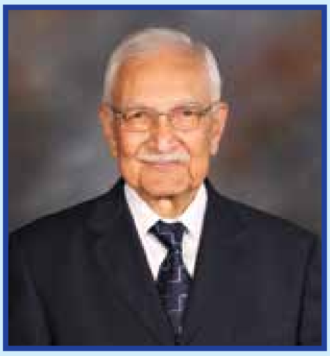
contents

KENINDIA

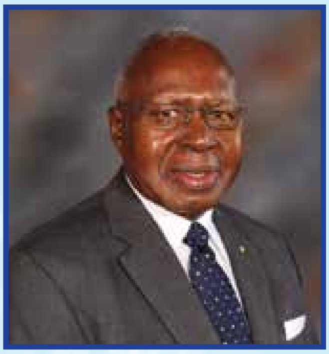
Registered Office	Kenindia House Loita Street P O Box 44372 NAIROBI GPO 00100 KENYA.	
Website	www.kenindia.com	
Email	kenindia@kenindia.com	
Subsidiary Companies	Kenya Pravack Limited Kenindia Asset Management Company Limited Tanzindia Assurance Company Limited	
Board of Directors	Mr M N Mehta	(Chairman)
	Dr M P Chandaria, OBE, EBS	(Vice-Chairman)
	Mr I J Singh	Managing Director (Appointed 14/02/2017)
	Mr V Bharatan	Managing Director (Resigned 13/02/2017)
	Hon Simeon Nyachae, EGH	
	Mr V K Sharma	(Alternate Mrs U Sangwan, appointed 08/02/2017)
	Mrs A G Vaidyan	Director
	Mr M N Sarma	Director (Appointed 06/12/2017)
	Mr A N Ngugi, OGW	Director
	Dr B M Sabana	Director (Resigned 13/07/2017)
	Mrs M G Ngige	Director
	Dr P M King'ori	Director (Appointed 03/11/2017)
Company Secretary	Mr N P Kothari FCPS (Kenya)	
Auditor	RSM Eastern Africa Certified Public Accountants (Kenya) 1st Floor, Pacis Centre Slip Road, Off Waiyaki Way, Westlands P O Box 349 - 00606, Nairobi, Kenya	
Management Team	Mr I J Singh	Managing Director/Principal Officer (Appointed 14/02/2017)
	Mr V Bharatan	Managing Director/Principal Officer (Resigned 13/02/2017)
	Mr I J Singh	General Manager, Operations (Up to 13/02/2017)
	Mr J K Macharia	Chief Operating Officer
	Mr S V Deshkulkarni	General Manager, Finance/Financial Controller
	Mr P V Saseendran	General Manager, Life
	Mr V R Kumar	General Manager, Operations (Appointed 04/09/2017)

board of directors

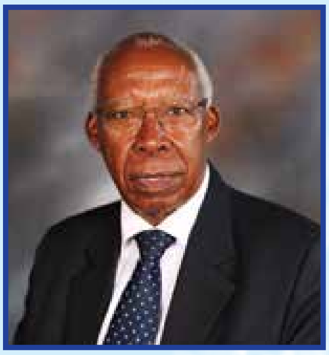


M N Mehta
Chairman

Dr M P Chandaria
Vice Chairman



Hon. Simeon Nyachae
Director



A N Ngugi
Director

Dr Beatrice M Sabana
Director
(Upto 13/07/2017)

Mary Ngige
Director

Patricia Muthoni King`ori
Director
(Appointed 3/11/2017)

Vijay Kumar Sharma
Director

A G Vaidyan
Director

M N Sarma
Director
(Appointed 6/12/2017)

Usha Sangwan
Alternate Director
(Appointed 8/2/2017)

Inderjeet Singh
Managing Director
(Appointed 14/02/2017)

Notice is hereby given that the Thirty–Ninth Annual General Meeting of the Company will be held on Wednesday, 27th June 2018 at the Registered Office of the Company, Kenindia House, 12th Floor, Loita Street, Nairobi at 12 noon to transact the following business:

ORDINARY BUSINESS

1 To read the notice convening the meeting.

2 To receive the report of the auditors on the financial statements for the year ended 31st December 2017.

3 To receive the Directors' report and audited financial statements for the year ended 31st December 2017.

4 To declare a dividend.

5 To approve Directors' fees.

6 To re-elect Directors:

a) Simeon Nyachae retires by rotation and being eligible offers himself for re-election.

b) Dr P M King'ori who was appointed a Director of the Company on 3rd November 2017 retires in accordance with the Company's Articles of Association and being eligible offers herself for re-election.

7 To appoint RSM Eastern Africa as auditors of the Company in terms of the Insurance Act (Cap 487) and in accordance with Section 719(2) of the Companies Act 2015.

SPECIAL BUSINESS

8 To consider and if thought fit pass the following resolution as a Special Resolution:

That the Articles of Association of the Company be amended by deleting in toto Articles 32, 33, 34, 35, 36 and 37 and substituting therefor the following Articles 32, 33, 34, 35, 36 and 37:

32 The transfer of any share in the Company shall be in writing in any usual or common form and shall be signed by the transferor and the transferee. No transfer shall be registered unless it complies with the Insurance Act (Cap 487) and the Stamp Duty Act (Cap 480). The transferor remains the holder of the share until the name of the transferee is entered in the Register in respect of the share. All instruments of transfer, when registered, shall be retained by the Company.

33 Except as hereinafter provided no share in the Company may be transferred unless and until the rights of pre-emption hereinafter conferred shall have been exhausted:

a) Every Member (the **Transferor**) who desires to transfer any shares shall give to the Company (the **Company**) notice in writing of that desire (**transfer notice**). A transfer notice shall specify the number of shares to be sold and the proposed price (the **transfer price**) for the shares comprised in the notice (the **Shares**). The transfer notice may contain a provision that, unless all the shares comprised therein are sold by the Company pursuant to this Article, none shall be sold and any such provision is binding on the Company. If the Transferor holds more than one class of share, he shall specify in the transfer notice the number of each class of shares, which he desires to transfer, and the price proposed for each class of share.

b) A transfer notice shall constitute the Company the Transferor's agent for the sale of the Shares to members at the transfer price. The Company shall forthwith by notice in writing inform each member other than the Transferor of the number and price of the said shares and invite each such member to apply in writing to the Company within twenty one days of the date of dispatch of the notice (which date shall be specified therein) for such maximum number of the said shares (being all or any thereof) as he shall specify in such application.

c) The members shall have the right of first refusal to purchase such shares pro rata to their respective shareholdings; such right must be exercised by giving notice in writing to the Company within thirty days of the date of receipt of the transfer notice (the **first period**) provided that in the event that a member does not wish to exercise such right in such period then the number of shares to which that member had the right of first refusal shall be offered to those members who have given notice of exercise of rights of first refusal and who shall then have a further period of thirty days commencing at the expiry of the first period (the **second period**) to purchase the shares pro rata their respective shareholding in the Company or in such other proportion as they may agree; the price at which the members shall be entitled to exercise the right of first refusal will be the price identified in the transfer notice.

d) If the right of first refusal is exercised by any member(s) then provided that this is in respect of all the shares in the transfer notice, the Transferor shall be obliged, within fourteen days following the exercise of such right, to transfer the relevant shares in the Company to the member(s) who have so exercised the right.

e) If the Transferor shall fail to complete a transfer of shares to a member as provided in Article 33(d) above, a Director or some other person so appointed by the Board shall be deemed to have been appointed attorney of the Transferor with full power to execute, complete and deliver, in the name and on behalf of the Transferor, transfers of the Shares to the members against payment of the transfer price to the Company. The Company shall forthwith pay the transfer price into a separate bank account in the Company's name and shall hold the transfer price in trust for the Transferor.

f) During the six months following the expiry of the said period of Twenty-one days referred to in paragraph (b) hereof, the Transferor shall, subject nevertheless to the provisions of Article 35, be at liberty to transfer to any person approved by the Directors.

34 The rights of pre-emption in Article 33 do not apply in any of the following cases:-

a) Where the transfer is approved in writing by all the members.

b) Where the transfer is by a member to the spouse, child or remoter issue, brother, sister or parent of that member.

c) (Where the transfer is by the personal representative of a deceased member to the widow, widower, child or remoter issue, brother, sister or parent of that deceased member.

d) Where the transfer is by the trustees, executors or administrators of a deceased member to new trustees, executors or administrators upon any change thereof.

e) (Any transfer by a corporate member to an associated company (that is to say any holding company or subsidiary of such corporate member and any other subsidiary of any such holding company); or

f) Any transfer by a corporate member to a company formed to acquire the whole or a substantial part of the undertaking and assets of such corporate member as part of a scheme of amalgamation or reconstruction.

35 The Directors may refuse to register any instrument of transfer of shares, if:-

a) The registration fee of Kenya Shillings 500/- (or such lesser fee (if any) as the Directors may from time to time prescribe as the registration fee) is not paid to the Company in respect thereof; or

b) It is not accompanied by the Certificate(s), for the shares to which it relates, and such other evidence as the Directors may reasonably require to show the rights of the Transferor to make the transfer; or

35 c) It is of shares of more than one class; or

d) The Company has a lien upon the shares or the shares are not fully paid up.

e) The Transferee named therein is:-

(i) An infant person; or

(ii) A person incapable by reason of mental disorder of managing and administering his property and affairs; or

(iii) A partnership in its partnership name; or

f) In the case of a transfer to joint holders, they exceed four in number.

36 If the Directors refuse to register a transfer they shall within Two months after the date on which the transfer was lodged with the Company send to the transferee anotice of the refusal.

37 The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided always that such registration shall not be suspended for more than thirty days in any year.

By Order of the Board

N P Kothari
Secretary

11 May 2018

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.

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 2017.

Overview Of The Economy

According to the World Bank, GDP growth was lowest and weakest at 4.8% in the year 2017 mainly because of weak credit extension, political uncertainty and prolonged electioneering period.

The slowdown was mainly attributed to the slow growth in the agricultural sector due to the effects of the 2016/17 drought, that resulted in high prices on food and decline in the credit growth due to the capping of interest rates.

The Kenya Shilling remained resilient against the US Dollar in 2017, depreciating by 0.7% to close at KShs 103.23 from KShs 102.56 at the beginning of the year. This was supported by weakening of the US Dollar in the global markets and the intervention activities Central Bank of Kenya as they had sufficient forex reserves. However, the Kenya Shilling considerably depreciated against the GBP and Euro. The Kenya Shilling closed at KShs 138.75 and KShs 123.28 against the GBP and Euro respectively compared to KShs 126.52 and KShs 108.17 against the GBP and Euro respectively at the beginning of the year.

The inflation rate in the first half of the year 2017 was high mainly due to high food prices and drought situation causing inflation to hit a high of 11.7% in May. Towards the end of the year, inflation rate declined to a low of 4.5% in December driven by declining food prices despite pressure from rising fuel prices. The average inflation was at 8.0% which was above the government annual target of 2.5% to 7.5%.

In 2017 the yields on government securities remained relatively stable, mainly due to Central Bank of Kenya's efforts to keep interest rates low. The yields on the 91-day TBill declined from 8.6% to 8.0% at the beginning of the year, yields on the 182 and 364 day TBills increased by 10 bps and 20 bps resulting to 10.6% and 11.2% from 10.5% and 11.0% at the end of 2016 respectively.

The equity market at the Nairobi Securities Exchange (NSE), recorded gains in share price increases with the NSE 20 Share Index closing at 3,712 points from 3,186 points in 2016 which represents a 16% growth.

Company Performance

(I) General Insurance Business

The General Insurance business registered a gross premium of KShs 3.014 billion compared to KShs 2.996 billion in 2016, being a growth of 0.6%.

The Company reported a net profit after tax of KShs 185.174 million (2016 Profit of KShs 232.948 million) under non-life segment.

(II) Life Assurance Business

The Long-term business recorded gross premium income, including pension funds deposits of KShs 4.641 billion against KShs 3.947 billion in 2016, being a growth of 17.58%. Gross premium income for Ordinary Life was KShs 1.235 billion against KShs 1.027 billion for the year 2016, registering a growth of 20.25%. The Group Life Business registered a growth of 24.46 % with gross premium of KShs 74.38 million compared to KShs 59.76 million in the previous year. Contributions under Deposit Administration and Retirement Fund increased from KShs 2.517 billion to KShs 2.954 billion being a growth of 17.36%.

Our new policy (Life Department) Annuity contributions increased from 343.61 million to 377.25 million registering the growth of 9.79% in its second year.

The funds in the Long-term business and Deposit Administration stood at KShs 29.40 billion as at 31st December 2017 compared to KShs 25.36 billion in the previous year, being a growth of 15.97%. The funds earmarked for Annuity as on 31st December 2017 were KShs 727.514 million.

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 2017 was KShs 3.085 billion. The Company declared an interest rate of 11.25% (2016:12%) on Retirement Benefit Funds, a simple Reversionary Bonus of 6% (2016:6%) on-with profit ordinary life policies, 4% (2016: 4%) final additional terminal bonus on ordinary Life Policies matured, bonus of 11.50% (2016:12%) on Capital Advantage policies and 11.50% (2016:12%) interest on Bima Account plan. In addition, the Company declared one-off special bonuses of 2% (2016:2%) as simple reversionary bonus on with profit ordinary life policies and 2% (2016:2%) as terminal bonus on ordinary Life Policies matured. The Actuary recommended a transfer of KShs 132.87 million out of the actuarial surplus, for the benefit of shareholders.

Investment Income

The net investment income of the Company increased by 24.22% from KShs 3.159 billion to KShs 3.924 billion. The net investment income of Life business was KShs 3.419 billion compared to KShs 2.807 billion in 2016, an increase of 21.80%. The net investment income of Non Life business was KShs 504.79 million compared to KShs 352.72 million in 2016 registering a growth of 43.11%.

Group Performance

Total gross premium accounted by Tanzindia Assurance Company Limited, a subsidiary of the Company was KShs 664 million as compared to KShs 778 million for the year 2016, being a decrease of 14.65% and its net profit after tax was KShs 24.425 million as compared to KShs 19.783 million in the year.

Total assets of the Group stood at KShs 42.47 billion compared to KShs 38.45 billion in 2016. The shareholders' funds increased from KShs 2.923 billion to KShs 3.527 billion at the end of 2017.

Dividend

The Board has recommended to members to declare a dividend of KShs 10 /- per share for the year ended 31st December 2017 at the forthcoming Annual General meeting.

Board

Since my last report, there have been changes in the composition of the Board as indicated on the page regarding Company Information in these financial statements. I wish to express the Board's gratitude to all who left the Board for their valuable contributions.

I take this opportunity to welcome all the Directors who were appointed during the year. The experience and contribution of the new Directors will be very valuable to the Company.

Future Outlook

The Company is formulating a strategy for the years 2018 to 2021 namely "Kenindia Integrated Marketing Communication Strategy" to support business growth, by building a single strong brand identity in the Kenyan marketplace by reinforcing all brand images and messages. In keeping up with the changes in the internal and external environment, the Company in formulating the strategy will take cognizance of current dynamics and future business trends.

As per recent World Bank report, increased private consumption and a normalization of the weather, are expected to lift Kenya's economic growth to 5.5 % in the year 2018. The World Bank predicted economic growth could rise to 6.1% by 2020, when the potential but unrealized production levels are likely to have been achieved.

The insurance industry is expected to continue its reorganization amidst the entry of new players, mergers and new capital requirements.

Appreciation

On behalf of the Board, I would like to congratulate and thank the Company's Management and staff for their concerted efforts in bringing the strategic changes during the year and taking the Company in 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 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 is the set of processes and organizational structures through which the Board and senior executives manage the Company at the highest standards.

The Company is committed to uphold the best practices 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 the 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 has adequate resources and 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 in line with good corporate governance practices. The roles of the Chairman and the Managing Director are segregated. A non-executive director acts as the Chairman of the Board. The Managing Director is in charge of the day to day running of the business. 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 to maintain full and effective control over all strategic, financial, operational and compliance issues. During the period under review and upto the date of this statement, none of the Directors has received any benefit from the Company other than Director's 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 duties to Board Committees. It has five 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 amongst others. Its main functions include sanction of insurance claims and capital expenditure in excess of the financial limits set for the Managing Director. The meetings for this Committee are held quarterly.

ii) Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is chaired by a non-executive independent Director. The other members are two non-executive Directors and the Managing Director. The Committee's main function is to identify and nominate for the approval by the Board, candidates to fill Board vacancies, succession planning of the Board and other senior executives and make recommendations to the Board with regards to any changes and to advise on remuneration.

iii) Audit Committee

The Committee is chaired by an independent non-executive Director, Mrs. Mary G. Ngige and includes two non-Executive Directors and two independent non-executive Directors. The Managing Director, Financial Controller and Chief Internal Auditor attend meetings of the Committee as and when necessary. The Committee also meets external auditors in accordance with terms of reference. The Committee meets at least four times in a year.

iv) Credit Management Committee

The Committee is chaired by Mrs. Alice Vaidyan and includes the 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.The Committee meets at least four times in a year.

v) Risk Management Committee

The Committee is chaired by Mr. V.K. Sharma, a non-Executive Director and includes one other non-Executive Directors, two independent non-Executive Directors and the Managing Director. The terms of reference include reviewing on a continuous basis the potential risks the Company is exposed to, monitor the system of management of risks and ensuring 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. The Committee meets at least four times in a year.

BOARD MEETING ATTENDANCE

Name	Position	24.3.2017	23.6.2017	22.9.2017	15.12.2017
Mr. M. N. Mehta	Chairman	√	√	×	√
Dr. M. P. Chandaria OBE EBS	Vice -Chairman	√	√	√	√
Mr. V. K. Sharma	Member	√	√	√	√
Mrs. Alice Vaidyan	Member	√	√	×	√
Mr. M.N. Sarma	Member			√ A	√
Hon. Simon Nyachae	Member	×	×	√	√
Mr. Allan N. Ngugi	Member	√	√	√	√
Mrs. Mary G. Ngige	Member	√	×	√	×
Dr. Beatrice Sabana	Member	√	×	R	R
Dr. Patricia M. King'ori	Member				√ A
Mr. Inderjeet Singh	M.D.	√	√	√	√

Key		**A - Appointed**	**Date**
Attended	√	Dr. Patricia M. King'ori	3.11.2017
Absent with apologies	×	Mr. M.N. Sarma	6.12.2017
		R - Resigned	**Date**
		Dr. Beatrice Sabana	13.7.2017

SHAREHOLDERS

The list of 10 major shareholders and their individual holdings at the year end was as follows:

	Number of Shares	% 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
Sansora Investments Limited	444,254	7.90
The Chandaria Foundation Registered Trustees	432,484	7.70
Mehta Group Limited	346,400	6.17
Lex Holdings Limited	257,230	4.58
Others (numbering 30)	992,259	17.68
Total	**5,613,880**	**100.00**

The Company continues to undertake Corporate Social Responsibility activities by promoting various activities among 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. Members of staff participated in various activities. The main activities taken up by the Company during the year were the following:-

a) Wamunyu Special School: Food donation to the home which takes care of mentally and physically challenged children.

b) Little Sisters of the poor (Nyumba Ya Wazee): Food donation to the home which takes care of the elderly.

c) Payment of school fees for 4 students: The plight of the four students, all from poor families was highlighted in the Daily Nation Newspaper of 28th January, 2017. They were picked from different counties across the country.

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of financial affairs of the Group comprising Kenindia Assurance Company Limited and its subsidiaries: Kenya Pravack Limited, Kenindia Asset Management Limited, and Tanzindia Assurance Company Limited.

Principal Activities

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

Results

	2017 KShs'000	2016 KShs'000
Group profit before tax	437,941	342,205
Taxation charge	(160,242)	(33,705)
Group profit after tax	277,699	308,500
Non-controlling interest	(8,549)	(6,924)
Net profit for the year transferred to reserves	**269,150**	**301,576**

Business Review

During the year 2017, the total turnover (including pension fund deposits and annuities) of the group and company increased from KShs 7.72 billion to KShs 8.32 billion and for the Company from 6.94 billion KShs to KShs 7.66 billion respectively. This was mainly attributed to increase in life business and pensions. The profit before tax increased from KShs 342.205 million to KShs 437.941 million for the group and from KShs 282.682 million to KShs 386.665 million for the company reflecting the effects of increased business in the year under review.

As at 31 December 2017, the net asset position of the group and company increased from KShs 3.313 billion to KShs 3.926 billion and for the Company from KShs 3.128 billion to KShs 3.694 billion respectively.

The company is in the process of implementing the "Kenindia Integrated Marketing & Communication Strategy 2018-2021'' to support business growth by building a single strong brand identity in Kenyan market. In keeping up with the changes in the internal and external environment, the Company; in formulating the strategy will take cognizance of current dynamics and future business trends. The strategy is geared towards boosting the Company's top line.

Key Performance Indicators (Company)

	Long term assurance business 2017	Long term assurance business 2016	Short term insurance business 2017	Short term insurance business 2016
Retention ratio	97%	97%	63%	62%
Incurred claims ratio	-	-	67.38%	67.51%
Net commission ratio	2.93%	3.4%	7.98%	7.83%
Management expenses ratio	6.96%	7.9%	30.99%	34.34%
Combined ratio	-	-	106.35%	109.68%

Dividend

The directors recommend the payment of a dividend of KShs 56.14 million which represents KShs 10 per share in respect of the year ended 31 December 2017 (2016: KShs 56.14 million representing KShs 10 per share).

Directors

The Board of Directors as at 31st December 2017 is shown on page 1.

Directors' Indemnities

In line with sound governance practices, the Company maintains Directors' and officers' liability insurance, which gives appropriate cover for legal action, brought against its Directors. The Company has also granted indemnities to each of its Directors and the Secretary to the extent permitted by law.

Disclosure Of Information To Auditors

Each Director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

RSM Eastern Africa having expressed their willingness to continue in office, the Board of Directors recommends their re-appointment as auditors of the Company in accordance with Section 719 of the Companies Act, 2015 and Insurance Act (Cap 487).

Terms Of Appointment Of The Auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 5.5 million has been charged to profit or loss in the year.

