2011

CIC ANNUAL REPORT AND FINANCIAL STATMENTS

CIC INSURANCE GROUP LTD

We keep our word

www.cic.co.ke

CIC INSURANCE GROUP LTD

We keep our word

CORPORATE VISION

To be a world class provider of insurance and other financial services through the co-operative spirit.

CORPORATE MISSION

To provide financial security for the people through the co-operative spirit.

CUSTOMER VALUE PROPOSITION

To offer to its customers unparalleled service that will satisfy and delight them. CIC's customer value proposition is built along four pillars of:

- Service of highest quality
- Friendliest of relationships
- Fairest prices
- Fastest speed

OUR CORE VALUES

- Integrity
- Teamwork
- Fairness
- Dynamism
- Productivity

Contents

DIRECTORS, SENIOR MANAGEMENT & PROFESSIONAL ADVISERS

DIRECTORS

J A Magomere	Chairman
Rev. P N Kagane	Vice Chairman
N C Kuria	Managing Director and Group Chief Executive Officer
H G Hunyu	
P N Kipkirui	
C O Ashira	
G O Owuor	
M O Wambia	
J N Njoroge	
J M Mutuku	
J P Nyagah	
S G Kaimenyi	
E O Joseph	
R M Githaiga	

COMPANY SECRETARY

Gail Odongo
Certified Public Secretary (Kenya)
P O Box 59485 - 00100
Nairobi

REGISTERED OFFICE

CIC Plaza
Upper Hill, Mara Road
P O Box 59485 - 00200
Nairobi

SENIOR MANAGEMENT

N C Kuria	Group Chief Executive Officer
K Kimani	Managing Director CIC General Insurance Limited
P Mwaura	Managing Director CIC Asset Management Limited
D Ronoh	Managing Director CIC Life Assurance Limited
J Tomno	General Manager Marketing
G Odongo	General Manager Corporate services/Company Secretary
R Nyakenogo	General Manager Co-operative Business and Branches
M Kinyua	Assistant General Manager General Business
J Gatune	Assistant General Manager Finance
J Kionga	Assistant General Manager Life Business
H Njerenga	Assistant General Manager CIC Town Office
M Mugo	Assistant General Manager Corporate Affairs
R Wanjohi	Group Human Resources Manager
M Luvai	Chief Internal Auditor

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P O Box 40092 - 00100
Nairobi

PRINCIPAL BANKERS

The Co-operative Bank of Kenya Limited
P O Box 67881 - 00100
Nairobi

CONSULTING ACTUARIES

The Actuarial Services Company Limited
Victoria Towers
Upper Hill
P O Box 10472 - 00100
Nairobi

ADVOCATES

Oraro & Company Advocates
ACK Garden House, 3rd Floor, Wing C
1st Ngong Avenue
P O Box 51236 - 00200
Nairobi

SHARES REGISTRARS

Co-operative Bank of Kenya Limited
Co-operative Bank House
P O Box 48231 - 00100
Nairobi

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 34th ANNUAL GENERAL MEETING OF CIC INSURANCE GROUP LIMITED will be held at the Amphitheatre at Kenyatta International Conference Centre, Nairobi on Friday 4th May, 2012 at 10.00 am when the following business will be transacted namely:-

AGENDA

NOTICE QUORUM AND MINUTES

1. To read the notice convening the Meeting and determine if a quorum is present.
2. To confirm the Minutes of the 33rd Annual General Meeting held on the 14th day of May 2011

ANNUAL REPORT

3. To receive, consider and if thought fit, adopt Annual Report and Financial Statements for the year ended 31st December 2011 together with the Directors' and Auditors thereon.

DIVIDEND

4. To declare a dividend

DIRECTORS

5. To note the resignation of Mr Edwin Otieno, Mr Cornelius Ashira, Mr Harrison Githae and Mr Joseph Nyagah in accordance with Article 129 of the Company's Articles of Association.
6. Mr Gordon Owuor and Mr Peter Nyigei retire by rotation in accordance with Article 125 of the Company's Articles of Association, and being eligible offer themselves for re-election as Director.
7. To note and approve appointment of Mrs Veronicah Soila Leseya and Mrs Grace Kulola Mabishi as Directors in accordance with Article 129 of the Company Articles of Association.
8. To authorize the Board to fix the remuneration of the Directors.

AUDITORS

9. To note continuance in office of Deloitte & Touche as auditors and to authorize the Board to fix their remuneration for the ensuing year.

ANY OTHER BUSINESS

10. To transact any other business which may be properly transacted at an Annual General Meeting

By Order of the Board

GAIL ODONGO
General Manager Corporate and Company Secretarial Services

2nd March 2012

Note 1: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy (which is available at the Registrar's office or on the Company's website) must be duly completed by the member and must either be lodged with the Registrar at Co-operative Bank of Kenya Limited, Nairobi or be posted to Shares Registrar – Co-operative Bank of Kenya Limited, P. O. Box 48231 – 00100 Nairobi, so as to reach the Registrar not later than 11.00 a.m. on Wednesday 2nd May 2012.

Note 2: Registration of members and proxies for the Annual Registration of members and proxies for the Annual General Meeting will commence at 8.00 a.m. on 4th May, 2012. Members and proxies should carry their national ID cards and a copy of a relevant Central Depository and Settlement Corporation (CDSC) account statement for ease of the registration process.

Note 3: Subject to the approval of shareholders, the Board of Directors has resolved to recommend to members at the forthcoming Annual General Meeting a dividend for the year ended 31st December 2011 of KES 0.09/= per share being the payment for the shares post-split as at the close of the register on 7th May 2012.

BOARD MEMBERSHIP PROFILE

JAPHETH ANAVILA MAGOMERE, OGW,
Chairman of the Board

Japheth Anavila Magomere, aged 60, is the Chairman of the Board. He Joined the Board in 1988 and is the Director representing Nairobi Province Private Sector Based Societies. He has been the Chairman of Board since 2004. Mr. Magomere is also a Board Member of several schools. He has been a Delegate of Cooperative Holdings (the anchor shareholder of Co-operative Bank) since 1986 and is a Member of the Institute of Directors of Kenya. He serves as the Vice Chairman of Co-operative Alliance of Kenya [formerly Kenya National Federation of Co-operatives (KNFC)]. He was honoured with the Order of the Grand Warrior of Kenya ("OGW") in 2009. He is also a board member of the International Co-operative Alliance ("ICA"), Africa.

REV. PETERSON NJUE KAGANE,
Vice Chairman

Rev. Peterson Njue Kagane, aged 53, joined the Board in 2007. He holds a Bachelor of Divinity, and a Diploma in Theology. He is the Director Representing Eastern Province Based Societies. Rev. Kagane is the Vicar General and the Provost of St. Paul's Cathedral and the ACK Diocese of Embu. He is also the Chairman of St. Agnes Girls Secondary School and the Scouts Centre Embu. He is a member of the Institute of Directors of Kenya.

PETER KIPKIRUI NYIGEI,
Director

Peter Kipkirui Nyigei aged 59, joined the Board in 2009. He is the Director Representing Rift Valley Province based societies and is a director of Kipsigis Teachers SACCO. Mr. Kipkirui is a retired teacher and educationist Principal. He has equally served as a Programme Officer, Bomet Diocese. He is a member of the Institute of Directors of Kenya.

GORDON ONDIEK OWUOR, Director

Gordon Ondiek Owuor, aged 55, joined the Board in 2006. He is the Director Representing Nyanza based societies. Mr. Owuor is the Chairman Chemelil SACCO, a member of the Nyanza Provincial Co-operative Development Team and an Associate Member of the Institute of Directors of Kenya. He previously worked with the East African Fresh Water Fisheries Research Organization and currently works at Chemelil Sugar Company. He holds an Executive Diploma in Financial Management.

BOARD MEMBERSHIP PROFILE

CORNELIUS ODHIAMBO ASHIRA,
Director

Cornelius Odhiambo Ashira, aged 46, joined the Board in 2006. He is the Director Representing Nairobi Province Parastatal based societies and previously the Chairman of Kumbu Kumbu SACCO. He is a Delegate of KUSCCO.

JOSHUAH NJOGU NJOROGE,
Director

Joshuah Njogu Njoroge, aged 64, is trained in Executive International and Domestic Banking. He is a retired senior Central Bank official and a Director Representing K.Unity SACCO. He has been a Board Member since 2006 and is the Chairman Limuru Dairy FCS Limited. Mr. Njoroge is the Chairman Limuru Milk Processors Limited, the Chairman of K. Unity SACCO and the Diocesan Treasurer ACK Diocese of Mt. Kenya South. Mr. Njoroge is also a Delegate of Co-operative Holdings (the anchor shareholder of Co-operative Bank) and a Member of the Institute of Directors of Kenya.

JOSEPH PHILIP NYAGAH,
Director

Joseph Philip Nyagah, aged 70, joined the Board in 2007. He holds Bachelor of Commerce Degree, Certified Public Secretaries of Kenya [CPS(K)], a Diploma in Personnel Management & Industrial Relations, and a Diploma in Agriculture. Mr. Nyagah is a retired Diplomat and a Director Representing Nawiri SACCO. He is the Chairman of Nawiri SACCO and Nembure Farmers' Co-operative Society. Mr. Nyagah is also a Delegate of Cooperative Holdings (the anchor shareholder of Co-operative Bank) and an associate Member of the Institute of Directors of Kenya.

JONAH MAKAU MUTUKU,
Director

Jonah Makau Mutuku, aged 64, joined the Board in 2008. He is the Director representing Coast and North Eastern Province Based Societies and is the Chairman of Mombasa Teachers SACCO. He is a retired teacher and serves as the Vicar's Warden ACK Miritini Church. Mr. Mutuku is a Delegate of Co-operative Holdings (the anchor shareholder of Co-operative Bank).

BOARD MEMBERSHIP PROFILE

MICHAEL ONDINYA WAMBIA,
Director

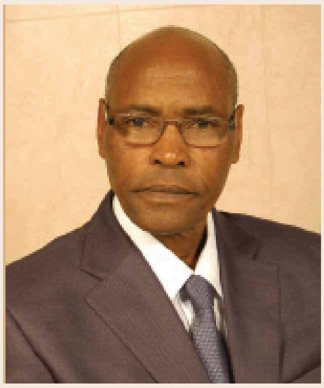
Michael Ondinya Wambia, aged 43, joined the Board in 2008. He is the Director representing Western Province based societies and is the Treasurer of Busia and Teso Teachers SACCO. He is a teacher by profession.

EDWIN OTIENO JOSEPH,
Director

Edwin Otieno Joseph, aged 53, joined the Board in 2008. He is the Executive Director of President Award Kenya and Chairman of Elimu SACCO. He is also a Member of the Institute of Directors of Kenya.

STELLA GATIRITHU KAIMENYI, HSC,
Director

Stella Gatirithu Kaimenyi, aged 57, joined the Board in 2010. She represents the Permanent Secretary in the Ministry of Co-operative Development and Marketing. Mrs. Kaimenyi holds a Bachelor of Science Degree, Agriculture from the University of Nairobi and Master of Science Degree, Management and Organizational Development. She is currently the Senior Deputy Commissioner for Co-operative Development and Head of Governance and Ethics Department at the Ministry's Headquarters. She has worked in various senior positions at the Ministry and has over 27 years of experience.



HARRISON GITHAE HUNYU,
Director

Harrison Githae Hunyu, aged 65, is currently the Chairman of Mutheka FCS Limited and a Director of Kenya Co-operative Coffee Exporters Limited. He has worked as a Parliamentary Reporter (Hansard), District Officer, District Commissioner and Under Secretary in various Central Government Ministries retiring as a Deputy Secretary in 2001. He is a graduate of Nairobi University, Bachelor of Arts (Hons.) and holds an Advanced Certificate in Public Administration and Parliamentary Training. He has attended local and international courses in administration.

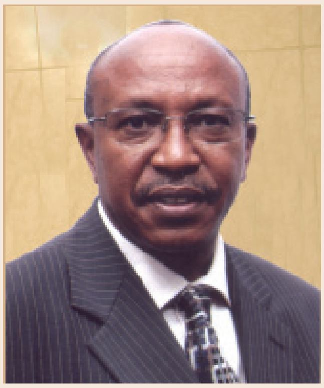
ROSEMARY MAJALA GITHAIGA
Director

Rosemary Majala Githaiga, aged 49, joined the Board in 2010. She is the Company Secretary of the Co-operative Bank of Kenya Limited Group, - which comprises Co-op bank, two wholly subsidiaries, - Co-optrust Investment Services Limited and Co-operative Consultancy Services Limited, and the stockbroking firm of Kingdom Securities Limited

BOARD MEMBERSHIP PROFILE

in which the bank has majority shareholding. As Company Secretary, she has responsibility for overall provision of legal counsel and company secretarial services, security services, compliance, and ICT risk and control services to the Group. She is also the Trust Secretary of the Co-operative Bank Foundation under which she has responsibility for the school fees bursary programme for over 1,300 needy and bright students. She has over 22 years experience as a lawyer and prior to joining Co-op Bank in 1996, worked for Hamilton Harrison and Mathews Advocates.

She is a graduate of Nairobi University LLB (Hons), holds a Diploma in Legal studies from the Kenya School of Law, and is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK), an associate member of the Chartered Institute of Arbitrators and a member of the Institute of Directors of Kenya.



NELSON CHEGE KURIA, OGW, MBS
Group Chief Executive Officer (CEO)

Mr. Nelson Kuria, aged 57, obtained a Bachelor of Arts Degree in Economics from the University of Nairobi in 1979. Since then he has undergone extensive training in Strategic Management. Mr. Kuria has a total of 31 years working experience most of which have been in the insurance industry after a stint of 3 years in development banking. He joined the insurance industry through the then Kenya National Assurance Company in 1982 where he worked for 12 years up to December 1993. In 1994, he worked briefly for a private insurance company after which he became a consultant and Investors agent. He joined CIC in 1998 as Chief Manager in charge of Business Development and Strategy and was promoted to General Manager in 2000, and Managing Director/ CEO of in July 2001. He is a member of the Board and the immediate past Chairman of the Association of Kenya Insurers (AKI). Mr. Kuria represents AKI in the Board of the Federation of Kenyan Employers- where he is currently Deputy Chairman, and the Board of Kenya Reinsurers Corporation. He is a member of the Institute of Directors of Kenya and a member of other boards as follows;

- Trustee – Higher Education Loans Board Retirement Benefits Scheme
- Board Member- Life Ministry Kenya
- Board Member – International Co-operative & Mutual Insurance Federation (ICMIF) – UK
- Chairman – Board of Governors – Nyandarua High School
- State Honors – Order of the Grand Warrior of Kenya (OGW) in 2005 and Moran of the Order of the Burning Spear (MBS) in 2011.

MS. GAIL ODONGO
Group General Manager Corporate & Company Secretarial Services

Ms. Odongo, aged 39, is the Group General Manager Corporate and Company Secretarial Services. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws ("LLB") Degree from the University of Liverpool and a Master of Business Administration ("MBA") from Salford University in the United Kingdom. Professionally Ms. Odongo is a Certified Public Secretaries ["CPS(K)"]. She holds a Post Graduate Diploma from the Kenya School of Law and has 12 years of experience in various capacities and industries ranging from Audit, Banking and Finance, Insurance and Legal. Ms. Odongo joined CIC in 2011.

MANAGEMENT TEAM

STANDING FROM THE LEFT:

MUYESU LUVAI (Chief Internal Auditor)

JOEL GATUNE (Assistant General Manager - Finance)

DAVID RONOH (Managing Director - CIC Life Assurance Limited)

KENNETH KIMANI (Managing Director - CIC General Insurance Limited)

HENRY NJERENGA (Assistant General Manager - CIC Town Office)

JACK KIONGA (Assistant General Manager - Life Business)

MICHAEL MUGO (Assistant General Manager - Corporate Affairs)

PETER MWAURA (Managing Director - CIC Asset Management Limited)

R NYAKENOGO (General Manager - Co-operative Business and Branches)

SEATED FROM LEFT:

JONAH TOMNO (General Manager - Marketing)

ROSE WANJOHI (Group Human Resources Manager)

NELSON KURIA (Group Chief Executive Officer)

MILKA KINYUA (Assistant General Manager - General Business)

GAIL ODONGO (General Manager - Corporate Services/Company Secretary)

CHAIRMAN'S STATEMENT

In the years 2010 and 2011, growth in volume of insurance business of 58% and 48% respectively, surpassed by far, that of the competition and the Industry average.

It gives me great pleasure to present to you the Group's Annual report and financial statements for the year ended 31 December 2011.

OPERATING ENVIRONMENT

The economic environment in 2011 in Kenya was characterised by high inflation (close to 20% in the latter part of the year) and high interest rates (as high as 29% in the latter part of the year). The Kenya Shilling weakened considerably against major world currencies, losing over 20% of its value during the year.

The economy experienced a series of domestic and external shocks, dampening the growth prospects and reducing the gains from higher economic growth and recovery in 2010. The Gross Domestic Product (GDP) growth declined from 5.6% in 2010 to about 4.5% in 2011 mainly on account of higher food and fuel prices, electricity shortages and drought.

During the year the economy suffered further from uncertainty and insecurity due to the Al- Shabaab threats.

