
	2,183,649	**287,850**	**2,471,499**

(a) Group 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)	-	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) /gain 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**

notes to the financial statements cont'd

KENINDIA

for the year ended 31 december 2014

3. Investment income (continued)

(a) Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	1,876,141	-	1,876,141
Interest from government securities (Available-for-sale)	-	99,481	99,481
Bank deposit interest	82,454	71,115	153,569
Loan interest	7,150	150	7,300
Operating lease income/rent from investment properties	62,859	50,553	113,412
Gains on valuation of investment properties (Note 16)	140,336	78,540	218,876
Dividends receivable from equity investments	1,882	10,867	12,749
Commercial paper interest	14,290	-	14,290
Gains on valuation of quoted investments	16,198	5,582	21,780
Other investment charges	(17,630)	(59,277)	(76,907)
Loss on sale of quoted investments	(31)	-	(31)
	2,183,649	**257,011**	**2,440,660**

(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**

4. (a) Commissions income

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Re-insurance commission income	**436,967**	**428,904**	**301,368**	**301,353**

(b) Commissions expense

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Commissions on direct insurance arrangements	664,214	671,417	529,089	547,211
Commissions on inward re-insurance arrangements	10,659	10,317	10,659	10,317
	674,873	**681,734**	**539,748**	**557,528**

4. (c) Other income

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Group 2014			
Gain on disposal of property and equipment	146	592	738
Exchange gain	-	15,794	15,794
Administration fees	-	2,199	2,199
Miscellaneous income	3,693	4,339	8,032
	3,839	**22,924**	**26,763**
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**

Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Gain on disposal of property and equipment	146	935	1,081
Exchange loss	-	(49)	(49)
Administration fees	-	2,199	2,199
Miscellaneous income	3,693	4,551	8,244
	3,839	**7,636**	**11,475**
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)**

5. (a) Claims expenses

	Group 2014 KShs'000	Group 2013 KShs'000	Company 2014 KShs'000	Company 2013 KShs'000
Paid claims long term business	327,271	324,680	327,271	324,680
Paid claims short term business	1,756,275	3,933,021	1,058,182	3,625,209
Change in outstanding claims	1,832,164	3,919,867	1,953,566	3,279,692
Gross claims	3,915,710	8,177,568	3,339,019	7,229,581
Surrender and annuity payments	1,126,544	1,387,779	1,126,544	1,387,779
Less: amounts recoverable from re-insurers	(916,584)	(6,141,161)	(522,731)	(5,336,669)
Net claims payable	**4,125,670**	**3,424,186**	**3,942,832**	**3,280,691**

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KENINDIA

for the year ended 31 december 2014

5. (b) Operating expenses

Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Staff costs	114,307	459,443	573,750
Rent	7,232	35,085	42,317
Printing and stationery	3,753	15,742	19,495
Telephone expenses	2,780	10,351	13,131
Travelling expenses	9,069	18,404	27,473
Repairs and maintenance expenditure	5,129	15,580	20,709
Advertisement expenses	16,963	30,937	47,900
Entertainment expenses	2,234	4,233	6,467
Bank charges	2,366	2,986	5,352
Training expenses	2,646	7,278	9,924
General office expenses	44,955	79,175	124,130
	211,434	**679,214**	**890,648**
Staff costs include the following:			
- Salaries and wages	99,697	400,228	499,925
- Social security benefit costs	2,203	11,471	13,674
- Retirement benefit costs	12,407	47,744	60,151
	114,307	**459,443**	**573,750**
Group 2013			
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	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**

5. (b) Operating expenses (continued)

Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Staff costs	114,307	394,504	508,811
Rent	7,232	19,095	26,327
Printing and stationery	3,753	13,691	17,444
Telephone expenses	2,780	7,572	10,352
Travelling expenses	9,069	12,375	21,444
Repairs and maintenance expenditure	5,129	12,662	17,791
Advertisement expenses	16,963	27,576	44,539
Entertainment expenses	2,234	4,233	6,467
Bank charges	2,366	1,984	4,350
Training expenses	2,646	7,171	9,817
General office expenses	44,955	55,415	100,370
	211,434	**556,278**	**767,712**
Staff costs include the following:			
- Salaries and wages	99,697	345,779	445,476
- Social security benefit costs	2,203	981	3,184
- Retirement benefit costs	12,407	47,744	60,151
	114,307	**394,504**	**508,811**

Company 2013			
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**

The number of persons employed by the Group at year end was 299 (2013: 313). At company level, the employees as at year end were 266 (2013: 279).

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6. Other expenses

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
(a) Group						
Depreciation and amortisation	6,765	33,019	39,784	4,882	23,823	28,705
Amortisation of prepaid lease	441	397	838	441	376	817
Audit fee	1,239	7,000	8,239	452	5,185	5,637
Donations	164	503	667	82	560	642
Directors' remuneration (Note 39)	506	1,519	2,025	506	1,519	2,025
Other directors' expenses	2,982	11,617	14,599	2,418	11,879	14,297
	12,097	**54,055**	**66,152**	**8,781**	**43,342**	**52,123**
(b) Company						
Depreciation and amortisation	6,765	30,499	37,264	4,882	21,884	26,766
Amortisation of prepaid lease	441	395	836	441	376	817
Audit fee	1,239	3,718	4,957	452	3,480	3,932
Donations	164	431	595	82	245	327
Directors' remuneration (Note 39)	506	1,519	2,025	506	1,519	2,025
Other directors' expenses	2,982	9,073	12,055	2,418	8,843	11,261
	12,097	**45,635**	**57,732**	**8,781**	**36,347**	**45,128**

7. Income tax

Statement of financial position	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Tax payable / (recoverable)			
(a) Group 2014			
Balance brought forward	12,005	(33,868)	(21,863)
Charge for the year	18,000	7,951	25,951
Underprovision in previous year	-	104	104
Paid during the year	-	(33,948)	(33,948)
Balance carried forward	**30,005**	**(59,761)**	**(29,756)**
(a) Group 2013			
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)**
(b) Company 2014			
Balance brought forward	12,005	(23,574)	(11,569)
Charge for the year	18,000	897	18,897
Underprovision in previous year	-	104	104
Paid during the year	-	(35,906)	(35,906)
Balance carried forward	**30,005**	**(58,479)**	**(28,474)**

7. Income tax (continued)

Statement of financial position (continued)

Tax payable / (recoverable)

(b) Company 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
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)**

Statement of profit or loss

(c) Group 2014

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Current income tax			
Current income tax charge	18,000	7,951	25,951
Underprovision in previous year	-	104	104
Deferred tax credit	(73,656)	(109,140)	(182,796)
	(55,656)	**(101,085)**	**(156,741)**

(c) Group 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Current income tax			
Current income tax charge	9,000	25,320	34,320
Underprovision in previous year	-	8,806	8,806
Deferred tax charge/(credit)	72,747	(4,878)	67,869
	81,747	**29,248**	**110,995**

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 2014

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Profit/(loss) before taxation	60,000	(276,213)	(216,213)
Tax calculated at a statutory tax rate of 30%	18,000	(82,864)	(64,864)
Tax effect of income not subject to tax	-	(90,190)	(90,190)
Tax effect of expenses not deductible for tax purposes	-	181,005	181,005
Current income tax charge	**18,000**	**7,951**	**25,951**

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7. Income tax (continued)

Statement of profit or loss (continued)

Group 2013 Statement of financial position (continued)	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	-	(75,900)	(75,900)
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
Current income tax charge	**9,000**	**29,248**	**38,248**

Statement of comprehensive income

The Company'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.

(d) Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Current income tax			
Current income tax charge	18,000	897	18,897
Underprovision in previous year	-	104	104
Deferred tax credit	(73,656)	(108,941)	(182,597)
	(55,656)	**(107,940)**	**(163,596)**

(d) Company 2013			Total 2013 KShs'000
Current income tax			
Current income tax charge	9,000	23,056	32,056
Underprovision in previous year	-	9,283	9,283
Deferred tax charge/(credit)	72,747	(8,937)	63,810
	81,747	**23,402**	**105,149**

Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Profit/(loss) before taxation	60,000	(300,634)	(240,634)
Tax calculated at a tax rate of 30%	18,000	(90,190)	(72,190)
Tax effect of income not subject to tax	-	(90,190)	(90,190)
Tax effect of expenses not deductible for tax purposes	-	181,277	181,277
Current income tax charge	**18,000**	**897**	**18,897**

7. Income tax (continued)

Statement of profit or loss (continued)

(d) 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	-	(75,900)	(75,900)
Tax effect of expenses not deductible for tax purposes	-	(71,171)	(71,171)
Underprovision in previous year	-	27,067	27,067
Current income tax charge	**9,000**	**23,402**	**32,402**

8. Share capital

	Number of shares 2014	Number of shares 2013	Share capital 2014 KShs'000	Share capital 2013 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**

All ordinary shares issued are fully paid.

Profit/(loss) before taxation

Loss before tax in the year to 31 December 2014 is KShs 276,213 million (2013 profit before tax Kshs 531.983 million). This loss is arrived at after recognition of an additional provision of KShs 501 million in respect of IBNR as a result of adopting the technical guidelines issued recently by IRA on valuation of technical liabilities.

Earnings/(loss) per share

Basic earnings/(loss) 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/(loss) per share is calculated by dividing the net profit or loss 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/(loss) per share are the same. Group (loss)/earnings reported for 2014 and 2013 were KShs 125,892,000 and KShs 416,236,000 respectively. Company (loss)/earnings reported for 2014 and 2013 were KShs 137,038,000 and KShs 402,870,000 respectively.