The Report of the Directors was approved by the Board of Directors on 21st March 2018 and signed on its behalf by the Secretary.

By order of the Board

N P Kothari
Secretary

21st March 2018

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 21st March 2018 and signed on its behalf by:

Dr M. P. Chandaria	**Allan N. Ngugi**	**Inderjeet Singh**
Director	Director	Managing Director/Principal Officer

Standing: (From left to right)

Subhash Deshkulkarni - General Manager, Finance / Financial Controller

James Macharia - Chief Operating Officer

Inderjeet Singh - Managing Director / Principal Officer

V. R. Kumar - General Manager (Operations)

P. V. Saseendran - General Manager (Life Business)

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 2017.

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 2017.

(ii) The calculation of the short term insurance liabilities as at 31 December 2017 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

21st March 2018

RSM Eastern Africa
1st Floor, Pacis Centre,
Slip Road, off Waiyaki Way, Westlands
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TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED

Opinion

We have audited the accompanying financial statements of Kenindia Assurance Company Limited (the company) and its subsidiaries (together, the group), set out on pages 23 to 129, which comprises the consolidated and company statement of financial position as at 31st December 2017, statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the group and company as at 31st December 2017 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED (CONTINUED)

Key audit matters (continued)

Key audit matter	How the matter was addressed
Actuarial value of liabilities of the long-term business	The company has significant long term insurance contract liabilities including deposit administration liabilities representing about 76% of the company's total liabilities. Valuation of insurance contract liabilities involves complex and subjective judgement made by management and the independent actuary. Changes in these assumptions can result in material impact to the valuation of these liabilities. Our audit procedures in this area included: · Assessing the competencies and objectivity as well as verifying the qualifications of the independent external expert engaged by management and approved by the Insurance Regulatory Authority. · We reviewed the actuarial report and calculations underlying these provisions, particularly the following areas: a) appropriateness of the methodologies used and that the approach was in accordance with best practice as recommended by IRA; b) reasonableness of key assumptions; c) sensitivities to key assumptions; d) consistency between valuation periods; and e) accuracy and relevance of the input data used.
Short-term insurance contract liabilities	Valuation of these liabilities is highly judgmental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported to the company. Our audit procedures in this area included: · evaluating and testing controls around claims handling and reservation process; · performing cut-off procedures to check for any unrecorded claims at the end of the year; · on a sample basis, checking the claims reserved by comparing the estimated amount reserved to documentation such as the assessors report and the discharge voucher; · reviewing the reserving methodology applied focusing on understanding the methodologies applied and examining areas of judgement such as changes in valuation assumptions; and · obtaining legal confirmation of claims in dispute.
Receivables arising from reinsurance arrangements.	The valuation of receivables from reinsurance arrangements requires a significant level of judgement, given its inherent dependence on underlying estimates of gross outstanding claims. Our audit procedures in this area included: · verifying the year end reinsurance returns and reconciliations with key reinsurers; · testing of controls on computation of reinsurance premium ceded and reinsurance claims recoverable; and· · verifying that transactions were in accordance with reinsurance treaty agreements.
Compliance with laws and regulations	The insurance industry is highly regulated as insurance companies conduct their business in a fiduciary capacity. Over the past few years the insurance industry has also been experiencing a significant increase in prudential (reporting) regulations, which have also become more extensive and more complex. Our audit procedures in this area included: · obtaining an understanding of the laws and regulations governing the company, such as the Insurance Act and regulations; · reviewing correspondence with the regulators; and · checking compliance with the requirement of the regulator on aspects such as technical reserves, application of premium as well as commission rates.

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

TO THE MEMBERS OF KENINDIA ASSURANCE COMPANY LIMITED (CONTINUED)

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

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

In our opinion the information given in the report of the directors on pages 12-13 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was **FCPA Ashif Kassam, Practising Certificate No. 1126.**

RSM Eastern Africa

RSM Eastern Africa
Certified Public Accountants (Kenya)
Nairobi, Kenya

21st March 2018

GROUP	2017 KShs million	2016 KShs million	% VARIATION OVER PREVIOUS YEAR
GROSS PREMIUM WRITTEN (SHORT TERM BUSINESS)	3,678.57	3,773.48	-2.52%
GROSS EARNED PREMIUM			
(I) SHORT TERM BUSINESS	3,749.66	3,739.69	0.27%
(II) LONG TERM BUSINESS	1,309.46	1,086.32	20.54%
(III) DEPOSIT ADMINISTRATION CONTRACTS	2,954.61	2,517.09	17.38%
(IV) ANNUITIES	377.25	343.61	9.79%
TOTAL	**8,390.98**	**7,686.71**	**9.16%**
NET EARNED PREMIUM			
(I) SHORT TERM BUSINESS	2,251.52	2,108.69	6.77%
(II) LONG TERM BUSINESS	1,268.23	1,050.15	20.77%
(III) DEPOSIT ADMINISTRATION CONTRACTS	2,954.61	2,517.09	17.38%
(IV) ANNUITIES	377.25	343.61	9.79%
TOTAL	**6,851.61**	**6,019.54**	**13.82%**
INVESTMENT INCOME			
(I) SHORT TERM BUSINESS	532.13	387.69	37.26%
(II) LONG TERM BUSINESS	3,419.02	2,807.07	21.80%
TOTAL	**3,951.15**	**3,194.76**	**23.68%**
PROFIT BEFORE TAX	437.94	342.21	27.97%
PROFIT AFTER TAX	277.70	308.50	-9.98%
MINORITY INTEREST	8.55	6.92	23.55%
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	269.15	301.58	-10.75%
SHARE CAPITAL	561.39	561.39	0.00%
SHAREHOLDERS' FUND	3,526.59	2,922.68	20.66%
POLICYHOLDERS' LIABILITIES	6,911.07	5,860.54	17.93%
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	21,760.40	19,152.95	13.61%
PAYABLE UNDER ANNUITIES	727.51	342.79	112.23%
TOTAL ASSETS	42,467.69	38,452.18	10.44%
COMPANY			
GROSS PREMIUM WRITTEN (SHORT TERM BUSINESS)	**3,014.53**	**2,995.96**	**0.62%**
GROSS EARNED PREMIUM			
(I) SHORT TERM BUSINESS	3,085.62	2,962.16	4.17%
(II) LONG TERM BUSINESS	1,309.46	1,086.32	20.54%
(III) DEPOSIT ADMINISTRATION CONTRACTS	2,954.61	2,517.09	17.38%
(IV) ANNUITIES	377.25	343.61	9.79%
TOTAL	**7,726.94**	**6,909.18**	**11.84%**
NET EARNED PREMIUM			
(I) SHORT TERM BUSINESS	1,984.46	1,837.68	7.99%
(II) LONG TERM BUSINESS	1,268.23	1,050.15	20.77%
(III) DEPOSIT ADMINISTRATION CONTRACTS	2,954.61	2,517.09	17.38%
(IV) ANNUITIES	377.25	343.61	9.79%
TOTAL	**6,584.55**	**5,748.53**	**14.54%**
INVESTMENT INCOME			
(I) SHORT TERM BUSINESS	504.79	352.72	43.11%
(II) LONG TERM BUSINESS	3,419.02	2,807.07	21.80%
TOTAL	**3,923.81**	**3,159.79**	**24.18%**
PROFIT BEFORE TAX	386.67	282.68	36.79%
PROFIT AFTER TAX	245.26	277.06	-11.48%
SHARE CAPITAL	561.39	561.39	0.00%
SHAREHOLDERS' FUND	3,375.77	2,809.04	20.18%
POLICYHOLDERS' LIABILITIES	6,911.07	5,860.54	17.93%
PAYABLE UNDER DEPOSIT ADMINISTRATION CONTRACTS	21,760.40	19,152.95	13.61%
PAYABLE UNDER ANNUITIES	727.51	342.79	112.23%
TOTAL ASSETS	40,724.25	36,422.52	11.81%
PROPOSED DIVIDEND	56.14	56.14	0.00%

financial statements 2017

consolidated statement of profit or loss

for the year ended 31 december 2017

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Premium income							
Gross earned premium income	2a	1,309,456	3,749,660	5,059,116	1,086,322	3,739,687	4,826,009
Premium ceded to reinsurers	2b	(41,223)	(1,498,141)	(1,539,364)	(36,169)	(1,630,995)	(1,667,164)
Net earned premium income		**1,268,233**	**2,251,519**	**3,519,752**	**1,050,153**	**2,108,692**	**3,158,845**
Other income							
Investment income	3a	3,419,020	532,128	3,951,148	2,807,070	387,690	3,194,760
Commission income	4a	-	455,900	455,900	-	476,072	476,072
Other income	4c	5,130	65,695	70,825	3,353	77,974	81,327
Net other income		**3,424,150**	**1,053,723**	**4,477,873**	**2,810,423**	**941,736**	**3,752,159**
Benefits and claims expense							
Claims and policy holder benefits expense		(1,774,598)	(1,793,625)	(3,568,223)	(1,392,125)	(3,056,737)	(4,448,862)
Surrender and annuity incurred		(2,297,841)	-	(2,297,841)	(1,925,502)	-	(1,925,502)
Claims ceded to reinsurers		-	382,242	382,242	-	1,707,885	1,707,885
Net benefits and claims expense		**(4,072,439)**	**(1,411,383)**	**(5,483,822)**	**(3,317,627)**	**(1,348,852)**	**(4,666,479)**
Expenses							
Operating expenses	5	(269,536)	(780,372)	(1,049,908)	(256,401)	(693,858)	(950,259)
Other expenses	6a	(53,474)	(84,380)	(137,854)	(55,507)	(84,111)	(139,618)
Allowance for credit losses on premium debtors	22	-	(53,549)	(53,549)	-	(10,791)	(10,791)
Write back of credit losses on premium debtors	22	-	1,339	1,339	-	-	-
Allowance for credit losses on rental and other receivables	24	(14,077)	(32,771)	(46,848)	-	-	-
Allowance for credit losses on deposits with financial institutions		(8,930)	-	(8,930)	-	-	-
Allowance for credit losses on reinsurance debtor balances	21	-	-	-	(32,593)	-	(32,593)
Bad debts written off		-	(6,575)	(6,575)	-	-	-
Commission expense	4b	(135,888)	(594,544)	(730,432)	(133,474)	(588,184)	(721,658)
Premium levy		(4,141)	(30,940)	(35,081)	(3,861)	(34,480)	(38,341)
Contribution to policy holders compensation fund		(1,028)	(6,996)	(8,024)	(1,113)	(7,947)	(9,060)
Total expenses		**(487,074)**	**(1,588,788)**	**(2,075,862)**	**(482,949)**	**(1,419,371)**	**(1,902,320)**
Profit before taxation		**132,870**	**305,071**	**437,941**	**60,000**	**282,205**	**342,205**
Income tax charge	7c	(72,783)	(87,459)	(160,242)	(15,891)	(17,814)	(33,705)
Profit for the year		**60,087**	**217,612**	**277,699**	**44,109**	**264,391**	**308,500**
Basic earnings per share (KShs)	8c	**-**	**-**	**47.94**	**-**	**-**	**53.72**
Diluted earnings per share (KShs)	8c	**-**	**-**	**47.94**	**-**	**-**	**53.72**
Attributable to:							
Equity holders of parent		60,087	209,063	269,150	44,109	257,467	301,576
Non-controlling interest		-	8,549	8,549	-	6,924	6,924
		60,087	**217,612**	**277,699**	**44,109**	**264,391**	**308,500**

consolidated statement of profit or loss and other comprehensive income

for the year ended 31 december 2017

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Profit for the year		**60,087**	**217,612**	**277,699**	**44,109**	**264,391**	**308,500**
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	9a	-	31,652	31,652	-	(6,254)	(6,254)
- Overstatement in prior year	9a	-	(184)	(184)	-	-	-
- Unquoted shares	9a	(522)	425,671	425,149	-	-	-
		(522)	457,139	456,617	-	(6,254)	(6,254)
Deferred tax on available-for-sale reserve	9a	157	(137,197)	(137,040)		(1,876)	(1,876)
Non-controlling interest	9e	-	558	558	-	-	-
Exchange differences on translation of foreign operations	9b	-	12,423	12,423	-	8,634	8,634
		(365)	332,923	332,558	-	504	504
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	84,135	84,135	-	59,401	59,401
Deferred tax on revaluation		-	(25,241)	(25,241)	-	(17,820)	(17,820)
	9c	-	58,894	58,894	-	41,581	41,581
Total other comprehensive income for the year net of tax		**(365)**	**391,817**	**391,452**	**-**	**42,085**	**42,085**
Total comprehensive income		**59,722**	**609,429**	**669,151**	**44,109**	**306,476**	**350,585**
Attributable to:							
Equity holders of the parent		59,722	600,322	660,044	44,109	299,552	343,661
Non-controlling interest		-	9,107	9,107	-	6,924	6,924
		59,722	**609,429**	**669,151**	**44,109**	**306,476**	**350,585**

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Premium income							
Gross earned premium income	2a	1,309,456	3,085,619	4,395,075	1,086,322	2,962,163	4,048,485
Premiums ceded to reinsurers	2b	(41,223)	(1,101,156)	(1,142,379)	(36,169)	(1,124,482)	(1,160,651)
Net earned premium income		**1,268,233**	**1,984,463**	**3,252,696**	**1,050,153**	**1,837,681**	**2,887,834**
Other income							
Investment income	3b	3,419,020	504,788	3,923,808	2,807,070	352,721	3,159,791
Commission income	4a	-	330,418	330,418	-	348,153	348,153
Other income	4c	5,130	63,428	68,558	3,353	75,829	79,182
Net other income		**3,424,150**	**898,634**	**4,322,784**	**2,810,423**	**776,703**	**3,587,126**
Benefits and claims expense							
Claims and policyholders benefits expense		(1,774,598)	(1,574,695)	(3,349,293)	(1,392,125)	(2,714,284)	(4,106,409)
Surrender and annuity incurred		(2,297,841)	-	(2,297,841)	(1,925,502)	-	(1,925,502)
Claims ceded to reinsurers		-	237,145	237,145	-	1,472,801	1,472,801
Net benefits and claims expense		**(4,072,439)**	**(1,337,550)**	**(5,409,989)**	**(3,317,627)**	**(1,241,483)**	**(4,559,110)**
Expenses							
Operating expenses	5	(269,536)	(615,012)	(884,548)	(256,401)	(542,257)	(798,658)
Other expenses	6b	(53,474)	(72,600)	(126,074)	(55,507)	(70,254)	(125,761)
Allowance for credit losses on premium debtors	22	-	(53,549)	(53,549)	-	(10,791)	(10,791)
Write back of credit losses	22	-	1,339	1,339	-	-	-
Bad debts written off		-	(1,235)	(1,235)	-	-	-
Allowance for credit losses on rental and other receivables	24	(14,077)	(32,771)	(46,848)	-	-	-
Allowance for credit losses on deposits with financial institutions		(8,930)	-	(8,930)	-	-	-
Allowance for credit losses on reinsurance debtor balances	21	-	-	-	(32,593)	-	(32,593)
Commission expense	4b	(135,888)	(488,807)	(624,695)	(133,474)	(492,327)	(625,801)
Premium levy		(4,141)	(22,121)	(26,262)	(3,861)	(26,643)	(30,504)
Contribution to policy holders compensation fund		(1,028)	(6,996)	(8,024)	(1,113)	(7,947)	(9,060)
Total expenses		**(487,074)**	**(1,291,752)**	**(1,778,826)**	**(482,949)**	**(1,150,219)**	**(1,633,168)**
Profit before taxation		**132,870**	**253,795**	**386,665**	**60,000**	**222,682**	**282,682**
Income tax (charge) / credit	7d	(72,783)	(68,621)	(141,404)	(15,891)	10,266	(5,625)
Profit for the year		**60,087**	**185,174**	**245,261**	**44,109**	**232,948**	**277,057**
Basic earnings per share (KShs)	8c	**-**	**-**	**43.69**	**-**	**-**	**49.35**
Diluted earnings per share (KShs)	8c	**-**	**-**	**43.69**	**-**	**-**	**49.35**

company statement of profit or loss and other comprehensive income
for the year ended 31 december 2017

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Profit for the year		**60,087**	**185,174**	**245,261**	**44,109**	**232,948**	**277,057**
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	9a	-	31,095	31,095	-	(6,561)	(6,561)
- Unquoted shares	9a	(522)	424,728	424,206	-	-	-
		(522)	455,823	455,301	-	(6,561)	(6,561)
Deferred tax on available-for-sale reserve	9a	157	(136,747)	(136,590)	-	(1,968)	(1,968)
		(365)	319,076	318,711	-	(8,529)	(8,529)
Items that will not be reclassified to profit or loss in subsequent periods:							
Revaluation of buildings		-	84,135	84,135	-	59,401	59,401
Deferred tax on revaluation		-	(25,241)	(25,241)	-	(17,820)	(17,820)
	9c	-	58,894	58,894	-	41,581	41,581
Total other comprehensive income for the year net of tax		**(365)**	**377,970**	**377,605**	**-**	**33,052**	**33,052**
Total comprehensive income		**59,722**	**563,144**	**622,866**	**44,109**	**266,000**	**310,109**

consolidated statement of financial position

for the year ended 31 december 2017

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
EQUITY				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Available-for-sale reserve	9a	(365)	308,322	307,957
Revaluation reserve	9c	-	387,375	387,375
General reserve	9d	51,009	-	51,009
Retained earnings	10	22,379	2,192,150	2,214,529
Foreign currency translation reserve	9b	-	3,131	3,131
Equity attributable to shareholders of parent		**234,411**	**3,292,176**	**3,526,587**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9e	-	81,362	81,362
Total equity		**552,927**	**3,373,538**	**3,926,465**
REPRESENTED BY:				
Assets				
Property and equipment	12	18,330	824,058	842,388
Intangible assets	14a	13,255	56,472	69,727
Prepaid operating lease rentals	15a	1,122,662	6,708	1,129,370
Investment properties	16a	1,902,289	1,221,515	3,123,804
Due from Kenya Motor Insurance Pool	24b	-	97,011	97,011
Available-for-sale equity investments	18a	153	600,997	601,150
Financial assets at fair value through profit or loss	19a	178,015	74,697	252,712
Loans receivable	20	96,334	200	96,534
Receivables arising out of reinsurance arrangements	21	-	1,326,349	1,326,349
Receivables arising out of direct insurance arrangements	22	2,441	549,421	551,862
Reinsurers' share of insurance liabilities	36	-	3,317,895	3,317,895
Other receivables	24a	92,107	210,361	302,468
Taxation recoverable	7a	-	55,352	55,352
Government securities:				
Held to maturity	25a	26,482,642	1,795,189	28,277,831
Available-for-sale	25c	-	764,314	764,314
Deposits with financial institutions	33	195,798	842,070	1,037,868
Commercial paper	33	115,707	46,283	161,990
Bonds and debentures	33	52,780	52,780	105,560
Bank and cash balances	32a	156,814	196,688	353,502
Total assets		**30,429,327**	**12,038,360**	**42,467,687**
Liabilities				
Insurance liabilities	23	90,451	4,754,391	4,844,842
Payable under deposit administration contracts	26a	21,760,403	-	21,760,403
Payable under annuities	26b	727,514	-	727,514
Actuarial value of policyholders' liabilities	27	6,911,074	-	6,911,074
Provision for unearned premium	28a	-	1,337,218	1,337,218
Taxation payable	7a	75,135	5,910	81,045
Deferred tax liability	29a	34,760	217,539	252,299
Payables arising from reinsurance arrangements	30a	19,036	1,896,511	1,915,547
Payables arising out of direct insurance arrangements	30a	-	260,156	260,156
Bank overdraft	32a	-	71,107	71,107
Other payables	31a	258,027	121,990	380,017
Total liabilities		**29,876,400**	**8,664,822**	**38,541,222**
Total assets net of liabilities		**552,927**	**3,373,538**	**3,926,465**

The financial statements on pages 23 to 129 were approved and authorised for issue by the Board of Directors on 21st March 2018 and signed on its behalf by:

Dr. M. P. Chandaria
Director

Allan N. Ngugi
Director

Inderjeet Singh
Managing Director/Principal Officer

consolidated statement of financial position

for the year ended 31 december 2016

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
EQUITY				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Available-for-sale reserve	9a	-	(11,620)	(11,620)
Revaluation reserve	9c	-	329,573	329,573
Retained earnings	10	69,440	1,981,995	2,051,435
Foreign currency translation reserve	9b	-	(9,292)	(9,292)
Equity attributable to shareholders of parent		**230,828**	**2,691,854**	**2,922,682**
Statutory reserve	11	318,516	-	318,516
Non-controlling interest	9e	-	72,255	72,255
Total equity		**549,344**	**2,764,109**	**3,313,453**
REPRESENTED BY:				
Assets				
Property and equipment	12	19,295	773,703	792,998
Intangible assets	14a	16,255	47,606	63,861
Prepaid operating lease rentals	15a	1,161,384	6,812	1,168,196
Deferred tax asset	29a	-	13,888	13,888
Investment properties	16a	1,731,002	1,110,468	2,841,470
Due from Kenya Motor Insurance Pool	24b	-	89,431	89,431
Available-for-sale equity investments	18a	675	174,853	175,528
Financial assets at fair value through profit or loss	19a	141,198	59,640	200,838
Loans receivable	20	92,296	440	92,736
Receivables arising out of reinsurance arrangements	21	-	2,001,408	2,001,408
Receivables arising out of direct insurance arrangements	22	-	869,653	869,653
Reinsurers' share of insurance liabilities	36	-	3,401,124	3,401,124
Other receivables	24a	80,435	449,993	530,428
Taxation recoverable	7a	-	56,794	56,794
Government securities:				
Held to maturity	25a	22,317,475	1,541,677	23,859,152
Available-for-sale	25c	-	732,398	732,398
Deposits with financial institutions	33	510,774	671,668	1,182,442
Commercial paper	33	102,704	41,082	143,786
Bonds and debentures	33	52,780	52,780	105,560
Bank and cash balances	32a	71,779	58,709	130,488
Total assets		**26,298,052**	**12,154,127**	**38,452,179**
Liabilities				
Insurance liabilities	23	51,499	4,765,041	4,816,540
Payable under deposit administration contracts	26a	19,152,949	-	19,152,949
Payable under annuities	26b	342,785	-	342,785
Actuarial value of policyholders' liabilities	27	5,860,540	-	5,860,540
Provision for unearned premium	28a	-	1,466,587	1,466,587
Taxation payable	7a	52,296	11,125	63,421
Deferred tax liability	29a	1,995	-	1,995
Payables arising from reinsurance arrangements	30a	17,795	2,524,355	2,542,150
Payables arising out of direct insurance arrangements	30a	-	193,980	193,980
Bank overdraft	32a	-	66,255	66,255
Other payables	31a	268,849	362,675	631,524
Total liabilities		**25,748,708**	**9,390,018**	**35,138,726**
Total assets net of liabilities		**549,344**	**2,764,109**	**3,313,453**