The fluid political environment ahead of the general elections poses a serious challenge to continued economic growth. Inspite of the above challenges, the Kenyan economy is forecasted to grow by 5.3% in the year 2012.

GROUP'S PERFORMANCE

For the second year running the Group has continued to perform exceptionally well both in volume of business and profitability. In the years 2010 and 2011, growth in volume of insurance business of 58% and 48% respectively, surpassed by far, that of the competition and the Industry average. The split between Life and General business into separate companies and Issuance of a CMA license to CIC Asset Management Limited to sell unit Trusts is expected to further enhance the Group's revenue generation. This growth is expected to translate to improved market share and profitability.

In the year under review, the Group's gross premiums increased by 48% from Ksh 4.6 billion to Ksh 6.7 billion. Profit before tax increased by 30% from Ksh 605 million to Ksh 787 million. Similarly, total assets increased by 48% from Ksh 7.5 billion to Ksh 11.1 billion while the shareholders equity increased by 65% from Ksh 2.6 billion to Ksh 4.3 billion.

Following a review of the performance, the Board of directors resolved to recommend to shareholders a first and final dividend of Ksh 1.80 per share (2010 – Ksh 1.60 per share).

GENERAL BUSINESS

Gross premium income increased by 55% from Ksh 3.0 billion to Ksh 4.6 billion.Net earned premiums increased by 67% from Ksh 2.0 billion to Ksh 3.4 billion. The claims expenses increased 63% from Ksh 1.2 billion to Ksh 1.9 billion. Investment and other income increased by 76% from Ksh 184.8 million to Ksh 324.4 million. Commission and operating expenses increased by 67% from Ksh 769.7 million to Ksh 1.3 billion. Profit before tax increased by 91% from Ksh 348.1 million to Ksh 666.6 million. All classes of business had positive contribution to the profitability save for medical and liability classes.

LONGTERM BUSINESS

Gross premium income increased by 35% from Ksh 1.6 billion to Ksh 2.2 billion.Net earned premiums increased by 29% from Ksh 1.5 billion to Ksh 2.0 billion. Investment and other income increased by 39% from Ksh 144.0 million to Ksh 200.6 million. Claims and policyholders benefits increased by 49% from Ksh 840.2 million to Ksh 1.3 billion. Operating and commission expenses increased by 39% from Ksh 560.8 million to Ksh

CHAIRMAN'S STATEMENT continued

779.7 million. Surplus for the year before tax decreased by 53% from Ksh 257.2 million to Ksh 120.6 million.

CIC ASSET MANAGEMENT

The Subsidiary was in operation for just about half an year after the Capital Markets Authority finally granted us the license to sell unit trusts in May 2011. The company recorded an increase in investment income of Ksh 25.0 million and a profit before tax of Ksh 18.0 million. The company deals in unit trusts and fund management.

DIVERSIFICATION AND TECHNOLOGY

We have embarked on diversifying our operations with a view of tapping into the lucrative real estate sector and entry into the regional market. We have also increased our participation in the Micro-Insurance sector through use of mobile technology. Investment in these initiatives will improve the Group's prospects for growth.

DEMERGER OF INSURANCE BUSINESS

The Group last year sought approval from the Ministry of Finance to demerge the Insurance business in line with International and World Class practices. This approval was granted in August 2011 and relevant licenses issued early this year. The Group now comprises of three trading arms i.e CIC General Insurance Company Limited, CIC Life Assurance Company Limited and CIC Asset Management Limited.

The three subsidiaries are expected to improve service delivery to the customers and in turn generate additional revenues to the Group. Adequate structures have been put in place for the subsidiaries in order to ensure a smooth transition. The CIC Insurance Group (Holding company) will concentrate on corporate strategic issues and investment in both local and regional expansion to enhance growth opportunities.

The principal activities of CIC Asset Management include selling of Unit Trusts, fund management and advisory services in respect of investment of the Group's funds. We believe our shareholders will benefit from this latest addition to the group.

SHARE DRIVE

Following your approval granted to the Board, to raise additional capital through a rights issue/private placement, a total of Ksh 1.5 billion was raised. This increased the issued and paid up share capital to Ksh 2.2 billion out the Ksh 3.0 billion authorised share capital. As a result of this increase in capital, your group's solvency ratios have improved significantly.

I take this opportunity to thank all our shareholders for their support during the successful share drive and wish to assure you that the capital injected will be deployed diligently.

LISTING

The Group is in the process of listing at the Nairobi Securities Exchange by way of introduction. The initial application was filed with The Capital Markets Authority in February 2012 and the board is optimistic that we will be allowed to list our shares very soon. This will enable the shareholders to realize the true value of their shares.

FUTURE OUTLOOK

We are committed to regional expansion. As part of this preparation, we have carried out a review of our Information Technology Systems to ensure that we have adequate systems to facilitate our strategy for regional expansion. We similarly continue to launch innovative products and distribution channels this year. Initial feasibility studies including identification of joint-venture partners will be carried out by the year end on a number of our target market.

The Group has also embarked on diversifying its operations with a view of tapping into the lucrative real estate sector. We have also increased our participation in the Micro-insurance sector through use of mobile technology. We believe that the future of the Group is certainly bright.

I take this opportunity to thank my colleagues in the Board for their invaluable support and contribution. Further, I wish to thank the Chief Executive officer and his team for their drive, initiative and application.

In conclusion, I thank the shareholders, intermediaries, clients, Co-opertaive societies and all stakeholders for their contribution in our success. We have the confidence that with your support, we shall make this Group a success story.

JAPHETH A MAGOMERE, OGW
Chairman

CHIEF EXECUTIVE'S STATEMENT

Am confident that with great team work, perfect knowledge of the market, prudent policies and high professionalism by the entire workforce, we will take the group to another level of prosperity.

The year 2011 was a great year for us in terms of both growth in volume of business and profitability despite the domestic and external shocks to the economy.

The gross premiums written increased by 48% from Ksh 4.6 million to Ksh 6.7 million. Our profit before tax improved by 30% to Ksh 605 million to Ksh 787 million as a result of increased business and operational efficiency. Total assets increased by 48% from Ksh 7.5 billion to Ksh 11.1 billion.

The above factors reflect on the efforts made by each member of staff, management, directors and shareholders. Am confident that with great team work, perfect knowledge of the market, prudent policies and high professionalism by the entire workforce, we will take the group to another level of prosperity.

INVESTMENTS

We acquired 200 acres of land within Kiambu County. Plans are underway to carry out initial developments on this property.

The construction of the CIC Plaza phase 2 is going on. This is a Twin tower 12 floor office block and it's expected to be completed by the end of 2012.

STRATEGIC PARTNESHIPS

As part of our planned expansion programme, we are currently discussing with prospective partners both nationally and internationally. Some of the international partners are already assisting us in staff capacity building and are even ready to commit financial resources in case of viable business opportunities. This in our view is the fastest and most effective method to achieve growth. We will continuously give updates as and when we identify good prospects.

RISK MANAGEMENT

We continue to work towards a strong risk management framework. This framework will enable us to among other things identify and manage significant risks to our business, formulate our risk appetite and make independent risk/return decisions.

We have commenced risk management training which we believe will assist the Board and Management in improving the control and coordination of risk taking across the Group.

SERVICE DELIVERY AND PRODUCT INNOVATION

In line with our core values of innovation and dynamism, the Group has continued to roll out additional products.Inorder to remain competitive, we have embraced modern information technology as a way of enhancing efficiency and creating alternative distribution as the market continues to be more competitive. To this end, our M-Bima platform which leverages on the mobile money transfer is being replicated in a number of lines of business.

In the first quarter of 2012, we commissioned an ICT Consultancy with Ernest & Young to rationalize our ICT strategy. This entailed the following among others:

- Assessment of the Group's short-term and long-term strategic vision and deriving the ICT requirements to support it
- Carrying out an independent assessment of the adequacy

CHIEF EXECUTIVE'S STATEMENT continued

of the existing systems infrastructure in meeting the needs of our business

- Reviewing and development of an aligned ICT strategy clearly indicating the desired ICT vision, application and infrastructure landscape for the group
- Recommendation of areas of prioritization based on the best practice and experiences from the financial sector
- Assessment of the ICT organization and processes against best practices
- Development of an implementation roadmap towards the realization of the desired ICT vision, indicating dependencies, priorities, schedules and required resources over the short term and long-term

The development of the new ICT strategy will enable us to be more effective in realizing our short term and long-term strategic objectives.

We are focused to strategically position our group as the best in the industry and we believe ICT will play a major role in the achievement of this goal. We are also targeting the Micro market which is diverse and geographically spread out making it imperative to employ technology in the tapping the market. The future customer is technology savvy and very demanding on efficient service delivery. Consequently, we must continually implement new ICT initiatives.

EMPLOYEE DEVELOPMENT

We recognise that our employees are critical in realizing our strategic objectives. We continued to offer specialist training and development opportunities to all cadres of employees in a bid to equip the group with necessary skills and competencies.

As a way of entrenching a performance management system and culture in the Group, CIC is in the process of adopting the Balanced Score Card tool of measuring employee performance. The balanced scorecard is a strategic planning and management system that is used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

CIC will also adopt the 360 degrees evaluation process. With this approach, performance feedback is provided by subordinates, peers, and supervisors. The goal of this participative evaluation is to improve the Company Performance System to support the pursuit of overall strategic growth.

DIASPORA

We continue to develop products that will meet the needs of Kenyans in the diaspora. Our strategy is to roll out these products in the second quarter of the year after the plot initiatives that we have had over the last one and a half years.

INDUSTRY RECOGNITION

The group remains dedicated to its customers through offering innovative insurance and financial solutions. This has made the group to be a leading Insurance and Financial services provider in the country. During the year, the Group's leadership position was supported by the awards won during the 2011 Annual Insurance awards. The awards include:

- Winner – Best Marketing initiative of the year
- Winner – Best training initiative of the year
- 1st Runner- up – Best composite Insurance company
- 2nd Runner –up – Best customer service innovation
- 2nd Runner – up – Best insurance company in claims settlement (Life Business)
- 2nd Runner –up – Best insurance company (ICT)
- 2nd Runner –up – Best General Business Insurance Company

FUTURE OUTLOOK

The Insurance Industry is becoming even more competitive with a number of new entrants. Given the impact that this is likely to have on our performance, we continue to work extra hard to deliver on the promises we make particularly to our customers and shareholders. We endeavour to achieve greater operational efficiency so as to improve our bottom-line.

Finally, I would like to thank our intermediaries, Co-operative societies, customers, management and the Board for playing a significant role in making 2011 a truly successful year.

NELSON C KURIA, OGW, MBS
Group Chief Executive Officer

CORPORATE GOVERNANCE

CIC Insurance Group Limited is committed to the standards of world class corporate governance practice as set by the Insurance Regulatory Authority, Capital Markets Authority and by itself in accordance with international best practice. The Company has undergone a separation of the life and general insurance business of CIC Insurance to CIC General Insurance Limited and CIC Life Assurance Limited. The Board of Directors is responsible for the long-term strategic direction and for profitable growth of the Company whilst being accountable to the shareholders for compliance and maintenance of highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and aimed at conforming to set guidelines on Corporate Governance practices provided by the Capital Markets Authority and the Insurance Regulatory Authority. The Directors attach great importance to the need to conduct business and operations of the company with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good governance. Directors strive to keep up to date with latest developments in corporate governance best practice.

BOARD OF DIRECTORS

The current board consists of fourteen directors out of whom thirteen are independent non-executive directors including the Chairman. The Board composition draws a good mix of skills, experience and competencies in various fields. The non-executive directors are appointed by the shareholders on a three-year term and are bound by the Company's code of conduct.

The Directors maintain effective control over strategic, financial, operational, policy and compliance issues. Accurate, appropriate and timely information is provided to the Board to enable it to fulfill this role. The Chairman is responsible for managing the Board and providing leadership to the company, while the Group Chief Executive Officer is responsible to the Board for running the business in accordance with instructions given by the Board and implementing Board's decisions. The Board nonetheless retains responsibility for establishing and maintaining the company's overall internal control of financial, operational, and compliance issues so that its objectives for increased growth in profitability and shareholder value are realized.

The Company maintains a policy of open communication between the Board and management ensuring the Board is fully informed about all major matters concerning the company and the industry. The Board and management interact on a regular basis allowing the directors to contribute their knowledge particularly relating to the company's target market into the company's activities.

BOARD MEETINGS

The Board meets regularly and at least four times a year to, amongst other things, agree on the company's objectives and strategies to realize the objectives, review performance against agreed targets, consider and approve the annual and interim financial statements. The Board in achieving its mandate is guided by the Board Manual which sets out all matters reserved to it and in this regard all directors.

BOARD COMMITTEES

The Board has created three committees which meet regularly under clearly defined and materially delegated terms of reference set out by the Board. The Committees operate under clearly defined mandates which spell out their responsibilities, scope of authority and procedures for reporting to the Board. The Committees have access to company information and are authorized to get independent professional advice of matters within their scope.

AUDIT AND RISK COMMITTEE

The Committee main purpose is to assist the board in discharging its duties regarding the safeguarding of assets, the operation of adequate systems, control processes, and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards.The scope of this committee includes risk management, as well as compliance with the regulatory requirements. The Committee is guided in its functions by a comprehensive Audit Committee Charter and Internal Audit Department Charter. These are designed to provide a comprehensive framework for the audit function within the company.

CORPORATE GOVERNANCE continued

FINANCE AND INVESTMENT COMMITTEE

The Committees purpose is the assist the board in fulfilling its overall responsibilities with respect to the financial, investment and the strategic planning affairs of the company.

The duties of the committee include receiving and considering the Company's annual budget, reviewing the purchasing and tender regulations, disposal of major items and considering recommendations on capital expenditure. It also reviews proposals involving capital developments, financing and investment proposals.

GOVERNANCE AND HUMAN RESOURCE COMMITTEE

The Committee purpose is to provide focus on governance of the group that will enhance its overall performance. The committee assesses and makes recommendations regarding board effectiveness. It provides direction regarding ongoing board development and leads the process of recommending criteria for consideration when appointing new members to the board. The committee has four main functions which include promoting good corporate governance in the group, setting and overseeing the human resources and remuneration policy for the board and management, safeguarding policyholder's interests and securing an ethical business environment within the group. This Committee was initially the Executive Committee.

ATTENDANCE AT THE MEETINGS

Table 1 below is a summary of the attendance record of the directors at the full and the board committee meetings. A record of attendance is kept with the Company Secretary. The record of attendance at meetings is also noted in the minutes of the meetings.

TABLE 1

Directors	Board Meeting		Executive Committee		Governance, Nomination, Human Resource and Remuneration Committee		Finance and Investment Committee		Audit and Risk Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Japheth Magomere (Chairman)	8	8	5	5	1	1	4	4	3	3
Rev. Peterson N Kagane (Vice-Chairman)	8	8	5	5			4	4		
Edwin J Otieno	8	7	5	5						
Peter k Nyigei	8	8							3	3
Cornelius Ashira	8	8					4	4		
Gordon Owuor	8	8	5	5	1	1			3	3
Joshuah Njoroge	8	8	5	5					3	3
Joseph P. Nyagah	8	8							3	3
Michael O Wambia	8	8					4	4		
Jonah M Mutuku	8	8							3	3
Mrs Stella G Kaimenyi	8	8	5	5	1	1				
Harrison H Githae	8	8					4	4		
Rosemary G Majala	8	7					4	4		

Notes: (a) Number of meetings convened during year when the director was a member
(b) Number of Meetings attended by the Director during the year

CORPORATE GOVERNANCE continued

INTERNAL CONTROLS

The Board has collective responsibility for the Company's system of internal controls and for reviewing its effectiveness. The company has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems of obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications.

The system of internal controls in place has defined operational procedures and financial controls to ensure that assets are safeguarded and that the company remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal controls and risk management, the Board takes into account the results of all the work carried out to audit and review the activities of the Company. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators.

Weekly meetings are held by the Board of Management to give briefs on significant developments and to make major decisions collectively. Monthly management meetings are held by the Management to monitor performance and to agree on measures for improvement.

BUSINESS ETHICS

The company is committed to adherence to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. A formal code of ethics has been implemented to guide management, employees and stakeholders on acceptable behavior in conducting business.

COMMUNICATION WITH SHAREHOLDERS

The company is committed to ensuring that shareholders are provided with full and timely information about its performance. This is usually done through distribution of the company's annual reports and release of notices in the press of the annual results. The Co-operative Insurance Society Limited delegates are briefed at the regional level regularly.

