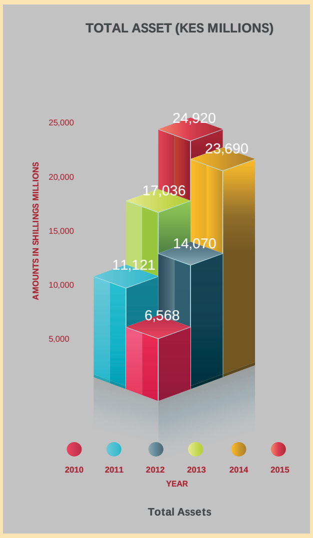
CIC GROUP

CIC INSURANCE GROUP LIMITED

2015 ANNUAL REPORT AND FINANCIAL STATEMENTS

We keep our word


A word is a promise we make to ourselves
SUCCESS
We stand behind every word you stand for
CIC GROUP



CONTENTS

BUSINESS REVIEW

Corporate Information	4
AGM Notice	5
Chairman's Report	8 - 9
Directors Information	10 - 15
CEO's Report	16 - 17
Management Information	18 - 22
Financial Highlights	23
Corporate Governance Statement	24 - 30
Corporate Social Responsibility	32 - 35
Report of the Directors	36
Statement of Directors' Responsibilities	37
Report of the Independent Auditors	38 - 39

FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income	40 - 41
Consolidated Statement of Financial Position	42
Company Statement of Financial Position	43
Consolidated Statement of Changes in Equity	44
Company Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Company Statement of Cash Flows	48

NOTES

Notes to the Financial Statements	49 - 147

SUPPLEMENTARY INFORMATION

CIC Life Assurance Revenue Account
CIC General Insurance Revenue Account

CORPORATE INFORMATION

DIRECTORS

J A Magomere	-	Group Chairman
Rev. P N Kagane	-	Group Vice Chairman
T Gitogo	-	Group Chief Executive Officer
H Githae		
P N Kipkirui		
G O Owuor		
M O Wambia		
J M Mutuku		
V Leseya		
R M Githaiga		
M Mungai		
P Lopokoiyit	-	Appointed 25 October 2015

COMPANY SECRETARY

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

REGISTERED OFFICE

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

SENIOR MANAGEMENT

T Gitogo	-	Group Chief Executive Officer
G Wafula	-	Group Chief Finance Officer
E Wachira	-	Managing Director - CIC General Insurance Limited
E Owour	-	Managing Director - CIC Life Assurance Limited
S Mutua	-	Acting Managing Director - CIC Asset Management Limited
J Omare	-	Managing Director - CIC Transcoop
M Mugo	-	Managing Director - South Sudan
R Murigih	-	Managing Director CIC Africa - Malawi
R Nyamombi	-	Managing Director - Uganda
G Odongo	-	Group Company Secretary/Chief Legal Officer
M Luvai	-	Group Chief Internal Auditor
M Njeru	-	Group Resident Actuary
H Malmqvist	-	Group Chief Information Officer
S Robi	-	Group Risk and Compliance Manager
P Oyugi	-	Group Human Resources and Administration Manager
J Kamiri	-	General Manager Marketing and Distribution
R Nyakenogo	-	General Manager Cooperatives
F Ruoro	-	General Manager Medical

AUDITORS

Ernst & Young LLP
Certified Public Accountants
Kenya Re Towers, Upper Hill
Off Ragati Road
P.O. Box 44286 - 00100
Nairobi, Kenya

PRINCIPAL BANKERS

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

CONSULTING ACTUARIES

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty eighth (38th) Annual General Meeting of **CIC INSURANCE GROUP LIMITED** will be held at the **Hilton Hotel**, on **13th May 2016** at **10.00am** to transact the following business:-

AGENDA

Ordinary Business

1. To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2015 together with the Directors' and Auditor's Reports thereon.
3. To declare a first and final dividend of Kshs. 0.105 per share in respect of the year ended 31st December 2015, to be paid on or before 20th June 2016 to the shareholders appearing on the register of members at the close of business on 6th May 2016.
4. To elect Directors:
    i. Rosemary Githaiga retires by rotation in accordance with Article 125 of the Company's Articles of Association, and being eligible offers herself for re-election.
    ii. Harrison Githae retires by rotation in accordance with Article 125 of the Company's Articles of Association, and being eligible offers himself for re-election.
    iii. In accordance with Article 128 of the Company's Articles of Association, Philip Lopokoiyit, appointed by the Board on 25th October 2015 to fill a casual vacancy retires and being eligible offers himself for re-election.
    iv. Rev. Peterson Kagane retires by rotation in accordance with Article 125 of the Company's Articles of Association and does not offer himself for re-election.
    v. Election of James Njue Njiru a director nominated by Co-operative Insurance Society Limited, the Majority Shareholder, in accordance with Article 131 of the Company's Articles of Association.
5. To authorize the board to fix the remuneration of the board.
6. To re-appoint Messrs Ernst and Young as auditors of the company in accordance with section 721(2) of the Companies Act, 2015.
7. To authorize Directors to fix the remuneration of the appointed auditors in accordance with Section 721(2) of the Companies Act 2015.
8. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board,
GAIL ODONGO
GROUP COMPANY SECRETARY