The financial statements on pages 23 to 129 were approved and authorised for issue by the Board of Directors on 21st March 2018 and signed on its behalf by:

Dr. M. P. Chandaria
Director

Allan N. Ngugi
Director

Inderjeet Singh
Managing Director/Principal Officer

company statement of financial position

for the year ended 31 december 2017

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
CAPITAL EMPLOYED				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Available-for-sale reserve	9a	(365)	307,534	307,169
Revaluation reserve	9c	-	387,375	387,375
General reserve	9d	51,009	-	51,009
Retained earnings	10	22,379	2,045,252	2,067,631
Total ordinary shareholders' equity		234,411	3,141,359	3,375,770
Statutory reserve	11	318,516	-	318,516
Total equity		**552,927**	**3,141,359**	**3,694,286**
REPRESENTED BY:				
Assets				
Property and equipment	13	18,330	808,976	827,306
Intangible assets	14b	13,255	50,513	63,768
Prepaid operating lease rentals	15b	1,122,662	6,577	1,129,239
Investment properties	16b	1,902,289	1,203,915	3,106,204
Due from Kenya Motor Insurance Pool	24b	-	97,011	97,011
Investment in subsidiaries	17	-	81,905	81,905
Available-for-sale equity investments	18b	153	547,507	547,660
Financial assets at fair value through profit and loss	19b	178,015	58,347	236,362
Loans receivable	20	96,334	200	96,534
Receivables arising out of reinsurance arrangements	21	-	923,700	923,700
Receivables arising out of direct insurance arrangements	22	2,441	479,231	481,672
Reinsurers' share of insurance liabilities	36	-	2,478,472	2,478,472
Other receivables	24a	92,107	230,206	322,313
Taxation recoverable	7b	-	55,062	55,062
Government securities:				
Held to maturity investments	25b	26,482,642	1,745,049	28,227,691
Available-for-sale	25c	-	751,408	751,408
Deposits with financial institutions	33	195,798	663,450	859,248
Commercial paper	33	115,707	46,283	161,990
Bonds and debentures	33	52,780	52,780	105,560
Bank and cash balances	32b	156,814	14,328	171,142
Total assets		**30,429,327**	**10,294,920**	**40,724,247**
Liabilities				
Insurance liabilities	23	90,451	3,905,518	3,995,969
Payable under deposit administration contracts	26a	21,760,403	-	21,760,403
Payable under annuities	26b	727,514	-	727,514
Actuarial value of policyholders' liabilities	27	6,911,074	-	6,911,074
Provision for unearned premium	28b	-	1,030,140	1,030,140
Payables arising from reinsurance arrangements	30b	19,036	1,596,377	1,615,413
Payables arising out of direct insurance arrangements	30b	-	260,156	260,156
Other payables	31b	258,027	73,862	331,889
Bank overdraft	32b	-	71,107	71,107
Deferred tax liability	29b	34,760	216,401	251,161
Taxation payable	7b	75,135	-	75,135
Total liabilities		**29,876,400**	**7,153,561**	**37,029,961**
Total assets net of liabilities		**552,927**	**3,141,359**	**3,694,286**

The financial statements on pages 23 to 129 were approved and authorised for issue by the Board of Directors on 21st March 2018 and signed on its behalf by:

Dr. M. P. Chandaria
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Allan N. Ngugi
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Inderjeet Singh
Managing Director/Principal Officer

company statement of financial position

for the year ended 31 december 2016

KENINDIA

	Note	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
CAPITAL EMPLOYED				
Share capital	8a	161,388	400,000	561,388
Share premium	8b	-	1,198	1,198
Available-for-sale reserve	9a	-	(11,542)	(11,542)
Revaluation reserve	9c	-	329,573	329,573
Retained earnings	10	69,440	1,858,986	1,928,426
Total ordinary shareholders' equity		230,828	2,578,215	2,809,043
Statutory reserve	11	318,516	-	318,516
Total equity		**549,344**	**2,578,215**	**3,127,559**
REPRESENTED BY:				
Assets				
Property and equipment	13	19,295	749,604	768,899
Intangible assets	14b	16,255	47,606	63,861
Prepaid operating lease rentals	15b	1,161,384	6,679	1,168,063
Deferred tax asset	29b	-	12,751	12,751
Investment properties	16b	1,731,002	1,094,468	2,825,470
Due from Kenya Motor Insurance Pool	24b	-	89,431	89,431
Investment in subsidiaries	17	-	81,905	81,905
Available-for-sale equity investments	18b	675	122,779	123,454
Financial assets at fair value through profit and loss	19b	141,198	46,148	187,346
Loans receivable	20	92,296	440	92,736
Receivables arising out of reinsurance arrangements	21	-	1,241,904	1,241,904
Receivables arising out of direct insurance arrangements	22	-	569,454	569,454
Reinsurers' share of insurance liabilities	36	-	2,686,111	2,686,111
Other receivables	24a	80,435	475,293	555,728
Taxation recoverable	7b	-	56,519	56,519
Government securities:				
Held to maturity investments	25b	22,317,475	1,488,811	23,806,286
Available-for-sale	25c	-	720,053	720,053
Deposits with financial institutions	33	510,774	505,889	1,016,663
Commercial paper	33	102,704	41,082	143,786
Bonds and debentures	33	52,780	52,780	105,560
Bank and cash balances	32b	71,779	34,765	106,544
Total assets		**26,298,052**	**10,124,472**	**36,422,524**
Liabilities				
Insurance liabilities	23	51,499	4,010,678	4,062,177
Payable under deposit administration contracts	26a	19,152,949	-	19,152,949
Payable under annuities	26b	342,785	-	342,785
Actuarial value of policyholders' liabilities	27	5,860,540	-	5,860,540
Provision for unearned premium	28b	-	1,101,226	1,101,226
Payables arising from reinsurance arrangements	30b	17,795	1,809,341	1,827,136
Payables arising out of direct insurance arrangements	30b	-	193,980	193,980
Other payables	31b	268,849	364,777	633,626
Bank overdraft	32b	-	66,255	66,255
Deferred tax liability	29b	1,995	-	1,995
Taxation payable	7b	52,296	-	52,296
Total liabilities		**25,748,708**	**7,546,257**	**33,294,965**
Total assets net of liabilities		**549,344**	**2,578,215**	**3,127,559**

The financial statements on pages 23 to 129 were approved and authorised for issue by the Board of Directors on 21st March 2018 and signed on its behalf by:

Dr. M. P. Chandaria
Director

Allan N. Ngugi
Director

Inderjeet Singh
Managing Director/Principal Officer

consolidated statement of changes in equity

for the year ended 31 december 2017

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available-for-sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	General reserve (Note 9) KShs'000	Retained earnings (Note 10) 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 2017	**561,388**	**1,198**	**(11,620)**	**329,573**	**-**	**2,051,435**	**(9,292)**	**2,922,682**	**318,516**	**72,255**	**3,313,453**
Profit for the year											
-Short term business	-	-	-	-	-	209,063	-	**209,063**	-	8,549	**217,612**
-Long term business	-	-	-	-	-	-	-	**-**	60,087	-	**60,087**
Other comprehensive income	-	-	319,577	58,894	-	-	12,423	**390,894**	-	558	**391,452**
Total comprehensive income	**-**	**-**	**319,577**	**58,894**	**-**	**209,063**	**12,423**	**599,957**	**60,087**	**9,107**	**669,151**
Transfer of excess depreciation	-	-	-	(1,092)	-	1,092	-	**-**	-	-	**-**
Transactions with owners:											
Dividends paid for 2016	-	-	-	-	-	(56,139)	-	**(56,139)**	-	-	**(56,139)**
Transfer to general reserve, net of tax	-	-	-	-	51,009	-	-	**51,009**	(51,009)	-	**-**
Transfer from statutory reserve, net of tax	-	-	-	-	-	9,078	-	**9,078**	(9,078)	-	**-**
At 31 December 2017	**561,388**	**1,198**	**307,957**	**387,375**	**51,009**	**2,214,529**	**3,131**	**3,526,587**	**318,516**	**81,362**	**3,926,465**

consolidated statement of changes in equity

for the year ended 31 december 2016

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available-for-sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	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 2016	**561,388**	**1,198**	**(3,490)**	**289,427**	**1,804,648**	**(17,926)**	**2,635,245**	**318,516**	**65,331**	**3,019,092**
Profit for the year										
-Short term business	-	-	-	-	257,467	-	**257,467**	-	6,924	**264,391**
-Long term business	-	-	-	-	-	-	**-**	44,109	-	**44,109**
Other comprehensive income	-	-	(8,130)	41,581	-	8,634	**42,085**	-	-	**42,085**
Total comprehensive income	**-**	**-**	**(8,130)**	**41,581**	**257,467**	**8,634**	**299,552**	**44,109**	**6,924**	**350,585**
Excess of depreciation	-	-	-	(1,435)	1,435	-	**-**	-	-	**-**
Transactions with owners:										
Dividends paid for 2015	-	-	-	-	(56,224)	-	**(56,224)**	-	-	**(56,224)**
Transfer from statutory reserve	-	-	-	-	44,109	-	**44,109**	(44,109)	-	**-**
At 31 December 2016	**561,388**	**1,198**	**(11,620)**	**329,573**	**2,051,435**	**(9,292)**	**2,922,682**	**318,516**	**72,255**	**3,313,453**

company statement of changes in equity

for the year ended 31 december 2017

KENINDIA

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available-for sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	General reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Total ordinary shareholders' equity (Note 8) KShs'000	Statutory reserve (Note 11) KShs'000	Total equity and reserves KShs'000
At 1 January 2017	**561,388**	**1,198**	**(11,542)**	**329,573**	**-**	**1,928,426**	**2,809,043**	**318,516**	**3,127,559**
Profit for the year -Short term business	-	-	-	-	-	185,174	**185,174**	-	**185,174**
-Long term business	-	-	-	-	-	-	**-**	60,087	**60,087**
Other comprehensive income	-	-	318,711	58,894	-	-	**377,605**	-	**377,605**
Total comprehensive income	**-**	**-**	**318,711**	**58,894**	**-**	**185,174**	**562,779**	**60,087**	**622,866**
Transfer of excess depreciation	-	-	-	(1,092)	-	1,092	**-**	-	**-**
Transactions with owners:									
Dividends paid for 2016	-	-	-	-	-	(56,139)	**(56,139)**	-	**(56,139)**
Transfer to general reserve, net of tax	-	-	-	-	51,009	-	**51,009**	(51,009)	**-**
Transfer from statutory reserve, net of tax	-	-	-	-	-	9,078	**9,078**	(9,078)	**-**
At 31 December 2017	**561,388**	**1,198**	**307,169**	**387,375**	**51,009**	**2,067,631**	**3,375,770**	**318,516**	**3,694,286**

company statement of changes in equity

for the year ended 31 december 2016

KENINDIA

	Share capital (Note 8) KShs'000	Share premium (Note 8) KShs'000	Available-for sale reserve (Note 9) KShs'000	Revaluation reserve (Note 9) KShs'000	Retained earnings (Note 10) KShs'000	Total ordinary shareholders' equity KShs'000	Statutory reserve (Note 11) KShs'000	Total equity and reserves KShs'000
At 1 January 2016	**561,388**	**1,198**	**(3,013)**	**289,427**	**1,706,158**	**2,555,158**	**318,516**	**2,873,674**
Profit for the year -Short term business	-	-	-	-	232,948	**232,948**	-	**232,948**
-Long term business	-	-	-	-	-	**-**	44,109	**44,109**
Other comprehensive income	-	-	(8,529)	41,581	-	**33,052**	-	**33,052**
Total comprehensive income	**-**	**-**	**(8,529)**	**41,581**	**232,948**	**266,000**	**44,109**	**310,109**
Transfer of excess depreciation	-	-	-	(1,435)	1,435	**-**	-	**-**
Transactions with owners:								
Dividends paid for 2015	-	-	-	-	(56,224)	**(56,224)**	-	**(56,224)**
Transfer from statutory reserve	-	-	-	-	44,109	**44,109**	(44,109)	**-**
At 31 December 2016	**561,388**	**1,198**	**(11,542)**	**329,573**	**1,928,426**	**2,809,043**	**318,516**	**3,127,559**

consolidated statement of cash flows

for the year ended 31 december 2017

	2017 KShs'000	2016 KShs'000
Cash flows from operating activities		
Profit before tax	**437,941**	**342,205**
Adjustments for:		
Depreciation on property and equipment	42,857	42,232
Amortisation of intangible assets	29,903	27,368
Amortisation of prepaid lease	38,826	38,826
Exchange adjustment on property and equipment	(11)	185
Exchange adjustment on intangible assets	161	-
Fair value gains on investment properties	(277,116)	(192,652)
Interest from government securities (Held to maturity)	(3,305,421)	(2,726,946)
Interest from government securities (Available-for-sale)	(95,750)	(109,099)
Bank deposit interest	(71,325)	(97,021)
Loan interest	(13,939)	(21,573)
Commercial paper interest	(29,400)	(28,535)
Bonds and debentures interest	(7,263)	(6,962)
Dividends received from equity investments	(23,603)	(21,365)
Fair value (gain)/ loss on quoted investments	(41,508)	76,265
Gain/(loss) on sale of property and equipment	(978)	39
Working capital changes;		
Increase/(decrease) in insurance liabilities	28,302	(1,083,807)
Increase in payable under deposit administration contracts	2,607,454	2,162,423
Increase in payable under annuities	384,729	342,785
Increase in actuarial value of policyholders' liabilities	1,050,534	906,933
(Decrease)/increase in unearned premium reserve	(129,369)	22,906
(Decrease)/increase in reinsurance arrangements payables	(626,603)	434,971
Increase/(decrease) in direct insurance arrangements payables	66,176	(36,145)
Decrease in other payables	(251,507)	(2,612,561)
Increase in due from motor pool	(7,580)	(3,230)
Decrease/(increase) in reinsurance arrangements receivables	675,059	(629,897)
Decrease/(increase) in direct insurance arrangements receivables	317,791	(125,608)
Increase in reinsurers' share of insurance liabilities	83,229	1,216,643
Decrease in other receivables	227,960	784,605
Cash generated from/(used in) operations	**1,109,549**	**(1,297,015)**
Income tax paid	(39,286)	(36,496)
Net cash flows generated from/(used in) operating activities	**1,070,263**	**(1,333,511)**

	2017 KShs'000	2016 KShs'000
Cash flows from investing activities		
Purchase of property and equipment	(22,324)	(25,428)
Purchase of intangible assets	(27,238)	(41,671)
Proceeds from disposal of property and equipment	6,509	550
Additions to investment properties	(5,218)	(630)
Net decrease in available-for-sale equity investments	1,069	333
Purchase of financial assets at fair value through profit and loss (Quoted shares)	(11,912)	(706)
Policy loans advanced	(37,226)	(22,071)
Repayment of policy loans	32,957	26,691
Motor vehicle loans advanced	-	(960)
Repayment of motor vehicle loans	471	260
Net investment in government securities (Held to maturity)	(4,418,679)	(3,979,686)
Net investment in government securities (Available-for-sale)	(264)	108,214
Decrease/(increase) in deposits with financial institutions (maturing after 90 days of date of acquisition)	149,284	381,878
Net movement in investment in bonds and debentures	-	(105,560)
Interest from government securities (Held to maturity)	3,305,421	2,726,946
Interest from government securities (Available-for-sale)	95,750	109,099
Bank deposit interest	71,325	97,021
Loan interest	13,939	21,573
Commercial paper interest	29,400	28,535
Bonds and debentures interest	7,263	6,962
Dividends received from equity investments	23,603	21,365
Net cash flows used in investing activities	**(785,870)**	**(647,285)**
Cash flows from financing activities		
Dividends paid	(56,139)	(56,224)
Net cash flows used in financing activities	**(56,139)**	**(56,224)**
Increase/(decrease) in cash and cash equivalents	**228,254**	**(2,037,020)**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,055,265	3,083,300
Increase/(decrease) in cash and cash equivalents	228,254	(2,037,020)
Exchange differences on translation of foreign operations	12,822	8,985
Cash and cash equivalents at the end of the year (Note 32)	**1,296,341**	**1,055,265**

company statement of cash flows

for the year ended 31 december 2017

	2017 KShs'000	2016 KShs'000
Cash flows from operating activities		
Profit before tax	**386,665**	**282,682**
Adjustments for:		
Depreciation on property and equipment	37,781	40,669
Amortisation of intangible assets	27,331	27,368
Amortisation of prepaid lease	38,824	38,824
Fair value gains on investment properties	(275,516)	(184,212)
Interest from government securities (Held to maturity)	(3,299,322)	(2,719,347)
Interest from government securities (Available-for-sale)	(94,250)	(109,099)
Bank deposit interest	(58,530)	(81,310)
Loan interest	(13,879)	(21,501)
Commercial paper interest	(29,400)	(28,535)
Bonds and debentures interest	(7,263)	(6,962)
Dividends received from equity investments	(22,721)	(20,924)
Fair value (gains)/loss on quoted investments	(37,104)	78,971
(Gains)/loss on sale of property and equipment	(1,442)	9
Working capital changes;		
Decrease in insurance liabilities	(66,208)	(1,139,033)
Increase in payable under deposit administration contracts	2,607,454	2,162,423
Increase in payable under annuities	384,729	342,785
Increase in actuarial value of policyholders' liabilities	1,050,534	906,933
Increase in unearned premium reserve	(71,086)	33,797
(Decrease)/increase in reinsurance arrangements payables	(211,723)	185,325
Increase/(decrease) in direct insurance arrangements payables	66,176	(36,145)
Decrease in other payables	(301,737)	(2,553,253)
Increase in motor pool	(7,580)	(3,230)
Decrease/(increase) in reinsurance arrangements receivables	318,204	(272,357)
Decrease/(increase) in direct insurance arrangements receivables	87,782	(78,309)
Decrease in reinsurers' share of insurance liabilities	207,639	1,212,619
Decrease in other receivables	233,415	755,326
Cash generated from/(used in) operations	**948,773**	**(1,186,486)**
Income tax paid	(17,022)	(13,709)
Net cash flows generated from/(used in) operating activities	**931,751**	**(1,200,195)**

	2017 KShs'000	2016 KShs'000
Cash flows from investing activities		
Purchase of property and equipment	(16,070)	(19,426)
Purchase of intangible assets	(27,238)	(41,671)
Proceeds from disposal of property and equipment	5,459	147
Additions to investment properties	(5,218)	(630)
Net movement in bonds and debentures	-	(105,560)
Purchase of financial assets at fair value through profit and loss (Quoted shares)	(11,912)	(706)
Policy loans advanced	(37,226)	(22,071)
Repayment of policy loans	32,957	26,691
Motor vehicle loans advanced	-	(960)
Repayment of motor vehicle loans	471	260
Net movement in investment in government securities (Held to maturity)	(4,421,405)	(3,978,269)
Net (increase)/decrease in investment in government securities (Available-for-sale)	(260)	107,480
(Increase)/decrease in deposits with financial institutions (maturing after 90 days of date of acquisition)	(8,976)	330,601
Interest from government securities (Held to maturity)	3,299,322	2,719,347
Interest from government securities (Available-for-sale)	94,250	109,099
Bank deposit interest	58,530	81,310
Loan interest	13,879	21,501
Commercial paper interest	29,400	28,535
Bonds and debentures interest	7,263	6,962
Dividends received from equity investments	22,721	20,924
Net cash flows used in investing activities	**(964,053)**	**(716,436)**
Cash flows from financing activities		
Dividends paid	(56,139)	(56,224)
Net cash flows used in financing activities	**(56,139)**	**(56,224)**
Decrease in cash and cash equivalents	**(88,441)**	**(1,972,855)**
Movement in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,023,802	2,996,657
Decrease in cash and cash equivalents	(88,441)	(1,972,855)
Cash and cash equivalents at the end of the year (Note 32)	**935,361**	**1,023,802**

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, 2015. 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 Company'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 Group 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 purposes of reporting under the Kenyan Companies Act, 2015, 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)

i) New standards and amendments to published standards effective for the year ended 31 December 2017

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

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

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

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

IAS 7 *Disclosure Initiative – Amendments to IAS 7*

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments has not resulted in additional disclosures by the Group.

Amendment to IFRS 12 *(Annual Improvements to IFRSs 2014–2016 Cycle)*, issued in December 2016)

The amendment, applicable to annual periods beginning on or after 1 January 2017, clarifies the scope of the standard.

IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments did not have any impact on the Group.

ii) New and revised financial reporting standards that are not effective

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

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

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

ii) New and revised financial reporting standards that are not effective

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2017, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve presented as accumulated OCI will be reclassified to opening retained earnings. However, the Group does not have quoted equity shares that are held as available-for-sale. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would have some impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

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

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

ii) New and revised financial reporting standards that are not effective (continued)

IFRS 9 *Financial Instruments (continued)*

(c) Hedge accounting

The Group does not have options, forwards or any hedge accounting transactions.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans, if applicable, to adopt the new standard on the required effective date using the full retrospective method.

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 2 *Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2*

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

ii) New and revised financial reporting standards that are not effective (continued)

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

Amendments to IFRS 4 titled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016)

The amendments, applicable to annual periods beginning on or after 1st January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial assets.