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8. Share capital (continued)

Earnings/(loss) per share (continued)

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

GROUP	2014 KShs'000	2013 KShs'000
Net (loss)/profit attributable to ordinary shareholders for basic and diluted earnings	(125,892)	416,236
	2014 KShs	**2013 KShs**
Number of ordinary shares for basic and diluted (loss)/earnings per share	5,613,882	5,613,882
Basic (loss)/earnings per share (KShs)	**(22.43)**	**74.14**
Diluted (loss)/earnings per share (KShs)	**(22.43)**	**74.14**

COMPANY	2014 KShs'000	2013 KShs'000
Net (loss)/profit attributable to ordinary shareholders for basic and diluted earnings	(137,038)	402,870
	2014 KShs	**2013 KShs**
Number of ordinary shares for basic earnings per share	5,613,882	5,613,882
Basic (loss)/earnings per share (KShs)	**(24.41)**	**71.76**
Diluted (loss)/earnings per share (KShs)	**(24.41)**	**71.76**

There have been no other transactions involving ordinary shares or potential ordinary shares between the 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.

	2014 KShs'000	2013 KShs'000
Dividend proposed	**KShs Nil**	**56,140**
Dividend per share	**KShs Nil**	**KShs 10**

In respect of the current year, the Directors propose the payment of a dividend KShs Nil (2013: KShs 10) per share equivalent to total sum of KShs Nil (2013: KShs 56.14million) be paid to the shareholders.

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 21 and 23 respectively.

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
At 1 January	16,408	40,613	16,413	40,146
Net gain/(loss) on available-for-sale investments:				
Government securities	31,870	(24,205)	31,298	(23,733)
Adjustment for gains included in income statement on disposal of investments	-	-	-	-
Net gain/(loss)	31,870	(24,205)	31,298	(23,733)
At 31 December	**48,278**	**16,408**	**47,711**	**16,413**

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	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
At 1 January	(12,343)	(14,703)	-	-
Exchange difference on translation	(2,911)	2,360	-	-
Income tax effect	-	-	-	-
At 31 December	**(15,254)**	**(12,343)**	**-**	**-**

c) Revaluation reserve (Group and Company)

	2014 KShs'000	2013 KShs'000
At 1 January	208,260	117,620
Revaluation of buildings	25,404	118,000
Deferred tax on revaluation	(7,621)	(35,400)
Depreciation released on revaluation	13,661	9,800
	31,444	92,400
Transfer of excess depreciation	(3,585)	(1,760)
At 31 December	**236,119**	**208,260**

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9. Reserves

(d) Non-controlling interests-Group

		2014 KShs'000	2013 KShs'000
At 1 January		47,752	43,000
Share of profit for the year		6,420	4,752
At 31 December		**54,172**	**47,752**
The non-controlling interests consist of:			
Equity interests held by individual shareholders	35%	**54,172**	**47,752**

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 2,056.59 million (KShs 1,837.718 million for 2013). The movement in retained earnings for the year is shown below.

	Group		Company	
Retained earnings	**2014 KShs'000**	**2013 KShs'000**	**2014 KShs'000**	**2013 KShs'000**
At 1 January-as previously reported	**1,267,950**	**805,276**	**1,202,230**	**752,922**
Prior year adjustment (Note 42)	(98,304)	(25,557)	(98,304)	(25,557)
At 1 January - as restated	**1,169,646**	**779,719**	**1,103,926**	**727,365**
Profit/(loss) for the year	(241,548)	467,983	(252,694)	454,617
Transfer of excess depreciation	3,585	1,760	3,585	1,760
Dividends paid	(56,138)	(28,069)	(56,138)	(28,069)
Transfer from statutory reserve to retained earnings	115,656	(51,747)	115,656	(51,747)
At 31 December	**991,201**	**1,169,646**	**914,335**	**1,103,926**

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 32, 33, 34 and 35 respectively.

	Group		Company	
Statutory reserve	**2014 KShs'000**	**2013 KShs'000**	**2014 KShs'000**	**2013 KShs'000**
At 1 January	318,516	318,516	318,516	318,516
Profit/surplus/(loss) for the year	115,656	(51,747)	115,656	(51,747)
Transfer to retained earnings	(115,656)	51,747	(115,656)	51,747
At 31 December	**318,516**	**318,516**	**318,516**	**318,516**

12. Property and equipment (Group)

(a) 31 December 2014	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2014	510,000	31,702	148,066	167,283	857,051
Revaluation surplus	25,404	-	-	-	25,404
Additions	36,456	32,448	4,986	17,694	91,584
Disposals	-	(10,928)	(298)	(3,413)	(14,639)
At 31 December 2014	**571,860**	**53,222**	**152,754**	**181,564**	**959,400**
Depreciation					
At 1 January 2014	-	18,853	135,412	122,900	277,165
Eliminated on revaluation	(13,661)	-	-	-	(13,661)
Charge for the year	13,661	10,571	5,200	8,046	37,478
Eliminated on disposal	-	(10,492)	(134)	(2,385)	(13,011)
Exchange adjustment	-	48	71	246	365
At 31 December 2014	**-**	**18,980**	**140,549**	**128,807**	**288,336**
Net book value					
At 31 December 2014	**571,860**	**34,242**	**12,205**	**52,757**	**671,064**

(b) 31 December 2013	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2013	392,000	21,837	141,858	155,030	710,725
Revaluation surplus	118,000	-	-	-	118,000
Reclassification	-	1,380	2,471	(349)	3,502
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 1 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**

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 2014 and 2013.

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13. Property and equipment (Company)

(a) 31 December 2014	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2014	510,000	25,701	141,864	155,049	832,614
Revaluation surplus	25,404	-	-	-	25,404
Additions	36,456	29,605	4,727	16,474	87,262
Disposals	-	(10,928)	(59)	(2,226)	(13,213)
At 31 December 2014	**571,860**	**44,378**	**146,532**	**169,297**	**932,067**
Depreciation					
At 1 January 2014	-	15,019	130,914	115,759	261,692
Charge for the year	13,661	9,663	4,700	6,935	34,959
Eliminated on revaluation	(13,661)	-	-	-	(13,661)
Eliminated on disposal	-	(10,492)	(49)	(1,335)	(11,876)
At 31 December 2014	**-**	**14,190**	**135,565**	**121,359**	**271,114**
Net book value					
At 31 December 2014	**571,860**	**30,188**	**10,967**	**47,938**	**660,953**

(b) 31 December 2013	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost					
At 1 January 2013	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	-	1,373	5,305	(1,935)	3,533
Charge for the year	9,800	2,208	4,693	6,071	22,772
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**

14. Intangible assets

Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Cost			
At 1 January	12,718	8,079	20,797
Additions	1,187	-	1,187
At 31 December	**13,905**	**8,079**	**21,984**
Amortisation			
At 1 January	8,385	5,914	14,299
Charge for the year	1,656	650	2,306
At 31 December	**10,041**	**6,564**	**16,605**
Net book value			
At 31 December	**3,864**	**1,515**	**5,379**

Group 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
Cost			
At 1 January	8,724	8,079	16,803
Additions	3,994	-	3,994
At 31 December	**12,718**	**8,079**	**20,797**
Amortisation			
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**

Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Cost			
At 1 January	12,718	8,079	20,797
Additions	1,187	-	1,187
At 31 December	**13,905**	**8,079**	**21,984**
Amortisation			
At 1 January	8,385	5,914	14,299
Charge for the year	1,656	650	2,306
At 31 December	**10,041**	**6,564**	**16,605**
Net book value			
At 31 December	**3,864**	**1,515**	**5,379**

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14. Intangible assets (continued)

Company 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
Cost			
At 1 January	8,724	8,079	16,803
Additions	3,994	-	3,994
At 31 December	**12,718**	**8,079**	**20,797**
Amortisation			
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**

Intangible assets relate to the cost of purchase and installation of computer software. As at 31 December 2014, 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

Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Cost			
At 1 January	23,081	24,387	47,468
Additions	-	2,802	2,802
At 31 December	**23,081**	**27,189**	**50,270**
Amortisation			
At 1 January	8,812	9,804	18,616
Charge for the year	441	397	838
At 31 December	**9,253**	**10,201**	**19,454**
Net book value			
At 31 December	**13,828**	**16,988**	**30,816**

Group 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
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**

15. Prepaid operating lease rentals (continued)

Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Cost			
At 1 January	23,081	24,101	47,182
Additions	-	2,802	2,802
At 31 December	**23,081**	**26,903**	**49,984**
Amortisation			
At 1 January	8,812	9,656	18,468
Charge for the year	441	395	836
At 31 December	**9,253**	**10,051**	**19,304**
Net book value			
At 31 December	**13,828**	**16,852**	**30,680**

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**

16. Investment properties

Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
At start of year	953,711	1,228,560	2,182,271
Additions	6,486	15,340	21,826
Fair value gains	140,336	78,540	218,876
At end of year	**1,100,533**	**1,322,440**	**2,422,973**

16. Investment properties (continued)

Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
At start of year	953,711	1,221,000	2,174,711
Additions	6,486	15,340	21,826
Fair value gains	140,336	78,540	218,876
At end of year	**1,100,533**	**1,314,880**	**2,415,413**

Group 2013	Long-term assurance business	Short-term insurance business	Total 2013
At start of year	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**

Company 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At start of year	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**

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 2014. 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 113,412,000 (2013: KShs 102,249,000), which is included in investment income - (see note 3).

Direct operating expenses (included in note 3) arising in respect of such properties during the year were KShs 76,907,000 (2013: KShs 65,816,000).