Dated at Nairobi this 21st day of April 2016

Notes:

1. In accordance with section 298 (1) of the Companies Act, 2015 (Laws of Kenya) every member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the Company.
2. A proxy form may be obtained from the Company's website (*www.cic.co.ke*) or from the Registrar of the Company at CIC plaza Mara Road P.O. Box 59485-00200. To be valid, a proxy form must be duly completed and signed by the member and must either be lodged at the offices of the Registrar, or to be posted, so as to reach the Registrar not later than 24 hours before the meeting, i.e not later than 12th May 2016 at 10.00 am.
3. In accordance with Article 163 of the Company's Article of Association, a copy of the entire Annual Report and Accounts may be obtained at our Company's website (*www.cic.co.ke*).

OUR PHILOSOPHIES

OUR MISSION

To enable people achieve financial security.

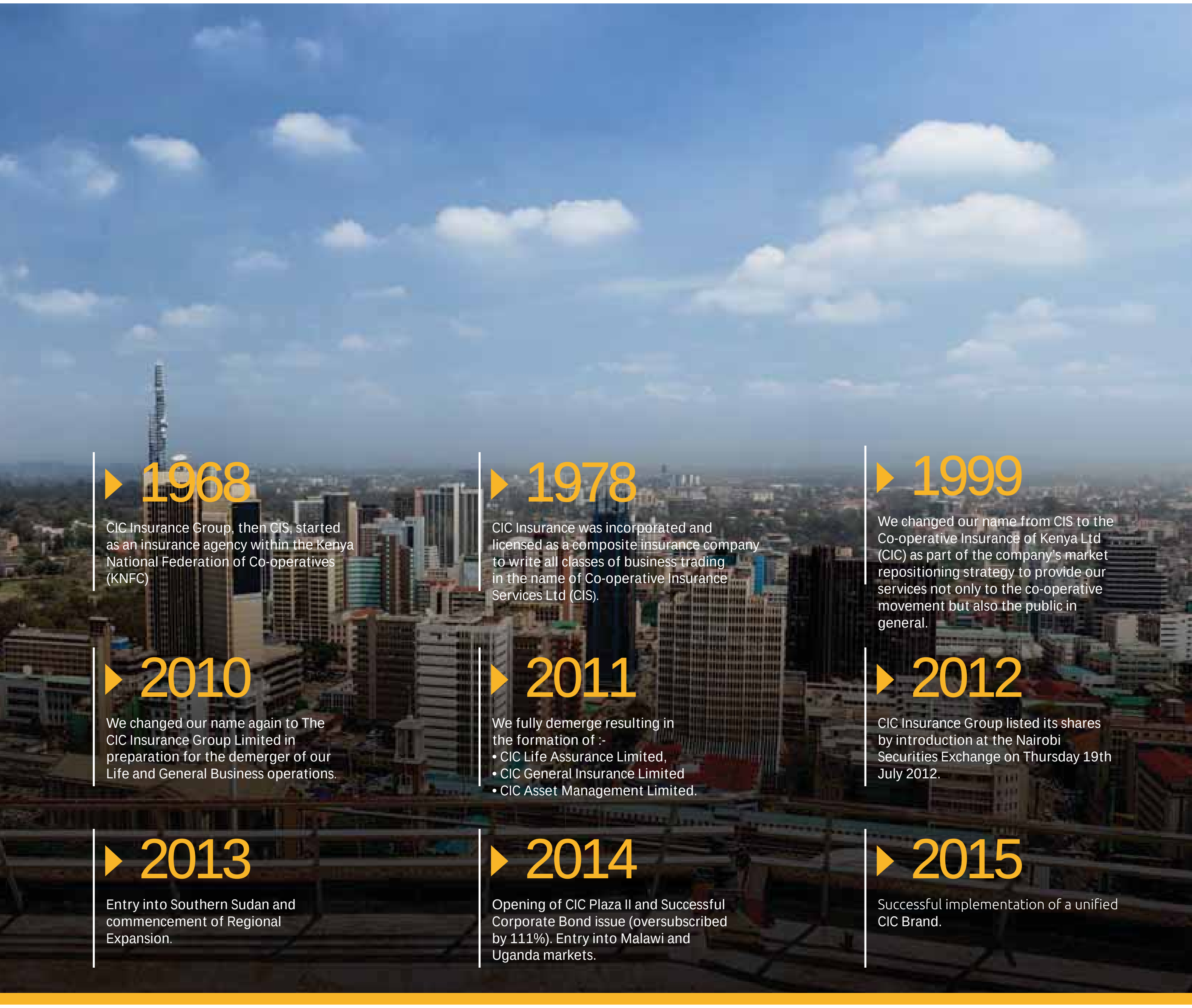
OUR VISION

To be a world class provider of insurance and other financial services.