Amendment to IFRS 1 - *Annual Improvements to IFRSs 2014–2016 Cycle*, issued in December 2016

The amendment, applicable to annual periods beginning on or after 1st January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

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

b) Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

ii) New and revised financial reporting standards that are not effective (continued)

Amendment to IAS 28 - *Annual Improvements to IFRSs 2014–2016 Cycle*, issued in December 2016

The amendment, applicable to annual periods beginning on or after 1st January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.

Amendments to IAS 40 titled *Transfers of Investment Property* (issued in December 2016)

The amendments, applicable to annual periods beginning on or after 1st January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

IFRIC 22 titled *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)

The Interpretation, applicable to annual periods beginning on or after 1st January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

IFRS 17 *Insurance Contracts* (issued in May 2017)

The new standard, effective for annual periods beginning on or after 1st January 2021, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

IFRIC 23 *Uncertainty over Income Tax Treatments* (issued in June 2017)

The Interpretation, applicable to annual periods beginning on or after 1st January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments

Amendments to IAS 28 titled *Long-term Interests in Associates and Joint Ventures* (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

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.

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

c) **Basis of consolidation (continued)**

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 in general business.

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 during 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 period.

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 and expense recognition
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 that have occurred 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 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 recoverable
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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Reinsurance (continued)

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

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

h) Insurance receivables

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

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

i) Policyholder benefits

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

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.

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

k) Expenses (continued)

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

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

l) Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Subsequent costs (including replacement costs) are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when incurred and only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred.

Buildings are subsequently carried at a revalued amount, based on annual valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other 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.

Increases in the carrying amount arising on revaluation on buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

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%

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property and equipment (continued)

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.

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.

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

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.

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.

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

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Taxation (continued)

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.

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.

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

q) Taxation (continued)

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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

t) Retirement benefits obligations

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

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

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

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

u) Financial instruments

i) 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).

ii) Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

u) Financial instruments (continued)

ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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.

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.

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

u) Financial instruments (continued)

Available-for-sale financial assets (continued)

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.

iii) 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Financial instruments (continued)

iii) Fair value of financial instruments (continued)

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.

iv) 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)

iv) 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.

v) 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.

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

u) Financial instruments (continued)

v) Derecognition of financial assets (continued)

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.

vi) 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.

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

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.

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.

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 90,451,000 (2016: KShs 51,499,000) for insurance liabilities and KShs 6,911,074,000 (2016: KShs 5,860,540,000) for actuarial value of policy holders' liabilities.

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

w) Significant accounting judgements and estimates

Estimates and assumptions (continued)

a) Valuation of insurance contract liabilities (continued)

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.

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 4,754,391,000 (2016: KShs 4,765,041,000) and for Company KShs 3,905,518,000 (2016: KShs 4,010,678,000).

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.

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

w) Significant accounting judgements and estimates

Estimates and assumptions (continued)

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.

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 settlem ent 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.

2. Premium Earned

a) Gross earned premium income

The company's insurance business 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 80% 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	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Short term insurance business:				
Motor	1,095,684	1,045,763	939,392	824,953
Fire	1,058,614	1,117,786	791,989	801,036
Personal accident and medical	176,467	148,251	176,467	148,251
Marine	322,979	318,566	274,274	269,817
Theft	236,295	265,064	236,295	265,064
Workmen compensation	416,134	394,120	416,134	394,120
Engineering	238,689	218,107	178,893	186,139
Liability	48,918	47,773	48,918	47,773
Aviation	11,240	12,731	17	-
Other miscellaneous	144,640	171,526	23,240	25,010
	3,749,660	**3,739,687**	**3,085,619**	**2,962,163**
Long term assurance business:				
Ordinary life (Gross)	1,235,077	1,026,561	1,235,077	1,026,561
Group life (Gross)	74,379	59,761	74,379	59,761
	1,309,456	**1,086,322**	**1,309,456**	**1,086,322**
	5,059,116	**4,826,009**	**4,395,075**	**4,048,485**

b) Premium ceded to re-insurers on re-insurance contracts

	Group 2017	Group 2016	Company 2017	Company 2016
Long term business	**(41,223)**	**(36,169)**	**(41,223)**	**(36,169)**
Short term business	(1,483,612)	(1,619,013)	(1,088,337)	(1,115,062)
Change in unearned premiums provision (Note 28)	(14,529)	(11,982)	(12,819)	(9,420)
	(1,498,141)	**(1,630,995)**	**(1,101,156)**	**(1,124,482)**
Net earned premium income	**3,519,752**	**3,158,845**	**3,252,696**	**2,887,834**

3. **Investment income**

a) **Group 2017**

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	3,072,915	232,506	3,305,421
Interest from government securities (Available-for-sale)	-	95,750	95,750
Bank deposit interest	18,421	52,904	71,325
Loan interest	13,814	125	13,939
Operating lease income/rent from investment properties	106,427	39,057	145,484
Gains on valuation of investment properties (Note 16)	166,881	110,235	277,116
Dividends receivable from equity investments	5,695	17,908	23,603
Commercial paper interest	21,000	8,400	29,400
Bonds and debentures interest	3,625	3,638	7,263
Gain on valuation of quoted investments	25,879	15,629	41,508
Other investment charges/operating expenses on investment properties	(15,637)	(44,024)	(59,661)
	3,419,020	**532,128**	**3,951,148**

a) **Group 2016**

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	2,578,334	148,612	2,726,946
Interest from government securities (Available-for-sale)	-	109,099	109,099
Bank deposit interest	43,378	53,643	97,021
Loan interest	21,443	130	21,573
Operating lease income/rent from investment properties	92,282	36,227	128,509
Gains on valuation of investment properties (Note 16)	113,162	79,490	192,652
Dividends receivable from equity investments	8,716	12,649	21,365
Commercial paper interest	21,219	7,316	28,535
Bonds and debentures interest	3,481	3,481	6,962
Loss on valuation of quoted investments	(52,830)	(23,435)	(76,265)
Other investment charges/operating expenses on investment properties	(22,115)	(39,522)	(61,637)
	2,807,070	**387,690**	**3,194,760**

3. Investment income

b) Company 2017	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	3,072,915	226,407	3,299,322
Interest from government securities (Available-for-sale)	-	94,250	94,250
Bank deposit interest	18,421	40,109	58,530
Loan interest	13,814	65	13,879
Operating lease income/rent from investment properties	106,427	39,057	145,484
Gains on valuation of investment properties (Note 16)	166,881	108,635	275,516
Dividends receivable from equity investments	5,695	17,026	22,721
Commercial paper interest	21,000	8,400	29,400
Bonds and debentures interest	3,625	3,638	7,263
Gain on valuation of quoted investments	25,879	11,225	37,104
Other investment charges/operating expenses on investment properties	(15,637)	(44,024)	(59,661)
	3,419,020	**504,788**	**3,923,808**

b) Company 2017	Long term assurance business KShs'000	Short term insurance business KShs'000	Total KShs'000
Interest from government securities (Held to maturity)	2,578,334	141,013	2,719,347
Interest from government securities (Available-for-sale)	-	109,099	109,099
Bank deposit interest	43,378	37,932	81,310
Loan interest	21,443	58	21,501
Operating lease income/rent from investment properties	92,282	36,227	128,509
Gains on valuation of investment properties (Note 16)	113,162	71,050	184,212
Dividends receivable from equity investments	8,716	12,208	20,924
Commercial paper interest	21,219	7,316	28,535
Bonds and debentures interest	3,481	3,481	6,962
Loss on valuation of quoted investments	(52,830)	(26,141)	(78,971)
Other investment charges/operating expenses on investment properties	(22,115)	(39,522)	(61,637)
	2,807,070	**352,721**	**3,159,791**

4. a) Commission income

	Group		Company	
	2017 KShs '000	2016 KShs '000	2017 KShs '000	2016 KShs '000
Re-insurance commission income	**455,900**	**476,072**	**330,418**	**348,153**

b) Commission expense

	Group 2017 KShs '000	Group 2016 KShs '000	Company 2017 KShs '000	Company 2016 KShs '000
Commission on direct insurance arrangements	716,708	696,995	610,971	601,138
Commission on inward re-insurance arrangements	13,724	24,663	13,724	24,663
	730,432	**721,658**	**624,695**	**625,801**

4. c) Other income

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Group						
Gain/(loss) on disposal of property and equipment	-	978	978	-	(39)	(39)
Exchange gain/(loss)	-	1,358	1,358	(18)	1,843	1,825
Administration fees	-	3,167	3,167	-	659	659
Miscellaneous income	5,130	60,192	65,322	3,371	75,511	78,882
	5,130	**65,695**	**70,825**	**3,353**	**77,974**	**81,327**
Company						
Gain/(loss) on disposal of property and equipment	-	1,442	1,442	-	(9)	(9)
Exchange loss	-	(1,338)	(1,338)	(18)	(164)	(182)
Administration fees	-	3,167	3,167	-	659	659
Miscellaneous income	5,130	60,157	65,287	3,371	75,343	78,714
	5,130	**63,428**	**68,558**	**3,353**	**75,829**	**79,182**

5. Operating expenses

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Staff costs	150,435	452,355	602,790	146,141	468,938	615,079
Rent	9,188	34,301	43,489	10,600	35,438	46,038
Printing and stationery	4,407	13,097	17,504	3,897	16,233	20,130
Telephone expenses	3,863	6,964	10,827	4,562	9,149	13,711
Travelling expenses	7,502	21,831	29,333	6,956	16,121	23,077
Repairs and maintenance expenditure	9,077	32,557	41,634	7,893	16,235	24,128
Advertisement expenses	8,700	89,428	98,128	11,451	32,116	43,567
Entertainment expenses	1,197	4,851	6,048	1,578	4,829	6,407
Bank charges	4,355	20,420	24,775	2,275	3,319	5,594
Interest on car loans	166	427	593	205	1,657	1,862
Training expenses	1,167	3,745	4,912	1,670	1,700	3,370
General office expenses	69,479	100,396	169,875	59,173	88,123	147,296
	269,536	**780,372**	**1,049,908**	**256,401**	**693,858**	**950,259**
Staff costs include the following:						
- Salaries and wages	128,050	371,005	499,055	129,604	402,964	532,568
- Social security benefit costs	339	13,806	14,145	340	14,375	14,715
- Retirement benefit costs	22,046	67,544	89,590	16,197	51,599	67,796
	150,435	**452,355**	**602,790**	**146,141**	**468,938**	**615,079**

5. Operating expenses

Company	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Staff costs	150,435	367,735	518,170	146,141	386,592	532,733
Rent	9,188	14,207	23,395	10,600	15,335	25,935
Printing and stationery	4,407	12,023	16,430	3,897	15,188	19,085
Telephone expenses	3,863	4,395	8,258	4,562	6,953	11,515
Travelling expenses	7,502	12,685	20,187	6,956	12,520	19,476
Repairs and maintenance expenditure	9,077	26,586	35,663	7,893	12,298	20,191
Advertisement expenses	8,700	84,636	93,336	11,451	28,586	40,037
Entertainment expenses	1,197	4,851	6,048	1,578	4,828	6,406
Bank charges	4,355	18,696	23,051	2,275	2,676	4,951
Interest on car loans	166	427	593	205	1,657	1,862
Training expenses	1,167	2,517	3,684	1,670	974	2,644
General office expenses	69,479	66,254	135,733	59,173	54,650	113,823
	269,536	**615,012**	**884,548**	**256,401**	**542,257**	**798,658**
Staff costs include the following:						
- Salaries and wages	128,050	318,466	446,516	129,604	334,026	463,630
- Social security benefit costs	339	878	1,217	340	967	1,307
- Retirement benefit costs	22,046	48,391	70,437	16,197	51,599	67,796
	150,435	**367,735**	**518,170**	**146,141**	**386,592**	**532,733**

The number of persons employed by the Group at year end was 265 (2016: 283). At company level, the employees as at year end were 229 (2016: 247).

The number of persons employed by the Group and Company at year end, by category, were:

	Group 2017 Number	Group 2016 Number	Company 2017 Number	Company 2016 Number
- Executive wing and marketing	11	15	11	15
- Operations	142	166	106	130
- Life	49	57	49	57
- Support	63	45	63	45
	265	**283**	**229**	**247**

6. Other expenses

a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Depreciation and amortisation	9,814	62,946	72,760	11,872	64,728	76,600
Amortisation of prepaid lease	38,722	104	38,826	38,722	104	38,826
Audit fee	1,977	8,185	10,162	1,596	7,761	9,357
Donations	418	1,734	2,152	1,019	2,905	3,924
Directors' remuneration (Note 39)	-	3,620	3,620	506	3,016	3,522
Other directors' expenses	2,543	7,791	10,334	1,792	5,597	7,389
	53,474	**84,380**	**137,854**	**55,507**	**84,111**	**139,618**

b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Depreciation and amortisation	9,814	55,298	65,112	11,872	56,163	68,035
Amortisation of prepaid lease	38,722	102	38,824	38,722	102	38,824
Audit fee	1,977	6,260	8,237	1,596	4,376	5,972
Donations	418	1,583	2,001	1,019	2,905	3,924
Directors' remuneration (Note 39)	-	2,025	2,025	506	1,519	2,025
Other directors' expenses	2,543	7,332	9,875	1,792	5,189	6,981
	53,474	**72,600**	**126,074**	**55,507**	**70,254**	**125,761**

7. Income tax

a) Group

Taxation payable/ (recoverable)	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Taxation recoverable						
Balance brought forward	-	(56,794)	(56,794)	-	(56,147)	(56,147)
Charge for the year	-	1,457	1,457	-	-	-
Over provision in previous year	-	-	-	-	(631)	(631)
Paid during the year	-	(15)	(15)	-	(16)	(16)
Balance carried forward	**-**	**(55,352)**	**(55,352)**	**-**	**(56,794)**	**(56,794)**
Taxation payable						
Balance brought forward	52,296	11,125	63,421	48,005	4,864	52,869
Charge for the year	39,861	17,034	56,895	18,000	29,032	47,032
Paid during the year	(17,022)	(22,249)	(39,271)	(13,709)	(22,771)	(36,480)
Balance carried forward	**75,135**	**5,910**	**81,045**	**52,296**	**11,125**	**63,421**

7. Income tax (continued)

Taxation payable/ (recoverable) (continued)	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
b) Company						
Balance brought forward	52,296	(56,519)	(4,223)	48,005	(55,888)	(7,883)
Charge for the year	39,861	1,457	41,318	18,000	-	18,000
Over provision in previous year	-	-	-	-	(631)	(631)
Paid during the year	(17,022)	-	(17,022)	(13,709)	-	(13,709)
Balance carried forward	**75,135**	**(55,062)**	**20,073**	**52,296**	**(56,519)**	**(4,223)**

Income tax charge / (credit)

c) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Current income tax charge	39,861	18,491	58,352	18,000	29,032	47,032
Over provision in previous year	-	(21)	(21)	-	(631)	(631)
Deferred tax charge/(credit)	32,922	68,989	101,911	(2,109)	(10,587)	(12,696)
Income tax charge	**72,783**	**87,459**	**160,242**	**15,891**	**17,814**	**33,705**

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	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Profit before taxation	132,870	305,071	437,941	60,000	282,205	342,205
Tax calculated at a statutory tax rate of 30%	39,861	91,521	131,382	18,000	84,662	102,662
Tax effect of income not subject to tax	-	(129,842)	(129,842)	-	(177,297)	(177,297)
Tax effect of expenses not deductible for tax purposes	-	56,791	56,791	-	121,667	121,667
Overprovision in previous year	-	-	-	-	(631)	(631)
Deferred tax charge/(credit)	32,922	68,989	101,911	(2,109)	(10,587)	(12,696)
Income tax charge	**72,783**	**87,459**	**160,242**	**15,891**	**17,814**	**33,705**

7. Income tax (continued)

d) Income tax charge/(credit) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Current income tax charge	39,861	1,457	41,318	18,000	-	18,000
Over provision in previous year	-	-	-	-	(631)	(631)
Deferred tax charge/(credit)	32,922	67,164	100,086	(2,109)	(9,635)	(11,744)
Income tax charge/(credit)	**72,783**	**68,621**	**141,404**	**15,891**	**(10,266)**	**5,625**
Company						
Profit before taxation	132,870	253,795	386,665	60,000	222,682	282,682
Tax calculated at a statutory tax rate of 30%	39,861	76,139	116,000	18,000	66,805	84,805
Tax effect of income not subject to tax	-	(114,020)	(114,020)	-	(104,943)	(104,943)
Tax effect of expenses not deductible for tax purposes	-	39,338	39,338	-	38,138	38,138
Overprovision in previous year	-	-	-	-	(631)	(631)
Deferred tax charge/(credit)	32,922	67,164	100,086	(2,109)	(9,635)	(11,744)
Income tax charge/(credit)	**72,783**	**68,621**	**141,404**	**15,891**	**(10,266)**	**5,625**

8. a) Share capital

	Number of shares 2017	2016	Share capital 2017 KShs'000	2016 KShs'000
Authorised (Short-term business) Ordinary shares of KShs 100 each	4,386,120	4,386,120	438,612	438,612
Authorised (Long-term business) Ordinary shares of KShs 100 each	1,613,880	1,613,880	161,388	161,388
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
At start and 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.

8. b) Share premium

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

c) Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the number of shares outstanding at the reporting date.

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year plus the number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Basic and diluted earnings per share are the same. Group earnings reported for 2017 and 2016 were KShs 269,150,000 and KShs 301,576,000 respectively. Company earnings reported for 2017 and 2016 were KShs 245,261,000 and KShs 277,057,000 respectively.

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Net profit attributable to ordinary shareholders for basic and diluted earnings	269,150	301,576	245,261	277,057
	2017	**2016**	**2017**	**2016**
	KShs	**KShs**	**KShs**	**KShs**
Number of ordinary shares for basic and diluted earnings per share	5,613,882	5,613,882	5,613,882	5,613,882
Basic earnings per share (KShs)	**47.94**	**53.72**	**43.69**	**49.35**
Diluted earnings per share (KShs)	**47.94**	**53.72**	**43.69**	**49.35**

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

d) 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.

	2017	**2016**
	KShs' 000	**KShs' 000**
Dividend proposed	**KShs 56,140**	**KShs 56,140**
Dividend per share	**KShs 10**	**KShs 10**

In respect of the current year, the Directors propose the payment of a dividend of KShs 10 (2016: KShs 10) per share equivalent to total sum of KShs 56.14 million (2016: KShs 56.14 million) 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 represents fair value gains/(losses) arising from the revaluation of available-for-sale financial instruments and is not distributable as dividends. The movement in the fair value reserve for the Group and Company is shown below and in the statement of other comprehensive income on pages 24 and 26 respectively.

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
At 1 January:	(11,620)	(3,490)	(11,542)	(3,013)
Reclassification / overstatement in prior year	(184)	-	-	-
Net gain/(loss) on available-for-sale investments				
Government securities	31,652	(13,005)	31,095	(13,291)
Adjustment for losses included in income statement on disposal of investments	-	6,751	-	6,730
Net gain/(loss) (Note 25)	31,652	(6,254)	31,095	(6,561)
Unquoted shares (Note 18)	425,149	-	424,206	-
Total available-for-sale investments and unquoted shares	456,801	(6,254)	455,301	(6,561)
Deferred tax on available-for-sale-reserve	(137,040)	(1,876)	(136,590)	(1,968)
At 31 December	**307,957**	**(11,620)**	**307,169**	**(11,542)**

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	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
At 1 January	(9,292)	(17,926)	-	-
Exchange difference on translation	12,423	8,634	-	-
At 31 December	**3,131**	**(9,292)**	**-**	**-**

c) Revaluation reserve (Group and Company)

	2017 KShs'000	2016 KShs'000
At 1 January	329,573	289,427
Revaluation of buildings	67,308	43,666
Depreciation released on revaluation	16,827	15,735
Total revaluation	84,135	59,401
Deferred tax on revaluation	(25,241)	(17,820)
	58,894	41,581
Transfer of excess depreciation	(1,092)	(1,435)
At 31 December	**387,375**	**329,573**

9. Reserves (continued)

d) General reserve (Group and Company)

	2017 KShs'000	2016 KShs'000
At 1 January	-	-
Transfer from statutory reserve, net of tax	51,009	-
At 31 December	**51,009**	**-**

General reserves represents un-appropriated surpluses transferred from the life fund, as recommended by the actuary.

e) Non-controlling interests-Group

		2017 KShs'000	2016 KShs'000
At 1 January		72,255	65,331
Share of profit for the year		8,549	6,924
Other comprehensive income		558	-
At 31 December		**81,362**	**72,255**
The non-controlling interests consist of:			
Equity interests held by individual shareholders	35%	**81,362**	**72,255**

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 Insurance Regulatory Authority has placed restrictions on distribution of gains arising from the revaluation of investment properties of KShs 2,989.831 million (KShs 2,712.715 million for 2016).

The movement for the year is shown below.

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
At 1 January	**2,051,435**	**1,804,648**	**1,928,426**	**1,706,158**
Profit for the year	209,063	257,467	185,174	232,948
Transfer of excess depreciation	1,092	1,435	1,092	1,435
Divedends paid	(56,139)	(56,224)	(56,139)	(56,224)
Transfer from statutory reserve to retained earnings	9,078	44,109	9,078	44,109
At 31 December	**2,214,529**	**2,051,435**	**2,067,631**	**1,928,426**

Included in the retained earnings is gain on transfer of one part of the properties (Kenindia Business Park) from General Business to Life Business. The gain which arose in 2015 and amounting to KShs 976,837,000 is not distributable to shareholders.

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 31, 32, 33 and 34 respectively.