Disclosures regarding minimum lease payments have been made in Note 38(b).

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	**2014 KShs'000**	**2013 KShs'000**
Level 1	-	-
Level 2	2,422,973	2,182,271
Level 3	-	-
Fair value as at 31 December	**2,422,973**	**2,182,271**

Company		
Level 1	-	-
Level 2	2,415,413	2,174,711
Level 3	-	-
Fair value as at 31 December	**2,415,413**	**2,174,711**

17. Investment in subsidiaries (Company)

	Percentage (%) of shareholding	**2014 KShs'000**	**2013 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	68,265	57,365
At 31 December		**81,905**	**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.

Kenindia Asset Management Company Limited

The principle 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.

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 54,172,000 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	**2014 KShs'000**	**2013 KShs'000**
Total assets	1,693,374	1,747,968
Total liabilities	(1,526,122)	(1,612,504)
Net assets	**167,252**	**135,464**

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17. Investment in subsidiaries (Company) (continued)

	2014 KShs'000	2013 KShs'000
Summarised statement of profit or loss		
Gross earned premiums	776,369	720,967
Underwriting profit/(loss)	-	(8,540)
Profit before income tax	22,151	20,309
Income tax expense/income	(3,807)	(6,731)
Other comprehensive income	-	(2,107)
Total comprehensive income	**18,344**	**11,471**
Total comprehensive income allocated to non-controlling interest	**4,015**	**4,015**
Summarised statement of cash flows		
Net cash generated from operating activities	9,776	40,125
Net cash generated from investing activities	474	(34,916)
Net cash generated from financing activities	16,953	-
Net increase in cash and cash equivalents	**27,203**	**5,209**
Cash and cash equivalents at beginning of year	**27,727**	**22,745**
Exchange loss on cash and cash equivalents	-	(227)
Cash and cash equivalent at the end of the year	**54,930**	**27,727**

18. Available-for-sale equity investments

(a) Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
At start of year	675	175,790	176,465
Exchange loss	-	(3,969)	(3,969)
Additions	-	3,630	3,630
At the end of year	**675**	**175,451**	**176,126**

(a) Group 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At start of year	675	145,635	146,310
Additions	-	30,155	30,155
At the end of year	**675**	**175,790**	**176,465**

(b) Company 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
At start of year	675	119,149	119,824
Additions	-	3,630	3,630
At end of year	**675**	**122,779**	**123,454**

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

(b) Company 2013	KShs'000	KShs'000	Total 2013 KShs'000
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 (2013: 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.

(a) Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
At start of year	84,635	74,164	158,799
Additions	87,671	12,472	100,143
Exchange gain	-	263	263
Disposals	(10,626)	-	(10,626)
Fair value gains	16,198	7,324	23,522
At end of year	**177,878**	**94,223**	**272,101**

(a) Group 2013	KShs'000	KShs'000	Total 2013 KShs'000
At start of year	171,077	137,801	308,878
Additions	-	-	-
Disposals	(78,721)	(64,761)	(143,482)
Fair value gains/(losses)	(7,721)	1,124	(6,597)
At end of year	**84,635**	**74,164**	**158,799**

(b) Company 2014	KShs'000	KShs'000	Total 2014 KShs'000
At start of year	84,635	66,474	151,109
Additions	87,671	12,472	100,143
Disposals	(10,626)	-	(10,626)
Fair value gains	16,198	5,582	21,780
At end of year	**177,878**	**84,528**	**262,406**

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19. Financial assets at fair value through profit and loss (continued)

(b) Company 2013

	Long-term assurance business KShs'000	Short-term insurance business 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**

20. Loans receivable (Group and company)

Mortgage loans 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
At start of year	4,813	-	4,813
Loan repayments	-	-	-
At end of year	**4,813**	**-**	**4,813**

Mortgage loans 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2013 KShs'000
At start of year	8,755	-	8,755
Loan repayments	(3,942)	-	(3,942)
At end of year	**4,813**	**-**	**4,813**

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Maturity profile of mortgage loans 2014			
In 1-5 years	3,546	-	3,546
In over 5 years	1,267	-	1,267
At end of year	**4,813**	**-**	**4,813**
Maturity profile of mortgage loans 2013			
In 1-5 years	3,546	-	3,546
In over 5 years	1,267	-	1,267
At end of year	**4,813**	**-**	**4,813**

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

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Policy loans 2014			
At start of year	72,787	-	72,787
Loans advanced	27,435	-	27,435
Loan repayments	(19,809)	-	(19,809)
At end of year	**80,413**	**-**	**80,413**
Policy loans 2013			
At start of year	71,980	-	71,980
Loans advanced	21,542	-	21,542
Loan repayments	(20,735)	-	(20,735)
At end of year	**72,787**	**-**	**72,787**

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Motor vehicle loans 2014 (Maturing between 1-5 years)			
At start of year	153	1,392	1,545
Loans advanced	-	1,500	1,500
Loan repayments	-	(1,723)	(1,723)
At end of year	**153**	**1,169**	**1,322**
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**

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Maturity profile of policy loans 2014			
Loans maturing			
Within 1 year	11,237	-	11,237
In 1-5 years	46,762	-	46,762
In over 5 years	22,414	-	22,414
	80,413	**-**	**80,413**

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

Maturity profile of policy loans 2013	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
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**

Book amount of: 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total 2014 KShs'000
Mortgage loans	4,813	-	4,813
Policy loans	80,413	-	80,413
Motor vehicles	153	1,169	1,322
At end of year	**85,379**	**1,169**	**86,548**

Book amount of: 2013			Total 2013 KShs'000
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**

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 2014			
Amounts due from re-insurers	36,179	1,112,974	1,149,153
Group 2013			
Amounts due from re-insurers	37,348	1,446,904	1,484,252
Company 2014			
Amounts due from re-insurers	36,179	876,328	912,507
Company 2013			
Amounts due from re-insurers	37,348	1,247,380	1,284,728

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 41 (Credit Risk).

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

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Outstanding premium	970,574	789,037	743,566	596,926
Allowance for credit losses	(252,500)	(202,218)	(248,203)	(199,475)
At 31 December	**718,074**	**586,819**	**495,363**	**397,451**
Allowance for credit losses				
At the beginning of the year	202,218	149,860	199,362	147,583
Charge for the year	50,282	52,358	48,841	51,779
At 31 December	**252,500**	**202,218**	**248,203**	**199,362**
Aged analysis of outstanding premium				
Neither past due nor impaired				
Less than 30 days	190,564	111,616	190,564	111,616
31 - 60 days	60,431	53,006	60,431	53,006
61 - 90 days	71,086	58,574	71,086	58,574
Past due but not impaired				
91 - 120 days	109,260	12,582	33,490	12,582
Over 120 days	286,733	351,041	139,792	161,673
At 31 December	**718,074**	**586,819**	**495,363**	**397,451**

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.

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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 2014 and 2013 are insignificant.

(i) Outstanding balances

	2014 KShs'000	2013 KShs'000
Group		
Short term / (non-life) insurance contracts		
Claims reported and claims handling expenses	6,553,121	8,425,544
Salvage recoverable	-	(3,877)
Claims incurred but not reported	1,016,452	305,465
	7,569,573	**8,727,132**
Reinsurers' share of insurance liabilities	**(5,762,780)**	**(7,356,037)**
Net outstanding liabilities	1,806,793	1,371,095
Long term assurance contracts		
Claims reported and claims handling expenses	**36,676**	**33,543**
Total gross insurance liabilities	**7,606,249**	**8,760,675**

Company	2014 KShs'000	2013 KShs'000
Short term / (non-life) insurance contracts		
Claims reported and claims handling expenses	5,897,469	7,645,863
Claims incurred but not reported	885,322	149,529
Salvage recoverable	-	(3,877)
	6,782,791	**7,791,515**
Reinsurers' share of insurance liabilities	**(5,129,857)**	**(6,531,904)**
Net outstanding liabilities	1,652,934	1,259,611
Long term assurance contracts		
Claims reported and claims handling expenses	**36,676**	**33,543**
Total gross insurance liabilities	**6,819,467**	**7,825,058**

Outstanding claims provisions movement

Long term assurance business (Group and Company)	2014 KShs'000	2013 KShs'000
At 1 January	33,543	72,028
Claims incurred in current year	328,404	286,195
Claims paid	(325,271)	(324,680)
At 31 December	**36,676**	**33,543**

23. Insurance liabilities (continued)

(i) Outstanding balances (continued)

Outstanding claims provisions movement (continued)

Short term insurance business

(a) Group 2014

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 36) KShs'000	Net KShs'000
At 1 January 2014	8,727,132	7,356,037	1,371,095
Claims incurred in current accident year	1,113,079	(508,816)	1,621,895
Other movements in claims incurred in prior accident years	-	-	-
Claims paid during the year	(2,270,638)	(1,084,441)	(1,186,197)
At 31 December 2014	**7,569,573**	**5,762,780**	**1,806,793**

(a) Group 2013

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 36) 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**

(b) Company 2014

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 36) KShs'000	Net KShs'000
At 1 January 2014	7,791,515	6,531,904	1,259,611
Claims incurred in current accident year	572,189	(879,316)	1,451,505
Other movements in claims incurred in prior accident years	-	-	-
Claims paid during the year	(1,580,913)	(522,731)	(1,058,182)
At 31 December 2014	**6,782,791**	**5,129,857**	**1,652,934**

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23. Insurance liabilities (continued)

(i) Outstanding balances (continued)

Outstanding claims provisions movement (continued)

(b) Company 2013

	Insurance liabilities KShs'000	Re-insurers' Share/Re-insurance of liabilities (Note 36) 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**

24.(a) Other receivables

Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Prepayments	-	3,436	3,436
Deposits, outstanding rental income and others	59,242	377,095	436,337
	59,242	**380,531**	**439,773**
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**
Company 2014			
Amounts due from related companies	-	39,038	39,038
Prepayments	-	1,109	1,109
Deposits, outstanding rental income and others	59,242	336,049	395,291
	59,242	**376,196**	**435,438**
Company 2013			
Amount 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**

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 39. Other receivables are non-interest bearing and are generally on 30-90 days terms.