TOP TEN CLASS A SHARE-HOLDERS

	TOP TEN CLASS A SHAREHOLDERS AS AT 19TH MARCH 2012	
ITEM NO.	NAME OF SHAREHOLDERS	SHARES
1	THE CO-OPERATIVE BANK OF KENYA LTD	28,919,030
2	CO-OPERATIVE BANK SAVINGS AND CREDIT SOCIETY LTD	7,798,136
3	K-UNITY SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD	2,600,324
4	HARAMBEE CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	1,468,095
5	EMBU FARMERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD	1,441,848
6	KIPSIGIS TEACHERS SAVINGS & CREDIT SOCIETY LTD	1,240,177
7	FEP CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	1,200,000
8	BARINGO TEACHERS SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD	1,088,926
9	H& M SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD.	1,030,500
10	KENYA POLICE STAFF CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD	988,446
	TOTAL	47,775,482

CORPORATE GOVERNANCE continued

TOP TEN CLASS B SHARE-HOLDERS

	TOP TEN CLASS B SHAREHOLDERS AS AT 19TH MARCH 2012	
ITEM NO.	NAME OF SHAREHOLDER	SHARES
1	GIDEON MAINA MURIUKI	3,902,606
2	NELSON C KURIA	629,850
3	MRS WEDA WELTON	563,950
4	PETER MUTARURA MWAURA	529,334
5	NORMAN JAMES MUNENE NYAGAH	500,000
6	EMILY ACHIENG CHWEYA & WEDA WELTON	370,000
7	DAVID KIPRUTO RONOH	343,958
8	GEORGE MITHAMO MURIUKI	270,500
9	STANLEY CHARLES MUCHIRI	268,888
10	CHARLES NDONGA MUCHIRI	251,914
	TOTAL	7,631,000

CORPORATE SOCIAL RESPONSIBILITY

The CIC Foundation, the CSR arm of the CIC Insurance Group was established to focus on Corporate Social Responsibility and Corporate philanthropy through deliberate creation of positive impact on society. This we do through promotion of activities beyond our core business while serving the interest of our shareholders.

As a corporate, we recognize the distinctive contribution we have to make to the advancement of the society. CIC's growth and development is anchored on sound economic and social conditions; thus the Group's commitment to progressive social change.

Our larger vision for doing good focuses on the need for social impact, environmental responsibility and unity of the Kenyan people. As a Co-operative based organization, we have a moral responsibility to alleviate certain social concerns by form of investment in partnership with the community and other stakeholders.

We focus on the triple bottom-line; the economic value, the environmental value and the social value we add. We want to creatively and efficiently utilize capital, land and labor, generate employment opportunities, expand economic capabilities of our society and improve the quality of our national life. This again is driven by need to leverage our resources and privileges for social change in Kenya.

One of our long term strategic objectives is to promote and mainstream the welfare of women and the youth in our operations. In line with this objective, CIC foundation picked a CSR initiative, dubbed "I'm a Cooperator" that focused on young University students.

The Group took on this unique CSR project targeting youth to bridge the generation gap in the Kenyan Co-operative Movement. In partnership with Edge Consult the "I'm a Cooperator" project kicked off in May 2011. I'm A Cooperator objectives were to enlighten the youth on the power and potential of the Co-operative Movement, increase youth participation in Co-operatives and impart much-needed Leadership skills. The project which will span three years covers themes of Leadership, Ecology and Social Integration in the context of Co-operatives.

The Group CEO, Nelson Kuria takes students through the cooperative principles during the launch of the I'M A COOPERATOR Youth Initiative at the USIU.

TOA HABARI KWA POLISI partnership with the Kenya Police on Community Policing.

CORPORATE SOCIAL RESPONSIBILITY continued

The project was divided into two stages: The Leadership Seminar during which I'm a Co-operator reached 2,436 students in 12 universities across Kenya through an engaging experiential leadership seminar. At each university, the participants nominated 1 male and 1 female student to represent them at a leadership 'boot camp' called The Expedition.

The Expedition was an intense physical, mental and emotional experience during which 24 contestants (1 male and 1 female from each of the 12 universities) battled it out to become the Youth Co-operative Ambassadors for the International Year of Co-operatives in 2012.

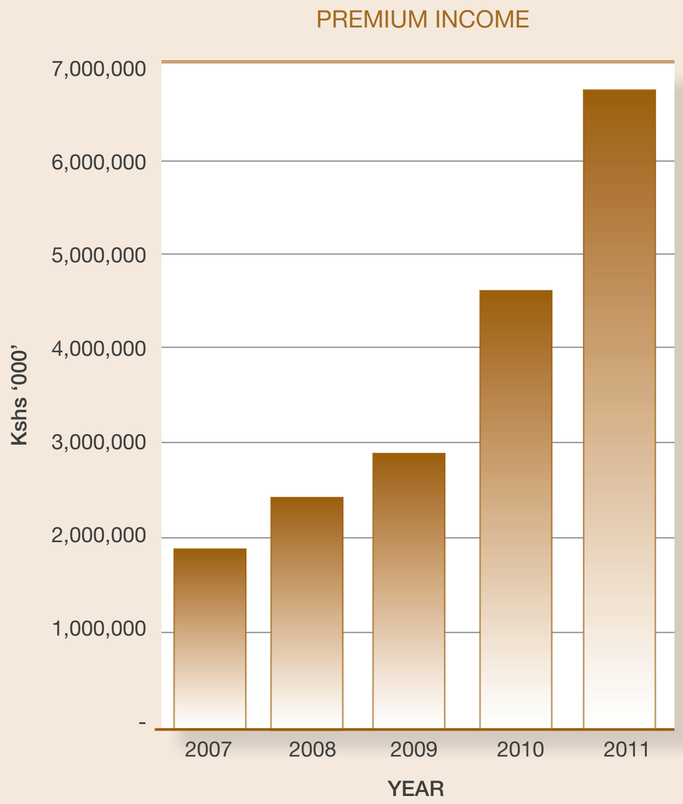
The reality TV show targeted at young audience across the country was aired for three months on NTV. Viewers were given an opportunity to choose their favorite male and female to become the Youth Co-operatives Ambassador for the International Year of Co-operatives. Being an ambassador will give them the opportunity to learn about the global Co-operative Movement, spread awareness to youth, be the voice of youth voice in the Co-operative Movement and participate in the IYC activities at a local, national and global level. We have supported young people while challenging them and most importantly providing them with a community of peers and invaluable networks.

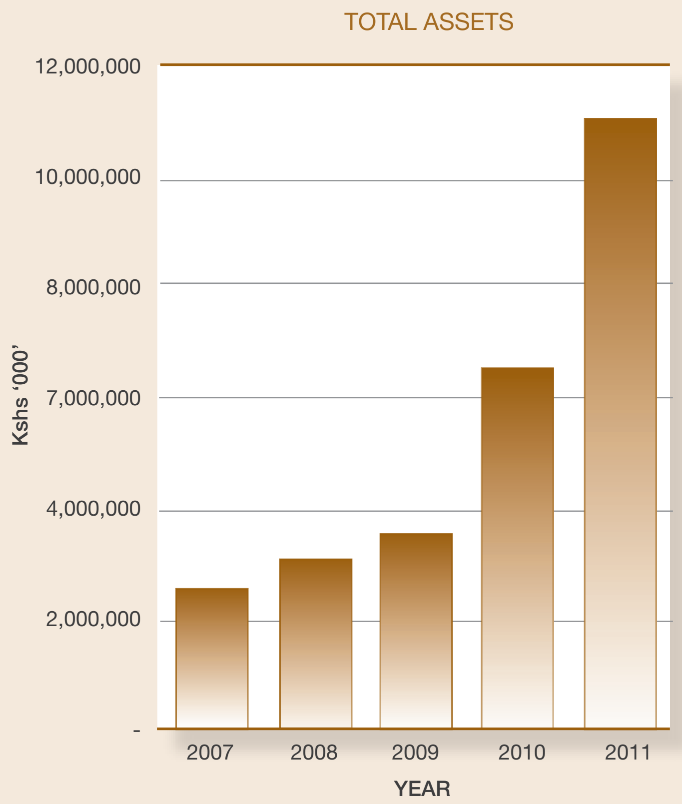
CIC Insurance Group also supported the following initiatives in 2011

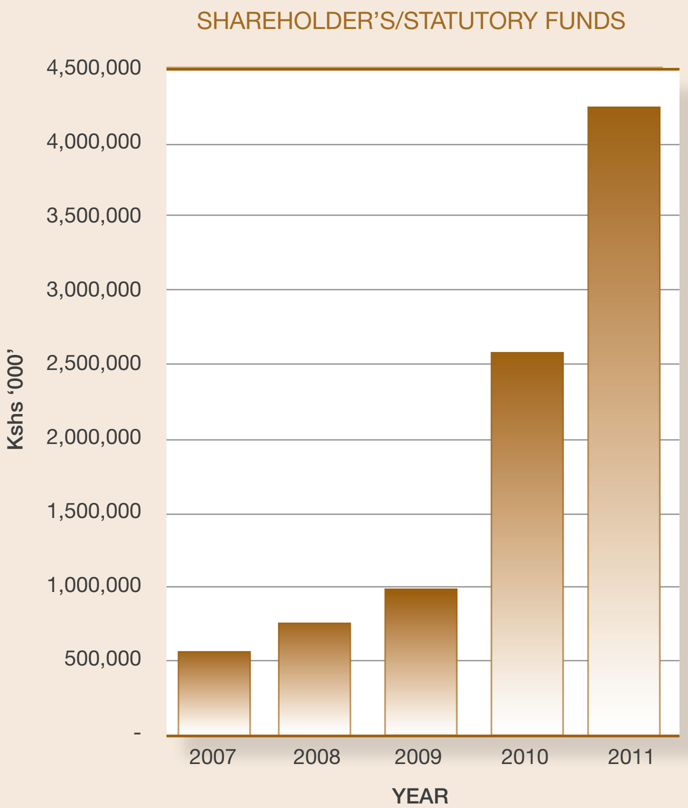
1. Financial support to KAG- national youth assembly which took place in Mombasa
2. Sponsorship of Deliverance church- televangelism programs
3. Sponsorship of Golf tournaments in Limuru, Kiambu,Nyahururu, Nyeri, Nakuru and Zabibu charity golf in Muthaiga
4. Partnering with The Kenya Police to support Toa Habari Kwa polisi information boards within Nairobi.
5. Support various sporting activities such the Defense Forces football and Athletics, Iten run
6. Donation to Ndaragwa special school water tank project
7. Financial support to The presidents' award scheme
8. Co-sponsorship of The Co-operative value chain symposium bringing together Co-operative based organizations from the region
9. Sponsorship of the NPC- global leadership summit

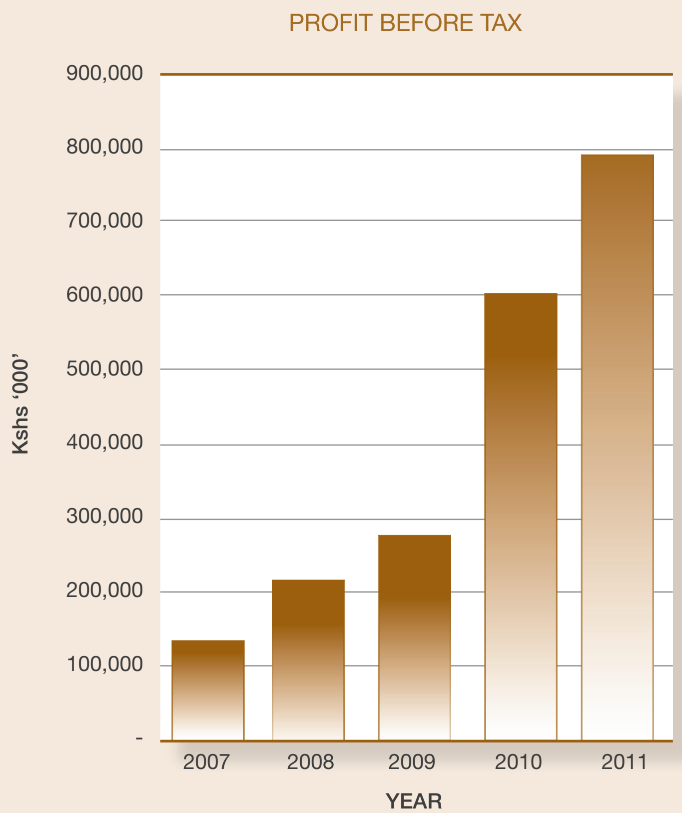
CIC staff during the annual Ushirika Tree Planting Day - supporting a sustainable environment.

FIVE YEAR PERFORMANCE









REPORT OF DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiary is the transaction of general and life insurance business and fund management. The group also invests in securities, properties, mortgages and loans.

BUSINESS REORGANISATION

The company has obtained approval from the Insurance Regulatory Authority and Ministry of Finance to reorganise its business through the registration of two new subsidiaries CIC General Insurance Limited and CIC Life Assurance Limited for the transaction of general and life insurance business respectively commencing 1 January 2012.

RESULTS

	General Business Sh'000	Life Business Sh'000	Total Sh'000
Profit before taxation	666,592	120,622	787,214
Taxation charge	(189,079)	(13,921)	(203,000)
Profit for the year	477,513	106,701	584,214

DIVIDENDS

The directors recommend the payment of a first and final dividend of Sh 196,169,000 (2010: Sh 95,914,000) which represents 9% of the paid up share capital (2010 - 8% including amounts awaiting allotment of shares as at 31 December 2010).

DIRECTORS

The current directors are as shown on page 2.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486) and subject to approval by the Commissioner of Insurance under Section 56(4) of the Kenyan Insurance Act.

By order of the board

GAIL ODONGO
Secretary

2 March 2012

Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the company and its subsidiary keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

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

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

J A MAGOMERE
Chairman

J N NJOROGE
Director

2 March 2012

REPORT OF THE CONSULTING ACTUARY

I have conducted an actuarial valuation of the long term insurance business of CIC Insurance Group Limited as at 31 December 2011.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenya Insurance Act.

These principles require prudent provision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

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

In my opinion, the long term insurance 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 long term insurance business at 31 December 2011.

ABED MUREITHI
Fellow of the Institute of Actuaries

2 March 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CIC INSURANCE GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of CIC Insurance Group Limited and its subsidiary, set out on pages 24 to 82, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and its subsidiary as at 31 December 2011 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)

2 March 2012

Nairobi

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2011 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2010 Sh'000
Gross written premiums		4,580,309	2,155,412	6,735,721	2,961,208	1,595,094	4,556,302
Gross earned premiums	3	3,961,009	2,155,412	6,116,421	2,312,972	1,595,094	3,908,066
Less:							
Reinsurance premiums ceded		(568,519)	(203,606)	(772,125)	(277,431)	(80,869)	(358,300)
Net earned premiums		3,392,490	1,951,806	5,344,296	2,035,541	1,514,225	3,549,766
Commissions earned		150,681	-	150,681	64,044	-	64,044
Investment income	4	304,933	232,995	537,928	121,046	114,315	235,361
Other gains/(losses)	5	19,499	(32,364)	(12,865)	63,756	29,694	93,450
		475,113	200,631	675,744	248,846	144,009	392,855
Total income		3,867,603	2,152,437	6,020,040	2,284,387	1,658,234	3,942,621
Claims and policyholders' benefits payable	6	(1,897,726)	(1,252,118)	(3,149,844)	(1,167,000)	(840,214)	(2,007,214)
Commissions payable		(454,786)	(102,587)	(557,373)	(248,875)	(53,213)	(302,088)
Operating and other expenses	7	(828,683)	(677,110)	(1,505,793)	(520,388)	(507,607)	(1,027,995)
		(3,181,195)	(2,031,815)	(5,213,010)	(1,936,263)	(1,401,034)	(3,337,297)
Share of results of associate	14	(19,816)	-	(19,816)	-	-	-
Profit before taxation		666,592	120,622	787,214	348,124	257,200	605,324
Transfer from general business		-	-	-	(70,000)	70,000	-
Total profit before taxation		666,592	120,622	787,214	278,124	327,200	605,324
Taxation charge	9	(189,079)	(13,921)	(203,000)	(94,893)	(23,944)	(118,837)
Profit for the year	10(a)	477,513	106,701	584,214	183,231	303,256	486,487
OTHER COMPREHENSIVE INCOME							
Surplus on revaluation of buildings	11	-	22,110	22,110	-	2,774	2,774
Fair value (loss)/gain on available-for -sale investments	16	(8,559)	-	(8,559)	22,823	-	22,823
Other comprehensive income for the year		(8,559)	22,110	13,551	22,823	2,774	25,597
Total comprehensive income for the year		468,954	128,811	597,765	206,054	306,030	512,084
Earnings per share (Sh)	10(b)			8.09			8.12