	Group		Company	
Statutory reserve	**2017 KShs'000**	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
At 1 January	318,516	318,516	318,516	318,516
Surplus for the year	60,087	44,109	60,087	44,109
Transfer to retained earnings	(9,078)	(44,109)	(9,078)	(44,109)
Transfer to general reserve	(51,009)	-	(51,009)	-
At 31 December	**318,516**	**318,516**	**318,516**	**318,516**

12. Property and equipment (Group)

31 December 2017	**Buildings KShs'000**	**Motor vehicles KShs'000**	**Computer equipment KShs'000**	**Fittings and equipment KShs'000**	**Work-in-progress KShs'000**	**Total KShs'000**
Cost						
At 1 January 2017	673,079	82,849	192,608	187,857	-	1,136,393
Additions	-	4,767	5,882	11,675	-	22,324
Revaluation surplus	67,308	-	-	-	-	67,308
Disposals	-	(7,698)	(491)	(6,688)	-	(14,877)
Transfer to intangible assets	-	-	(13,185)	-	-	(13,185)
Exchange differences	-	(138)	(363)	(241)	-	(742)
At 31 December 2017	**740,387**	**79,780**	**184,451**	**192,603**	**-**	**1,197,221**
Depreciation						
At 1 January 2017	-	42,720	160,844	139,831	-	343,395
Charge for the year	16,827	10,068	8,305	7,657	-	42,857
Eliminated on revaluation	(16,827)	-	-	-	-	(16,827)
Eliminated on disposal	-	(4,372)	(389)	(4,585)	-	(9,346)
Transfer to intangible assets	-	-	(4,493)	-	-	(4,493)
Exchange differences	-	(104)	(197)	(452)	-	(753)
At 31 December 2017	**-**	**48,312**	**164,070**	**142,451**	**-**	**354,833**
Net book value						
At 31 December 2017	**740,387**	**31,468**	**20,381**	**50,152**	**-**	**842,388**

12. Property and equipment (Group) (continued)

31 December 2016	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Work-in-progress KShs'000	Total KShs'000
Cost						
At 1 January 2016	629,046	73,214	183,547	184,603	43,963	1,114,373
Additions	367	10,687	10,003	4,371	22,984	48,412
Revaluation surplus	43,666	-	-	-	-	43,666
Disposals	-	(988)	(820)	(1,052)	-	(2,860)
Transfer to intangible assets	-	-	-	-	(66,947)	(66,947)
Exchange differences	-	(64)	(122)	(65)	-	(251)
At 31 December 2016	**673,079**	**82,849**	**192,608**	**187,857**	**-**	**1,136,393**
Depreciation						
At 1 January 2016	-	30,302	148,629	133,304	-	312,235
Charge for the year	15,735	13,373	12,855	7,269	-	49,232
Eliminated on revaluation	(15,735)	-	-	-	-	(15,735)
Eliminated on disposal	-	(919)	(680)	(672)	-	(2,271)
Exchange differences	-	(36)	40	(70)	-	(66)
At 31 December 2016	**-**	**42,720**	**160,844**	**139,831**	**-**	**343,395**
Net book value						
At 31 December 2016	**673,079**	**40,129**	**31,764**	**48,026**	**-**	**792,998**

Buildings were valued by City Valuers, independent valuers, on the basis of open market value. The carrying amount of the asset was restated to the revalued amount of the asset, and the resulting surplus arising on revaluation net of deferred income tax was recognised in other comprehensive income and credited to the revaluation surplus in equity.

13. Property and equipment (Company)

31 December 2017	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Work-in-progress KShs'000	Total KShs'000
Cost						
At 1 January 2017	673,079	76,127	161,489	176,186	-	1,086,881
Additions	-	2,988	3,148	9,934	-	16,070
Revaluation surplus	67,308	-	-	-	-	67,308
Disposals	-	(6,753)	(329)	(5,009)	-	(12,091)
At 31 December 2017	**740,387**	**72,362**	**164,308**	**181,111**	**-**	**1,158,168**
Depreciation						
At 1 January 2017	-	37,958	147,643	132,381	-	317,982
Charge for the year	16,827	9,212	5,093	6,649	-	37,781
Eliminated on revaluation	(16,827)	-	-	-	-	(16,827)
Eliminated on disposal	-	(3,745)	(311)	(4,018)	-	(8,074)
At 31 December 2017	**-**	**43,425**	**152,425**	**135,012**	**-**	**330,862**
Net book value						
At 31 December 2017	**740,387**	**28,937**	**11,883**	**46,099**	**-**	**827,306**

13. Property and equipment (Company)

31 December 2016	Buildings KShs'000	Motor vehicles KShs'000	Computer equipment KShs'000	Fittings and equipment KShs'000	Work-in-progress KShs'000	Total KShs'000
Cost						
At 1 January 2016	629,046	65,440	156,403	173,529	43,963	1,068,381
Additions	367	10,687	5,142	3,230	22,984	42,410
Revaluation surplus	43,666	-	-	-	-	43,666
Transfer to intangible assets	-	-	-	-	(66,947)	(66,947)
Disposals	-	-	(56)	(573)	-	(629)
At 31 December 2016	**673,079**	**76,127**	**161,489**	**176,186**	**-**	**1,086,881**
Depreciation						
At 1 January 2016	-	25,235	141,761	126,525	-	293,521
Charge for the year	15,735	12,723	5,934	6,277	-	40,669
Eliminated on revaluation	(15,735)	-	-	-	-	(15,735)
Eliminated on disposal	-	-	(52)	(421)	-	(473)
At 31 December 2016	**-**	**37,958**	**147,643**	**132,381**	**-**	**317,982**
Net book value						
At 31 December 2016	**673,079**	**38,169**	**13,846**	**43,805**	**-**	**768,899**

Work in progress related to the new computer software.

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 as at 31 December 2016 and 2017.

14. a) Intangible assets (Group)

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Cost						
At 1 January	35,204	75,026	110,230	16,517	8,079	24,596
Additions	2,682	24,556	27,238	18,687	-	18,687
Reclassification from property and equipment	-	13,185	13,185	-	-	-
Exchange differences	-	(272)	(272)	-	-	-
Reclassification from work-in-progress	-	-	-	-	66,947	66,947
At 31 December	**37,886**	**112,495**	**150,381**	**35,204**	**75,026**	**110,230**
Amortisation						
At 1 January	18,949	27,420	46,369	11,983	7,018	19,001
Reclassification from property and equipment	-	4,493	4,493	-	-	-
Charge for the year	5,682	24,221	29,903	6,966	20,402	27,368
Exchange differences	-	(111)	(111)	-	-	-
At 31 December	**24,631**	**56,023**	**80,654**	**18,949**	**27,420**	**46,369**
Net book value						
At 31 December	**13,255**	**56,472**	**69,727**	**16,255**	**47,606**	**63,861**

14.b) Intangible assets (Company)

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At 1 January	35,204	75,026	110,230	16,517	8,079	24,596
Additions	2,682	24,556	27,238	18,687	-	18,687
Reclassification from work-in-progress	-	-	-	-	66,947	66,947
At 31 December	**37,886**	**99,582**	**137,468**	**35,204**	**75,026**	**110,230**
Amortisation						
At 1 January	18,949	27,420	46,369	11,983	7,018	19,001
Charge for the year	5,682	21,649	27,331	6,966	20,402	27,368
At 31 December	**24,631**	**49,069**	**73,700**	**18,949**	**27,420**	**46,369**
Net book value						
At 31 December	**13,255**	**50,513**	**63,768**	**16,255**	**47,606**	**63,861**

Intangible assets relate to the cost of purchase and installation of computer software (PREMIA). Additions during the year 2017 and 2016 relate to the cost of purchase and installation of ELIFE (Life Business) while transfer from work-in-progress in 2016 related to the cost of purchase and installation of GENISYS (General Business). As at 31 December 2017, 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

a) Group

Cost	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At 1 January	1,248,431	9,314	1,257,745	1,248,431	9,314	1,257,745
Additions	-	-	-	-	-	-
At 31 December	**1,248,431**	**9,314**	**1,257,745**	**1,248,431**	**9,314**	**1,257,745**
Amortisation						
At 1 January	87,047	2,502	89,549	48,325	2,398	50,723
Charge for the year	38,722	104	38,826	38,722	104	38,826
At 31 December	**125,769**	**2,606**	**128,375**	**87,047**	**2,502**	**89,549**
Net book value						
At 31 December	**1,122,662**	**6,708**	**1,129,370**	**1,161,384**	**6,812**	**1,168,196**

b) Company

Cost						
At 1 January	1,248,431	9,168	1,257,599	1,248,431	9,168	1,257,599
Additions	-	-	-	-	-	-
At 31 December	**1,248,431**	**9,168**	**1,257,599**	**1,248,431**	**9,168**	**1,257,599**
Amortisation						
At 1 January	87,047	2,489	89,536	48,325	2,387	50,712
Charge for the year	38,722	102	38,824	38,722	102	38,824
At 31 December	**125,769**	**2,591**	**128,360**	**87,047**	**2,489**	**89,536**
Net book value						
At 31 December	**1,122,662**	**6,577**	**1,129,239**	**1,161,384**	**6,679**	**1,168,063**

16. Investment properties

a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	1,731,002	1,110,468	2,841,470	1,617,760	1,030,428	2,648,188
Additions	4,406	812	5,218	80	550	630
Fair value gains	166,881	110,235	277,116	113,162	79,490	192,652
At end of year	**1,902,289**	**1,221,515**	**3,123,804**	**1,731,002**	**1,110,468**	**2,841,470**

b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	1,731,002	1,094,468	2,825,470	1,617,760	1,022,868	2,640,628
Additions	4,406	812	5,218	80	550	630
Fair value gains	166,881	108,635	275,516	113,162	71,050	184,212
At end of year	**1,902,289**	**1,203,915**	**3,106,204**	**1,731,002**	**1,094,468**	**2,825,470**

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 2017. 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 dealt with in 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 145,484,000 (2016: KShs 128,509,000), which is included in investment income (Note 3).

Direct operating expenses (included in note 3) attributable to the rental of these properties during the year were KShs 59,661,000 (2016: KShs 61,637,000).

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

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

Group	**2017 KShs'000**	**2016 KShs'000**
Level 1	-	-
Level 2	3,123,804	2,841,470
Level 3	-	-
Fair value as at 31 December	**3,123,804**	**2,841,470**
Company		
Level 1	-	-
Level 2	3,106,204	2,825,470
Level 3	-	-
Fair value as at 31 December	**3,106,204**	**2,825,470**

17. Investment in subsidiaries (Company)

	Percentage (%) of shareholding	2017 KShs'000	2016 KShs'000
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	68,265
At 31 December		**81,905**	**81,905**

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

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 81,362,000 (2016: KShs 72,255,000) 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	2017 KShs'000	2016 KShs'000
Total assets	1,798,437	2,094,011
Total liabilities	(1,566,671)	(1,882,997)
Net assets	**231,766**	**211,014**
Summarised statement of profit or loss		
Gross earned premiums	664,041	777,524
Underwriting surplus	34,497	37,229
Profit before income tax	42,768	47,653
Income tax charge	(18,343)	(27,870)
Other comprehensive income	1,596	-
Total comprehensive income	**26,021**	**19,783**
Total comprehensive income allocated to non-controlling interest	**9,107**	**6,924**

17. Investment in subsidiaries (continued)

Tanzindia Assurance Company Limited (continued)

Summarised statement of cash flows

	2017 KShs '000	2016 KShs '000
Net cash generated from/(used in) operating activities	145,675	(12,766)
Net cash generated from/(used in) investing activities	10,433	(56,843)
Net cash (used in)/generated from financing activities	(2,327)	9,479
Net increase / (decrease) in cash and cash equivalents	**153,781**	**(60,130)**
Cash and cash equivalents at beginning of year	**16,828**	**75,420**
Exchange gains on cash and cash equivalents	2,331	1,538
Cash and cash equivalents at the end of the year	**172,940**	**16,828**

18. Available-for-sale equity investments

a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	675	174,853	175,528	675	175,186	175,861
Reclassification from quoted shares	-	1,542	1,542	-	-	-
Fair value gain/(loss)	(522)	425,671	425,149	-	-	-
Exchange loss	-	(1,069)	(1,069)	-	(333)	(333)
At end of year	**153**	**600,997**	**601,150**	**675**	**174,853**	**175,528**

b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	675	122,779	123,454	675	122,779	123,454
Fair value gain/(loss)	(522)	424,728	424,206	-	-	-
At end of year	**153**	**547,507**	**547,660**	**675**	**122,779**	**123,454**

Available-for-sale equity investments comprise investments in shares of unquoted companies, which the Group intends to hold for long term. Although there is no market for these investments, during the year, the investments were carried at fair value. Valuation was done using the market approach and a conservation view adopted.

19. Financial assets at fair value through profit or loss

a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	141,198	59,640	200,838	193,608	82,772	276,380
Additions	10,938	974	11,912	420	286	706
Reclassification to unquoted shares	-	(1,542)	(1,542)	-	-	-
Exchange gain/(losses)	-	(4)	(4)	-	17	17
Fair value gain/(losses)	25,879	15,629	41,508	(52,830)	(23,435)	(76,265)
At end of year	**178,015**	**74,697**	**252,712**	**141,198**	**59,640**	**200,838**

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

b) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	141,198	46,148	187,346	193,608	72,003	265,611
Additions	10,938	974	11,912	420	286	706
Fair value gain/(losses)	25,879	11,225	37,104	(52,830)	(26,141)	(78,971)
At end of year	**178,015**	**58,347**	**236,362**	**141,198**	**46,148**	**187,346**

20. Loans receivable (Group and Company)

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Book amount						
Mortgage loans	4,813	-	4,813	4,813	-	4,813
Policy loans	90,659	-	90,659	86,390	-	86,390
Motor vehicles	862	200	1,062	1,093	440	1,533
At end of year	**96,334**	**200**	**96,534**	**92,296**	**440**	**92,736**
Mortgage loans						
At start of year	4,813	-	4,813	4,813	-	4,813
Loan repayments	-	-	-	-	-	-
At end of year	**4,813**	**-**	**4,813**	**4,813**	**-**	**4,813**
Maturity profile of mortgage loans maturing						
In 1-5 years	3,546	-	3,546	3,546	-	3,546
In over 5 years	1,267	-	1,267	1,267	-	1,267
At end of year	**4,813**	**-**	**4,813**	**4,813**	**-**	**4,813**
Policy loans						
At start of year	86,390		86,390	91,010	-	91,010
Loan advanced	37,226	-	37,226	22,071	-	22,071
Loan repayments	(32,957)	-	(32,957)	(26,691)	-	(26,691)
At end of year	**90,659**	**-**	**90,659**	**86,390**	**-**	**86,390**
Maturity profile of policy loans maturing						
Within 1 year	8,773	-	8,773	7,943	-	7,943
In 1-5 years	44,461	-	44,461	46,530	-	46,530
In over 5 years	37,425	-	37,425	31,917	-	31,917
At end of year	**90,659**	**-**	**90,659**	**86,390**	**-**	**86,390**

20. Loans and receivables (Group and Company) (continued)

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term Insurance business KShs'000	Total 2016 KShs'000
Motor vehicle loans (Maturing between 1-5 years)						
At start of year	1,093	440	1,533	153	680	833
Loan advanced	-	-	-	960	-	960
Loan repayments	(231)	(240)	(471)	(20)	(240)	(260)
At end of year	**862**	**200**	**1,062**	**1,093**	**440**	**1,533**

Mortgage loans, policy loans and staff motor vehicle loans are carried at amortised cost. The weighted average effective interest rates for these loans are disclosed in Note 5. There is no concentration of credit risk in respect of 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 Group holds in its custody the title deeds and log books for the assets attributable to 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. The collateral for the policy loans is the cash surrender value of the underlying policy. 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

Group	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Amount due from re-insurers	-	1,326,349	1,326,349	32,593	2,001,408	2,034,001
Allowance for credit losses	-	-	-	(32,593)	-	(32,593)
	-	**1,329,349**	**1,326,349**	**-**	**2,001,408**	**2,001,408**
Company						
Amount due from re-insurers	-	923,700	923,700	32,593	1,241,904	1,274,497
Allowance for credit losses	-	-	-	(32,593)	-	(32,593)
	-	**923,700**	**923,700**	**-**	**1,241,904**	**1,241,904**

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 management. 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

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Outstanding premium	888,444	1,154,054	816,894	852,466
Allowance for credit losses	(336,582)	(284,401)	(335,222)	(283,012)
At 31 December	**551,862**	**869,653**	**481,672**	**569,454**
Allowance for credit losses				
At the beginning of the year	284,401	276,331	283,012	272,221
Charge for the year	53,549	10,791	53,549	10,791
Write back of credit losses	(1,339)	-	(1,339)	-
Exchange differences	(29)	(63)	-	-
Bad debts written off	-	(2,658)	-	-
At 31 December	**336,582**	**284,401**	**335,222**	**283,012**
Aged analysis of outstanding premium				
Neither past due nor impaired				
Less than 30 days	(117,926)	74,406	(113,504)	74,271
31 – 60 days	72,043	55,432	76,465	55,297
61 – 90 days	102,480	52,950	106,902	52,815
Past due but not impaired				
91 – 120 days	49,050	86,181	44,170	42,843
Over 120 days	446,215	600,684	367,639	344,228
At 31 December	**551,862**	**869,653**	**481,672**	**569,454**

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 management.

23. Insurance liabilities

Insurance liabilities comprise gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported and are stated net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2017 and 2016 are insignificant.

(i) Outstanding balances

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
Short term insurance contracts				
Claims reported and claims handling expenses	3,424,787	3,596,172	2,717,393	2,967,536
Claims incurred but not reported	1,329,604	1,168,869	1,188,125	1,043,142
	4,754,391	**4,765,041**	**3,905,518**	**4,010,678**
Reinsurers' share of insurance liabilities	**(2,744,498)**	**(2,813,198)**	**(2,127,769)**	**(2,322,589)**
Net outstanding liabilities	2,009,893	1,951,843	1,777,749	1,688,089
Long term assurance contracts				
Claims reported and claims handling expenses	**90,451**	**51,499**	**90,451**	**51,499**

23. Insurance liabilities (continued)

(ii) Outstanding claims provisions movement

Long term assurance business (Group and Company)	**2017 Insurance contract liabilities KShs'000**	**2016 Insurance contract liabilities KShs'000**
At 1 January	51,499	41,489
Claims incurred in current year	362,932	339,513
Claims paid	(323,980)	(329,503)
At 31 December	**90,451**	**51,499**

Short term insurance business

a) Group

	Insurance contract liabilities KShs'000	**Re-insurers' share of liabilities KShs'000**	**Total 2017 KShs'000**	**Insurance contract liabilities KShs'000**	**Re-insurers' share of liabilities KShs'000**	**Total 2016 KShs'000**
At 1 January	4,765,041	2,813,198	1,951,843	5,858,858	4,017,859	1,840,999
Claims incurred in current accident year	1,875,856	507,333	1,368,523	3,099,354	1,562,988	1,536,366
Claims paid during the year	(1,886,506)	(576,033)	(1,310,473)	(4,193,171)	(2,767,649)	(1,425,522)
At end of year	**4,754,391**	**2,744,498**	**2,009,893**	**4,765,041**	**2,813,198**	**1,951,843**

b) Company

	Insurance contract liabilities KShs'000	**Re-insurers' share of liabilities KShs'000**	**Total 2017 KShs'000**	**Insurance contract liabilities KShs'000**	**Re-insurers' share of liabilities KShs'000**	**Total 2016 KShs'000**
At 1 January	4,010,678	2,322,589	1,688,089	5,159,721	3,525,788	1,633,933
Claims incurred in current accident year	1,574,696	237,145	1,337,551	2,714,285	1,472,801	1,241,484
Claims paid during the year	(1,679,856)	(431,965)	(1,247,891)	(3,863,328)	(2,676,000)	(1,187,328)
At end of year	**3,905,518**	**2,127,769**	**1,777,749**	**4,010,678**	**2,322,589**	**1,688,089**

24. Other receivables

a) Group

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Due from related companies	-	287	287	-	287	287
Prepayments	75	959	1,034	-	1,370	1,370
Interdepartmental balance	-	23,366	23,366	-	41,306	41,306
Deposits, outstanding rental income and others	106,109	218,520	324,629	80,435	407,030	487,465
Provision for rental and other receivables	(14,077)	(32,771)	(46,848)	-	-	-
At end of year	**92,107**	**210,361**	**302,468**	**80,435**	**449,993**	**530,428**

a) Company

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Amount due from related companies	-	38,940	38,940	-	40,129	40,129
Interdepartmental balances	-	23,366	23,366	-	41,306	41,306
Prepayments	75	959	1,034	-	1,370	1,370
Deposits, outstanding rental income and others	106,109	199,712	305,821	80,435	392,488	472,923
Provision for rental and other receivables	(14,077)	(32,771)	(46,848)	-	-	-
At end of year	**92,107**	**230,206**	**322,313**	**80,435**	**475,293**	**555,728**

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.

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 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 recoverable.