24. (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.

	2014 KShs'000	2013 KShs'000
At 1 January	78,489	77,147
Net increase in group share of net assets of the pool	8,368	1,342
31 December	**86,857**	**78,489**
Total assets new pool	887,644	789,376
Total liabilities new pool	(75,036)	(70,616)
Total net assets	812,608	718,760
Group's share of the net assets	**86,857**	**78,489**
Revenue new pool	88,363	144,878
Group's share of the profit for the year	8,368	1,342
Group's share of other comprehensive income	-	-

25. Government securities

(a) Group 2014	**Long-term assurance business KShs'000**	**Short-term insurance business KShs'000**	
Treasury bills and bonds movement:	**Held to maturity**	**Available-for-sale**	**Total KShs'000**
At start of year	13,928,539	875,990	14,804,529
Additions	3,327,699	-	3,327,699
Maturity of bonds	(958,800)	-	(958,800)
Fair value adjustment recorded in other comprehensive income	-	31,870	31,870
Accrued interest	39,291	8,516	47,807
At end of year	**16,336,729**	**916,376**	**17,253,105**
Treasury bills and bonds maturing:	**Held to maturity**	**Available-for-sale**	**Total KShs'000**
- Within 1 year	868,980	109,867	978,847
- In 1-5 years	1,826,056	182,339	2,008,395
- After 5 years	13,641,693	624,170	14,265,863
At end of year	**16,336,729**	**916,376**	**17,253,105**

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25. Government securities (continued)

(a) Group 2013

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	
Treasury bills and bonds movement:	**Held to maturity**	**Available-for-sale**	**Total KShs'000**
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**

(b) Company 2014

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	
Treasury bills and bonds movement:	**Held to maturity**	**Available-for-sale**	**Total KShs'000**
At start of year	13,928,539	819,921	14,748,460
Additions	3,327,699	-	3,327,699
Fair value adjustment recorded in other comprehensive income	(958,800)	-	(958,800)
Income tax effect	-	31,298	31,298
Accrued interest	39,291	273	39,564
At end of year	**16,336,729**	**851,492**	**17,188,221**
Treasury bills and bonds maturing:	**Held to maturity**	**Available-for-sale**	**Total KShs'000**
- Within 1 year	868,980	58,794	927,774
- In 1-5 years	1,826,056	177,908	2,003,964
- After 5 years	13,641,693	614,790	14,256,483
At end of year	**16,336,729**	**851,492**	**17,188,221**

25. Government securities (continued)

(b) Company 2013	**Long-term assurance business KShs'000**	**Short-term insurance business KShs'000**	
Treasury bills and bonds movement:	**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**

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**

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.

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 15.25% for the year (2013: 15%).

	2014 KShs'000	**2013 KShs'000**
At start of the year	12,069,111	10,342,199
Pension fund deposits received	1,794,285	1,617,385
Withdrawals and benefits paid	(1,513,961)	(1,400,340)
Commissions and expenses charged	(82,172)	(59,309)
Investment income	1,696,292	1,569,176
At end of year	**13,963,555**	**12,069,111**

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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 the company's consulting Actuary, Saket Singhal, as at 31 December 2014 and 31 December 2013 respectively, using the net premium method and revealed an actuarial surplus of KShs 488 million (2013: KShs 434 million) after reserves set aside and before declaration of interest and bonuses to policy holders and distribution to shareholders. The actuary recommended KShs 60 million (2013: KShs 30 million) transfer from the life fund to the shareholders.

Assets and liabilities of the life fund	**2014 KShs'000**	**2013 KShs'000**
Actuarial value of policy holders' liabilities	4,182,877	3,652,225
Life fund assets	**4,182,877**	**3,652,225**

Policy holders' liabilities are stated inclusive of cumulative provisions for interest and bonuses payable as at 31 December 2014 and 31 December 2013 respectively.

Movement is as follows:	**2014 KShs'000**	**2013 KShs'000**
At start of year	3,652,225	3,227,885
Policyholders' bonuses and interest	383,710	349,330
Surrenders and annuity payments	(18,152)	(19,807)
Increase in the period (net)	165,094	94,817
At end of the year	**4,182,877**	**3,652,225**

Actuarial assumptions:

The significant valuation assumptions for the actuarial valuation as at 31 December 2014 are summarised below. The same assumptions were used in 2013.

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.

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.

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

Actuarial assumptions (continued)

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.

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.

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

Sensitivity analysis on actuarial assumptions (continued)

Sensitivities	% change in base	Insurance participating KShs'000	Assets backing life shareholders KShs'000
31 December 2014			
Interest rate	+(-) 1%	-	+(-)41,829
Expenses	+(-) 5%	+(-)161,513	-
Discount rate on:			
Assurance mortality	+1%	(15,973)	-
Assurance mortality	-1%	17,331	-
Annuitant mortality	+1%	(46)	-
Annuitant mortality	-1%	50	-
Lapse and surrender rates	+(-) 5%	(204,405)	-
31 December 2013			
Interest rate	+(-) 1%	-	+(-)36,522
Expenses	+(-) 5%	+(-)134,931	-
Discount rate on:			
Assurance mortality	+1%	(13,198)	-
Assurance mortality	-1%	14,375	-
Annuitant mortality	+1%	(47)	-
Annuitant mortality	-1%	52	-
Lapse and surrender rates	+(-) 5%	(131,619)	-

28. Provision for unearned premium

	2014			2013		
	Gross KShs'000	Re-insurance KShs'000	Net KShs'000	Gross KShs'000	Re-insurance KShs'000	Net KShs'000
(a) Group						
At beginning of year	1,389,927	526,010	863,917	1,765,892	791,371	974,521
Decrease in the year	(8,577)	71,362	(79,939)	(375,965)	(265,361)	(110,604)
At end of year	**1,381,350**	**597,372**	**783,978**	**1,389,927**	**526,010**	**863,917**
(b) Company						
At beginning of year	1,034,726	331,605	703,121	1,404,845	550,212	854,633
Increase/(decrease) in the year	(57,543)	18,069	(75,612)	(370,119)	(218,607)	(151,512)
At end of year	**977,183**	**349,674**	**627,509**	**1,034,726**	**331,605**	**703,121**

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 (2013: KShs Nil).

28. Provision for unearned premium (continued)

The movement in the unearned premium is as follows:

Group 2014	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000
At 1 January	1,389,927	526,010	863,917
Premium written during the year	3,471,288	1,628,057	1,843,231
Premium earned during the year (Note 2a and 2b)	(3,479,865)	(1,556,695)	(1,923,170)
At 31 December 2014	**1,381,350**	**597,372**	**783,978**
Group 2013			
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**
Company 2014			
At 1 January	1,034,726	331,605	703,121
Premium written during the year	2,645,953	1,093,833	1,552,120
Premium earned during the year (Note 2a and 2b)	(2,703,496)	(1,075,764)	(1,627,732)
At 31 December 2014	**977,183**	**349,674**	**627,509**
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**

29. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2013: 30%). The deferred tax assets and liabilities are made up of the following:

Deferred tax asset	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Group 2014 (Deferred tax asset)			
Accelerated capital allowances	-	(2,700)	(2,700)
Temporary differences arising from accrued leave	-	7,167	7,167
Tax losses carried forward	-	114,018	114,018
	-	**118,485**	**118,485**
Group 2013 (Deferred tax asset)			
Accelerated capital allowances	-	486	486
Temporary differences arising from accrued leave	-	8,483	8,483
Tax losses carried forward	-	376	376
	-	**9,345**	**9,345**

29. Deferred tax (continued)

Deferred tax asset (continued)	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Company 2014 (Deferred tax asset)			
Accelerated capital allowances	-	(2,872)	(2,872)
Temporary differences arising from accrued leave	-	7,080	7,080
Tax losses carried forward	-	113,670	113,670
	-	**117,878**	**117,878**
Company 2013 (Deferred tax asset)			
Accelerated capital allowances	-	486	486
Temporary differences arising from accrued leave	-	8,451	8,451
	-	**8,937**	**8,937**
Deferred tax liability			
Group 2014 (Deferred tax liability)			
Actuarial surplus	(24,648)	-	(24,648)
Accelerated capital allowances	-	(1,131)	(1,131)
Deferred tax on revaluation	-	(64,141)	(64,141)
	(24,648)	**(65,272)**	**(89,920**
Group 2013 (Deferred tax liability)			
Actuarial surplus	(98,304)	-	(98,304)
Accelerated capital allowance	-	(4,467)	(4,467)
Deferred tax on revaluation	-	(56,520)	(56,520)
	(98,304)	**(60,987)**	**(159,291)**
Company 2014 (Deferred tax liability)			
Actuarial surplus	(24,648)	-	(24,648)
Deferred tax on revaluation	-	(64,141)	(64,141)
	(24,648)	**(64,141)**	**(88,789)**
Company 2013 (Deferred tax liability)			
Actuarial surplus	(98,304)	-	(98,304)
Deferred tax on revaluation	-	(56,520)	(56,520)
	(98,304)	**(56,520)**	**(154,824)**

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.