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2011 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2010 Sh'000
ASSETS							
Property and equipment	11	82,070	232,689	314,759	52,625	190,131	242,756
Intangible assets	12	16,715	42,177	58,892	9,560	26,371	35,931
Investment properties	13	1,012,724	294,020	1,306,744	642,199	249,050	891,249
Investment in associate	14	80,184	-	80,184	100,000	-	100,000
Available - for- sale investments	16	16,205	-	16,205	24,764	-	24,764
Loans receivable -Mortgage loans	17	138,144	68,520	206,664	88,662	91,338	180,000
- Other loans	18	79,764	117,566	197,330	78,398	98,159	176,557
Equity investments	19(a)	82,527	62,183	144,710	110,097	73,826	183,923
Deferred taxation	20	7,076	-	7,076	5,492	-	5,492
Deposits and commercial papers	21	181,054	109,218	290,272	109,001	69,100	178,101
Receivables arising out of reinsurance arrangements	22	12,070	4,853	16,923	139,587	4,853	144,440
Receivables arising out of direct insurance arrangements	22	678,968	25,522	704,490	578,408	91,655	670,063
Reinsurers share of liabilities and reserves	37	1,557,241	87,417	1,644,658	903,713	24,447	928,160
Deferred acquisition costs	23	193,506	-	193,506	119,761	-	119,761
Other receivables	24(a)	328,554	89,493	418,047	176,537	54,474	231,011
Government securities held to maturity	25	1,267,572	1,206,318	2,473,890	594,814	565,350	1,160,164
Short term investments	26	-	125,749	125,749	-	96,820	96,820
Deposits with financial institutions	27(a)	1,766,912	996,122	2,763,034	1,234,832	640,769	1,875,601
Cash and bank balances		113,476	44,187	157,663	120,996	129,920	250,916
Total assets		7,614,762	3,506,034	11,120,796	5,089,446	2,406,263	7,495,709
EQUITY							
Share capital	30(a)	1,492,880	686,775	2,179,655	375,194	236,219	611,413
Share premium	31	584,877	13,225	598,102	37,516	13,225	50,741
Funds awaiting allotment of shares	30(b)	-	-	-	928,224	4,235	932,459
Statutory reserve	32	-	651,418	651,418	-	542,541	542,541
Revaluation surplus	33	-	55,555	55,555	-	35,621	35,621
Fair value reserve	34(a)	14,264	-	14,264	22,823	-	22,823
Retained earnings	34(b)	795,148	-	795,148	413,549	-	413,549
Total equity		2,887,169	1,406,973	4,294,142	1,777,306	831,841	2,609,147
LIABILITIES							
Insurance contracts liabilities	36(a)	2,227,284	368,415	2,595,699	1,401,738	267,746	1,669,484
Unearned premiums reserve	38	2,158,409	-	2,158,409	1,367,785	-	1,367,785
Actuarial value of policyholder liabilities	39	-	1,273,183	1,273,183	-	880,664	880,664
Payables arising from reinsurance arrangements and insurance bodies		78,570	68,318	146,888	2,474	18,668	21,142
Other payables	40(a)	194,843	389,145	583,988	501,000	383,400	884,400
Dividend payable	29	2,357	-	2,357	-	-	-
Taxation payable	9(c)	66,130	-	66,130	39,143	23,944	63,087
Total liabilities		4,727,593	2,099,061	6,826,654	3,312,140	1,574,422	4,886,562
Total equity and liabilities		7,614,762	3,506,034	11,120,796	5,089,446	2,406,263	7,495,709

The financial statements on pages 24 to 82 were approved by the board of directors on 2 March 2012 and signed on its behalf by:

J A MAGOMERE (Chairman) N C KURIA (Principal Officer) J N NJOROGE (Director)

Company Statement of Financial Position

As at 31 December 2011

	Notes	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2011 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2010 Sh'000
ASSETS							
Property and equipment	11	82,070	232,689	314,759	52,625	190,131	242,756
Intangible assets	12	16,715	42,177	58,892	9,560	26,371	35,931
Investment properties	13	1,012,724	294,020	1,306,744	642,199	249,050	891,249
Investment in associate	14	100,000	-	100,000	100,000	-	100,000
Investment in subsidiary	15	311,000	-	311,000	11,000	-	11,000
Available - for- sale investments	16	16,205	-	16,205	24,764	-	24,764
Loans receivable - Mortgage loans	17	138,144	68,520	206,664	88,662	91,338	180,000
- Other loans	18	79,764	117,566	197,330	78,398	98,159	176,557
Equity investments	19(b)	81,583	62,183	143,766	108,668	73,826	182,494
Deferred taxation	20	7,076	-	7,076	5,492	-	5,492
Deposits and commercial paper	21	181,054	109,218	290,272	109,001	69,100	178,101
Receivables arising out of reinsurance arrangements	22	12,070	4,853	16,923	139,587	4,853	144,440
Receivables arising out of direct insurance arrangements	22	678,968	25,522	704,490	578,408	91,655	670,063
Due from related party	35	-	352	352	320	-	320
Reinsurers share of liabilities and reserves	37	1,557,241	87,417	1,644,658	903,713	24,447	928,160
Deferred acquisition costs	23	193,506	-	193,506	119,761	-	119,761
Other receivables	24(b)	316,278	89,141	405,419	176,286	54,474	230,760
Government securities held to maturity	25	1,267,572	1,206,318	2,473,890	594,814	565,350	1,160,164
Short term investments	26	-	125,749	125,749	-	96,820	96,820
Deposits with financial institutions	27(b)	1,443,645	996,122	2,439,767	1,224,082	640,769	1,864,851
Cash and bank balances		111,592	44,187	155,779	120,465	129,920	250,385
Total assets		7,607,207	3,506,034	11,113,241	5,087,805	2,406,263	7,494,068
EQUITY							
Share capital	30(a)	1,492,880	686,775	2,179,655	375,194	236,219	611,413
Share premium	31	584,877	13,225	598,102	37,516	13,225	50,741
Funds awaiting allotment of shares	30(b)	-	-	-	928,224	4,235	932,459
Statutory reserve	32	-	651,418	651,418	-	542,541	542,541
Revaluation surplus	33	-	55,555	55,555	-	35,621	35,621
Fair value reserve	34(a)	14,264	-	14,264	22,823	-	22,823
Retained earnings	34(b)	795,566	-	795,566	412,118	-	412,118
Total equity		2,887,587	1,406,973	4,294,560	1,775,875	831,841	2,607,716
LIABILITIES							
Insurance contracts liabilities	36(a)	2,227,284	368,415	2,595,699	1,401,738	267,746	1,669,484
Unearned premiums reserve	38	2,158,409	-	2,158,409	1,367,785	-	1,367,785
Actuarial value of policyholder liabilities	39	-	1,273,183	1,273,183	-	880,664	880,664
Payables arising from reinsurance arrangements and insurance bodies		78,570	68,318	146,888	2,474	18,668	21,142
Other payables	40(b)	194,366	389,145	583,511	500,810	383,400	884,210
Dividend payable	29	2,357	-	2,357	-	-	-
Taxation payable	9(c)	58,634	-	58,634	39,123	23,944	63,067
Total liabilities		4,719,620	2,099,061	6,818,681	3,311,930	1,574,422	4,886,352
Total equity and liabilities		7,607,207	3,506,034	11,113,241	5,087,805	2,406,263	7,494,068

The financial statements on pages 24 to 82 were approved by the board of directors on 2 March 2012 and signed on its behalf by:

J A MAGOMERE (Chairman) N C KURIA (Principal Officer) J N NJOROGE (Director)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital Sh'000	Share premium Sh'000	Funds awaiting allotment of shares Sh'000	Statutory reserve Sh'000	Revaluation surplus Sh'000	Fair value reserve Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 January 2010	427,980	27,812	-	277,109	35,023	-	222,184	990,108
Profit for the year	-	-	-	303,256	-	-	183,231	486,487
Other comprehensive income for the year	-	-	-	-	2,774	22,823	-	25,597
Total comprehensive income for the year	-	-	-	303,256	2,774	22,823	183,231	512,084
Shares issued (note 30)	183,433	22,929	-	-	-	-	-	206,362
Funds awaiting allotment of shares	-	-	932,459	-	-	-	-	932,459
Transfer from statutory reserves (note 39)	-	-	-	(40,000)	-	-	40,000	-
Transfer of excess depreciation	-	-	-	2,176	(2,176)	-	-	-
Dividends paid - 2009	-	-	-	-	-	-	(31,866)	(31,866)
	183,433	22,929	932,459	(37,824)	(2,176)	-	8,134	1,106,955
At 31 December 2010	611,413	50,741	932,459	542,541	35,621	22,823	413,549	2,609,147
At 1 January 2011	611,413	50,741	932,459	542,541	35,621	22,823	413,549	2,609,147
Profit for the year	-	-	-	106,701	-	-	477,513	584,214
Other comprehensive income for the year	-	-	-	-	22,110	(8,559)	-	13,551
Total comprehensive income/(loss) for the year	-	-	-	106,701	22,110	(8,559)	477,513	597,765
Shares issued (note 30)	739,390	443,754	-	-	-	-	-	1,183,144
Issue of shares from funds awaiting allotment of shares	828,852	103,607	(932,459)	-	-	-	-	-
Transfer of excess depreciation	-	-	-	2,176	(2,176)	-	-	-
Dividends paid - 2010	-	-	-	-	-	-	(95,914)	(95,914)
	1,568,242	547,361	(932,459)	2,176	(2,176)	-	(95,914)	1,089,587
At 31 December 2011	2,179,655	598,102	-	651,418	55,555	14,264	795,148	4,294,142

Company Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital Sh'000	Share premium Sh'000	Funds awaiting allotment of shares Sh'000	Statutory reserve Sh'000	Revaluation surplus Sh'000	Fair value reserve Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 January 2010	427,980	27,812	-	277,109	35,023	-	221,326	989,250
Profit for the year	-	-	-	303,256	-	-	182,658	485,914
Other comprehensive income for the year	-	-	-	-	2,774	22,823	-	25,597
Total comprehensive income for the year	-	-	-	303,256	2,774	22,823	182,658	511,511
Shares issued (note 30)	183,433	22,929	-	-	-	-	-	206,362
Funds awaiting allotment of shares	-	-	932,459	-	-	-	-	932,459
Transfer from statutory reserve (note 39)	-	-	-	(40,000)	-	-	40,000	-
Transfer of excess depreciation	-	-	-	2,176	(2,176)	-	-	-
Dividends paid -2009	-	-	-	-	-	-	(31,866)	(31,866)
	183,433	22,929	932,459	(37,824)	(2,176)	-	8,134	1,106,955
At 31 December 2010	611,413	50,741	932,459	542,541	35,621	22,823	412,118	2,607,716
At 1 January 2011	611,413	50,741	932,459	542,541	35,621	22,823	412,118	2,607,716
Profit for the year	-	-	-	106,701	-	-	479,362	586,063
Other comprehensive income/(loss) for the year	-	-	-	-	22,110	(8,559)	-	13,551
Total comprehensive income for the year	-	-	-	106,701	22,110	(8,559)	479,362	599,614
Shares issued (note 29)	739,390	443,754	-	-	-	-	-	1,183,144
Issue of shares from funds awaiting allotment of shares	828,852	103,607	(932,459)	-	-	-	-	-
Transfer of excess depreciation	-	-	-	2,176	(2,176)	-	-	-
Dividends paid - 2010	-	-	-	-	-	-	(95,914)	(95,914)
	1,568,242	547,361	(932,459)	2,176	(2,176)	-	(95,914)	1,087,230
At 31 December 2011	2,179,655	598,102	-	651,418	55,555	14,264	795,566	4,294,560

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 Sh'000	2010 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	41(a)	1,712,196	893,418
Taxation paid	9(c)	(201,541)	(61,698)
Net cash generated from operating activities		1,510,655	831,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	(125,104)	(73,352)
Purchase of intangible assets	12	(42,592)	(19,092)
Purchase of investment properties	13	(654,393)	(182,199)
Investment in associate	14	-	(100,000)
Mortgage loans advanced	17	(52,579)	(33,288)
Mortgage loans repaid	17	25,915	32,711
Purchase of quoted shares	19	(19,996)	(72,714)
Purchase of government securities	25	(1,383,726)	(238,127)
Proceeds of maturity of Government securities	25	70,000	38,000
Purchase of short term investments	26	(28,929)	(44,556)
Staff and policy loans advanced		(20,773)	(35,259)
Investment in fixed deposits in non-financial institutions		(112,171)	(99,001)
Proceeds of disposal of equipment		358	6,357
Investment income		537,928	235,361
Movement in fixed deposits with financial institutions (excluding cash and cash equivalents)		12,958	(705,390)
Net cash used in investing activities		(1,793,104)	(1,290,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		1,183,144	206,362
Dividends paid	29	(93,557)	(31,866)
Funds awaiting allotment of shares		-	932,459
Net cash generated from financing activities		1,089,587	1,106,955
INCREASE IN CASH AND CASH EQUIVALENTS		807,138	648,126
CASH AND CASH EQUIVALENTS AT 1 JANUARY		1,341,841	693,715
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	41(b)	2,148,979	1,341,841

Notes to the Financial Statements

For the year ended 31 December 2011

1 ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(a) Relevant new and revised IFRS affecting amounts reported in the current year (and /or prior years)

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 1 - Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, the group has chosen to continue presenting this analysis in the statement of changes in equity and therefore this has not resulted to any change in presentation.

Amendments to IAS 24 - Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities and the adoption of the revised standard has not led to identification of related parties that were not identified as related parties under the previous Standard.

Amendments to IFRS 3 - Business Combinations

As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

The group has not entered into business combinations where the acquiree's employees had share based payments. If the group enters into such transactions in future the standard will be applicable.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(a) Relevant new and revised IFRS affecting amounts reported in the current year (and /or prior years) (Continued)

Amendments to IAS 32 - Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the group has not issued instruments of this nature.

Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had any effect on the group's consolidated financial statements.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the group has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

Except for the amendments to IFRS 3 and IAS 1 described earlier in this section, the application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(b) New and revised IFRSs in issue but not yet effective

The group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[2]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[3]
Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*[4]
IAS 19 (as revised in 2011)	*Employee Benefits*[2]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[2]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2012.

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the group's disclosures regarding transfers of trade receivables previously affected (see note 25.2). However, if the group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(b) New and revised IFRSs in issue but not yet effective (Continued)

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below:

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the group no longer consolidating some of its investees, and consolidating investees that were not previously. In addition, the application of IFRS 11 may result in changes in the accounting of the group's jointly controlled entity that is currently accounted for using proportionate consolidation. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(b) New and revised IFRSs in issue but not yet effective (Continued)

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years in relation to the group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The application of the amendments to IAS 19 will have no impact on the groups' financial statements as the group does not currently operate any defined benefit plans.

(c) Early adoption of standards

The group did not early-adopt any new or amended standards during the financial year.

Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain property, the carrying value of investment property and financial instruments at fair value, impaired assets at the recoverable amounts and actuarially determined liabilities at their present value.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

Subsidiary undertakings

Subsidiary undertakings, which are those companies in which the parent company, directly or indirectly, has an interest in more than one half of the voting rights or otherwise has power to exercise control over the financial and operating policies are consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and consolidation ceases from the date of disposal. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; losses are also eliminated unless the cost cannot be recovered.

The group financial statements reflect the result of the consolidation of the financial statements of the company and its subsidiary CIC Asset Management Limited, details of which are disclosed in note 15, made up to 31 December.

Investment in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Investments in associates are accounted for at cost in the company's separate financial statements.

Income recognition

Premium income for general insurance business is recognised on the 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 which relate to the unexpired terms of policies in force at the end of each reporting period, and are calculated using the 1/24th method on net written premiums. For marine business, unearned premiums at the end of each reporting period are calculated on the 6th basis of written premiums in the last quarter of the year.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

Premiums for long term assurance business are recognised as revenue when they are received from the policyholders. Premiums are shown before deduction of commission.

Commissions receivable are recognised as income in the period in which they are earned. To achieve this, a proportion of reinsurance commissions receivable is deferred and recognised as income over the term of the policy.

Interest income is recognised on a time proportion basis that takes into account the effective interest yield on the asset.

Dividends receivable are recognised as income in the period in which the right to receive payment is established.

Rental income is recognised as income in the period in which it is earned.

Deferred acquisition costs

Deferred acquisition costs represent the proportion of commission expense in the periods up to the reporting date which relates to the unexpired terms of policies in force at the end of the reporting period, and are calculated on the 1/24th method on net commissions. These commissions are recognised over the period in which the related revenues are earned.

Claims incurred

Claims incurred comprise claims paid and related expenses 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 the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of the reporting period, but not settled at that date. The reserve for outstanding claims is computed on the basis of the best information available at the time the records for the year are closed, and include additional provisions for claims incurred but not reported ("IBNR") at the end of each reporting period based on the group's experience but subject to the minimum percentages set by the Commissioner of Insurance. Claims liability on long term contracts is determined through actuarial valuation which is carried out annually.

Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) *Early adoption of standards (Continued)*

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss for the year.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss.

Taxation

Income tax expense represents the sum of the current taxation and the deferred taxation.

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred taxation.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the end of each reporting period which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

Property and equipment

Property and equipment is stated at cost or revaluation less accumulated depreciation and accumulated impairment losses.

Increases in the carrying amount of land and buildings arising on revaluation are dealt with through other comprehensive income and accumulated under a separate heading of revaluation surplus in the statement of changes in equity. Decreases that offset previous increases of the same asset are dealt with through other comprehensive income and reversed from revaluation surplus in the statement of changes in equity; all other decreases are charged to profit or loss for the year. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

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

Depreciation is calculated on the reducing balance basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Buildings	40 years
Computers	4 years
Motor vehicles	4 years
Furniture, fittings and equipment	8 years

Property and equipment are reviewed for impairment whenever there are any indications of impairment identified.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The impairment loss is recognised in profit or loss for the year.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on derecognition of property and equipment are determined by reference to their carrying amounts. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation (including property under construction for such purposes). They are treated as long-term investments and carried at fair value, representing market value determined annually, based on valuations by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amount between each end of the reporting period are processed, net of deferred tax, through profit or loss for the year.

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

Properties under construction

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Such properties are classified to the appropriate categories of when completed and ready for intended use.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

Intangible assets

Intangible assets represent computer 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.

Intangible assets are amortised over the useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed 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 is recognised in profit or loss.

Gains or losses arising from de-recognition 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 profit or loss when the asset is derecognized.

Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to one of the companies in the group as a lessee. All other leases are classified as operating leases.

Payments made under operating leases are charged to profit or loss on the straight-line basis over the period of the lease.