	2017 KShs'000	2016 KShs'000
At 1 January	89,431	86,201
Net increase in group share of net assets of the pool	7,580	3,230
At end of year	**97,011**	**89,431**

Summarised financial information in respect of the Kenya Motor Pool is as follows;

	2017 KShs'000	2016 KShs'000
Total assets new/old pool	963,005	922,425
Total liabilities new/old pool	(51,344)	(87,507)
Total net assets	911,661	834,918
Group's share of net assets	**97,011**	**89,431**
Surplus for the year new/old pool	80,156	34,234
Group's share of the profit for the year	**7,580**	**3,230**

25. Government securities

a) Group

Treasury bills and bonds movement (Held to Maturity)	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	22,317,475	1,541,677	23,859,152	19,582,129	297,337	19,879,466
Additions	4,587,126	235,708	4,822,834	3,574,767	1,220,838	4,795,605
Maturity of bonds	(595,283)	-	(595,283)	(760,298)	-	(760,298)
Reclassification	-	-	-	-	-	-
Accrued interest	173,324	17,804	191,128	(79,123)	23,502	(55,621)
At end of year	**26,482,642**	**1,795,189**	**28,277,831**	**22,317,475**	**1,541,677**	**23,859,152**

Treasury bills and bonds maturity analysis	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
-Within 1 year	984,255	80,273	1,064,528	604,414	52,866	657,280
-In 1-5 years	5,765,543	143,953	5,909,496	3,870,389	30,060	3,900,449
-After 5 years	19,732,844	1,570,963	21,303,807	17,842,672	1,458,751	19,301,423
At end of year	**26,482,642**	**1,795,189**	**28,277,831**	**22,317,475**	**1,541,677**	**23,859,152**

b) Company

Treasury bills and bonds movement (Held to maturity)	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
At start of year	22,317,475	1,488,811	23,806,286	19,582,129	245,888	19,828,017
Additions	4,587,126	235,708	4,822,834	3,574,767	1,219,421	4,794,188
Maturity of bonds	(595,283)	-	(595,283)	(760,298)	-	(760,298)
Income tax effect	-	-	-	-	-	-
Accrued interest	173,324	20,530	193,854	(79,123)	23,502	(55,621)
At end of year	**26,482,642**	**1,745,049**	**28,227,691**	**22,317,475**	**1,488,811**	**23,806,286**

Treasury bills and bonds maturity analysis	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
-Within 1 year	984,255	30,133	1,014,388	604,414	-	604,414
-In 1-5 years	5,765,543	143,953	5,909,496	3,870,389	30,060	3,900,449
-After 5 years	19,732,844	1,570,963	21,303,807	17,842,672	1,458,751	19,301,423
At end of year	**26,482,642**	**1,745,049**	**28,227,691**	**22,317,475**	**1,488,811**	**23,806,286**

25. Government securities (continued)

c) Treasury bills and bonds movement (Available-for-sale)

	Short term insurance business KShs'000	Short term insurance business KShs'000	Short term insurance business KShs'000	Short term insurance business KShs'000
	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
At start of year	732,398	846,866	720,053	834,094
Maturity of bonds	-	(115,095)	-	(114,378)
Fair value adjustment recorded in other comprehensive income (Note 9a)	31,652	(6,254)	31,095	(6,561)
Accrued interest	264	6,881	260	6,898
At end of year	**764,314**	**732,398**	**751,408**	**720,053**
Treasury bills and bonds maturing				
-Within 1 year	103,132	-	99,380	-
-In 1-5 years	201,484	191,659	201,484	187,975
-After 5 years	459,698	540,739	450,544	532,078
At end of year	**764,314**	**732,398**	**751,408**	**720,053**

Held to maturity government securities are in long term business and short term business and are carried at amortised costs (i.e. cost plus accrued discount or interest) and any premium or discount is amortised through profit or loss 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 dealt with in the statement of other comprehensive income.

26. Payable (Group and Company)

a) Deposit administration contracts

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 11.25% for the year (2016: 12%).

	2017 KShs'000	2016 KShs'000
At start of the year	19,152,949	16,990,526
Pension fund deposits received	2,954,607	2,517,094
Withdrawals and benefits paid	(2,685,696)	(2,290,432)
Commissions and expenses charged	(147,467)	(148,855)
Investment income	2,486,010	2,084,616
At end of year	**21,760,403**	**19,152,949**

b) Payable under annuities

At start of year	342,785	-
Funds received	377,252	343,614
Benefits paid	(55,973)	(5,989)
Commissions charged	(7,479)	(6,142)
Investment income	70,929	11,302
At end of year	**727,514**	**342,785**

27. Actuarial value of policy holders' liabilities

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 2017 and 31 December 2016 respectively, using the gross premium method and revealed an actuarial surplus of KShs 1,370 million (2016: KShs 1,230 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 (2016: KShs 60 million) transfer from the life fund to the shareholders.

Assets and liabilities of the life fund	**2017 KShs'000**	**2016 KShs'000**
Life fund assets	7,043,944	5,920,540
Transfer to shareholders, before tax	(60,000)	(60,000)
Transfer to general reserve, before tax	(72,870)	-
Actuarial value of policyholders' liabilities	**6,911,074**	**5,860,540**

Policy holders' liabilities are stated inclusive of cumulative provisions for interest and bonuses payable as at 31 December 2017 and 31 December 2016 respectively.

Movement is as follows:	**2017 KShs'000**	**2016 KShs'000**
At start of the year	5,860,540	4,953,607
Policyholders' bonuses and interest	1,260,330	1,093,710
Surrenders and annuity payments	(256,980)	(130,259)
Increase / (decrease) in the period (net)	47,184	(56,518)
At end of year	**6,911,074**	**5,860,540**

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

Actuarial assumptions:

The significant valuation assumptions for the actuarial valuation as at 31 December 2017 are summarised below. The same assumptions were used in 2016.

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 2007-2010 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 2007-2010 mortality table for annuities is used with interest at 6.5% per annum. Statistical methods are used to adjust the mortality rates reflected on the base table based on the company's experience of improvement or worsening of the mortality. There are reserves established to take account of the possible deterioration of mortality experience in respect of HIV/AIDS related deaths.

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

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

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

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

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

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

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

Actuarial assumptions (continued)

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. The Act prescribes Gross 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 mortality assumptions will have the following impact in the statement of profit or loss.

Sensitivities	% change in base	Insurance participating 2017 KShs'000	Assets backing life shareholders 2017 KShs'000	Insurance participating 2016 KShs'000	Assets backing life shareholders 2016 KShs'000
Discount rate on:					
Assurance mortality	+1%	-	-	-	-
Assurance mortality	-1%	-	-	-	-

28. Provision for unearned premium

a) Group

	2017			2016		
	Gross KShs'000	Re-insurance KShs'000	Net KShs'000	Gross KShs'000	Re-insurance KShs'000	Net KShs'000
At beginning of year	1,466,587	587,926	878,661	1,443,681	599,908	843,773
Increase/(decrease) in the year	(129,369)	(14,529)	(114,840)	22,906	(11,982)	34,888
At end of year	**1,337,218**	**573,397**	**763,821**	**1,466,587**	**587,926**	**878,661**

b) Company

	Gross KShs'000	Re-insurance KShs'000	Net KShs'000	Gross KShs'000	Re-insurance KShs'000	Net KShs'000
At beginning of year	1,101,226	363,522	737,704	1,067,429	372,942	694,487
Increase/(decrease) in the year	(71,086)	(12,819)	(58,267)	33,797	(9,420)	43,217
At end of year	**1,030,140**	**350,703**	**679,437**	**1,101,226**	**363,522**	**737,704**

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 unearned premium is classified as current liability.

The movement in the unearned premium is as follows:

a) Group

	2017			2016		
	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000
At beginning of year	1,466,587	587,926	878,661	1,443,681	599,908	843,773
Premium written during the year	3,620,291	1,483,612	2,136,679	3,762,593	1,619,013	2,143,580
Premium earned during the year (note 2a and 2b)	(3,749,660)	(1,498,141)	(2,251,519)	(3,739,687)	(1,630,995)	(2,108,692)
At end of year	**1,337,218**	**573,397**	**763,821**	**1,466,587**	**587,926**	**878,661**

b) Company

	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000	Gross unearned premium KShs'000	Re-insurance KShs'000	Net unearned premium KShs'000
At beginning of year	1,101,226	363,522	737,704	1,067,429	372,942	694,487
Premium written during the year	3,014,533	1,088,337	1,926,196	2,995,960	1,115,062	1,880,898
Premium earned during the year (note 2a and 2b)	(3,085,619)	(1,101,156)	(1,984,463)	(2,962,163)	(1,124,482)	(1,837,681)
At end of year	**1,030,140**	**350,703**	**679,437**	**1,101,226**	**363,522**	**737,704**

29. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2016: 30%). The deferred tax assets and liabilities are made up of the following:

Deferred tax asset/(liability)

	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
a) Group						
Deferred tax asset liability						
Actuarial surplus	(34,917)	-	(34,917)	(1,995)	-	(1,995)
Accelerated capital allowances	-	8	8	-	-	-
Other temporary differences	-	(788)	(788)	-	-	-
Fair value on available for sale	157	(139,073)	(138,916)	-	(1,876)	(1,876)
Deferred tax on fixed assets revaluation	-	(124,312)	(124,312)	-	(99,071)	(99,071)
At end of year	**(34,760)**	**(264,165)**	**(298,925)**	**(1,995)**	**(100,947)**	**(102,942)**
Deferred tax asset						
Accelerated capital allowances	-	1,152	1,152	-	(635)	(635)
Temporary differences arising from accrued leave	-	4,371	4,371	-	7,594	7,594
Other temporary differences	-	(35,958)	(35,958)	-	(4,421)	(4,421)
Tax losses carried forward	-	77,061	77,061	-	112,297	112,297
At end of year	**-**	**46,626**	**46,626**	**-**	**114,835**	**114,835**
Net deferred tax asset / (liability)	**(34,760)**	**(217,539)**	**(252,299)**	**(1,995)**	**13,888**	**11,893**
b) Company						
Deferred tax liability						
Actuarial surplus	(34,917)	-	(34,917)	(1,995)	-	(1,995)
Fair value on available for sale	157	(138,715)	(138,558)	-	(1,968)	(1,968)
Deferred tax on fixed assets revaluation	-	(124,312)	(124,312)	-	(99,071)	(99,071)
At end of year	**(34,760)**	**(263,027)**	**(297,787)**	**(1,995)**	**(101,039)**	**(103,034)**
Deferred tax asset						
Accelerated capital allowances	-	1,152	1,152	-	181	181
Temporary differences arising from accrued leave	-	4,371	4,371	-	7,594	7,594
Other temporary differences	-	(35,958)	(35,958)	-	(6,282)	(6,282)
Tax losses carried forward	-	77,061	77,061	-	112,297	112,297
At end of year	**-**	**46,626**	**46,626**	**-**	**113,790**	**113,790**
Net deferred tax asset / (liability)	**(34,760)**	**(216,401)**	**(251,161)**	**(1,995)**	**12,751**	**10,756**

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.

29. Deferred tax (continued)

Deferred tax asset / (liability) movement	2017			2016		
a) Group	**Long term assurance business KShs'000**	**Short term insurance KShs'000**	**Total KShs'000**	**Long term assurance business KShs'000**	**Short term insurance KShs'000**	**Total KShs'000**
At 01 January	(1,995)	13,888	11,893	(4,104)	16,365	12,261
(Charged)/credited to profit or loss	(32,922)	(68,989)	(101,911)	2,109	10,587	12,696
Under provision in previous year	-	-	-	-	6,632	6,632
(Charged)/credited to other comprehensive income	157	(162,438)	(162,281)	-	(19,696)	(19,696)
At end of year	**(34,760)**	**(217,539)**	**(252,299)**	**(1,995)**	**13,888**	**11,893**
b) Company						
At 01 January	(1,995)	12,751	10,756	(4,104)	22,904	18,800
(Charged)/credited to profit or loss	(32,922)	(67,164)	(100,086)	2,109	9,635	11,744
(Charged)/credited to other comprehensive income	157	(161,988)	(161,831)	-	(19,788)	(19,788)
At end of year	**(34,760)**	**(216,401)**	**(251,161)**	**(1,995)**	**12,751**	**10,756**

30. Insurance payables

	2017		2016	
a) Group	**Payables on direct insurance arrangements KShs'000**	**Payable arising from reinsurance arrangements KShs'000**	**Payables on direct insurance arrangements KShs'000**	**Payable arising from reinsurance arrangements KShs'000**
At 1 January	193,980	2,542,150	230,125	2,107,179
Arising during the year	66,176	-	-	434,971
Utilised/paid	-	(626,603)	(36,145)	-
At end of year	**260,156**	**1,915,547**	**193,980**	**2,542,150**
b) Company				
At 1 January	193,980	1,827,136	230,125	1,641,811
Arising during the year	66,176	-	-	185,325
Utilised /paid	-	(211,723)	(36,145)	-
At end of year	**260,156**	**1,615,413**	**193,980**	**1,827,136**

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

a) Group	2017 Long term assurance business KShs'000	2017 Short term insurance business KShs'000	2017 Total KShs'000	2016 Long term assurance business KShs'000	2016 Short term insurance business KShs'000	2016 Total KShs'000
Inter- departmental balance	23,366	-	23,366	41,306	-	41,306
Accrued leave	2,687	14,598	17,285	3,291	22,022	25,313
Accrued expenses	2,714	22,644	25,358	7,526	47,207	54,733
Other liabilities	229,260	84,748	314,008	216,726	293,446	510,172
At end of year	**258,027**	**121,990**	**380,017**	**268,849**	**362,675**	**631,524**

b) Company	2017 Long term assurance business KShs'000	2017 Short term insurance business KShs'000	2017 Total KShs'000	2016 Long term assurance business KShs'000	2016 Short term insurance business KShs'000	2016 Total KShs'000
Accrued expenses	2,714	11,996	14,710	7,526	45,936	53,462
Accrued leave	2,687	14,598	17,285	3,291	22,022	25,313
Inter-departmental balance	23,366	-	23,366	41,306	-	41,306
Other liabilities	229,260	47,268	276,528	216,726	296,819	513,545
At end of year	**258,027**	**73,862**	**331,889**	**268,849**	**364,777**	**633,626**

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 purpose of cashflow, cash and cash equivalents comprise the following:

a) Group	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Bank and cash balances	156,814	196,688	353,502	71,779	58,709	130,488
Deposits with financial institutions maturing within 90 days of the date of acquisition(call deposits and fixed deposits)	196,517	655,439	851,956	503,274	343,972	847,246
Commercial paper maturing within 90 days of the date of acquisition	115,707	46,283	161,990	102,704	41,082	143,786
	469,038	898,410	1,367,448	677,757	443,763	1,121,520
Bank overdraft	-	(71,107)	(71,107)	-	(66,255)	(66,255)
At end of year	**469,038**	**827,303**	**1,296,341**	**677,757**	**377,508**	**1,055,265**

b) Company	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2017 KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	Total 2016 KShs'000
Bank and cash balances	156,814	14,328	171,142	71,779	34,765	106,544
Deposits with financial institutions maturing within 90 days of the date of acquisition(call deposits and fixed deposits)	196,517	476,819	673,336	503,274	336,453	839,727
Commercial paper maturing within 90 days of the date of acquisition	115,707	46,283	161,990	102,704	41,082	143,786
	469,038	537,430	1,006,468	677,757	412,300	1,090,057
Bank overdraft	-	(71,107)	(71,107)	-	(66,255)	(66,255)
At end of year	**469,038**	**466,323**	**935,361**	**677,757**	**346,045**	**1,023,802**

32. Cash and cash equivalents (continued)

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 0.14% (2016: 0.6%).

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

Bank overdraft is secured by fixed deposits held with the bank.

33. Financial instruments

a) Summary per category

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 other receivables, cash and cash equivalents (Note20,24,32) KShs'000	Available-for-sale financial assets (Note 18,25) KShs'000	Financial assets at fair value through profit or loss (Note19,33) KShs'000	Total KShs'000
31 December 2017:					
Investment in quoted shares	-	-	-	252,712	252,712
Investment in unquoted shares	-	-	601,150	-	601,150
Investment in government securities	28,277,831	-	764,314	-	29,042,145
Loans receivable	-	96,534	-	-	96,534
Other receivables	-	302,468	-	-	302,468
Deposits with financial institutions:					
-Maturing after 90 days of the date of acquisition	-	-	-	185,912	185,912
-Maturing within 90 days of the date of acquisition	-	851,956	-	-	851,956
Total deposits with financial institutions	-	851,956	-	185,912	1,037,868
Commercial paper	-	-	-	161,990	161,990
Bonds and debentures	-	-	-	105,560	105,560
Bank and cash balances	-	353,502	-	-	353,502
Carrying value	**28,277,831**	**1,604,460**	**1,365,464**	**706,174**	**31,953,929**

33. Financial instruments (continued)

a) Summary per category (continued)

i) Group

Financial liabilities	**Liabilities at amortised cost KShs'000**	**Liabilities at fair value KShs'000**	**Total 2017 KShs'000**	**Liabilities at amortised cost KShs'000**	**Liabilities at fair value KShs'000**	**Total 2016 KShs'000**
Financial liabilities at amortised cost (Note 31)	380,017	-	380,017	631,524	-	631,524
Payable under deposit administration liabilities (Note 26)	-	21,760,403	21,760,403	-	19,152,949	19,152,949
Payable under annuities		727,514	727,514		342,785	342,785
Bank overdraft	71,107	-	71,107	66,255	-	66,255
Carrying value	**451,124**	**22,487,917**	**22,939,041**	**697,779**	**19,495,734**	**20,193,513**

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

Financial assets	**Held-to maturity financial assets (Note 25) KShs'000**	**Loans and other receivables, cash and cash equivalents (Note20,24,32) KShs'000**	**Available-for-sale financial assets (Note18,25) KShs'000**	**Financial assets at Fair value through profit and (Note19,33) KShs'000**	**Total KShs'000**
31 December 2016:					
Investment in quoted shares	-	-	-	200,838	200,838
Investment in government securities	23,859,152	-	732,398	-	24,591,550
Loans receivable	-	92,736	-	-	92,736
Other receivables	-	530,428	-	-	530,428
Deposits with financial institutions:					
-Maturing after 90 days of the date of acquisition	-	-	-	335,196	335,196
-Maturing within 90 days of the date of acquisition	-	847,246	-	-	847,246
Total deposits with financial institutions	-	847,246	-	335,196	1,182,442
Commercial paper	-	-	-	143,786	143,786
Bonds and debentures	-	-	-	105,560	105,560
Bank and cash balances	-	130,488	-	-	130,488
Carrying value	**23,859,152**	**1,600,898**	**732,398**	**785,380**	**26,977,828**

33. Financial instruments (continued)

a) Summary per category (continued)

ii) Company

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

Financial assets	**Held-to-maturity financial assets (Note25) KShs'000**	**Loans and other receivables, cash and cash equivalents ((Note 20,24,32) KShs'000**	**Available-for-sale financial assets (Note 18, 25) KShs'000**	**Financial assets at fair value through profit and loss (Note19,33) KShs'000**	**Total KShs'000**
31 December 2017:					
Investment in quoted shares	-	-	-	236,362	236,362
Investment in unquoted shares	-	-	547,660	-	547,660
Investment in government securities	28,227,691	-	751,408	-	28,979,099
Loans receivable	-	96,534	-	-	96,534
Other receivables	-	322,313	-	-	322,313
Deposits with financial institutions:					
-Maturing after 90 days of the date of acquisition	-	-	-	185,912	185,912
-Maturing within 90 days of the date of acquisition	-	673,336	-	-	673,336
Total deposits with financial institutions	-	673,336	-	185,912	859,248
Commercial paper		-	-	161,990	161,990
Bonds and debentures	-	-	-	105,560	105,560
Bank and cash balances	-	171,142	-	-	171,142
Carrying value	**28,227,691**	**1,263,325**	**1,299,068**	**689,824**	**31,479,908**

Financial liabilities	**Liabilities at amortised cost KShs'000**	**Liabilities at fair value KShs'000**	**Total 2017 KShs'000**	**Liabilities at amortised cost KShs'000**	**Liabilities at fair value KShs'000**	**Total 2016 KShs'000**
Financial liabilities at amortised cost (Note 31)	331,889	-	331,889	633,626	-	633,626
Payable under deposit administration liabilities (Note 26a)	-	21,760,403	21,760,403	-	19,152,949	19,152,949
Payable under annuities (Note 26b)	-	727,514	727,514	-	342,785	342,785
Bank overdraft	71,107	-	71,107	66,255	-	66,255
Carrying value	**402,996**	**22,487,917**	**22,890,913**	**699,881**	**19,495,734**	**20,195,615**

33. Financial instruments (continued)

a) Summary per category (continued)

ii) Company

Financial assets	Held-to-maturity financial Assets (Note25) KShs'000	Loans and other receivables, cash and cash equivalents (Note20,24,32) KShs'000	Available-for-sale financial assets (Note25) KShs'000	Financial assets at fair value through profit and loss (Note19,33) KShs'000	Total KShs'000
31 December 2016:					
Investment in quoted shares	-	-	-	187,346	187,346
Investment in government securities	23,806,286	-	720,053	-	24,526,339
Loans receivable	-	92,736	-	-	92,736
Other receivables	-	555,728	-	-	555,728
Deposits with financial institutions:					
-Maturing after 90 days of the date of acquisition	-	-	-	176,936	176,936
-Maturing within 90 days of the date of acquisition	-	839,727	-	-	839,727
Total deposits with financial institutions	-	839,727	-	176,936	1,016,663
Commercial paper		-	-	143,786	143,786
Bonds and debentures	-	-	-	105,560	105,560
Bank and cash balances	-	106,544	-	-	106,544
Carrying value	**23,806,286**	**1,594,735**	**720,053**	**613,628**	**26,734,702**

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

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

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

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices.

33. Financial instruments (continued)

c) 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.

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.