30. Insurance payables

	Amounts payable on direct insurance business KShs'000	Amounts payable from reinsurance KShs'000
(a) Group		
At 1 January 2013	83,832	491,898
Arising during the year	-	1,227,893
Utilised/paid	94,276	-
At 31 December 2013	**178,108**	**1,719,791**
(a) Group		
At 1 January 2014	178,108	1,719,791
Arising during the year	94,315	(182,064)
Utilised/paid	-	-
At 31 December 2014	**272,423**	**1,537,727**
(b) 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**
(b) Company		
At 1 January 2014	178,108	1,407,885
Arising during the year	94,315	(167,241)
Utilised/paid	-	-
At 31 December 2014	**272,423**	**1,240,644**

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 2014			
Accrued expenses	-	44,228	44,228
Inter-departmental balance	-	-	-
Other liabilities	217,574	414,542	632,116
At end of year	**217,574**	**458,770**	**676,344**
(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**

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31. Other payables (continued)

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
(b) Company 2014			
Accrued expenses	-	42,469	42,469
Other liabilities	217,574	367,710	585,284
At end of year	**217,574**	**410,179**	**627,753**
(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**

For terms and conditions relating to related party payables, refer to Note 39.

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:

Group 2014	Long-term assurance business KShs'000	Short-term insurance business KShs'000	Total KShs'000
Bank and cash balances	31,326	112,776	144,102
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	712,626	511,450	1,224,076
Commercial paper maturing within 90 days of the date of acquisition	-	-	-
At end of year	**743,952**	**624,226**	**1,368,178**
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**

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32. Cash and cash equivalents (continued)

Company 2014	**Long-term assurance business KShs'000**	**Short-term insurance business KShs'000**	**Total KShs'000**
Bank and cash balances	31,326	55,865	87,191
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	712,626	506,246	1,218,872
Commercial paper maturing within 90 days of the date of acquisition	-	-	-
At end of year	**743,952**	**562,111**	**1,306,063**
Company 2013			
Deposits with financial institutions maturing within 90 days of the date of acquisition (call deposits and fixed deposits)	30,086	147,930	178,016
Commercial paper maturing within 90 days of the date of acquisition	915,257	536,593	1,451,850
At end of year	**945,343**	**684,523**	**1,629,866**

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 1.77% (2013: 2.12%).

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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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 2014:					
Investment in quoted shares	-	-	-	272,101	272,101
Investment in government securities	16,336,729	-	916,376	-	17,253,105
Loans receivable	-	86,548	-	-	86,548
Other receivables	-	439,773	-	-	439,773
Deposits with financial institutions:					
- Maturing after 90 days of the date of acquisition	-	-	-	613,789	613,789
- Maturing within 90 days of the date of acquisition	-	1,224,076	-	-	1,224,076
	-	1,224,076	-	613,789	1,837,865
Commercial paper	-	-	-	103,734	103,734
Bank and cash balances	-	144,102	-	-	144,102
Carrying value	**16,336,729**	**1,894,499**	**916,376**	**989,624**	**19,909,454**
Fair value	**16,336,729**	**1,894,499**	**916,376**	**989,624**	**20,137,228**

Financial liabilities	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total KShs'000
31 December 2014:			
Financial liabilities at amortised cost (Note 31)	676,344	-	676,344
Payable under deposit administration liabilities (Note 26)	-	13,963,555	13,963,555
Carrying value	**676,344**	**13,963,555**	**14,639,899**
Fair value	**676,344**	**13,963,555**	**14,639,899**

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 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 31 December 2013:	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total KShs'000
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**

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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 2014:					
Investment in quoted shares	-	-	-	262,406	262,406
Investment in government securities	16,336,729	-	851,492	-	17,188,221
Loans receivable	-	86,548	-	-	86,548
Other receivables	-	435,438	-	-	435,438
Deposits with financial institutions:					
- Maturing after 90 days of the date of acquisition	-	-	-	431,154	431,154
- Maturing within 90 days of the date of acquisition	-	1,218,872	-	-	1,218,872
	-	1,218,872	-	431,154	1,650,026
Commercial paper		-	-	103,734	103,734
Bank and cash balances	-	87,191	-	-	87,191
Carrying value	**16,336,729**	**1,828,049**	**851,492**	**797,294**	**19,813,564**
Fair value	**16,336,729**	**1,828,049**	**851,492**	**797,294**	**19,813,564**

Financial liabilities	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total KShs'000
31 December 2014:			
Financial liabilities at amortised cost (Note 31)	627,753	-	627,753
Payable under deposit administration liabilities (Note 26)	-	13,963,555	13,963,555
Carrying value	**627,753**	**13,963,555**	**14,591,308**
Fair value	**627,753**	**13,963,555**	**14,591,308**

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 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	-	-	1,451,850
	-	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 31 December 2013:	Liabilities at amortised cost KShs'000	Liabilities at fair value KShs'000	Total KShs'000
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**	**12,574,229**
Fair value	**505,118**	**12,069,111**	**12,574,229**

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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 financialinstruments 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 **As at 31 December 2014**	**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	272,101	-	-	272,101
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,837,865	-	-	1,837,865
Commercial paper	-	103,734	-	103,734
Bank and cash balances	-	144,102	-	144,102
	1,837,865	247,836	-	2,085,701
Available-for-sale financial assets				
Investment in government securities	916,376	-	-	916,376
Total financial assets	**3,026,342**	**247,836**	**-**	**3,274,178**
Financial liabilities:				
Deposit administration contracts	**-**	**13,963,555**	**-**	**13,963,555**

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33. Financial instruments (continued)

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

Group As at 31 December 2013	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	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	-	206,580	-	206,586
	1,942,613	307,079	-	2,249,692
Available-for-sale financial assets				
Investment in government securities	875,990	-	-	875,990
Total financial assets	**2,977,402**	**307,079**	**-**	**3,284,481**
Financial liabilities:				
Deposit administration contracts	**-**	**12,069,111**	**-**	**12,069,111**

Company As at 31 December 2014	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	262,406	-	-	262,406
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,650,026	-	-	1,650,026
Commercial paper	-	103,734	-	103,734
Bank and cash balances	-	87,191	-	87,191
	1,650,026	190,925	-	1,840,951
Available-for-sale financial assets				
Investment in government securities	851,492	-	-	851,492
Total financial assets	**2,763,924**	**190,925**	**-**	**2,954,849**
Financial liabilities:				
Deposit administration contracts	**-**	**13,963,555**	**-**	**13,963,555**

33. Financial instruments (continued)

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

Company **As at 31 December 2013**	**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	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
	1,739,224	278,509	-	2,017,733
Available-for-sale financial assets				
Investment in government securities	819,921	-	-	819,921
Total financial assets	**2,710,254**	**278,509**	**-**	**2,988,763**
Financial liabilities:				
Deposit administration contracts	**-**	**12,069,111**	**-**	**12,069,111**

34. 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 2,886.63 million before setting aside reserves and before declaration of interest and bonuses to policyholders. The value of thelife fund at 31 December 2014 was KShs 18,213.38 million. Transfers (before tax) were made out of the statutory reserve in the year amounting to KShs 60 million (2013: KShs 30 million) based on the recommendation of the Actuary.

35. 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:

	2014 **%**	**2013** **%**
Mortgage loans	8.00	8.00
Policy loans	15.00	15.00
Government securities	12.55	12.23
Deposits with financial institutions	11.56	14.03

Deposits with financial institutions regarded as cash and cash equivalents have an average maturity of 3 months (2013: 3 months).

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36. Reinsurers' share of insurance liabilities

	2014 KShs'000	2013 KShs'000
Short term business		
Group		
Reinsurers' share of:		
- unearned premium	**597,372**	**526,010**
- notified claims outstanding	5,377,795	7,100,157
- claims incurred but not reported	384,985	255,880
	5,762,780	**7,356,037**
At end of year	**6,360,152**	**7,882,047**
Company		
Reinsurers' share of:		
- unearned premium	**349,674**	**331,605**
- notified claims outstanding	4,850,359	6,413,380
- claims incurred but not reported	279,498	118,524
	5,129,857	**6,531,904**
At end of year	**5,479,531**	**6,863,509**

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	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
At start of year	7,882,047	4,108,409	6,863,509	3,699,176
Increase /(decrease) during the period (gross)	(1,521,895)	3,773,638	(1,383,978)	3,164,333
At 31 December	**6,360,152**	**7,882,047**	**5,479,531**	**6,863,509**

37. 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 1.106 billion (2013: KShs 1.775 billion).

37. Contingent liabilities (continued)

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.

38. Commitments

a) Capital commitments
There was no capital expenditure contracted for at the reporting date but not recognised in the financial statements (2013: KShs Nil).

b) Operating lease commitments – as a lessee
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:

Payable (as a lessee)	**2014 KShs'000**	**2013 KShs'000**
Not later than 1 year	11,990	12,006
Later than 1 year and not later than 5 years	13,187	7,708
At end of year	**25,177**	**19,714**

Receivable (as a lessor)	**2014 KShs'000**	**2013 KShs'000**
Not later than 1 year	65,684	64,522
Later than 1 year and not later than 5 years	69,871	100,629
At end of year	**135,555**	**165,151**

39. 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.