Rental income from operating leases is charged to profit or loss for the year on the straight-line basis over the term of the relevant lease.

Employee entitlements

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

Retirement benefit obligations

The group operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the group and employees.

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

The group's contributions to the defined contribution scheme and NSSF are charged to profit or loss as they fall due.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Board of Directors). Directors allocate resources to and assess the performance of the operating segments of the group. The operating segments are based on the group's management and internal reporting structure.

The directors consider the company to comprise two business segments, General insurance business and Long term insurance business, and one geographical segment, Kenya.

Financial instruments

A financial asset or liability is recognised when the group becomes party to the contractual provisions of the instrument. The group classifies its financial instruments into the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. Management determines the appropriate classification of its investments at initial recognition and re-evaluates this at the end of each reporting period.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling it in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term or those that it has designated as at fair value through profit or loss or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the group's management has the positive intention and ability to hold to maturity.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the group has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the year in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated under the heading of fair value reserve in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss for the year as net realised gains/losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

Unquoted investments are classified as available-for-sale investments. They are shown at fair value unless their value cannot be reliably measured in which case when they are carried at cost less provision for impairment.

Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset (or group of financial assets) is impaired. Impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that those events have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The impairment loss so recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial liabilities and equity instruments issued by the company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Notes to the Financial Statements continued

For the year ended 31 December 2011

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (Continued)

(c) Early adoption of standards (Continued)

Classification as debt or equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position.

Dividends

Dividends on ordinary shares are charged directly to equity in the period in which they are paid. Dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the shareholders.

Comparatives

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

Notes to the Financial Statements continued

For the year ended 31 December 2011

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the group's accounting policies are dealt with below:

The ultimate liability arising from claims made under insurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that the group's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

A margin for adverse deviation may also be included in the liability valuation. Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed, and include additional provisions for claims incurred but not reported ("IBNR") at the end of the reporting period based on the group's experience but subject to the minimum percentages set by the Commissioner of Insurance.

Held -to-maturity financial assets

The group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the group evaluates its intention and ability to hold such assets to maturity. If the group fails to keep these financial assets to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The assets would therefore be measured at fair value not amortised cost.

Impairment losses

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property and equipment

Critical estimates are made by the group's management, in determining depreciation rates for property and equipment.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of receivables.

Notes to the Financial Statements continued

For the year ended 31 December 2011

3 SEGMENT INFORMATION

The group had adopted IFRS 8 Operating Segments. Under IFRS 8 the group's reportable segments are long term business and short term business Long term insurance business comprises the underwriting of risks relating to death of an insured person, and includes contracts subject to the payment of premiums for a long term dependent on the termination of continuance of the life of an insured person. General insurance relates to all other categories of insurance business written by the group and is analysed into several sub-classes of business based on the nature of the assumed risks. The group's main geographical segment of business is in Kenya.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There are no intersegment revenues and no single customer accounts for more than 10% of the revenue.

Factors that management uses to identify the entity's reportable segments

CIC Insurance Group Limited segments are strategic business units that offer different products and are managed separately based on regulatory requirements.

Description of the types of products and services from which each reportable segment derives its revenues

CIC Insurance Group Limited has two reportable segments; General insurance business, and Long term insurance business.

The financial statements have been reported based on the two operating segments as mentioned above. Therefore no further segmental information has been provided.

	2011 Sh'000	2010 Sh'000
General insurance business		
Motor	2,389,455	1,417,632
Fire	302,763	211,705
Personal accident	145,975	124,575
Others	1,122,816	559,060
	3,961,009	2,312,972
Long term insurance business		
Ordinary life	286,798	188,592
Group life	1,868,614	1,406,502
	2,155,412	1,595,094
Total gross earned premium	6,116,421	3,908,066

Other disclosures:	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Property and equipment additions	82,070	232,689	314,759	242,756
Intangible assets additions	16,715	42,177	58,892	35,931
Investment properties additions	1,012,724	294,020	1,306,744	891,249

Notes to the Financial Statements continued

For the year ended 31 December 2011

4 INVESTMENT INCOME

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Interest from Government securities held to maturity	153,220	120,988	274,208	134,101
Bank deposit interest	124,647	89,130	213,777	73,149
Interest on staff loan receivables	20,788	3,084	23,872	10,320
Dividend income	6,278	4,055	10,333	6,055
Rental income from investment properties	-	15,738	15,738	11,736
	304,933	232,995	537,928	235,361
Investment income earned on financial assets, analysed by category of asset is as follows:				
Held to maturity investments	277,867	210,118	487,985	207,250
Fair value through profit or loss investments	6,278	4,055	10,333	6,055
Loans and receivables	20,788	3,084	23,872	10,320
	304,933	217,257	522,190	223,625
Investment income earned on non-financial assets	-	15,738	15,738	11,736
Total investment income	304,933	232,995	537,928	235,361

Revenue relating to financial assets classified as at fair value through profit or loss is included in other gains and losses in note 5.

5 OTHER GAINS AND LOSSES

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Fair value gains on investment properties (note 13)	136,132	44,970	181,102	50,000
Fair value (loss)/gain on quoted equity investments at fair value through profit or loss (note 19)	(37,523)	(21,686)	(59,209)	41,369
Amortisation/discount on Government securities held to maturity	(66,532)	(46,878)	(113,410)	4,604
Loss on disposal of property and equipment	(17,669)	(11,345)	(29,014)	(9,625)
Miscellaneous income	5,091	2,575	7,666	7,102
	19,499	(32,364)	(12,865)	93,450

No other gains or losses have been recognised in respect of loans and receivables or held to maturity investments, other than as disclosed in this note and note 4 above and impairment losses recognised in respect of premium receivable (see note 7).

Notes to the Financial Statements continued

For the year ended 31 December 2011

6 CLAIMS AND POLICYHOLDERS BENEFITS PAYABLE

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Claims and policyholders benefits payable:				
- Gross	2,089,527	947,016	3,036,543	2,032,756
- Reinsurer's share	(191,801)	(87,417)	(279,218)	(145,258)
Actuarial adjustment of policy holder's liability	-	392,519	392,519	119,716
	1,897,726	1,252,118	3,149,844	2,007,214

7 OPERATING AND OTHER EXPENSES

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
The following items have been charged in arriving at profit before taxation:				
Staff costs (note 8)	253,389	222,062	475,451	247,609
Auditors' remuneration	2,250	2,250	4,500	2,692
Directors' fees	9,389	4,182	13,571	13,848
Directors' emoluments	20,538	20,538	41,076	36,540
Depreciation (note 11)	17,636	28,202	45,838	31,892
Amortisation (note 12)	5,572	14,059	19,631	11,978
Impairment charge for doubtful premium receivables	10,427	2,281	12,708	24,398
Premium tax	54,420	-	54,420	31,513
Other	455,062	383,536	838,598	627,525
	828,683	677,110	1,505,793	1,027,995

8 STAFF COSTS

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Staff costs include the following:				
- Salaries	230,370	205,242	435,612	219,635
- Pension costs	16,589	13,981	30,570	21,735
- leave pay	6,430	2,839	9,269	6,239
	253,389	222,062	475,451	247,609

Notes to the Financial Statements continued

For the year ended 31 December 2011

9 TAXATION

a) Taxation charge

	2011 Sh'000	2010 Sh'000
Current tax at 30%	204,584	120,715
Prior year current tax (over)/under provision	-	(11)
	204,584	120,704
Deferred tax credit (note 20)	(1,584)	(1,867)
	203,000	118,837

b) Reconciliation of taxation expense to expected tax based on accounting profit

	2011 Sh'000	2010 Sh'000
Profit before taxation	787,214	605,324
Tax calculated at a tax rate of 30%	236,164	181,597
Tax effect of expenses not deductible for tax	34,038	10,834
Tax effect of income not subject to tax	(67,202)	(73,583)
Prior year current tax under provision	-	(11)
Taxation charge for the year	203,000	118,837

c) Taxation payable

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
At 1 January	(63,087)	(4,081)	(63,067)	(4,134)
Current tax charge for the year	(204,584)	(120,704)	(196,679)	(120,428)
Paid during the year	201,541	61,698	201,112	61,495
At 31 December	(66,130)	(63,087)	(58,634)	(63,067)

10 a) PROFIT FOR THE YEAR

Profit for the year of Sh 586,063,000 (2010 –Sh 485,914,000) has been dealt with in the separate financial statements of the company, CIC Insurance Group Limited.

10 b) EARNINGS PER SHARE – BASIC AND DILUTED

Basic earnings per share is calculated based on the profit attributable to shareholders divided by the weighted average number of ordinary shares in issue in each period as follows:

	2011	2010
Profit attributable to ordinary shareholders' (Sh'000)	584,214	486,487
Weighted average number of shares (in thousands)	72,198	59,946
Earnings per share (Sh) – Basic and diluted	8.09	8.12

The weighted average number of shares for the year ended 31 December 2010 has been adjusted to include the number of shares allotted to the funds awaiting allotment at 31 December 2010.

Notes to the Financial Statements continued

For the year ended 31 December 2011

11 PROPERTY AND EQUIPMENT – GROUP AND COMPANY

	Buildings Sh'000	Motor vehicles Sh'000	Computers Sh'000	Furniture fittings & equipment Sh'000	Total Sh'000
COST OR VALUATION					
At 1 January 2010	110,950	30,836	76,711	122,894	341,391
Additions	-	15,835	26,086	31,431	73,352
Disposals	-	(14,107)	(33,802)	(22,900)	(70,809)
At 31 December 2010	110,950	32,564	68,995	131,425	343,934
At 1 January 2011	110,950	32,564	68,995	131,425	343,934
Additions	-	18,905	40,049	66,150	125,104
Disposals	-	-	-	(58,926)	(58,926)
Revaluation surplus	20,030	-	-	-	20,030
At 31 December 2011	130,980	51,469	109,044	138,649	430,142
COMPRISING:					
Cost	-	51,470	109,044	138,649	299,163
Valuation - 2011	130,980	-	-	-	130,980
	130,980	51,470	109,044	138,649	430,143
DEPRECIATION					
At 1 January 2010	-	13,613	53,802	59,472	126,887
Charge for the year	2,774	6,674	11,331	11,113	31,892
Reversal on revaluation	(2,774)	-	-	-	(2,774)
Eliminated on disposals	-	(7,743)	(30,130)	(16,954)	(54,827)
At 31 December 2010	-	12,544	35,003	53,631	101,178
At 1 January 2011	-	12,544	35,003	53,631	101,178
Charge for the year	3,275	9,732	18,510	14,321	45,838
Reversal on revaluation	(2,080)	-	-	-	(2,080)
Eliminated on disposals	-	-	-	(29,553)	(29,553)
At 31 December 2011	1,195	22,276	53,513	38,399	115,383
NET BOOK VALUE					
At 31 December 2011	129,785	29,193	55,531	100,250	314,759
At 31 December 2010	110,950	20,020	33,992	77,794	242,756
NET BOOK VALUE - COST BASIS					
At 31 December 2011	74,230	29,193	55,531	100,250	259,204
At 31 December 2010	75,329	20,020	33,992	77,792	207,133

An independent valuation of the building was carried out at 30 September 2011 by Lloyd Masika Limited, registered valuers, on open market value basis. The resultant revaluation surplus has been dealt with through other comprehensive income and accumulated in revaluation surplus as a separate component of equity.

Notes to the Financial Statements continued

For the year ended 31 December 2011

12 INTANGIBLE ASSETS – GROUP AND COMPANY

Computer software:

	General business Sh'000	Life business Sh'000	Total Sh'000
COST			
At 1 January 2010	39,834	48,462	88,296
Additions	4,266	14,826	19,092
At 31 December 2010	44,100	63,288	107,388
At 1 January 2011	44,100	63,288	107,388
Additions	12,727	29,865	42,592
At 31 December 2011	56,827	93,153	149,980
AMORTISATION			
At 1 January 2010	31,353	28,126	59,479
Amortisation	3,187	8,791	11,978
At 31 December 2010	34,540	36,917	71,457
At 1 January 2011	34,540	36,917	71,457
Amortisation	5,572	14,059	19,631
At 31 December 2011	40,112	50,976	91,088
NET BOOK VALUE			
At 31 December 2011	16,715	42,177	58,892
At 31 December 2010	9,560	26,371	35,931

Notes to the Financial Statements continued

For the year ended 31 December 2011

13 INVESTMENT PROPERTIES – GROUP AND COMPANY

	CIC plaza Sh'000	Kamiti Land Sh'000	Work in progress Sh'000	2011 Sh'000	2010 Sh'000
At 1 January	249,050	600,000	42,199	891,249	239,050
Additions	-	13,868	220,525	234,393	602,199
Fair value gain (note 5)	44,970	136,132	-	181,102	50,000
At 31 December	294,020	750,000	262,724	1,306,744	891,249

	2011 Sh'000	2010 Sh'000
The movement in the year is as shown below:		
At 1 January	891,249	239,050
Additions: Cash paid	654,393	182,199
Amount payable (note 40)	(420,000)	420,000
Fair value gains (note 5)	181,102	50,000
At 31 December	1,306,744	891,249

CIC Plaza was revalued on 30 September 2011 by Lloyd Masika Limited, registered valuers, while the Kamiti Land was revalued by Crystal Valuers Limited, registered valuers, on the same date on the basis of open market value.

14 INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2011 Sh'000	2010 Sh'000	2011 Sh'000	2010 Sh'000
Takaful Insurance of Africa Limited (Unquoted):				
At 1 January	100,000	-	100,000	-
Share of loss before taxation	(28,309)	-	-	-
Share of taxation	8,493			
Share of loss for the year	(19,816)	-	-	-
Additions	-	100,000	-	100,000
At 31 December	80,184	100,000	100,000	100,000

The associated company commenced underwriting business in the year ended 31 December 2011.

The holding in Takaful Insurance of Africa Limited represents 26% (2010 – 30%) of the issued ordinary share capital. The associate is a limited liability company incorporated and domiciled in Kenya. Its principal activity is transaction of general insurance business and the financial year end is 31 December.

Notes to the Financial Statements continued

For the year ended 31 December 2011

14 INVESTMENT IN ASSOCIATE (Continued)

Summarised financial information in respect of the associate is set out below:

	2011 Sh'000	2010 Sh'000
Total assets	477,145	314,432
Total liabilities	214,875	116
Nets assets	262,270	314,316
Group's share of net assets of associate	68,122	95,769
Net earned premiums	44,946	-
Loss for the year	(76,332)	(9,031)
Group's share of loss of associate	(19,816)	-
Group's share of associate's contingent liabilities	Nil	Nil

The extent to which an outflow of funds will be required on the group's share of associate's contingent liabilities is dependent on the future operations of the associates being more or less favourable than currently expected. In common practice with the insurance industry in general, the associate is subjected to litigation arising in the normal course of insurance business.

15 INVESTMENT IN SUBSIDIARY - COMPANY

	2011 Sh'000	2010 Sh'000
CIC Asset Management Limited:		
550,000 ordinary shares of Sh 20 each at cost	311,000	11,000

Included in the investment at 31 December 2011 is Sh 300 million awaiting allotment of shares.

Company	Percentage Holding	Country of Incorporation	Principal activity
CIC Asset Management Limited	100%	Kenya	Funds and assets management as regulated by the Capital Markets Authority.

Following approval by the Insurance Regulatory Authority and Minister of Finance, the company has reorganised its business and registered two subsidiaries, whose details are provided below, to carry out its insurance business and these commenced operations in January 2012.

Company	Percentage Holding	Country of Incorporation	Principal activity
CIC General Insurance Limited	100%	Kenya	Underwriting general insurance business.
CIC Life Assurance Limited	100%	Kenya	Underwriting life assurance business.

Notes to the Financial Statements continued

For the year ended 31 December 2011

16 AVAILABLE - FOR - SALE INVESTMENTS – GROUP AND COMPANY

	2011 Sh'000	2010 Sh'000
Unquoted shares:		
Class 'A' Shares held in The Co-operative Bank of Kenya Limited	15,532	24,091
Shares held in Allnations, Inc. – at cost	673	673
	16,205	24,764

	2011 Sh'000	2010 Sh'000
The movement in available-for-sale investments is as follows:		
At 1 January	24,764	1,941
Fair value (losses)/gains	(8,559)	22,823
At 31 December	16,205	24,764

The shares in The Co-operative Bank of Kenya Limited were acquired before the initial public offer (IPO) in 2009. The Co-operative Bank of Kenya Limited shares are currently listed on the Nairobi Securities Exchange, however, there was an agreement for the shares held by corporation's pre IPO Shareholders' not to be traded for the first 5 years. These shares have been revalued in the current year at the market rates.