33. **Financial instruments (continued)**

c) **Determination of fair value and fair value hierarchy (continued)**

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 2017**	**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	252,712	-	-	252,712
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,037,868	-	-	1,037,868
Commercial paper	-	161,990	-	161,990
Bonds and debentures	-	105,560	-	105,560
Bank and cash balances	-	353,502	-	353,502
	1,037,868	621,052	-	1,658,920
Available-for-sale financial assets				
Investment in government securities	764,314	-	-	764,314
Investment in unquoted shares	-	-	601,150	601,150
	764,314	-	601,150	1,365,464
Total financial assets	**2,054,894**	**621,052**	**601,150**	**3,277,096**
Financial liabilities:				
Deposit administration and annuities	**-**	**22,487,917**	**-**	**22,487,917**

Group **As at 31 December 2016**	**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	200,838	-	-	200,838
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,182,442	-	-	1,182,442
Commercial paper	-	143,786	-	143,786
Bonds and debentures	-	105,560	-	105,560
Bank and cash balances	-	130,488	-	130,488
	1,182,442	379,834	-	1,562,276
Available-for-sale financial assets				
Investment in government securities	732,398	-	-	732,398
Total financial assets	**2,115,678**	**379,834**	**-**	**2,495,512**
Financial liabilities:				
Deposit administration and annuities	**-**	**19,495,734**	**-**	**19,495,734**

33. Financial instruments (continued)

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

Company **As at 31 December 2017**	**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	236,362	-	-	236,362
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	859,248	-	-	859,248
Commercial paper	-	161,990	-	161,990
Bonds and debentures	-	105,560		105,560
Bank and cash balances	-	171,142	-	171,142
	859,248	438,692	-	1,297,940
Available-for-sale financial assets				
Investment in government securities	751,408	-	-	751,408
Investment in unquoted shares	-	-	547,660	547,660
	751,408	-	547,660	1,299,068
Total financial assets	**1,847,018**	**438,692**	**547,660**	**2,833,370**
Financial liabilities:				
Deposit administration and annuities	**-**	**22,487,917**	**-**	**22,487,917**

Company **As at 31 December 2016**				
Financial assets:				
Financial assets held-for-trading				
Investment in quoted shares	187,346	-	-	187,346
Financial assets designated at fair value through profit and loss				
Deposits with financial institutions	1,016,663	-	-	1,016,663
Commercial paper	-	143,786	-	143,786
Bonds and debentures	-	105,560		105,560
Bank and cash balances	-	106,544	-	106,544
	1,016,663	355,890	-	1,372,553
Available-for-sale financial assets				
Investment in government securities	720,053	-	-	720,053
Total financial assets	**1,924,062**	**355,890**	**-**	**2,279,952**
Financial liabilities:				
Deposit administration and annuities	**-**	**19,495,734**	**-**	**19,495,734**

34. Actuarial valuation

In accordance with section 57 of the Insurance Act 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 2,271.093 million (2016: KShs 2,657.35 million) before setting aside reserves and before declaration of interest and bonuses to policyholders. The value of the life fund at 31 December 2017 before distribution to shareholders was KShs 29,531.853 million (2016: KShs 25,448.87 million). Transfers before tax were made out of the statutory reserve in the year amounting to KShs 60 million (2016: KShs 60 million) based on the recommendation of the Actuary.

35. Weighted average effective fixed interest rates

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

	2017	2016
	%	%
Mortgage loans	8.00	8.00
Policy loans	15.00	15.00
Government securities	13.03	12.72
Deposits with financial institutions	7.68	9.65

Deposits with financial institutions regarded as cash and cash equivalents have an average maturity of 3 months (2016: 3 months)

36. Reinsurers' share of insurance liabilities

	2017	2016
	KShs'000	KShs'000
Short term business		
Group		
Reinsurers' share of:		
- unearned premiums (Note 28)	**573,397**	**587,926**
- notified claims outstanding	2,311,685	2,302,620
- claims incurred but not reported	432,813	510,578
	2,744,498	**2,813,198**
At end of year	**3,317,895**	**3,401,124**
Company		
Reinsurers' share of:		
- unearned premiums (Note 28)	**350,703**	**363,522**
- notified claims outstanding	1,642,982	1,900,059
- claims incurred but not reported	484,787	422,530
	2,127,769	**2,322,589**
At end of year	**2,478,472**	**2,686,111**

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 Notes 23 and 28.

	Group		Company	
	2017	2016	2017	2016
	KShs'000	KShs'000	KShs'000	KShs'000
At start of year	3,401,124	4,617,767	2,686,111	3,898,730
Decrease during the period (gross)	(83,229)	(1,216,643)	(207,639)	(1,212,619)
At 31 December	**3,317,895**	**3,401,124**	**2,478,472**	**2,686,111**

Reinsurers' share of insurance liabilities is classified as a current asset.

37. Contingent liabilities

Legal Proceedings and Regulations
The Group operates in the insurance industry and is subject to legal proceedings 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 2.165 billion (2016: KShs 2.123 billion).

Material Damage Claim
The company was in discussion with its reinsurers on a matter relating to a claim by one of its clients, relating to material damage as at 31 December 2012. The lead reinsurer on the matter, had contended that the company over ceded on the surplus treaty in respect of material damage portion of the policy. The company subsequently contested this assertion by the reinsurer, and reinsurers paid off their portion of the liability.
The company then settled the claim and issued a discharge voucher which was not signed and returned as expected from the claimant alleging dissatisfaction of the quantum of the settlement. The matter is still unresolved.
From management assessment, even if the insured goes to court, any additional liability will be borne by the reinsurers and the company will only suffer to the extent of the retention limit.

38. Commitments

a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised in the financial statements (2016: KShs Nil).

b) Operating lease commitments

The group has entered into commercial property leases in respect of its investment property portfolio. Leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease payments under non-cancellable operating lease are as follows:

Payable (as a lessee)	2017 KShs'000	2016 KShs'000
Not later than 1 year	13,288	13,907
Later than 1 year and not later than 5 years	26,341	5,596
At end of year	**39,629**	**19,503**

Receivable (as a lessor)	2017 KShs'000	2016 KShs'000
Not later than 1 year	100,711	95,350
Later than 1 year and not later than 5 years	250,564	238,452
At end of year	**351,275**	**333,802**

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 partially owned (65%) by Kenindia Assurance Company Limited.

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

The following transactions were carried out with related parties:

		Long term assurance business KShs'000	Short term insurance business KShs'000	2017 Total KShs'000	Long term assurance business KShs'000	Short term insurance business KShs'000	2016 Total KShs'000
i)	**Transactions with related parties**						
	Gross earned premium						
	General insurance corporation	-	78,476	78,476	-	141,870	141,870
	Other related parties	-	245,105	245,105	-	236,471	236,471
	Net claims incurred						
	General insurance corporation	-	37,516	37,516	-	100,174	100,174
	Other related parties	-	35,893	35,893	-	62,892	62,892
ii)	**Outstanding balances with related parties**						
	Premiums receivable from related parties						
	General Insurance Corporation	-	89,723	89,723	-	89,723	89,723
	Life Insurance Corporation of India	(3,049)	-	(3,049)	(3,049)	-	(3,049)
	New India Assurance Company Ltd	-	(634,488)	(634,488)	-	(634,488)	(634,488)
	United Insurance Company Ltd	-	619	619	-	619	619
	National Insurance Company Ltd	-	2,181	2,181	-	2,181	2,181
	Oriental Insurance Company Ltd	-	1,072	1,072	-	1,072	1,072
	Tanzindia Assurance Company Ltd	-	30,466	30,466	-	30,466	30,466
	East Africa Re Ltd	(1,138)	6,143	5,005	(1,138)	6,143	5,005

There were no provisions made or amounts written off on related party balances during the year (2016: KShs Nil).

39. Related party transactions (continued)

		Grop		Company	
		2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
(iii)	**Bank deposits**				
	Credit Bank Deposits	11,729	-	11,729	-
(iv)	**Directors' emoluments**				
	Directors' fees (Note 6)	3,620	3,522	2,025	2,025
	Other expenses	7,791	5,597	7,332	5,188
	As executives	27,504	25,146	27,504	25,146
		38,915	**34,265**	**36,861**	**32,359**
	Directors' loans	-	-	-	-
(v)	**Key management personnel**				
	Salaries and benefits	128,360	151,131	87,139	109,663
	Social security benefit costs	22	29	22	29
	Retirement benefit costs	8,672	10,187	4,750	6,040
		137,054	**161,347**	**91,911**	**115,732**

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.

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 policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unablte to meet its obligations assumed under such reinsurance agreements.

40. Insurance risk (continued)

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.

40. Insurance risk (continued)

a) Life assurance contracts (continued)

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 claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

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

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

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

Life assurance contract liabilities	**2017 KShs'000**	**2016 KShs'000**
Ordinary life and riders	1,486,690	1,238,040
Group life	13,820	20,320
Capital Advantage	2,168,220	1,654,130
Bima Plans	1,085,820	917,240
Annuities	18,300	35,750
	4,772,850	**3,865,480**

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.

40. Insurance risk (continued)

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

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 on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

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

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

Key assumptions

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

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

Sensitivities

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

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.

40. Insurance risk (continued)

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

Sensitivities (continued)

The assumptions are as follows:

Adjustments to claims incurred in prior accident years due to change in assumption	2017 Gross insurance liabilities KShs'000	2017 Re-insurance/ reinsurers share of insurance liabilities KShs'000	2017 Net insurance liabilities (gross insurance liabilities less re-insurance KShs'000	2016 Gross insurance liabilities KShs'000	2016 Re-insurance/ reinsurers share of insurance liabilities KShs'000	2016 Net insurance liabilities (gross insurance liabilities less re-insurance KShs'000
Average claim cost inclusive of average cost to process the claim settlement	330	(180)	150	199	(118)	81
Average number of claims	12	(12)	12	25	(25)	25
Average claims settlement period (days)	60	60	60	60	60	60

Insurance liabilities (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 2017					
Average claim cost	+10%	475,439	274,450	(30,507)	(21,761)
Average number of claims	-10%	(475,439)	(274,450)	30,507	21,761
Average claims settlement period	Reduce from 60 days to 50 days	(792,399)	(457,416)	50,845	36,269
31 December 2016					
Average claim cost	+10%	476,504	195,184	(34,221)	(32,409)
Average number of claims	-10%	(476,504)	(195,184)	34,221	32,409
Average claims settlement period	Reduce from 60 days to 50 days	(794,174)	(327,307)	57,034	54,014

40. Insurance risk (continued)

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

Sensitivities (continued)

Reinsurance assets (Group)

31 December 2017	**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%	-	(274,450)	30,507	21,761
Average number of claims	-10%	-	274,450	(30,507)	(21,761)
Average claims settlement period	Reduce from 60 days to 50 days	-	(116,049)	83,996	72,748
31 December 2016					
Average claim cost	+10%	-	(281,320)	34,221	32,409
Average number of claims	-10%	-	281,320	(34,221)	(32,409)
Average claims settlement period	Reduce from 60 days to 50 days	-	(468,866)	57,034	54,014

Insurance liabilities (Company)

31 December 2017					
Average claim cost	+10%	390,552	177,775	(25,380)	(18,517)
Average number of claims	-10%	(390,552)	(177,775)	25,380	18,517
Average claims settlement period	Reduce from 60 days to 50 days	(650,920)	(269,292)	42,299	30,862
31 December 2016					
Average claim cost	+10%	401,068	168,809	(28,268)	(26,468)
Average number of claims	-10%	(401,068)	(168,809)	28,268	26,468
Average claims settlement period	Reduce from 60 days to 50 days	(668,446)	(281,348)	47,114	44,114

40. Insurance risk (continued)

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

Sensitivities (continued)

Reinsurance assets (Company)

31 December 2017	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%	-	(212,777)	25,380	18,517
Average number of claims	-10%	-	212,777	(25,380)	(18,517)
Average claims settlement period	Reduce from 60 days to 50 days	-	(116,049)	(83,996)	72,748
31 December 2016					
Average claim cost	+10%	-	(232,259)	28,268	26,468
Average number of claims	-10%	-	232,259	(28,268)	(26,468)
Average claims settlement period	Reduce from 60 days to 50 days	-	(387,098)	(47,114)	44,114

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

Non-life insurance contract liabilities

	Group		Company	
	2017 KShs'000	2016 KShs'000	2017 KShs'000	2016 KShs'000
Engineering	1,235,824	1,274,336	1,187,059	1,222,878
Fire Domestic	22,098	25,598	22,098	25,598
Fire Industrial	1,051,318	1,211,478	684,932	851,426
Liability	96,608	85,497	96,608	85,497
Marine	174,173	168,427	127,486	171,762
Motor Private	405,279	354,124	208,997	199,098
Motor Commercial	388,495	358,125	388,495	358,125
Personal Accident	87,318	89,430	87,318	89,430
Theft	345,407	313,094	345,407	313,094
Workmen Compensation	728,585	674,166	728,585	674,166
Medical	25,336	17,868	25,336	17,868
Aviation	415	420	-	-
Miscellaneous	193,535	192,478	3,197	1,736
At 31 December	**4,754,391**	**4,765,041**	**3,905,518**	**4,010,678**

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:

i) 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.

41. Financial risk management objectives and policies (continued)

i) Market risk (continued)

a) Interest rate risk (continued)

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

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

		Group		Company	
Financial assets	**% change in base**	**2017 KShs'000**	**2016 KShs'000**	**2017 KShs'000**	**2016 KShs'000**
Variable interest rates					
Bank balances	+(-)10.00%	+(-)35,350	+(-)13,049	+(-)17,114	+(-)10,654
Fixed interest rates					
Government securities (Held to maturity)	+(-)10.00%	+(-)2,827,783	+(-)2,385,915	+(-)2,822,769	+(-)2,380,629
Deposits with financial institutions	+(-)10.00%	+(-)103,787	+(-)118,244	+(-)85,925	+(-)101,666
Mortgage loans	+(-)10.00%	+(-)481	+(-)481	+(-)481	+(-)481
Policy loans	+(-)10.00%	+(-)9,066	+(-)8,639	+(-)9,066	+(-)8,639
Government securities (Available for sale)	+(-)10.00%	+(-)76,431	+(-)73,240	+(-)75,141	+(-)72,005

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

b) Currency rate risk

Currency rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because off 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 14,000.09 (KShs 1,444,060.60) 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 72,203. About 80% of the group's business is generated in Kenya, 20% from the subsidiary (Tanzindia Assurance Company Limited) whose transactions are originally denominated in Tanzania Shillings (TShs). The foreign currency translation of the subsidiary was KShs 12,423,000 (2016: KShs 8,634,000). The group has no significant concentration of currency risk.

41. Financial risk management objectives and policies (continued)

i) Market risk (continued)

c) Price risk

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

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

At 31 December 2017, if the prices of listed equities at the Nairobi Securities Exchange had appreciated by 5% with all other variables held constant, the profit for the year for the Company would have increased by KShs 8,900,750 (2016: KShs 7,059,900) for long-term business and KShs 2,917,350 (2016: KShs 2,307,400) 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	2017 KShs'000	2016 KShs'000
Group-Short term business			
Government securities (Available-for-sale)	+(-)5%	+(-)38,216	+(-)36,620
Company-Short term business			
Government securities (Available-for-sale)	+(-)5%	+(-)37,570	+(-)36,003

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 on going 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.

41. Financial risk management objectives and policies (continued)

ii) Credit risk (continued)

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

	Note	Group 2017 KShs'000	Group 2016 KShs'000	Company 2017 KShs'000	Company 2016 KShs'000
Financial instruments					
Held-to-maturity financial assets	25	28,277,831	23,859,152	28,227,691	23,806,286
Loans receivable	20	96,534	92,736	96,534	92,736
Investment in the Kenya Motor Insurance Pool	24	97,011	89,431	97,011	89,431
Available-for-sale financial assets (Government securities)	25	764,314	732,398	751,408	720,053
(Investment in unquoted shares)	18	601,150	-	547,660	-
Financial assets at fair value through profit or loss	19	252,712	200,838	236,362	187,346
Deposits with financial institutions	33	1,037,868	1,182,442	859,248	1,016,663
Commercial paper	33	161,990	143,786	161,990	143,786
Bonds and debentures	33	105,560	105,560	105,560	105,560
Receivables arising out of reinsurance arrangements	21	1,326,349	2,001,408	923,700	1,241,904
Reinsurers' share of insurance liabilities	36	3,317,895	3,401,124	2,478,472	2,686,111
Receivables arising out of direct insurance arrangements	22	551,862	869,653	481,672	569,454
Bank and cash balances	32	353,502	130,488	171,142	106,544
Other receivables	24	302,468	530,428	322,313	555,728
Total credit risk exposure		**37,247,046**	**33,339,444**	**35,460,763**	**31,321,602**

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

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

31 December 2017

	<30days 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	447	**447**	840	714	94,533	**96,087**	**96,534**
Reinsurance assets	367,975	**367,975**	13,247	7,570	937,557	**958,374**	**1,326,349**
Insurance receivables	(117,926)	**(117,926)**	72,043	102,480	495,265	**669,788**	**551,862**
Total	**250,496**	**250,496**	**86,130**	**110,764**	**1,527,355**	**1,724,249**	**1,974,745**

41. Financial risk management objectives and policies (continued)

ii) Credit risk (continued)

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

31 December 2016

	<30days 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	1,218	**1,218**	1,275	729	89,514	**91,518**	**92,736**
Reinsurance assets	367,975	**367,975**	13,247	7,570	1,612,616	**1,633,433**	**2,001,408**
Insurance receivables	74,406	**74,406**	55,432	52,950	686,865	**795,247**	**869,653**
Total	**443,599**	**443,599**	**69,954**	**61,249**	**2,388,995**	**2,520,198**	**2,963,797**

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

31 December 2017

	<30days KShs'000	Neither past due nor 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	447	**447**	840	714	94,533	**96,087**	**96,534**
Reinsurance assets	367,975	**367,975**	13,247	7,570	534,908	**555,725**	**923,700**
Insurance receivables	(113,504)	**(113,504)**	76,465	106,902	411,809	**595,176**	**481,672**
Total	**254,918**	**254,918**	**90,552**	**115,186**	**1,041,250**	**1,246,988**	**1,501,906**

31 December 2016

	<30days KShs'000	Neither past due nor 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	1,218	**1,218**	1,275	729	89,514	**91,518**	**92,736**
Reinsurance assets	367,975	**367,975**	13,247	7,570	853,112	**873,929**	**1,241,904**
Insurance receivables	74,271	**74,271**	55,297	52,815	387,071	**495,183**	**569,454**
Total	**443,464**	**443,464**	**69,819**	**61,114**	**1,329,697**	**1,460,630**	**1,904,094**

41. Financial risk management objectives and policies (continued)

ii) Credit risk (continued)

Impaired financial assets

At 31 December 2017, the Group and Company had impaired insurance assets of KShs 53,549,000 and KShs 53,549,000 respectively (2016: Group and Company KShs 10,791,000 and KShs 10,791,000 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.

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 in short term business and reinsurance assets, maturity profiles are shown on undiscounted basis. 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. Re payments 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 2017

	Up to a year	On demand/No maturity	Total
	KShs '000	KShs'000	KShs '000
Insurance liabilities	4,844,842	-	4,844,842
Payable under deposit administration contracts	-	21,760,403	21,760,403
Payable under annuities	-	727,514	727,514
Provision for unearned premium	1,337,218	-	1,337,218
Tax liability	81,045	-	81,045
Reinsurance payables	1,915,547	-	1,915,547
Insurance payables	260,156	-	260,156
Bank overdraft	71,107	-	71,107
Other payables	380,017	-	380,017
Total liabilities	**8,889,932**	**22,487,917**	**31,377,849**

Group
31 December 2016

	Up to a year	On demand/No maturity	Total
	KShs '000	KShs '000	KShs '000
Insurance liabilities	4,816,540	-	4,816,540
Payable under deposit administration contracts	-	19,152,949	19,152,949
Payable under annuities	-	342,785	342,785
Provision for unearned premium	1,466,587	-	1,466,587
Tax liability	52,415	-	52,415
Reinsurance payables	2,542,150	-	2,542,150
Insurance payables	193,980	-	193,980
Bank overdraft	66,255	-	66,255
Other payables	631,524	-	631,524
Total liabilities	**9,769,451**	**19,495,734**	**29,265,185**

41. Financial risk management objectives and policies (continued)

iii) Liquidity risk (continued)

Company
31 December 2017

	Up to a year	On demand/ No maturity	Total
	KShs '000	KShs '000	KShs '000
Insurance liabilities	3,995,969	-	3,995,969
Payable under deposit administration contracts	-	21,760,403	21,760,403
Payable under annuities	-	727,514	727,514
Reinsurance payables	1,615,413	-	1,615,413
Insurance payables	260,156	-	260,156
Provision for unearned premium	1,030,140	-	1,030,140
Tax liability	75,135	-	75,135
Bank overdraft	71,107	-	71,107
Other payables	331,889	-	331,889
Total liabilities	**7,379,809**	**22,487,917**	**29,867,726**

Company
31 December 2016

	Up to a year	On demand/No maturity	Total
	KShs '000	KShs '000	KShs '000
Insurance liabilities	4,062,177	-	4,062,177
Payable under deposit administration contracts	-	19,152,949	19,152,949
Payable under annuities	-	342,785	342,785
Reinsurance payables	1,827,136	-	1,827,136
Insurance payables	193,980	-	193,980
Provision for unearned premium	1,101,226	-	1,101,226
Bank overdraft	66,255	-	66,255
Other payables	633,626	-	633,626
Total liabilities	**7,884,400**	**19,495,734**	**27,380,134**

41. Financial risk management objectives and policies (continued)

iii) Liquidity risk (continued)

Group
31 December 2017

	Up to a year	1-3 years	3-5 years	5-15 years	Over 15 years	On demand/ No maturity	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity financial assets	1,064,528	2,127,266	3,217,232	20,499,047	1,369,758	-	28,277,831
Loans receivable	9,835	26,677	17,784	42,238	-	-	96,534
Available-for-sale financial assets	103,132	89,806	111,678	183,980	275,718	601,150	1,365,464
Financial assets at fair value through profit and loss	-	-	-	-	-	252,712	252,712
Cash and cash equivalents and short term investments	1,391,370	-	-	-	-	-	1,391,370
Commercial paper, bonds and debentures	161,990	-	105,560	-	-	-	267,550
Reinsurance assets	4,644,244	-	-	-	-	-	4,644,244
Insurance receivables	551,862	-	-	-	-	-	551,862
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	97,011	97,011
Tax recoverable	55,352	-	-	-	-	-	55,352
Other receivables	302,468	-	-	-	-	-	302,468
Total assets	**8,284,781**	**2,243,749**	**3,452,254**	**20,725,265**	**1,645,476**	**950,873**	**37,302,398**

41. Financial risk management objectives and policies (continued)

iii) Liquidity risk (continued)

Group
31 December 2016

	Up to a year	1-3 years	3-5 years	5-15 years	Over 15 years	On demand/ No maturity	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity financial assets	657,280	1,133,682	2,813,213	14,313,512	4,941,465	-	23,859,152
Loans receivable	9,476	30,046	20,030	33,184	-	-	92,736
Available-for-sale financial assets	-	102,542	89,118	284,680	256,058	175,528	907,926
Financial assets at fair value through profit and loss	-	-	-	-	-	200,838	200,838
Cash and cash equivalents and short term investments	1,312,930	-	-	-	-	-	1,312,930
Commercial paper, bonds and debentures	196,566	52,780	-	-	-	-	249,346
Reinsurance assets	5,402,532	-	-	-	-	-	5,402,532
Insurance receivables	869,653	-	-	-	-	-	869,653
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	89,431	89,431
Tax recoverable	71,408	-	-	-	-	-	71,408
Other receivables	530,428	-	-	-	-	-	530,428
Total assets	**9,050,273**	**1,319,050**	**2,922,361**	**14,631,376**	**5,197,523**	**465,797**	**33,586,380**

41. Financial risk management objectives and policies (continued)

iii) Liquidity risk (continued)

Company
31 December 2017

	Up to a year	1-3 years	3-5 years	5-15 years	Over 15 years	On demand/ No maturity	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity financial assets	1,014,388	2,127,266	3,217,232	20,499,047	1,369,758	-	28,227,691
Loans receivable	9,835	26,677	17,784	42,238	-	-	96,534
Available-for-sale financial assets	99,380	89,807	111,678	174,826	275,717	547,660	1,299,068
Financial assets at fair value through profit and loss	-	-	-	-	-	236,362	236,362
Cash and cash equivalents and short term investment	1,030,390	-	-	-	-	-	1,030,390
Commercial paper, bonds and debentures	161,990	-	105,560	-	-	-	267,550
Reinsurance assets	3,402,172	-	-	-	-	-	3,402,172
Insurance receivables	481,672	-	-	-	-	-	481,672
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	97,011	97,011
Tax recoverable	55,062	-	-	-	-	-	55,062
Other receivables	322,313	-	-	-	-	-	322,313
Total assets	**6,577,202**	**2,243,750**	**3,452,254**	**20,716,111**	**1,645,475**	**881,033**	**35,515,825**

41. Financial risk management objectives and policies (continued)

iii) Liquidity risk (continued)

Company
31 December 2016

	Up to a year	1-3 years	3-5 years	5-15 years	Over 15 years	On demand/ No maturity	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Held to maturity financial assets	604,414	1,133,682	2,813,213	14,313,512	4,941,465	-	23,806,286
Loans receivable	9,476	30,046	20,030	33,184	-	-	92,736
Available-for-sale financial assets	-	98,858	89,118	276,019	256,058	123,454	843,507
Financial assets at fair value through profit and loss	-	-	-	-	-	187,346	187,346
Cash and cash equivalents and short term investment	1,123,207	-	-	-	-	-	1,123,207
Commercial paper, bonds and debentures	196,566	52,780	-	-	-	-	249,346
Reinsurance assets	3,928,015	-	-	-	-	-	3,928,015
Insurance receivables	569,454	-	-	-	-	-	569,454
Investment in the Kenya Motor Insurance Pool	-	-	-	-	-	89,431	89,431
Tax recoverable	55,888	-	-	-	-	-	55,888
Other receivables	555,728	-	-	-	-	-	555,728
Total assets	**7,042,748**	**1,315,366**	**2,922,361**	**14,622,715**	**5,197,523**	**400,231**	**31,500,944**

41. Financial risk management objectives and policies (continued)

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. 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 in the long term business which exceeds the minimum (KShs 150 million) requirement as per the Insurance Act. In the short term business, the company's paid up capital should not be less than 10% of the total gross premium written in the short term business during the year. The paid up capital is KShs 400,000,000 while 10% of gross premium written is KShs 301,453,226 (2016: KShs 299,596,025).