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39. Related party transactions (continued)

The following transactions were carried out with related parties:

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	2014 KShs'000
i) Transactions with related parties			
Gross earned premium			
General Insurance Corporation	-	110,970	110,970
Other related parties	-	206,759	206,759
Net claims incurred			
General Insurance Corporation	-	21,829	21,829
Other related parties	-	78,954	78,954

Transactions with related parties

	KShs'000	KShs'000	2013 KShs'000
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

	Long-term assurance business KShs'000	Short-term insurance business KShs'000	2014 KShs'000
Premiums receivable from related parties			
General Insurance Corporation	-	97,614	97,614
Life Insurance Corporation of India	(3,049)	-	(3,049)
New India Assurance Company Limited	-	(638,254)	(638,254)
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	(3,220)	70,197	66,977

Outstanding balances with related parties

	KShs'000	KShs'000	2013 KShs'000
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

There were no provisions made or amounts written off on related party balances during the year (2013: KShs Nil).

39. Related party transactions (continued)

	2014 KShs'000	2013 KShs'000
iii) Bank deposits (Group and company)		
Credit Bank Limited	-	-
iv) Directors' emoluments (Group)		
Directors' fees (Note 6)	2,025	2,025
Other expenses	14,307	13,450
As executives	28,834	32,353
	45,166	**47,828**
Directors' emoluments (Company)		
Directors' fees (Note 6)	2,025	2,025
Other expenses	11,763	10,706
As executives	17,389	21,590
	31,177	**34,321**
v) Key management personnel (Group)		
Salaries and benefits	125,088	112,261
Social security benefit costs	29	2,584
Retirement benefit costs	8,200	6,006
	133,317	**120,851**
Key management personnel (Company)		
Salaries and benefits	99,115	85,280
Social security benefit costs	29	26
Retirement benefit costs	5,603	6,006
	104,747	**91,312**

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

40. 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.

40. Insurance risk (continued)

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.

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.

40. Insurance risk (continued)

a) Life assurance contracts (continued)

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

	2014 KShs'000	2013 KShs'000
Whole life	52,753	46,072
Term assurances	-	274
Endowments	4,185,789	3,596,260
Annuities	9,302	9,619
	4,247,844	**3,652,225**

Key assumptions and sensitivities
Refer to note 27 for key assumptions and sensitivities.

(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 theuse of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damage).

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40. Insurance risk (continued)

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

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.

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 2014			
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

40. Insurance risk (continued)

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

Sensitivities (continued)

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)	15
Average claims settlement period (days)	60	60	60

Insurance liabilities (Group)

31 December 2014

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit or loss before tax KShs'000	Impact on equity KShs'000
Average claim cost	+10%	681,967	130,580	(16,479)	(11,817)
Average number of claims	-10%	(681,967)	(130,580)	16,479	11,817
Average claim settlement period	Reduce from 60 days to 50 days	(1,136,612)	(217,633)	27,464	19,695

31 December 2013

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit or loss 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)

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40. Insurance risk (continued)

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

Sensitivities (continued)

Reinsurance assets (Group)

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit or loss before tax KShs'000	Impact on equity KShs'000
31 December 2014					
Average claim cost	+10%	-	(551,388)	16,479	11,817
Average number of claims	-10%	-	551,388	(16,479)	(11,817)
Average claim settlement period	Reduce from 60 days to 50 days	-	(918,979)	27,464	19,695
31 December 2013					
Average claim cost	+10%	-	(137,110)	50,198	246,565
Average number of claims	-10%	-	137,110	(50,198)	(246,565)
Average claim settlement period	Reduce from 60 days to 50 days	-	(228,516)	83,664	41,942

Insurance liabilities (Company)

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit or loss before tax KShs'000	Impact on equity KShs'000
31 December 2014					
Average claim cost	+10%	603,289	115,194	(14,036)	(9,722)
Average number of claims	-10%	(603,289)	(115,194)	14,036	9,722
Average claim settlement period	Reduce from 60 days to 50 days	(1,005,481)	(191,989)	23,394	16,203
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

40. Insurance risk (continued)

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

Sensitivities (continued)

Reinsurance assets (Company)

	Change in assumptions	Impact on gross insurance liabilities KShs'000	Impact on net insurance liabilities KShs'000	Impact on profit or loss before tax KShs'000	Impact on equity KShs'000
31 December 2014					
Average claim cost	+10%	-	(488,095)	14,036	9,722
Average number of claims	-10%	-	488,095	(14,036)	(9,722)
Average claim settlement period	Reduce from 60 days to 50 days	-	(813,492)	23,394	16,203
31 December 2013					
Average claim cost	+10%	-	(125,961)	47,802	236,453
Average number of claims	-10%	-	125,961	(47,802)	(236,453)
Average claim settlement period	Reduce from 60 days to 50 days	-	(209,935)	79,670	394,088

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

Non-life insurance contract liabilities

	Group		Company	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Engineering	1,202,102	1,061,601	1,174,325	1,041,583
Fire Domestic	19,285	4,607	19,285	4,607
Fire Industrial	4,306,971	5,927,438	3,803,387	5,198,476
Liability	72,249	68,585	72,249	68,585
Marine	188,659	284,071	176,796	269,535
Motor Private	299,256	128,645	190,923	128,645
Motor Commercial	336,697	401,917	336,697	323,372
Personal Accident	97,667	92,152	97,667	92,152
Theft	206,659	176,597	206,659	176,597
Workmen Compensation	676,062	477,056	676,062	477,056
Medical	22,225	8,902	21,979	8,902
Miscellaneous	141,741	95,561	6,762	2,005
At 31 December	**7,569,573**	**8,727,132**	**6,782,791**	**7,791,515**

41. 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).

(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.

41. Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(a) Interest rate risk (continued)

Group

	% change in base	2014 KShs'000	% change in base	2013 KShs'000
Financial assets				
Variable interest rates				
Bank balances	+(-)10.00%	+(-)14,410	+(-)10.00%	+(-)20,659
Fixed interest rates				
Government securities (Held to maturity)	+(-)10.00%	+(-)1,633,673	+(-)10.00%	+(-)1,392,854
Deposits with financial institutions	+(-)10.00%	+(-)183,787	+(-)10.00%	+(-)194,261
Mortgage loans	+(-)10.00%	+(-)481	+(-)10.00%	+(-)481
Policy loans	+(-)10.00%	+(-)8,041	+(-)10.00%	+(-)7,279

Company

	% change in base	2014 KShs'000	% change in base	2013 KShs'000
Financial assets				
Variable interest rates				
Bank balances	+(-)10.00%	+(-)8,719	+(-)10.00%	+(-)17,802
Fixed interest rates				
Government securities (Held to maturity)	+(-)10.00%	+(-)1,633,673	+(-)10.00%	+(-)1,392,854
Deposits with financial institutions	+(-)10.00%	+(-)165,003	+(-)10.00%	+(-)173,922
Mortgage loans	+(-)10.00%	+(-)481	+(-)10.00%	+(-)481
Policy loans	+(-)10.00%	+(-)8,041	+(-)10.00%	+(-)7,279

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	2014 KShs'000	% change in base	2013 KShs'000
Government securities (Available-for-sale)	+(-)10.00%	+(-)91,638	+(-)10.00%	+(-)87,599

Company

	% change in base	2014 KShs'000	% change in base	2013 KShs'000
Government securities (Available-for-sale)	+(-)10.00%	+(-)85,149	+(-)10.00%	+(-)81,992

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.

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41. Financial risk management objectives and policies (continued)

(i) Market risk (continued)

(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 60,264/18 (KShs 5,459,802) 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 272,990. About 82% of the group's business is generated in Kenya, 18% 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 15,254,000 (2013: KShs 12,343,000). The group has no significant concentration of currency risk.

(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 2014, 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 4,231,774 (2013: KShs 7,555,497) for long-term business and KShs 4,226,428 (2013: KShs 3,323,724) 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 2014		
Government securities (Available-for-sale)	+(-)5%	+(-)45,819
31 December 2013		
Government securities (Available-for-sale)	+(-)5%	+(-)47,601
Company-Short term business		**KShs'000**
31 December 2014		
Government securities (Available-for-sale)	+(-)5%	+(-)42,575
31 December 2013		
Government securities (Available-for-sale)	+(-)5%	+(-)46,897

41. Financial risk management objectives and policies (continued)

(ii) 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.

- 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**	**2014 KShs'000**	**2013 KShs'000**
Financial instruments			
Held-to-maturity financial assets	25	16,336,729	13,928,539
Loans receivable	20	86,548	79,145
Investment in the Kenya Motor Insurance Pool	24	86,857	78,489
Available-for-sale financial assets (Government securities)	25	916,376	875,990
Financial assets at fair value through profit and loss	19	272,101	158,799
Deposits with financial institutions	33	1,837,865	1,942,613
Commercial paper	33	103,734	100,493
Receivables arising out of reinsurance arrangements	21	1,149,153	1,484,252
Reinsurers' share of insurance liabilities	36	6,360,152	7,882,047
Receivables arising out of direct insurance arrangements	22	718,074	586,819
Bank and cash balances	32	144,102	206,586
Other receivables	24	439,773	426,701
Total credit risk exposure		**28,451,464**	**27,750,473**

Information regarding the credit quality of 'not past due' and 'not impaired' monetary assets is disclosed in Note 22 and Note 41.