17 LOANS RECEIVABLE - GROUP AND COMPANY

	2011 Sh'000	2010 Sh'000
Mortgage loans:		
At 1 January	180,000	179,423
Loans advanced	52,579	33,288
Loan repayments	(25,915)	(32,711)
At 31 December	206,664	180,000

	2011 Sh'000	2010 Sh'000
Maturity profile of mortgage loans:		
Within 1 year	984	-
In 1-5 years	15,577	8,742
In over 5 years	190,103	171,258
	206,664	180,000

18 LOANS RECEIVABLE - GROUP AND COMPANY

	2011 Sh'000	2010 Sh'000
Other loans:		
Staff loans	179,939	159,478
Policy loans	17,391	17,079
	197,330	176,557

Notes to the Financial Statements continued

For the year ended 31 December 2011

19 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) GROUP

Quoted investments:	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
At 1 January	110,097	73,826	183,923	69,840
Additions	9,953	10,043	19,996	72,714
Fair value (loss)/gain (note 5)	(37,523)	(21,686)	(59,209)	41,369
At 31 December	82,527	62,183	144,710	183,923

(b) COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
At 1 January	108,668	73,826	182,494	68,301
Additions	9,953	10,043	19,996	68,780
Fair value (loss)/gain	(37,038)	(21,686)	(58,724)	45,413
At 31 December	81,583	62,183	143,766	182,494

20 DEFERRED TAXATION – GROUP AND COMPANY

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2010: 30%). The deferred tax asset is attributable to the following items:

	2011 Sh'000	2010 Sh'000
Excess depreciation over capital allowances on motor vehicles and equipment	4,555	3,886
Leave pay provision	2,521	1,606
Net deferred tax asset	7,076	5,492

The movement in the deferred tax account is as follows:

	2011 Sh'000	2010 Sh'000
At 1 January	5,492	3,625
Profit or loss credit – (note 9(a))	1,584	1,867
At 31 December	7,076	5,492

Notes to the Financial Statements continued

For the year ended 31 December 2011

21 DEPOSITS AND COMMERCIAL PAPER – HELD TO MATURITY GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
OTHER DEPOSITS				
Embu Farmers Co-operative Society Limited	-	20,000	20,000	20,000
K'Unity Finance Limited	20,000	-	20,000	20,000
CIC SACCO	42,458	-	42,458	37,008
CIC - Unit Trusts	73,908	40,118	114,026	-
COMMERCIAL PAPERS:				
Crown Berger Kenya Limited	-	-	-	10,497
Nakumatt Holdings Limited	23,116	-	23,116	20,997
Car and General (Kenya) Limited	11,572	-	11,572	10,499
Kenya Electricity Generating Company Limited	10,000	29,100	39,100	39,100
TPS Serena Limited	-	20,000	20,000	20,000
Total deposits and commercial papers	181,054	109,218	290,272	178,101
Maturing within three months	11,558	-	11,558	20,996
Maturing after 3 months	169,496	109,218	278,714	157,105
Total deposits and commercial papers	181,054	109,218	290,272	178,101

22 DIRECT INSURANCE AND REINSURERS RECEIVABLES

Receivables arising out of direct insurance arrangements relate to premiums earned but not received as a result of risks underwritten but whose premium have not been received as at year end. Receivables arising out of reinsurance arrangements relate to reinsurers portion of claims incurred which had not been recovered from reinsurers as at year end.

23 DEFERRED ACQUISITION COSTS – GROUP AND COMPANY

	2011			2010		
	Gross Shs	Retrocession Shs	Net Shs	Gross Shs	Retrocession Shs	Net Shs
At 1 January	126,560	6,799	119,761	44,530	6,486	38,044
Increase in the year	74,357	612	73,745	82,030	313	81,717
At 31 December	200,917	7,411	193,506	126,560	6,799	119,761

Notes to the Financial Statements continued

For the year ended 31 December 2011

24 OTHER RECEIVABLES

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
(a) GROUP				
Accrued interest	56,763	45,402	102,165	75,924
Staff advances	8,589	65	8,654	6,029
Salvage recoveries	27,377	-	27,377	27,377
Other receivables	235,825	44,026	279,851	81,681
Receivable arising out of transfer from long term insurance business	-	-	-	40,000
Total receivables	328,554	89,493	418,047	231,011
(b) COMPANY				
Accrued interest	45,087	45,402	90,489	75,727
Staff advances	8,589	65	8,654	6,029
Salvage recoveries	27,377	-	27,377	27,377
Other receivables	235,225	43,674	278,899	81,627
Receivable arising out of transfer from long term insurance business	-	-	-	40,000
Total receivables	316,278	89,141	405,419	230,760

25 GOVERNMENT SECURITIES HELD TO MATURITY – GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
At 1 January	594,814	565,350	1,160,164	960,037
Additions	692,758	690,968	1,383,726	238,127
Maturities	(20,000)	(50,000)	(70,000)	(38,000)
At 31 December	1,267,572	1,206,318	2,473,890	1,160,164
Treasury bills and bonds maturing				
- within 90 days	135,000	115,000	250,000	20,000
- after 90 days	1,132,572	1,091,318	2,223,890	1,140,164
At 31 December	1,267,572	1,206,318	2,473,890	1,160,164

Treasury bonds amounting to Sh 375.3 million (31 December 2010: Sh 245 million) are held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Insurance Act.

Notes to the Financial Statements continued

For the year ended 31 December 2011

26 SHORT TERM INVESTMENTS - GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Policy holder deposits:				
At 1 January	-	96,820	96,820	52,264
Additions	-	28,929	28,929	44,556
At 31 December	-	125,749	125,749	96,820

Short term investments relate to policy holder deposits held with African Alliance Asset Management Limited for Mavuno life product. This is a unit linked product whereby CIC Insurance Group Limited gets funds from investors and has engaged African Alliance to invest and manage the funds.

27 DEPOSITS WITH FINANCIAL INSTITUTIONS

(a) GROUP

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
The Co-operative Bank of Kenya Limited	695,110	63,466	758,576	658,309
Housing Finance Company of Kenya Limited	161,836	42,312	204,148	197,737
K-Rep Bank Limited	117,487	183,149	300,636	168,289
Investment & Mortgages Bank Limited	20,000	-	20,000	-
NIC Bank Limited	30,000	40,000	70,000	-
Bank of Africa Limited	21,790	-	21,790	58,992
Barclays Bank of Kenya Limited	7,600	7,600	15,200	15,200
PTA Bank	6,000	-	6,000	8,000
Consolidated Bank of Kenya Limited	61,336	139,812	201,148	153,020
Prime Bank Limited	20,000	-	20,000	48,978
Kenya Commercial Bank Limited	-	42,149	42,149	20,000
Fina Bank Limited	-	41,382	41,382	42,018
Development Bank of Kenya Limited	106,437	100,980	207,417	138,774
National Bank of Kenya Limited	122,731	50,000	172,731	40,000
Chase Bank Limited	139,142	139,096	278,238	201,018
ABC Bank Kenya Limited	206,407	125,486	331,893	120,039
Dubai Bank Limited	-	-	-	5,227
Transnational Bank Limited	51,036	20,690	71,726	-
	1,766,912	996,122	2,763,034	1,875,601
Maturity analysis:				
Maturing within three months	1,093,128	898,188	1,991,316	1,090,925
Maturing after 3 months	673,784	97,934	771,718	784,676
	1,766,912	996,122	2,763,034	1,875,601

Notes to the Financial Statements continued

For the year ended 31 December 2011

27 DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

(b) COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
The Co-operative Bank of Kenya Limited	517,507	63,466	580,973	658,309
Housing Finance Company of Kenya Limited	152,669	42,312	194,981	186,987
K-Rep Bank Limited	117,487	183,149	300,636	168,289
Investment & Mortgages Bank Limited	20,000	-	20,000	-
NIC Bank Limited	30,000	40,000	70,000	-
Bank of Africa Limited	21,790	-	21,790	58,992
Barclays Bank of Kenya Limited	7,600	7,600	15,200	15,200
PTA Bank	6,000	-	6,000	8,000
Consolidated Bank of Kenya Limited	61,336	139,812	201,148	153,020
Prime Bank Limited	20,000	-	20,000	48,978
Kenya Commercial Bank Limited	-	42,149	42,149	20,000
Fina Bank Limited	-	41,382	41,382	42,018
Development Bank of Kenya Limited	54,646	100,980	155,626	138,774
National Bank of Kenya Limited	92,153	50,000	142,153	40,000
Chase Bank Limited	136,874	139,096	275,970	201,018
ABC Bank Kenya Limited	154,547	125,486	280,033	120,039
Dubai Bank Limited	-	-	-	5,227
Transnational Bank Limited	51,036	20,690	71,726	-
	1,443,645	996,122	2,439,767	1,864,851
Maturity analysis:				
Maturing within three months	1,090,861	898,188	1,989,049	1,082,281
Maturing after 3 months	352,784	97,934	450,718	782,570
	1,443,645	996,122	2,439,767	1,864,851

28 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The table below summarises the weighted average effective interest rates realised during the year on the principal interest-bearing investments:

	2011 %	2010 %
Government securities	12.00	10.00
Mortgage loans	4.00	4.00
Policy loans	4.00	4.00
Deposits with financial institutions	9.00	6.00
Other deposits and commercial papers	9.00	9.00

Notes to the Financial Statements continued

For the year ended 31 December 2011

29 DIVIDENDS

In respect of the current year, the directors propose a first and final dividend of Sh 196,169,000 (2010: Sh 95,914,000) which represents 9% of the paid up share capital (2010 - 8% including amounts awaiting allotment of shares as at 31 December 2010) be paid to shareholders. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Payment of dividends is subject to withholding tax at the rate of 5% or 10%, depending on the residence of the individual shareholders.

	2011 Sh'000	2010 Sh'000
At 1 January	-	-
Declared during the year	95,914	31,866
Paid during the year	(93,557)	(31,866)
At 31 December	2,357	-

30 (a) SHARE CAPITAL

	31 December 2011 Number of shares Sh'000	31 December 2011 Share capital Sh'000	31 December 2010 Number of shares Sh'000	31 December 2010 Share capital Sh'000
Authorised ordinary shares of Sh 20 each:				
At 1 January	60,000	1,200,000	30,000	600,000
Additions	90,000	1,800,000	30,000	600,000
At 31 December	150,000	3,000,000	60,000	1,200,000
Issued and fully paid up share capital:				
At 1 January	30,571	611,413	21,399	427,980
Additions	78,412	1,568,242	9,172	183,433
At 31 December	108,983	2,179,655	30,571	611,413

The movement in share capital was as a result of issue of 78,411,752 (2010: 9,171,650 shares) of Sh 20 each which were issued and paid for during the year ended 31 December 2011.

30 (b) FUNDS AWAITING ALLOTMENT OF SHARES

At 31 December 2010, the company had received Sh 932,459,000 as subscriptions towards new shares. The shares were allotted during the year ended 31 December 2011.

Notes to the Financial Statements continued

For the year ended 31 December 2011

31 SHARE PREMIUM

	2011 Sh'000	2010 Sh'000
Share premium	598,102	50,741

The share premium relates to issue of shares through private placement at a cost of between Sh 22.50 and Sh 27.50 which is between Sh 2.50 to Sh 7.50 above the nominal value of Sh 20.

32 STATUTORY RESERVE

(a) The statutory reserve represents the surplus on the life assurance business which is not distributable as dividends as per the requirements of the Insurance Act.

(b) Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to revenue reserve.

33 REVALUATION SURPLUS

The revaluation surplus represents the surpluses on the revaluation of buildings and is not distributable as dividends.

34 (a) FAIR VALUE RESERVE

The fair value reserve represents fair value gains arising from available for sale financial instruments and is not distributable as dividends.

34 (b) RETAINED EARNINGS

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the parent company.

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
35 RELATED PARTY BALANCES - COMPANY				
Due from CIC Asset Management Limited	-	352	352	320

Notes to the Financial Statements continued

For the year ended 31 December 2011

36 (a) INSURANCE CONTRACTS LIABILITIES – GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total Sh'000
Claims reported and claims handling expenses:			
At 1 January 2010	584,201	235,998	820,199
Claims incurred in the year	1,167,000	727,800	1,894,800
Payments for claims and claims handling expenses	(1,131,213)	(720,499)	(1,851,712)
At 31 December 2010	619,988	243,299	863,287
At 1 January 2011	619,988	243,299	863,287
Claims incurred in the year	1,897,722	964,877	2,862,599
Payments for claims and claims handling expenses	(1,554,381)	(927,178)	(2,481,559)
At 31 December 2011	963,329	280,998	1,244,327
Comprising:			
At 31 December 2011:			
Gross amounts	2,227,284	368,415	2,595,699
Reinsurers share (note37)	(1,263,955)	(87,417)	(1,351,372)
	963,329	280,998	1,244,327
At 31 December 2010:			
Gross amounts	1,401,738	267,746	1,669,484
Reinsurers share (note37)	(781,750)	(24,447)	(806,197)
	619,988	243,299	863,287

Movement in general business insurance contract liabilities is shown in note 36(b).

Notes to the Financial Statements continued

For the year ended 31 December 2011

36 (b) MOVEMENTS IN GENERAL INSURANCE LIABILITIES AND REINSURANCE ASSETS – GROUP AND COMPANY

General (short term) insurance business

	Gross Sh'000	Reinsurance Sh'000	2011 Net Sh'000	Gross Sh'000	Reinsurance Sh'000	2010 Net Sh'000
Notified claims	1,401,738	781,750	619,988	1,039,368	534,516	504,852
Incurred but not reported	144,835	-	144,835	79,349	-	79,349
At 1 January	1,401,738	781,750	619,988	1,118,717	534,516	584,201
Cash paid for claims settled in year	(1,746,187)	(191,801)	(1,554,386)	(1,252,024)	(120,811)	(1,131,213)
Increase in liabilities arising from:						
Current year claims	2,101,175	568,519	1,532,656	1,287,811	326,085	961,726
Prior year claims	470,558	105,487	365,071	247,234	41,960	205,274
At 31 December	2,227,284	1,263,955	963,329	1,401,738	781,750	619,988
Notified claims	2,024,558	1,263,955	760,603	1,256,903	781,750	475,153
Incurred but not reported	202,726	-	202,726	144,835	-	144,835
At 31 December	2,227,284	1,263,955	963,329	1,401,738	781,750	619,988

37 REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES– GROUP AND COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Reinsurers' share of:				
- insurance contract liabilities {note 36(b)}	1,263,955	87,417	1,351,372	806,197
- unearned premium and unexpired risks (note 38)	293,286	-	293,286	121,963
Total	1,557,241	87,417	1,644,658	928,160

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. Movements in the above reinsurance assets are shown in notes 36 and 38.

Notes to the Financial Statements continued

For the year ended 31 December 2011

38 PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS – GROUP AND COMPANY

The unearned premiums reserve represents the portion of the premium written in years up to the accounting date which relates to the unexpired terms of policies in force at the end of each reporting period. The movement in the reserve is shown below:

	Gross Sh'000	Reinsurance Sh'000	2011 Net Sh'000	Gross Sh'000	Reinsurance Sh'000	2010 Net Sh'000
At 1 January	1,367,785	121,963	1,245,822	678,826	81,239	597,587
Increase in the year (net)	790,624	171,323	619,301	688,959	40,724	648,235
At 31 December	2,158,409	293,286	1,865,123	1,367,785	121,963	1,245,822

39 ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited, Actuaries and Consultants, as at 31 December 2011 and revealed an actuarial surplus of Sh 659,655,163 (31 December 2010 – Sh 546,066,213) before declaration of the interest and bonuses to policyholders. The Actuaries did not recommend a transfer from the life fund to the retained earnings (31 December 2010 – Sh 40,000,000 was recommended for transfer). The value of policyholder benefits at 31 December 2011 was Sh 1,273,183,000 (31 December 2010 – Sh 880,664,000).

40 OTHER PAYABLES

(a) GROUP

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Sundry payables	109,294	241,052	350,346	158,779
Advance premiums	75,795	19,821	95,616	161,249
Leave pay provision	8,404	-	8,404	5,354
Rent deposits	1,350	2,523	3,873	2,198
Mavuno unit linked deposits	-	125,749	125,749	96,820
Payable arising from transfer to general reserve	-	-	-	40,000
Investment property payable	-	-	-	420,000
	194,843	389,145	583,988	884,400

(b) COMPANY

	General insurance business Sh'000	Long term insurance business Sh'000	Total 2011 Sh'000	Total 2010 Sh'000
Sundry payables	108,817	241,052	349,869	158,589
Advance premium	75,795	19,821	95,616	161,249
Leave pay provision	8,404	-	8,404	5,354
Rent deposits	1,350	2,523	3,873	2,198
Mavuno unit linked deposits	-	125,749	125,749	96,820
Payable arising from transfer to general reserve	-	-	-	40,000
Investment property payable	-	-	-	420,000
	194,366	389,145	583,511	884,210

Notes to the Financial Statements continued

For the year ended 31 December 2011

41 NOTES TO THE STATEMENT OF CASH FLOWS – GROUP

a) Reconciliation of profit before tax to cash generated from operations:

	2011 Sh'000	2010 Sh'000
Profit before taxation	787,214	605,324
Adjustments for:		
Depreciation (note 11)	45,838	31,892
Amortisation of intangible assets (note 12)	19,631	11,978
Fair value gains on revaluation on investment property (note 13)	(181,102)	(50,000)
Investment income receivable (note 4)	(537,928)	(235,361)
Share of loss of associate (note 14)	19,816	-
Loss/(gain) on revaluation of quoted shares (note 19)	59,209	(41,369)
Loss on disposal of property and equipment (note 5)	29,015	9,625
Increase in deferred acquisition costs (note 23)	(73,745)	(81,717)
Increase in provision for unearned premium (note 38)	619,301	648,235
(Decrease)/increase in outstanding claims provision	381,040	43,088
Working capital changes;		
Increase in receivables arising out of direct insurance arrangements	(34,427)	(398,073)
Decrease in receivables arising out of reinsurance arrangements	127,517	134,292
Increase in other receivables	(187,036)	(72,554)
Increase in other payables	119,588*	175,140*
Actuarial value of policyholders liabilities	392,519	119,716
Movement in amounts due to reinsurers and other insurance bodies (net)	125,746	(6,798)
Net cash generated from operations	1,712,196	893,418

*- Movement excludes an amount of Sh 420 million which relates to investment property payable at 31 December 2010 which represents a non-cash transaction. This amount was settled in the current year.

b) Cash and cash equivalents

	2011 Sh'000	2010 Sh'000
Bank and cash balances	157,663	250,916
Deposits with banks maturing within 3 months-(note 27 (a))	1,991,316	1,090,925
	2,148,979	1,341,841

Notes to the Financial Statements continued

For the year ended 31 December 2011

42 CONTINGENT LIABILITIES – GROUP AND COMPANY

	2011 Sh'000	2010 Sh'000
Bank guarantees	42,621	25,411

In common practice with the insurance industry in general, the group is subjected to litigation arising in the normal course of insurance business. The directors are of the opinion that these litigations will not have a material effect on the financial position or profits of the group.