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.

43. Company solvency margins and capital adequacy

a) Solvency margins

	2017 KShs'000	2016 KShs'000
Short term insurance business		
Admitted assets	**7,191,000**	**6,732,000**
Net premium for 2017/2016	1,926,000	1,881,000
15% of net premium	289,000	282,000
Admitted liabilities	4,675,000	4,961,000
	4,964,000	**5,243,000**
Solvency margin	**2,227,000**	**1,489,000**
Long term assurance business		
Admitted assets	**30,397,000**	**26,266,000**
5% of admitted liabilities	1,432,000	1,233,000
Admitted liabilities	28,654,000	24,649,000
	30,086,000	**25,882,000**
Solvency margin	**311,000**	**384,000**

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.

b) Capital adequacy

As per the new Insurance Act requirements, capital adequacy ratios are as follows:

	Short term business 2017 KShs'000	Short term business 2016 KShs'000
Minimum required capital	1,282,000	1,294,000
Total capital available	2,483,000	1,719,000
Capital adequacy ratio	**194%**	**133%**
Capital adequacy ratio minimum	**100%**	**100%**

	Long term business 2017 KShs'000	Long term business 2016 KShs'000
Minimum required capital	1,397,000	1,322,000
Total capital available	1,652,000	1,613,000
Capital adequacy ratio	**118%**	**122%**
Capital adequacy ratio minimum	**100%**	**100%**

44. 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.

company long term assurance business revenue account

for the year ended 31 december 2017

KENINDIA

	Ordinary life business KShs'000	Group life business KShs'000	Annuities KShs'000	Retirement benefit fund KShs'000	Total 2017 KShs'000
Gross premium income	1,235,077	74,379	377,252	-	1,686,708
Premiums ceded to reinsurers	(4,159)	(37,064)	-	-	(41,223)
Contributions received	-	-	-	2,954,607	2,954,607
Net premium income	**1,230,918**	**37,315**	**377,252**	**2,954,607**	**4,600,092**
Investment income	855,589	6,492	70,929	2,486,010	3,419,020
Other income	5,130	-	-	-	5,130
	860,719	**6,492**	**70,929**	**2,486,010**	**3,424,150**
Claims incurred	354,177	8,755	55,973	644,835	1,063,740
Surrenders and annuity incurred	256,980	-	-	2,040,861	2,297,841
Net claims and policyholder benefits expense	**611,157**	**8,755**	**55,973**	**2,685,696**	**3,361,581**
Operating expenses	188,675	2,021	-	78,840	269,536
Other expenses	16,042	-	-	37,432	53,474
Allowance for credit losses on rental and other receivables	-	14,077	-	-	14,077
Allowance for credit losses on deposits with financial institutions	-	8,930	-	-	8,930
Commissions expense	93,890	3,324	7,479	31,195	135,888
Premium levy	4,141	-	-	-	4,141
Contribution to policy holders' compensation fund	1,028	-	-	-	1,028
Total expenses	**303,776**	**28,352**	**7,479**	**147,467**	**487,074**
Results of operating activities	1,176,704	6,700	384,729	2,607,454	4,175,587
Transfer to statutory reserve	(30,000)	(30,000)	-	-	(60,000)
Transfer to general reserve	(72,870)	-	-	-	(72,870)
Increase/(decrease) in funds	**1,073,834**	**(23,300)**	**384,729**	**2,607,454**	**4,042,717**
Funds at the beginning of the year	5,810,524	50,016	342,785	19,152,949	25,356,274
Funds at the end of the year	**6,884,358**	**26,716**	**727,514**	**21,760,403**	**29,398,991**

Long term funds at the end of the year comprise amounts attributable to:

Policyholders:					
-Actuarial liabilities	4,759,030	13,820	-	-	4,772,850
-Annuities	-	-	774,210	-	774,210
-Deposit administration fund	-	-	-	19,769,330	19,769,330
-Bonus to policy holders	1,260,330	-	-	1,599,620	2,859,950
-Statutory reserves	-	-	-	-	-
	6,019,360	**13,820**	**774,210**	**21,368,950**	**28,176,340**

company long term assurance business revenue account

for the year ended 31 december 2016

	Ordinary life business KShs'000	Group life business KShs'000	Annuities KShs'000	Retirement benefit fund KShs'000	Total 2016 KShs'000
Gross premium income	1,026,561	59,760	343,614	-	1,429,935
Premiums ceded to reinsurers	(3,542)	(32,627)	-	-	(36,169)
Contributions received	-	-	-	2,517,094	2,517,094
Net premium income	**1,023,019**	**27,133**	**343,614**	**2,517,094**	**3,910,860**
Investment income	700,526	10,626	11,302	2,084,616	2,807,070
Other income	3,353	-	-	-	3,353
	703,879	**10,626**	**11,302**	**2,084,616**	**2,810,423**
Claims incurred	332,912	6,601	5,989	495,189	840,691
Surrenders and annuity incurred	130,259	-	-	1,795,243	1,925,502
Net claims and policyholder benefits expense	**463,171**	**6,601**	**5,989**	**2,290,432**	**2,766,193**
Operating expenses	179,481	1,923	-	74,997	256,401
Other expenses	16,652	-	-	38,855	55,507
Provision for bad debts	-	32,593	-	-	32,593
Commissions expense	89,095	3,234	6,142	35,003	133,474
Premium levy	3,861	-	-	-	3,861
Contribution to policy holders' compensation fund	1,113	-	-	-	1,113
Total expenses	**290,202**	**37,750**	**6,142**	**148,855**	**482,949**
Results of operating activities	**973,525**	**(6,592)**	**342,785**	**2,162,423**	**3,472,141**
Transfer to statutory reserve	(30,000)	(30,000)	-	-	(60,000)
Increase/(decrease) in funds	**943,525**	**(36,592)**	**342,785**	**2,162,423**	**3,412,141**
Funds at the beginning of the year	4,866,999	86,608	-	16,990,526	21,944,133
Funds at the end of the year	**5,810,524**	**50,016**	**342,785**	**19,152,949**	**25,356,274**

Long term funds at the end of the year comprise amounts attributable to:

Policyholders:					
-Actuarial liabilities	3,845,160	20,320	-	-	3,865,480
-Annuities	-	-	382,500	-	382,500
-Deposit administration fund	-	-	-	17,395,310	17,395,310
-Bonus to policy holders	1,093,710	-	-	1,519,970	2,613,680
-Statutory reserves	-	-	-	-	-
	4,938,870	**20,320**	**382,500**	**18,915,280**	**24,256,970**

company short term business revenue account

for the year ended 31 december 2017

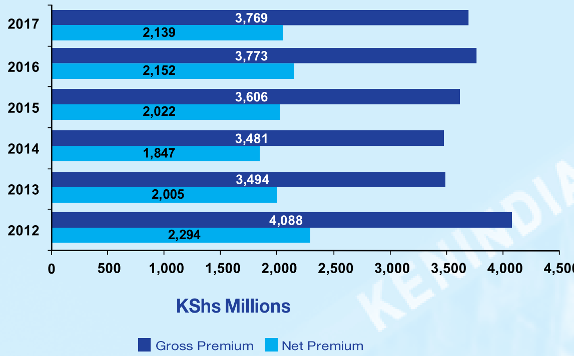
	Aviation	Engineering	Fire Domestic	Fire Industrial	Liability	Marine	Motor Private	Motor Commercial	Personal Accident	Medical	Theft	Workmen Compensation	Miscellaneous	Total 2017	Total 2016
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Gross Premium Written	32	165,688	55,724	760,127	45,540	278,534	327,448	514,599	48,747	133,444	239,022	420,764	24,863	3,014,532	2,995,960
Reinsurance Premium	-	(134,683)	(20,211)	(638,524)	(17,390)	(66,872)	(6,539)	(19,040)	(28,021)	(2,921)	(129,833)	(8,194)	(16,108)	(1,088,336)	(1,115,062)
Net Premium Written	32	31,005	35,513	121,603	28,150	211,662	320,909	495,559	20,726	130,523	109,189	412,570	8,755	1,926,196	1,880,898
Unearned Premium at the beginning of the year	-	6,449	15,499	43,708	8,771	90,393	141,506	205,587	7,075	52,781	30,526	133,059	2,351	737,705	694,487
Unearned Premium at the end of the year	(15)	(15,220)	(12,078)	(52,599)	(9,832)	(89,784)	(125,209)	(127,513)	(10,519)	(58,275)	(35,550)	(138,702)	(4,141)	(679,437)	(737,705)
Net Earned Premium	**17**	**22,234**	**38,934**	**112,712**	**27,089**	**212,271**	**337,206**	**573,633**	**17,282**	**125,029**	**104,165**	**406,927**	**6,965**	**1,984,464**	**1,837,680**
Claims Paid	-	40,866	30,193	51,502	9,216	95,552	186,295	317,491	6,088	119,021	56,964	334,642	61	1,247,891	1,187,328
Claims o/s 31-12-2107	-	61,248	17,354	85,723	53,138	103,312	208,028	375,561	18,504	25,236	104,101	723,832	1,712	1,777,749	1,688,089
Claims o/s 01-01-2017	-	(58,475)	(17,491)	(94,339)	(46,965)	(114,219)	(198,523)	(354,673)	(18,046)	(17,752)	(96,343)	(670,539)	(724)	(1,688,089)	(1,633,933)
Incurred Claims	**-**	**43,639**	**30,056**	**42,886**	**15,389**	**84,645**	**195,800**	**338,379**	**6,546**	**126,505**	**64,722**	**387,935**	**1,049**	**1,337,551**	**1,241,484**
Commissions	8	(12,109)	5,933	(21,135)	3,144	32,761	31,484	48,985	(2,058)	11,901	(20,494)	82,330	(2,361)	158,389	144,174
Expenses of Management	7	33,803	11,369	155,078	9,291	56,825	66,805	104,986	9,945	27,225	48,764	85,842	5,072	615,012	542,257
Premium Tax	-	1,216	409	5,578	334	2,044	2,403	3,776	358	979	1,754	3,088	182	22,121	26,643
Policyholders' Compensation Fund	-	384	129	1,764	106	646	760	1,194	113	310	555	977	58	6,996	7,947
Total Outgo	**15**	**23,294**	**17,840**	**141,285**	**12,875**	**92,276**	**101,452**	**158,941**	**8,358**	**40,415**	**30,579**	**172,237**	**2,951**	**802,518**	**721,021**
Underwriting Surplus/ (Deficit) transferred to P&L A/c	**2**	**(44,699)**	**(8,962)**	**(71,459)**	**(1,175)**	**35,350**	**39,954**	**76,313**	**2,378**	**(41,891)**	**8,864**	**(153,245)**	**2,965**	**(155,605)**	**(124,825)**

group financial indicators

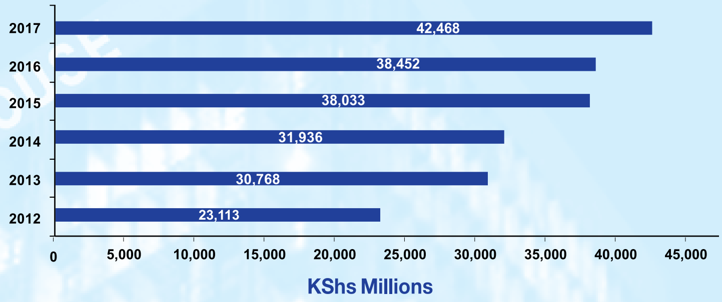
for the year ended 31 december 2017

KENINDIA

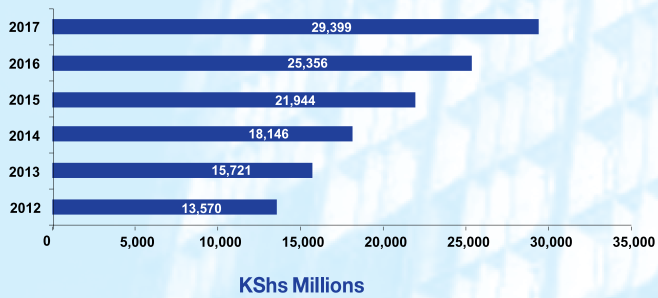
Premium - General Business



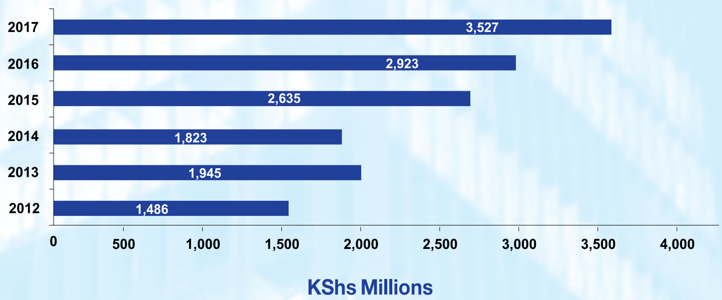
Total Assets



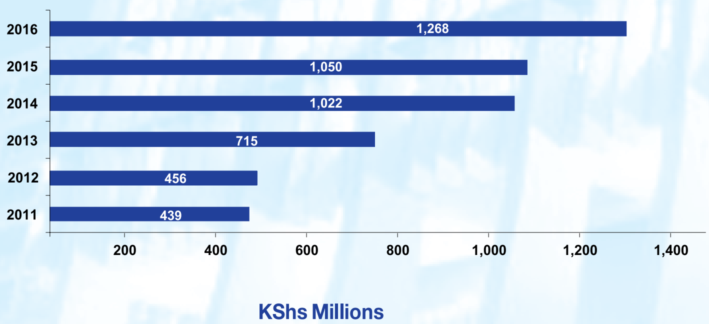
Life Fund



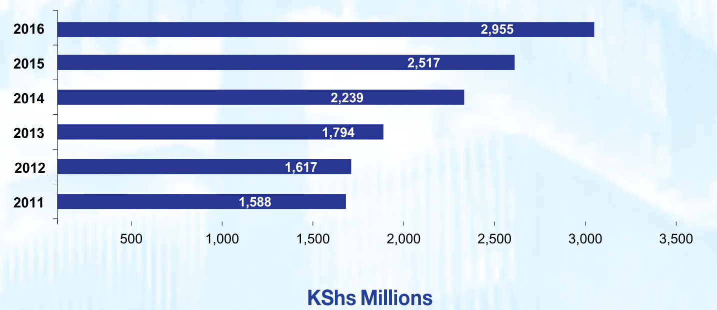
Shareholders' Fund



Net Life Premium



Pension Contributions



company financial summary for 10 years

for the year ended 31 december 2017

YEAR	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
(i) NON-LIFE	Figures in KShs Millions									
Gross Premium Written	3,015	2,996	2,864	2,646	2,776	3,377	3,566	3,342	2,834	2,832
% Growth	**0.63**	**4.61**	**8.24**	**(4.68)**	**(17.80)**	**(5.30)**	**6.70**	**17.93**	**0.07**	**(6.50)**
Net Premium Written	1,926	1,881	1,734	1,552	1,725	2,066	2,305	2,215	1,803	1,775
% Growth	**2.39**	**8.48**	**11.73**	**(10.03)**	**(16.51)**	**(10.37)**	**4.06**	**22.85**	**1.58**	**(7.41)**
Change in Unearned Premium Reserve	58	43	67	(76)	(152)	(103)	29	204	1	(76)
Net Earned Premium	1,984	1,838	1,667	1,628	1,877	2,170	2,276	2,011	1,802	1,851
Net Incurred Claims	1,338	1,241	1,141	1,452	1,040	1,706	1,925	1,292	1,122	1,312
Net Inc.Claim ratio to net prem. (%)	**69.47**	**66.00**	**65.84**	**93.52**	**60.31**	**82.58**	**83.51**	**58.33**	**62.23**	**73.92**
Net Commission	158	144	62	122	165	208	186	134	92	40
Management/Other Expenses	774	623	616	651	503	474	487	453	410	393
Premium tax/Others	29	35	33	28	31	36	38	39	41	48
Underwriting (Deficit)/Surplus	(156)	(125)	(109)	(530)	174	(254)	(361)	93	136	58
(ii) LIFE BUSINESS										
Gross Premium Written (Including Pension Fund)	4,641	3,947	3,284	2,533	2,118	2,051	1,800	1,487	1,256	1,132
% Growth	**17.58**	**20.18**	**29.65**	**19.59**	**3.27**	**13.94**	**21.05**	**18.39**	**10.95**	**16.46**
Net Premium Written (including Pension Fund)	4,600	3,911	3,261	2,509	2,073	2,026	1,719	1,438	1,224	1,091
% Growth	**17.62**	**19.93**	**29.97**	**21.03**	**2.32**	**17.86**	**19.54**	**17.48**	**12.19**	**17.44**
Total Benefits	3,362	2,766	1,677	1,861	1,706	1,008	806	937	490	406
Commission	136	133	137	117	91	83	77	71	55	79
Management/Other Expenses	346	345	314	228	148	115	133	107	91	79
Premium tax/Others	5	5	8	6	4	5	4	4	4	6
Increase in Fund (after distribution to shareholders)	4,043	3,412	3,798	2,425	2,151	2,634	1,801	1,501	1,361	889
Life Fund	29,399	25,356	21,944	18,146	15,721	13,570	10,936	9,135	7,634	6,273
(iii) LIFE AND NON-LIFE										
Investment Income	3,923.81	3,159.79	3,987.68	2,440.66	2,459.73	2,231.62	1,311.16	1,626.36	1,008.98	578.2
% Yield	**11.51**	**10.89**	**14.73**	**11.19**	**12.86**	**13.50**	**9.40**	**12.39**	**11.29**	**8.12**
Profit/(Loss) Before Tax	386.67	282.68	804.68	(300.63)	508.02	143.25	(213.20)	489.13	325.50	245.52
Profit/(Loss) After Tax	245.26	277.06	790.91	(137.04)	402.87	101.90	(188.91)	429.64	325.50	245.35
Share Capital	561	561	561	561	561	561	561	473.40	362.01	362.01
Total Assets	40,724.25	36,422.52	36,278.62	30,281.96	29,048.76	22,137.40	19,405.56	14,898.55	12,699.48	10,582.80
Shareholders' Fund	3,375.77	2,809.04	2,555.16	1,760.75	1,891.19	1,473.27	1,223.65	1,585.22	963.28	688.13
Dividend Per Share (KShs)	10	10	10	-	10	5	5	10	0	5
	KShs	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
Earnings/(Loss) Per Share	43.69	49.35	140.88	(24.41)	71.76	22.70	-	76.53	68.75	67.8


KENINDIA HOUSE

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KENINDIA

proxy form

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 Wednesday, 27th June 2018 and at any adjournment thereof.

Please indicate how you wish to cast your vote.

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

Dated this_________________________ day of _________________________ 2018

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.*

KENINDIA HOUSE

FOLD 2

STAMP

Kenindia Assuarance Company Limited
Registered Office
Kenindia House, Loita Street
P.O. Box 44372, 00100 - GPO
Nairobi, Kenya

FOLD 1