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41. Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

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

Company	**Note**	**2014 KShs'000**	**2013 KShs'000**
Financial instruments			
Held-to-maturity financial assets	25	16,336,729	13,928,539
Loans receivable	20	86,548	79,145
Investment in the Kenya Motor Insurance Pool	24	86,857	78,489
Available-for-sale financial assets (Government securities)	25	851,492	819,921
Financial assets at fair value through profit and loss	19	262,406	151,109
Deposits with financial institutions	33	1,650,026	1,739,224
Commercial paper	33	103,734	100,493
Receivables arising out of reinsurance arrangements	21	912,507	1,284,728
Reinsurers' share of insurance liabilities	36	5,479,531	6,863,509
Receivables arising out of direct insurance arrangements	22	495,363	397,451
Bank and cash balances	32	87,191	178,016
Other receivables	24	435,438	423,952
Total credit risk exposure		**26,787,822**	**26,044,576**

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

31 December 2014

	< 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	1,273	**1,273**	1,308	826	83,141	**85,275**	**86,548**
Reinsurance assets	482,382	**482,382**	22,264	14,843	629,664	**666,771**	**1,149,153**
Insurance receivables	190,564	**190,564**	60,431	71,086	395,993	**527,510**	**718,074**
Total	**674,219**	**674,219**	**84,003**	**86,755**	**1,108,798**	**1,279,556**	**1,953,775**

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**	**67,109**	**1,407,325**	**1,540,976**	**2,150,216**

41. Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

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

31 December 2014

	< 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	1,273	**1,273**	1,308	826	83,141	**85,275**	**86,548**
Reinsurance assets	266,888	**266,888**	8,952	5,643	631,024	**645,619**	**912,507**
Insurance receivables	190,564	**190,564**	60,431	71,086	173,282	**304,799**	**495,363**
Total	**458,725**	**458,725**	**70,691**	**77,555**	**887,447**	**1,035,693**	**1,494,418**

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**

Impaired financial assets

At 31 December 2014, the Group and Company had impaired insurance assets of KShs 50,282,000 and KShs 48,841,000 respectively (2013: Group and Company KShs 42,358,000 and KShs 51,779,000 respectively). 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.

41. Financial risk management objectives and policies (continued)

(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.

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).

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group
31 December 2014

	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	7,606,249	-	-	-	-	-	7,606,249
Payable under deposit administration contracts	-	-	-	-	-	13,963,555	13,963,555
Actuarial value of policyholders' liabilities	278,858	836,575	1,394,292	1,673,152	-	-	4,182,877
Provision for unearned premium	1,381,350	-	-	-	-	-	1,381,350
Tax liability	30,005	-	-	-	-	-	30,005
Reinsurance payables	1,537,727	-	-	-	-	-	1,537,727
Insurance payables	272,423	-	-	-	-	-	272,423
Other payables	676,344	-	-	-	-	-	676,344
Total liabilities	**11,782,956**	**836,575**	**1,394,292**	**1,673,152**	**-**	**13,963,555**	**29,650,530**

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	243,482	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**	**28,297,452**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company
31 December 2014

	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	6,819,467	-	-	-	-	-	6,819,467
Payable under deposit administration contracts	-	-	-	-	-	13,963,555	13,963,555
Actuarial value of policyholders' liabilities	278,858	836,575	1,394,292	1,673,152	-	-	4,182,877
Reinsurance payables	1,240,644	-	-	-	-	-	1,240,644
Insurance payables	272,423	-	-	-	-	-	272,423
Provision for unearned premium	977,183	-	-	-	-	-	977,183
Tax liability	30,005	-	-	-	-	-	30,005
Other payables	627,753	-	-	-	-	-	627,753
Total liabilities	**10,246,333**	**836,575**	**1,394,292**	**1,673,152**	**-**	**13,963,555**	**28,113,907**

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**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Group 31 December 2014	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	868,980	705,173	1,751,600	9,140,700	3,870,276	-	16,336,729
Loans receivable	11,237	30,978	20,652	23,681	-	-	86,548
Available-for-sale financial assets	123,678	33,811	144,098	252,232	362,557	176,126	1,092,502
Financial assets at fair value through profit and loss	-	-	-	-	-	272,101	272,101
Cash and cash equivalents and short term investments	1,981,967	-	-	-	-	-	1,981,967
Commercial paper	103,734	-	-	-	-	-	103,734
Reinsurance assets	7,509,305	-	-	-	-	-	7,509,305
Insurance receivables	718,074	-	-	-	-	-	718,074
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	86,857	86,857
Tax recoverable	59,761	-	-	-	-	-	59,761
Other receivables	439,773	-	-	-	-	-	439,773
Total assets	**11,816,509**	**769,962**	**1,916,350**	**9,416,613**	**4,232,833**	**535,084**	**28,687,351**

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41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

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	1,225,064	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**	**1,383,989**	**8,755,303**	**2,575,418**	**413,753**	**27,960,806**

41. Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

Company 31 December 2014	**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	868,980	705,173	1,751,600	9,140,700	3,870,276	-	16,336,729
Loans receivable	11,237	30,978	20,652	23,681	-	-	86,548
Available-for-sale financial assets	58,794	33,811	144,098	252,232	362,557	123,454	974,946
Financial assets at fair value through profit and loss	-	-	-	-	-	262,406	262,406
Cash and cash equivalents and short term investment	1,737,217	-	-	-	-	-	1,737,217
Commercial paper	103,734	-	-	-	-		103,734
Reinsurance assets	6,392,038	-	-	-	-	-	6,392,038
Insurance receivables	495,363	-	-	-	-	-	495,363
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	86,857	86,857
Tax recoverable	58,479	-	-	-	-	-	58,479
Other receivables	435,438	-	-	-	-	-	435,438
Total assets	**10,161,280**	**769,962**	**1,916,350**	**9,416,613**	**4,232,833**	**472,717**	**26,969,755**

notes to the financial statements cont'd

KENINDIA

for the year ended 31 december 2014

41. 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 investments	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**

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.

42. Prior year adjustment

The prior year adjustment relates to deferred income tax liability on the whole actuarial surplus carried forward in life business on adoption of a guideline issued during the year in relation to application of IAS 12.

The financial statements for the financial years ended 31 December 2013 have been restated to comply with the IAS provisions. For purposes of comparative movements, 2012 position have also been shown in the note.The effect of the restatement on those financial statements is summarised below:

Group

(i) Year ended 31 December 2013

	As previously reported At 31 December 2013 KShs'000	Adjustment KShs'000	As restated At 31 December 2013 KShs'000
Liabilities			
Deferred tax liability	-	98,304	98,304
Capital and reserves			
Retained earnings	1,267,950	(98,304)	1,169,646
Net movement	**-**	**-**	**-**

Company

(ii) Year ended 31 December 2013

	As previously reported At 31 December 2013 KShs'000	Adjustment KShs'000	As restated At 31 December 2013 KShs'000
Liabilities			
Deferred tax liability	-	98,304	98,304
Capital and reserves			
Retained earnings	1,202,230	(98,304)	1,103,926
Net movement	**-**	**-**	**-**

Group

(iii) Year ended 31 December 2012

	As previously reported At 31 December 2012 KShs'000	Adjustment KShs'000	As restated At 31December 2012 KShs'000
Liabilities			
Deferred tax liability	-	25,557	25,557
Capital and reserves			
Retained earnings	805,276	(25,557)	779,719
Net movement	**-**	**-**	**-**

notes to the financial statements cont'd

KENINDIA

for the year ended 31 december 2014

42. Prior year adjustment (continued)

Company
(iv) 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
Liabilities			
Deferred tax liability	-	25,557	25,557
Capital and reserves			
Retained earnings	752,922	(25,557)	727,365
Net movement	-	-	-

Results for the year

Short-term insurance business	Group 2013 KShs'000	Company 2013 KShs'000
Profit for the year as previously reported	493,735	475,617
Prior period adjustments	(72,747)	(72,747)
Profit for the year as restated	**420,988**	**402,870**

43. 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 150,000,000 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 264,595,256 (2013: KShs 277,558,108).

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.

44. Company solvency margins

Short-term insurance business	2014 KShs'000	2013 KShs'000
Admitted assets	**5,147,165**	**5,315,942**
Net premium for 2014/2013	1,725,194	2,066,491
15% of net premium	258,779	309,974
Admitted liabilities	4,249,730	3,965,397
	4,508,509	**4,275,371**
Solvency margin	**638,656**	**1,040,571**
Long term assurance business		
Admitted assets	**18,950,000**	**16,359,807**
5% of admitted assets	865,850	737,950
Admitted liabilities	17,317,000	14,759,000
	18,182,850	**15,496,950**
Solvency margin	**767,150**	**862,857**

General business solvency has been disclosed on net basis.

Life solvency requirement has been calculated as 5% of admitted liabilities and declared interest has been included as part of the admitted liabilities as per regulatory requirement.

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 1.