43 CAPITAL COMMITMENTS – GROUP AND COMPANY

Capital expenditure committed at the end of the reporting period but not recognised in the financial statements is as follows:

	2011 Sh'000	2010 Sh'000
Committed but not contracted for	312,528	754,611
Committed and contracted for	110,000	-

44 OPERATING LEASE COMMITMENTS

Company as a lessee

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

	2011 Sh'000	2010 Sh'000
Not later one year	17,634	6,919
Later than 1 year but not later than 5 years	55,264	31,668
	72,898	38,587

Company as a lessor

Net rental income earned during the year was Sh 15,738,000 (2010: Sh 11,736,000). At the end of the reporting period, the group had contracted with tenants for the following future lease receivables:

	2011 Sh'000	2010 Sh'000
Not later one year	16,983	15,430
Later than 1 year but not later than 5 years	70,216	68,540
	87,199	83,970

Leases are for a year of six years.

Notes to the Financial Statements continued

For the year ended 31 December 2011

45 RELATED PARTIES

The group has various related parties, most of whom are related by virtue of being shareholders, and partly due to common directorships. The other related parties include staff of the company.

a) Transaction with related parties during the year

	2011 Sh'000	2010 Sh'000
The following transactions were carried out with related parties during the year:		
Net earned premium	769,565	738,835
Net claims incurred	138,522	639,085
Interest earned on bank deposits	27,645	7,935

Transactions with related parties are in the ordinary course of business and on terms and conditions similar to those offered to other clients.

b) Outstanding balances with related parties

	2011 Shs	2010 Shs
i) Term deposits and bank balances		
Fixed deposits	758,576	658,308
Cash balance	284,502	59,466
	1,043,078	717,774
ii) Insurance balances		
Premiums receivable from related parties	49,910	99,729
iii) Mortgage loans		
Mortgage receivable from related parties (note 17)	206,664	180,000

Mortgage loan balances and movements thereon are in respect of loans extended to the company's officers at terms prescribed in the company policy.

c) Loans to directors of the company

The company did not advance loans to its directors in 2011 (2010: Nil).

d) Key management personnel remuneration

The remuneration of directors and other members of key management during the year were as follows:

	2011 Sh'000	2010 Sh'000
Directors 'emoluments - fees	13,571	14,770
Others	41,076	36,541
Key management salaries and other short-term employment benefits	53,450	37,175
	108,097	88,486

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and the effects of changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. Investment policies are in place, which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

The disclosures below summarise the way the group manages key risks:

Insurance risk

The risk under any one insurance contract arises from 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 group 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.

Insurance risk in the group arises from:

(a) Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
(b) Unexpected claims arising from a single source;
(c) Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
(d) Inadequate reinsurance protection or other risk transfer techniques; and
(e) Inadequate reserves

(a), (b) and (c) can be classified as the core insurance risk, (d) relates to reinsurance planning, while (e) is about reserving.

Core insurance risk

This risk is managed through:

- Diversification across a large portfolio of insurance contracts;
- Careful selection guided by a conservative underwriting philosophy;
- Continuous monitoring of the business performance per class and per client and corrective action taken as deemed appropriate;
- A minimum of one review of each policy at renewal to determine whether the risk remains within the acceptable criteria;
- Having a business acceptance criteria which is reviewed from time to time based on the experience and other developments; and
- Having a mechanism of identifying, quantifying and accumulating exposures to contain them within the set underwriting limits.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Insurance risk (Continued)

Reinsurance planning

Reinsurance purchases are reviewed annually to verify that the levels of protection being sought reflect developments in exposure and risk appetite of the group. The bases of these purchase is underpinned by the group's experience, financial modelling by and exposure of the reinsurance broker.

The reinsurance is placed with providers who meet the group's counter party security requirements.

Claims reserving

The group's reserving policy is guided by the prudence concept. Estimates are made of the estimated cost of settling a claim based on the best available information on registration of a claim, and this is updated as and when additional information is obtained and annual reviews done to ensure that the reserves are adequate. Management is regularly provided with claims settlement reports to inform on the reserving performance.

Long term insurance contracts

Life insurance contracts offered by the group include term assurance, endowment, anticipated endowments, credit life insurance, group life insurance, group mortgage insurance and pension administration.

Term assurance contracts are conventional regular premium products where lump sum benefits are payable on death or permanent disability.

The endowments pay a sum assured either on death or maturity of the contract. The anticipated endowment pay a sum assured on death or maturity, but also have partial maturities payable to the client in regular installments during the contract based on survival. The endowments contracts have a surrender value. Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with discretionary participation features (DPF), the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However, in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder.

Group credit life insurance is a contract that is provided to financial institutions that provides protection against death or permanent and total disability of a borrower. The contract pays a sum assured equivalent to the outstanding loan on death or permanent and total disability of the borrower. Group mortgage is a contract designed for long term borrowing to finance for assets such as houses, land or cars. The policy pays the outstanding loan in case of death or permanent and total disability of the borrower. Group life insurance is a contract that provides a life cover to a group of people and pays a sum assured on death. The most common group life cover is the employee group life which is taken up by the employer for its employees and it provides life insurance as a multiple of an employee's annual remuneration.

Pension administration provides an avenue for saving for clients. The group acts as a pension administrator and has appointed a fund manager to invest the pension fund. Retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Long term insurance contracts (Continued)

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
- 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 location of the risk insured by the Group, type of risk insured or by industry.

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, 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 for which 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 of Shs. 3,000,000 on any single life are in place.

For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party. For contracts without DPF the group charges for death and disability risks on a quarterly basis. Under these contracts the group has the right to alter these charges to take account of death and disability experience, thereby mitigating the risks to the group.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

Key assumptions

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.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Long term insurance contracts (Continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. 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.

Longevity
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type. An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

Expenses
Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates
Lapses relate to the termination of policies due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the group's own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Life insurance contracts sensitivity analysis

The actuarial assumptions used as at 31 December 2011 are unlikely to change significantly to result in material variation in actuarial liabilities. Shown in the table below are the sensitivities of the value of insurance liabilities disclosed in this note to various changes in assumptions used in the estimation of insurance liabilities. Each value is shown with only the indicated variable being changed and holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

	Policyholder's Liabilities (Net of Reinsurance)			
	31 December 2011		31 December 2010	
	Shs'000	% change	Shs'000	% change
Main basis	1,416,125	-	977,485	-
Expenses plus 10%	1,509,152	6.57%	1,043,026	6.71%
Mortality and other claims experience plus 10%	1,416,271	0.01%	977,609	0.01%
Interest rate less 1%	1,423,084	0.49%	982,516	0.51%
Expense inflation plus 1%	1,463,191	3.32%	1,010,644	3.39%
Withdrawals plus 10%	1,415,953	-0.01%	977,365	-0.01%

The group has not changed the processes used to manage its risks from previous years. The notes below explain how financial risks are managed using the categories utilised in the group's ALM framework.

Short term insurance contracts

The group engages in short term insurance contracts and funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. During the year, the group increased the portion of financial assets invested in debt securities to mitigate the impact of the volatility of equity prices experienced in recent years. An analysis of the group's financial assets and its short term insurance liabilities is presented below;

	2011 Sh'000	2010 Sh'000
General insurance business		
Financial assets		
Debt securities held to maturity:		
- Government bonds and treasury bills	1,267,572	594,814
Equity securities:		
At fair value through profit or loss - listed securities	82,527	110,097
Available for sale -unlisted securities	16,205	24,764
Loans and receivables from insurance and reinsurance contracts	908,946	885,055
Fixed and other deposits	1,624,699	1,344,364
Cash and bank balances	111,592	120,465
Total	4,011,521	3,079,559
Short – term insurance liabilities		
Insurance contracts- short term	963,329	619,988
Less assets arising from reinsurance contracts held-short term	(12,070)	(139,587)
Total	951,259	480,401

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Short term insurance contracts (Continued)

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non interest bearing. However, due to the time value of money and the impact of interest rates on the level of bodily injury incurred by the group's policyholders (where a reduction of interest rate would normally produce a higher insurance liability), the group matches the cash flows of assets and liabilities in this portfolio by estimating their mean duration.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from the insurance contracts in force at the statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the statement of financial position date). The mean durations are:

	2011	2010
Net short term insurance liabilities- life risk	0.2 years	0.2 years
Net short term insurance liabilities-property risk	2.0 years	2.0 years
Net short term insurance liabilities-casualty risk	5.0 years	5.0 years
Financial assets (excluding equity securities)	3.0 years	3.0 years

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of short term insurance contracts as of 31 December 2011:

General insurance business

Financial assets	Carrying Amount 31.12.2011 Sh'000	No stated Maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities held to maturity:-							
Government bonds and treasury bills at fixed rate	1,267,572	-	329,166	76,250	33,000	-	829,156
Equity securities:							
At fair value through profit or loss - listed securities	82,527	82,527	-	-	-	-	-
Available for sale - unlisted securities	16,205	16,205	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	908,946	-	714,811	23,773	23,773	22,935	123,654
Fixed and other deposits	1,624,699	-	1,624,699	-	-	-	-
Cash and bank balances	111,592	-	111,592	-	-	-	-
Total	4,011,541	98,732	2,780,268	100,023	56,773	22,935	952,810
Short term insurance liabilities:							
Insurance contracts-short term	963,329	-	963,329	-	-	-	-
Payables arising from reinsurance arrangements	78,570	-	78,570	-	-	-	-
Less assets arising from reinsurance contracts	(12,070)	-	(12,070)	-	-	-	-
Total	1,029,829	-	1,029,829	-	-	-	-
Difference in contractual cash flows	2,981,712	98,732	1,750,439	100,023	56,773	22,935	952,810

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Short term insurance contracts (Continued)

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of short-term insurance contracts as of 31 December 2010:

General insurance business

Financial assets	Carrying Amount 31.12.2010 Sh'000	No stated Maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities held to maturity: -							
Government bonds and treasury bills at fixed rate	594,814	-	19,935	75,464	16,134	35,281	448,000
-Listed securities-fixed rate	-	-	-	-	-	-	-
Equity securities:							
At fair value through profit or loss - listed securities	110,097	110,097	-	-	-	-	-
Available for sale - unlisted securities	24,764	24,764	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	885,055	-	639,597	-	-	167,060	78,398
Fixed and other Deposits	1,344,364	-	1,344,364	-	-	-	-
Cash and bank balances	120,465	-	120,465	-	-	-	-
Total	3,079,559	134,861	2,124,361	75,464	16,134	202,341	526,398
Short term insurance liabilities:							
Insurance contracts - short term	619,988	-	619,988	-	-	-	-
Payables arising from reinsurance arrangements	2,474	-	2,474	-	-	-	-
Less assets arising from reinsurance contracts	(139,587)	-	(139,587)	-	-	-	-
Total	482,875	-	482,875	-	-	-	-
Difference in contractual cash flows	2,596,584	134,861	1,641,486	75,464	16,134	202,341	526,398

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Short term insurance contracts (Continued)

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of long-term insurance contracts as of 31 December 2011:

Life insurance business

Financial assets	Carrying Amount 31.12.2011 Sh'000	No stated maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities held to maturity:-							
Government bonds and treasury bills at fixed rate	1,206,318	-	289,276	85,000	15,000	20,000	797,042
Equity securities:							
At fair value through profit or loss - Listed securities	62,183	62,183	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	216,461	-	47,615	17240	17240	17,156	117,210
Fixed and other deposits	1,105,340	-	1,105,340	-	-	-	-
Cash and bank balances	44,187	-	44,187	-	-	-	-
Total	2,634,489	62,183	1,486,418	102,240	32,240	37,156	914,252
Long - term insurance liabilities:							
Insurance contracts							
- Long term	280,998	-	280,998	-	-	-	-
Payables arising from reinsurance arrangements	68,318	-	68,318	-	-	-	-
Less assets arising from reinsurance contracts	(4,853)	-	(4,853)	-	-	-	-
Total	344,463	-	344,463	-	-	-	-
Difference in contractual cash flows	2,290,026	62,183	1,141,975	102,240	32,240	37,156	914,252

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Short term insurance contracts (Continued)

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the group's ALM framework for management of long-term insurance contracts as of 31 December 2010:

Life insurance business

Financial assets	Carrying Amount 31.12.2010 Sh'000	No stated maturity Sh'000	Contractual cash flows (undiscounted) 0-1 yr Sh'000	1-2 yrs Sh'000	2-3 yrs Sh'000	3-4 yrs Sh'000	> 5 yrs Sh'000
Debt securities held to maturity: -							
Government bonds and treasury bills at fixed rate	565,350	-	50,841	19,000	33,609	15,000	446,900
Equity securities:							
At fair value through profit or loss - listed securities	73,826	73,826	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	286,005	-	96,508	400	-	-	189,097
Fixed and other deposits	709,869	-	709,869	-	-	-	-
Cash and bank balances	129,920	-	129,920	-	-	-	-
Total	1,764,970	73,826	987,138	19,400	33,609	15,000	635,997
Long- term insurance liabilities:							
Insurance contracts-Long term	243,299	-	243,299	-	-	-	-
Payables arising from reinsurance arrangements	18,668	-	18,668	-	-	-	-
Less assets arising from reinsurance contracts	(4,853)	-	(4,853)	-	-	-	-
Total	257,114	-	257,114	-	-	-	-
Difference in contractual cash flows	1,507,856	73,826	730,024	19,400	33,609	15,000	635,997

Financial risk

The group is exposed to a range of financial risks 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 insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity 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 equity price risk.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The group's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 10 basis points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the group's overall exposure to interest rate sensitivities included in the group's ALM framework and its impact in the group's profit or loss by business.

An increase/decrease of 5 % in interest yields would result in an increase/decrease of the profit for the year and equity by Sh 17,087,500 (2010: Sh 11,768,000).

(ii) Equity price risk

The group is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposure to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

The group has a defined investment policy which sets limits on the group's exposure to equities both in aggregate terms and by industry. This policy of diversification is used to manage the group's price risk arising from its investments in equity securities.

Investment management meetings are held monthly. At these meetings, senior managers meet to discuss investment return and concentration of the equity investments.

Listed equity securities represent 89% (2010: 96%) of total equity investments. If equity market indices had increased/ decreased by 5%, with all other variables held constant, and all the group's equity investments moving according to the historical correlation with the index, the profit for the year would increase/decrease by Sh 7,507,850 (2010: Sh 9,286,478) and equity would increase/decrease by Sh 8,284,439 (2010: Sh 10,491,028).

(iii) Currency risk

Foreign currency exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group primarily transacts in Kenya shilling and its assets and liabilities are denominated in the same currency. The group is therefore not exposed to currency risk.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from corporate bond issuers
- Cash and cash equivalents (including fixed deposits)

The group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim, the group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on annual basis by reviewing their financial strength prior to finalisation of any contract.

In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

The table below indicates the carrying amounts of assets bearing credit risk:

	2011 Sh'000	2010 Sh'000
General insurance business		
Debt securities held to maturity:		
- Government bonds and treasury bills	1,267,572	594,814
Equity securities:		
At fair value through profit or loss - listed securities	82,527	110,097
Available for sale -unlisted securities	16,205	24,764
Loans and receivables from insurance and reinsurance contracts	908,946	885,055
Fixed and other deposits	1,624,699	1,344,364
Cash and bank balances	111,592	120,465
Total	4,011,521	3,079,559
Long term insurance business		
Financial assets		
Debt securities held to maturity:		
- Government bonds and treasury bills	1,206,318	565,350
Equity securities:		
At fair value through profit or loss:		
- Listed securities	62,183	73,826
Loans and receivables from insurance and reinsurance contracts	216,461	286,005
Fixed and other deposits	1,105,340	709,869
Cash and bank balances	44,187	129,920
Total	2,634,489	1,764,970

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The exposure to individual counterparties is also managed through other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the group. Management information reported to the directors include details of provisions for impairment on receivables and subsequent write offs.