46. Currency

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

KENINDIA

company short-term business revenue account

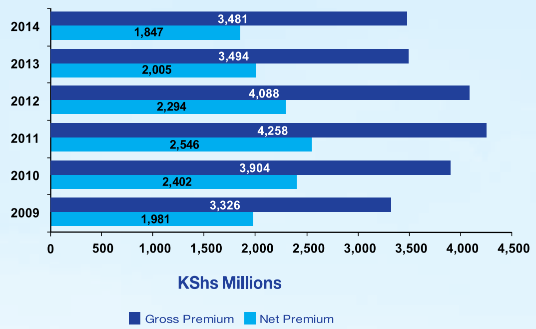
for the year ended 31 december 2014

	Engin-eering KShs'000	Fire Domestic KShs'000	Fire Industrial KShs'000	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 2014 KShs'000	Total 2013 KShs'000
Gross Premium Written	150,401	40,273	677,991	34,083	241,378	278,387	398,677	50,105	92,201	302,525	360,655	19,277	2,645,953	2,775,581
Reinsurance Premium	(135,925)	(9,646)	(593,935)	(6,897)	(69,374)	(9,623)	(25,968)	(35,126)	(2,861)	(179,732)	(12,409)	(12,337)	(1,093,833)	(1,050,386)
Net Premium Written	14,476	30,627	84,056	27,186	172,004	268,764	372,709	14,979	89,340	122,793	348,246	6,940	1,552,120	1,725,195
Unearned Premium at the beginning 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	854,633
Unearned Premium at the end of the year	(3,303)	(14,062)	(34,869)	(9,070)	(83,113)	(123,196)	(145,356)	(5,634)	(35,483)	(38,853)	(131,481)	(3,089)	(627,509)	(703,121)
Net Earned Premium	**12,839**	**27,241**	**102,058**	**21,967**	**181,486**	**273,744**	**382,205**	**17,966**	**71,100**	**135,966**	**394,950**	**6,209**	**1,627,732**	**1,876,707**
Claims Paid	22,887	13,253	30,788	471	63,223	136,228	241,613	64,899	61,535	109,916	320,255	(6,886)	1,058,182	1,244,360
Claims o/s 31-12-2014	55,809	14,340	98,997	32,131	113,657	180,101	330,322	24,226	21,209	110,173	670,349	1,620	1,652,934	1,259,611
Claims o/s 01-01-2014	(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)
Incurred Claims	**38,060**	**19,760**	**67,112**	**5,946**	**51,261**	**198,070**	**256,673**	**82,838**	**76,192**	**147,005**	**515,040**	**(6,452)**	**1,451,505**	**1,040,481**
Commissions	(9,440)	4,716	(32,058)	4,633	32,860	26,838	38,409	(716)	9,070	(20,660)	69,600	(1,525)	121,727	164,790
Expenses of Management	31,616	8,466	142,523	7,165	50,741	58,521	83,807	10,533	19,382	63,595	75,814	4,051	556,214	467,102
Premium Tax	1,246	334	5,615	282	1,999	2,306	3,302	415	764	2,506	2,987	159	21,915	23,778
Policyholders Compensation Fund	371	99	1,671	84	595	686	982	123	227	745	889	47	6,519	6,833
Total Outgo	**23,793**	**13,615**	**117,751**	**12,164**	**86,195**	**88,351**	**126,500**	**10,355**	**29,443**	**46,186**	**149,290**	**2,732**	**706,372**	**662,503**
Underwriting Surplus/(Deficit) transferred to P&L A/c	**(49,014)**	**(6,134)**	**(82,805)**	**3,857**	**44,030**	**(12,677)**	**(968)**	**(75,227)**	**(34,535)**	**(57,224)**	**(269,380)**	**9,929**	**(530,148)**	**173,723**

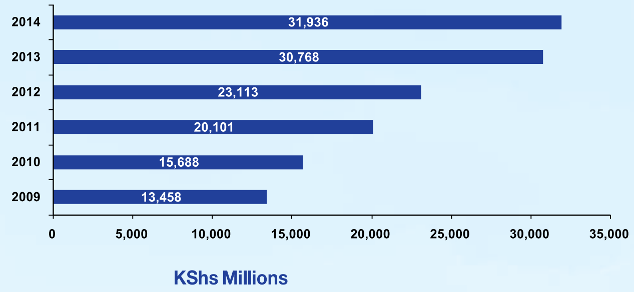
KENINDIA

group financial indicators

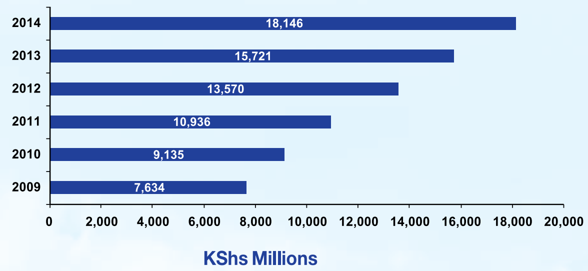
Premium - General Business



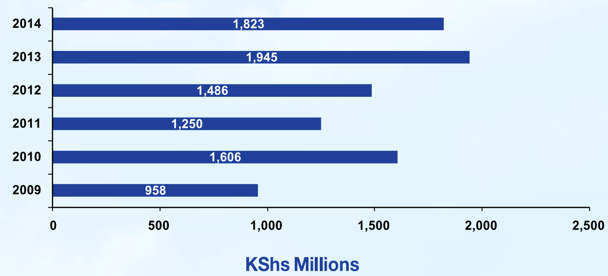
Total Assets



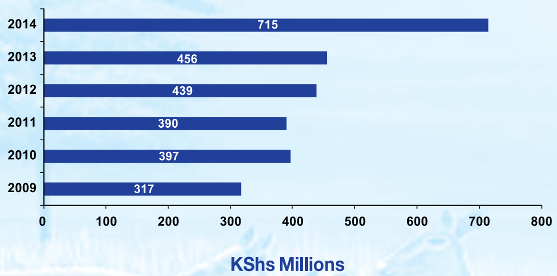
Life Fund



Shareholders' Fund



Net Life Premium



Pension Contributions

KENINDIA

company financial summary for 10 years

YEAR	2014	2013 (Restated)	2012 (Restated)	2011	2010	2009	2008	2007	2006	2005
		Figures in KShs. Millions								
(i) NON-LIFE										
Gross Premium Written	2,646	2,776	3,377	3,566	3,342	2,834	2,832	3,029	2,904	2,778
% Growth	**(4.68)**	**(17.80)**	**(5.30)**	**6.70**	**17.93**	**0.07**	**(6.50)**	**4.30**	**4.54**	**9.28**
Net Premium Written	1,552	1,725	2,066	2,305	2,215	1,803	1,775	1,917	1,883	1,749
% Growth	**(10.03)**	**(16.51)**	**(10.37)**	**4.06**	**22.85**	**1.58**	**(7.41)**	**1.81**	**7.67**	**10.49**
Unearned Premium Reserve	(76)	(152)	(103)	29	204	1	(76)	16	56	66
Net Earned Premium	1,628	1,877	2,170	2,276	2,011	1,802	1,851	1,901	1,827	1,683
Net Incurred Claims	1,452	1,040	1,706	1,925	1,292	1,122	1,312	2,003	1,442	1,162
Net Inc.Claim ratio to net prem.	**93.52**	**60.31**	**82.58**	**83.51**	**58.33**	**62.23**	**73.92**	**104.49**	**76.58**	**66.44**
Commission	122	165	208	186	134	92	40	51	21	49
Management/Other Expenses	602	503	474	487	453	410	393	413	350	389
Premium tax/Others	28	31	36	38	39	41	48	51	49	47
Underwriting Surplus/(Deficit)	(530)	174	(254)	(361)	93	136	58	(598)	(13)	61
(ii) LIFE BUSINESS										
Gross Premium Written (Including Pension Fund)	2,533	2,118	2,051	1,800	1,487	1,256	1,132	972	855	713
% Growth	**19.59**	**3.27**	**13.94**	**21.05**	**18.39**	**10.95**	**16.46**	**13.68**	**19.92**	**6.10**
Net Premium Written	2.509	2,073	2,026	1,719	1,438	1,224	1,091	929	799	651
% Growth	**21.03**	**2.32**	**17.86**	**19.54**	**17.48**	**12.19**	**17.44**	**16.27**	**22.73**	**8.50**
Total Benefits	1,861	1,706	1,008	806	937	490	406	577	323	291
Commission	117	91	83	77	71	55	79	53	39	28
Management/Other Expenses	224	148	115	133	107	91	79	77	67	86
Premium tax/Other	6	4	5	4	4	4	6	5	3	2
Increase in Fund	2,425	2,151	2,634	1,801	1,501	1,361	889	791	770	628
Life Fund	18.146	15,721	13,570	10,936	9,135	7,634	6,273	5,384	4,593	3,823
(iii) LIFE AND NON-LIFE										
Investment Income	2,440.66	2,459.73	2,231.62	1,311.16	1,626.36	1,008.98	578.2	799	585	498
% Yield	**11.19**	**12.86**	**13.50**	**9.40**	**12.39**	**11.29**	**8.12**	**10.69**	**9.07**	**8.84**
Profit/(Loss) Before Tax	(300.63)	508.02	143.25	(213.20)	489.13	325.50	245.52	(597)	56	151
Profit/(Loss) After Tax	(137.04)	402.87	101.90	(188.91)	429.64	325.50	245.35	(636)	22	93
Share Capital	561	561	561	561	473.40	362.01	362.01	310.3	310.3	310.3
Total Assets	30,281.96	29,048.76	22,137.40	19,405.56	14,898.55	12,699.48	10,582.80	9,445	8,699	7,294
Shareholders' Fund	1,760.75	1,891.19	1,473.27	1,223.65	1,585.22	963.28	688.13	510.89	1,423.00	1,399.00
Dividend declared (%)	-	10%	5%	5%	10%	0%	5%	-	10%	10%
	KShs	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
(Loss)/earnings Per Share	(24.41)	71.76	22.70	-	76.53	68.75	67.8	-	7.00	29.86

your notes

proxy form

KENINDIA

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, 11th June 2015 and at any adjournment thereof.

Please indicate how you wish to cast your vote.	FOR	AGAINST
1 To receive the financial statements		
2 To approve Directors' fees		
3 To re-elect Mr M N Mehta		
4 To re-elect Ms S M R M'mbijjewe		
5 To appoint auditors		

Dated this ______________________ day of ______________ 2015.

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.

FOLD 2

STAMP

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

FOLD 1