The analysis of financial assets past due and impaired is made up as follows:

At 31 December 2011	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000
General insurance business			
Agents	263,073	34,001	14,371
Brokers	153,153	56,379	11,496
Direct	138,503	33,854	2,874
Total	554,729	124,234	28,741
Long term insurance business	25,522	-	-
At 31 December 2010			
General insurance business			
Agents	161,790	14,524	5,833
Brokers	119,758	41,588	9,814
Direct	205,828	34,920	8,750
Total	487,376	91,032	24,397
Long term insurance business	91,655	-	-

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid. The credit control department is actively following this debt. In addition, the group also owes most of the reinsurance debtors hence any default would be offset from the payables arising from reinsurance contracts.

The debt that is impaired has been fully provided for. However, debt collectors as well as management are following up on the impaired debt.

Management makes regular reviews to assess the degree of compliance with the group's procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the management.

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the group is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand.

The table below provides a contractual maturity analysis of the group's financial liabilities:

General insurance business

	31 December 2011				31 December 2010			
	6 months or on demand Sh'000	Between 6 months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000	6 months or on demand Sh'000	Between 6 months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000
Insurance contract liabilities	963,329	-	-	963,329	619,988	-	-	619,988
Payables arising from reinsurance arrangements	78,570	-	-	78,570	2,474	-	-	2,474
Other payables	169,611	-	-	169,611	501,000	-	-	501,000

Long term insurance business

	31 December 2011				31 December 2010			
	6 months or on demand Sh'000	Between 6 months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000	6 months or on demand Sh'000	Between 6 months and 1 year Sh'000	More than 1 year Sh'000	Total Sh'000
Insurance contract liabilities	280,998	-	-	280,998	243,299	-	-	243,299
Payables arising from reinsurance arrangements	68,318	-	-	68,318	18,668	-	-	18,668
Other payables	389,145	-	-	389,145	383,400	-	-	417,966

Notes to the Financial Statements continued

For the year ended 31 December 2011

46 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value hierarchy

The group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi stock exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

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

GROUP

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2011				
Fair value through profit or loss				
- Equity investments	144,710	-	-	144,710
- Available for sale investments	15,532	-	-	15,532
	159,298	-	-	159,298
31 December 2010				
Fair value through profit or loss				
- Equity investments	183,923	-	-	183,923
- Available for sale investments	24,091	-	-	24,091
	208,014	-	-	208,014

COMPANY

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2011				
Fair value through profit or loss				
- Equity investments	143,766	-	-	143,766
- Available for sale investments	15,532	-	-	15,532
	159,298	-	-	159,298
31 December 2010				
Fair value through profit or loss				
- Equity investments	182,494	-	-	182,494
- Available for sale investments	24,091	-	-	24,091
	206,585	-	-	206,585

Notes to the Financial Statements continued

For the year ended 31 December 2011

47 CAPITAL RISK MANAGEMENT

The group maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the group's risk profile and the regulatory and market requirements of its business.

The group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to satisfy the requirements of its policyholders, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth;
- to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

An important aspect of the group's overall capital management process is the setting of target risk-adjusted rate of return which is aligned to performance objectives and ensures that the group is focused on the creation of value for shareholders.

The group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The group considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital. The group manages as capital all items that are eligible to be treated as capital for regulatory purposes.

The group is regulated by the Kenya Insurance Regulatory Authority and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The group manages capital in accordance with these rules and has embedded in its ALM framework the necessary tests to ensure continuous and full compliance with such regulations. The group has complied with all externally imposed capital requirements throughout the year.

The constitution of capital managed by the group is as shown below:

	2011 Sh'000	2010 Sh'000
General insurance business		
Share capital	1,492,880	375,194
Share premium	584,877	37,516
Funds awaiting allotment of shares	-	928,224
Fair value reserve	14,264	22,823
Retained earnings	795,148	413,549
Equity	2,887,169	1,777,306

The general insurance business had no external financing at 31 December 2011 and 31 December 2010.

Notes to the Financial Statements continued

For the year ended 31 December 2011

47 CAPITAL RISK MANAGEMENT (Continued)

Long term insurance business

	2011 Sh'000	2010 Sh'000
Share capital	686,775	236,119
Share premium	13,225	13,225
Statutory reserve	651,418	542,541
Funds awaiting allotment	-	4,235
Revaluation surplus	55,555	35,621
Equity	1,406,973	831,841

The long term insurance business had no external financing at 31 December 2011 and 31 December 2010.

The subsidiary CIC Asset Management Limited is regulated by the Capital Markets Authority which prescribes a minimum share capital of Sh 10 Million. The working capital shall not fall below 20% of the minimum required share capital or three times minimum monthly operating costs, whichever is higher.

The subsidiary met the minimum capital requirement as detailed below:

	2011 Sh'000	2010 Sh'000
Minimum capital requirement	10,000	10,000
Capital held at 31 December:		
Share capital	11,000	11,000
Funds awaiting allotment of shares	300,000	-
Revenue reserve	19,398	1,431
	330,398	12,431
Working capital:		
Net working capital	329,454	11,022
20% of the minimum share capital	2,000	2,000

The capital structure of the subsidiary consists of, issued share capital and revenue reserves. The net working capital is above 20% of the minimum share capital. The subsidiary had no external financing at 31 December 2011 and 31 December 2010.

48 INCORPORATION

The company is incorporated in Kenya under the companies Act and is domiciled in Kenya.

49 CURRENCY

The financial statements are presented in Kenya shillings thousands (Sh '000').

Company Statement of Comprehensive Income

APPENDIX I

For the year ended 31 December 2011

	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2011 Sh'000	General Insurance Business Sh'000	Long-Term Insurance Business Sh'000	Total 2010 Sh'000
Gross written premiums	4,580,309	2,155,412	6,735,721	2,961,208	1,595,094	4,556,302
Gross earned premiums	3,961,009	2,155,412	6,116,421	2,312,972	1,595,094	3,908,066
Less:						
Reinsurance premiums ceded	(568,519)	(203,606)	(772,125)	(277,431)	(80,869)	(358,300)
Net earned premiums	3,392,490	1,951,806	5,344,296	2,035,541	1,514,225	3,549,766
Commissions earned	148,061	-	148,061	64,044	-	64,044
Investment income	280,802	232,995	513,797	120,071	114,315	234,386
Other gains and losses	19,984	(32,364)	(12,380)	63,866	29,694	93,560
	448,847	200,631	649,478	247,981	144,009	391,990
Total income	3,841,337	2,152,437	5,993,774	2,283,522	1,658,234	3,941,756
Claims and policyholders benefits payable	(1,897,726)	(1,252,118)	(3,149,844)	(1,167,000)	(840,214)	(2,007,214)
Commissions payable	(454,786)	(102,587)	(557,373)	(248,875)	(53,213)	(302,088)
Operating and other expenses	(828,289)	(677,110)	(1,505,399)	(520,372)	(507,607)	(1,027,979)
	(3,180,801)	(2,031,815)	(5,212,616)	(1,936,247)	(1,401,034)	(3,337,281)
Profit before taxation	660,536	120,622	781,158	347,275	257,200	604,475
Transfer from general business	-	-	-	(70,000)	70,000	-
Total profit before taxation	660,536	120,622	781,158	277,275	327,200	604,475
Taxation charge	(181,174)	(13,921)	(195,095)	(94,617)	(23,944)	(118,561)
Profit for the year	479,362	106,701	586,063	182,658	303,256	485,914
OTHER COMPREHENSIVE INCOME						
Surplus on revaluation of buildings	-	22,110	22,110	-	2,774	2,774
Fair value gains on available for sale investments	(8,559)	-	(8,559)	22,823	-	22,823
Other comprehensive income for the year net of tax	(8,559)	22,110	13,551	22,823	2,774	25,597
Total comprehensive income for the year	470,803	128,811	599,614	205,481	306,030	511,511

Long Term Business Revenue Account

APPENDIX II

For the year ended 31 December 2011

	Ordinary life Sh '000	Group life Sh '000	Total 2011 Sh '000	Total 2010 Sh '000
Gross premium written	286,798	1,868,612	2,155,412	1,595,094
Less: Reinsurance payable		(203,606)	(203,606)	(80,869)
Net premium income	286,798	1,665,008	1,951,806	1,514,225
Policyholders' benefits:				
Life and health claims	4,822	767,690	772,512	637,015
Maturities	79,954	-	79,954	78,668
Surrenders	7,133	-	7,133	4,815
Actuarial adjustment of policy holders liability	76,561	315,958	392,519	119,716
Net policyholders' benefits	168,470	1,083,648	1,252,118	840,214
Commissions paid	48,628	53,959	102,587	53,213
Expenses of management	95,060	579,769	674,829	506,538
Premium tax	-	2,281	2,281	1,069
Total expenses and commissions	143,688	636,009	779,697	560,820
Investment income	33,228	167,403	200,631	144,009
Increase in life fund before tax	7,868	112,754	120,622	257,200
Transfer from general business				70,000
Total increase in life fund before taxation	7,868	112,754	120,622	327,200
Tax charge	-	(13,921)	(13,921)	(23,944)
Increase in life fund after tax	7,868	98,833	106,701	303,256
Increase in life fund for the year	7,868	98,833	106,701	303,256

The revenue account was approved by the board of directors on 3 March 2012 and was signed on its behalf by:

J A Magomere (Chairman) N C Kuria (Principal Officer) J N Njoroge (Director)

General Business Revenue Account

For the year ended 31 December 2011

APPENDIX III

	C.A.R & Engin-eering Shs.'000	Fire Domestic Shs.'000	Fire Industrial Shs.'000	Liability Insurance Shs.'000	Marine & Transit Shs.'000	Motor Private Shs.'000	Motor Comm-ercial Shs.'000	Motor Pool Shs.'000	Medical Insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Workmen's Compen-sation Shs.'000	Misc. Accident Shs.'000	Micro Solutions Shs.'000	Total 2011 Shs.'000	Total 2010 Shs.'000
Gross premium written	92,988	66,860	250,727	11,544	4,400	1,274,519	1,394,332	-	801,240	151,074	328,597	111,144	86,554	6,323	4,580,309	2,961,208
Unearned premium b/f	9,046	19,467	53,413	3,856	267	488,827	450,116	-	50,010	41,575	80,555	43,086	5,598	-	1,245,822	597,587
Unearned premium c/f	(17,997)	(21,551)	(66,154)	(6,034)	(771)	(569,921)	(648,419)	-	(332,238)	(46,688)	(98,625)	(44,623)	(12,096)	-	(1,865,122)	(1,245,823)
Gross earned premium	84,037	64,776	237,986	9,366	3,896	1,193,425	1,196,029	-	519,012	145,961	310,527	109,607	80,056	6,323	3,961,009	2,312,972
Reinsurance premium	(51,162)	(3,970)	(108,443)	(392)	(2,764)	(31,205)	(34,139)	-	(246,634)	(21,846)	(10,215)	(2,721)	(55,021)	-	(568,519)	(277,431)
Net earned premium	32,875	60,806	129,543	8,974	1,132	1,162,220	1,161,890	-	272,378	124,115	300,312	106,886	25,035	6,323	3,392,490	2,035,541
Gross claims Paid	9,412	8,806	31,982	6,250	(10)	699,588	446,530	-	173,266	30,660	113,837	21,891	12,170	-	1,554,382	1,131,213
Outstanding claims c/f	7,066	5,967	31,038	36,223	44	356,596	307,753	2,092	48,229	31,573	87,178	42,531	7,032	-	963,322	619,988
Outstanding claims b/f	(1,650)	(3,463)	(15,753)	(28,601)	(23)	(241,815)	(182,352)	(2,092)	(13,595)	(21,990)	(70,427)	(33,425)	(4,796)	-	(619,982)	(584,201)
Net claims incurred	14,828	11,310	47,267	13,872	11	814,369	571,931	-	207,900	40,243	130,588	30,997	14,406	-	1,897,726	1,167,000
Commission receivable	(15,738)	(714)	(38,122)	-	(758)	-	-	-	(79,383)	(3,634)	(851)	-	(8,858)	-	(148,061)	(64,044)
Commissions payable	13,525	8,021	31,128	1,604	496	94,011	104,120	-	127,261	16,935	38,436	17,049	1,597	602	454,786	248,875
Net commission	(2,213)	7,307	(6,994)	1,604	(262)	94,011	104,120	-	47,878	13,301	37,585	17,049	(7,261)	602	306,725	184,831
Management Expenses	16,418	12,655	46,495	1,830	761	233,160	253,676	-	81,399	28,517	60,668	21,414	15,641	1,235	773,869	488,859
Premium Tax	1,105	794	2,979	137	52	15,143	16,567	-	9,520	1,795	3,904	1,321	1,028	75	54,420	31,513
Total	17,523	13,449	49,474	1,967	813	248,303	270,243	-	90,919	30,312	64,572	22,735	16,669	1,310	828,289	520,372
Total claims expenses and commissions	30,138	32,066	89,747	17,443	562	1,156,683	946,294	-	346,697	83,856	232,745	70,781	23,814	1,912	3,032,740	1,872,202
Underwriting (loss)/profit	2,737	28,740	39,796	(8,469)	570	5,537	215,596	-	(74,319)	40,259	67,567	36,105	1,221	4,411	359,750	163,339

The revenue account was approved by the board of directors on 3 March 2012 and was signed on its behalf by:

J A Magomere (Chairman)

N C Kuria (Principal Officer)

J N Njoroge (Director)

Administration

SENIOR MANAGEMENT

Nelson Chege Kuria	Group Chief Executive Officer	BA Economics
Kenneth Muthemba Kimani	Managing Director - CIC General Insurance Ltd	MBA, BSc Business Adminstration, ACII
Peter Mutarura Mwaura	Managing Director - CIC Asset Management Ltd	BSc International Business Administration, Diploma In Co-op Management
David Kipruto Ronoh	Managing Director - CIC Life Assurance Ltd	MSc Population Studies, BEd Statistics, Post Graudate Diploma in Actuarial Science
Jonah Kiprotich Tomno	General Manager - Marketing	MBA, BCom, ACII Diploma
Gail Odongo	General Manager - Corporate services/Company Secretary	LLB, CPS (K), MBA
Richard Nyakenogo Manyura	General Manager Co-operative Business and Branches	MBA, BCom, Diploma In Co-op Management
Milka Njoki Kinyua	Assistant General Manager - General Business	MBA, BEd Arts, ACII Diploma
Joel Gatune	Assistant General Manager - Finance	BA Econ, MBA, CPA(K), CPS(K), ACIArb
Jackson Kionga Kamau	Assistant General Manager- Life Business	BB Administration, ACII
Henry Njerenga Njeru	Assistant General Manager - CIC Town Office	Advanced Diploma in Business Management
Michael Mwangi Mugo	Assistant General Manager - Corporate Affairs	BA - Ed, Co-op Management
Rose Wanjohi	Group Human Resources Manager	BCom, MSC, Diploma HR Management
Muyesu Kago Luvai	Chief Internal Officer	BCom Marketing, CPA (K)

HEADS OF DEPARTMENTS

Stanley Kitur Kipkirui	Information Technology and Communication Manager	MBA, BCom Accounting, Post Graduate Diploma Computer Science
Steve G Ochieng	Claims Manager - Life Business	Diploma Co-op Management
Jones Micah Otwori	Operations Manager - Group Life Business	MBA, BA Econ, ACII Diploma
Dickson Ireri Njuki	Claims Manager - General Business	MBA, BCom, LIK Diploma
Edel Njeri Marambu	Business Development Manager - General Business	BCom, ACII Diploma
Jane Wanjiru Gitau	Business Development Manager - Group Life & Medical	BA Econ, ACII Diploma
Stanley Mutuku Mutua	Unit Trust Manager	BA Business Administration - Marketing
Meshack Miyogo Sospeter	Business Development Manager - Alternative Channels	BEd Economics & Business
Florence Waithira Kimani	ICT Manager - General Business Systems	BCom Management Science, Diploma Computer Studies
Robert Mutua Makaa	ICT Manager - Business Intelligence	Higher Diploma- Computer Studies
Ephraim Lumbasio Gallo	Senior Relationship Manager - Co-operative Business	Dip - Social Development
Joram Nyachwaya Ochieng'i	Business Development Manager - Religious/Educational Organizations	BCom Insurance
Joseph Mbagu Gatiko	Finance Manager - General Business	BEd Science, CPA(K)
Tyrus Mwangi Maina Kanja	Finance Manager - Life	BSc - International Business Administration, CPA (K)
Abnery Mathias Madara	Manager - Medical Business	BA, Diploma in Business Administration
Benjamin Muendo Mwangangi	Underwriting Manager - General Business	MBA, BCom Insurance, ACII
Susan Robi	Manager - Risk and Compliance	LLB (MUK) Diploma in Law, LLM Finance
Mary Wanga	Legal Manager	LLB, CPS(K), Diploma in Law

SALES/AREA MANAGERS

Stephen Muchire	National Sales Manager - Individual Life	MBA, BEd, Diploma in Marketing, Co-op
Alex Mahugu	Sales Manager - Microinsurance	BA. Econ
Samuel Ronoh	Area Manager - Rift Valley	BA. Econ
Peter Gitonga	Area Manager - Coast	BCom Insurance, ACII
Zachary Wambugu	Area Manager - Central	BCom Insurance
John Kirera	Area Manager - Eastern	BA, Co-op
R. Nyamombi	Area Manager - Nyanza & Western	BEd Economics, Co-op
Harreate Wanjiru Mejah	Area Manager - Kiambu & Thika	BB Administration

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Notes

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We keep our word

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