OUR VALUES

Dynamism - Be passionate and innovative
Integrity - Be fair and transparent
Performance - Be efficient and results driven
Cooperation - Live the cooperative spirit

OUR STORY



1968
CIC Insurance Group, then CIS, started as an insurance agency within the Kenya National Federation of Co-operatives (KNFC)

1978
CIC Insurance was incorporated and licensed as a composite insurance company to write all classes of business trading in the name of Co-operative Insurance Services Ltd (CIS).

1999
We changed our name from CIS to the Co-operative Insurance of Kenya Ltd (CIC) as part of the company's market repositioning strategy to provide our services not only to the co-operative movement but also the public in general.

2010
We changed our name again to The CIC Insurance Group Limited in preparation for the demerger of our Life and General Business operations.

2011
We fully demerge resulting in the formation of :-

- CIC Life Assurance Limited,
- CIC General Insurance Limited
- CIC Asset Management Limited.

2012
CIC Insurance Group listed its shares by introduction at the Nairobi Securities Exchange on Thursday 19th July 2012.

2013
Entry into Southern Sudan and commencement of Regional Expansion.

2014
Opening of CIC Plaza II and Successful Corporate Bond issue (oversubscribed by 111%). Entry into Malawi and Uganda markets.

2015
Successful implementation of a unified CIC Brand.

FROM THE CHAIRMAN'S DESK

Mr. Japheth Anavila Magomere OGW
Group Chairman

"Profit after tax was KShs 1.13 billion compared to KShs 1.09 billion in 2014 increasing by 4.4%. The growth in profits is attributed to business realignment."

On behalf of the Board of CIC Insurance Group I am pleased to present to you the Annual Report and Financial Statements of the Group for the year ended 31st December 2015. The CIC Insurance Group Limited recently realigned its new business strategy and forged a fresh new image to reflect and respond to the new business environment we are currently operating in.

ECONOMIC AND BUSINESS ENVIRONMENT

Despite a difficult and highly competitive business environment, we are glad to note that Kenya's economy grew by 5.5% in the second quarter of 2015. The economy is expected to grow by 6% in 2016 which will provide a favorable environment for our business. The heavy infrastructure development like the Standard Gauge Railway and LAPSSET project is expected to have a positive domino effect throughout the region's economy and drive up demand for insurance products.

We are closely monitoring the real estate, technology and financial sectors as they are currently driving the growth of Kenya's economy.

The insurance sector remains vibrant as ever despite penetration being at 3%. Our new business strategy is geared at reaching out to new and existing market segments with innovative products that will hopefully persuade Kenyans to realize the importance of insurance and investment.

GROUP PERFOMANCE

2015 was a challenging year for many organizations, especially those in the insurance industry. The market was characterized with increased competition, fraud, price undercutting among other factors which influenced the performance of various insurance

CHAIRMAN'S REPORT (Continued)

firms. Despite these cited challenges, CIC managed to register impressive results emerging as a strong player in the market.

CIC Group registered a gross earned premium of KShs 12.6 billion compared to KShs 13.4 billion in 2014. This translated to a 5% decline mainly attributable to non-profitable business from medical and group life business lines. The decline was a deliberate move to ensure a turnaround of the two lines of business. Pre-tax profit was KShs 1.34 billion from KShs 1.39 billion registered in 2014, translating to a 3.7% decline mainly due to poor performance of equities at the NSE.

Our business realignment process involved an analysis of our customer base in medical business, where we focused efforts on profitable business accounts. We will continue to put strong measures to drive the company towards profitable growth.

Profit after tax was KShs 1.13 billion compared to KShs 1.09 billion in 2014 increasing by 4.4%. The growth in profits is attributed to business realignment in general business, our group life business and our investment portfolio.

Asset base was KShs 24.9 billion compared to KShs 23.6 billion in 2014, a growth of 5.2%. Our asset base is expected to continue growing with increasing profitability. We are determined to pursue a strategy that safeguards our profitability further to build our financial strength.

As a result of the financial performance the Board has recommended paying improved dividends of 10.5 cents per share.

GIVING BACK TO SOCIETY

CIC Group participated in projects mainly targeting the youth, women and children. Our CSR initiatives were implemented by the CIC foundation which is now the corporate body that CIC Group has charged with this responsibility. Activities were guided by five CSR framework pillars of environmental sustainability, talent development and empowerment, building future customers, sports, public risk and awareness. Notable activities included those supporting growth of the cooperative movement. This included Ushirika Day Celebrations which involved tree planting activities, emphasizing the need for nature conservation in Kenya. Other activities supported through Ushirika included sports activities which targeted the youth, aiming at nurturing and growing talent.

FUTURE OUTLOOK

CIC Group is confident about its strategic direction laid out in the 2014 -2018 strategic plan. To remain competitive, we are consistently reviewing our products to make them relevant to the changing market trends. We are confident about the growth potential that rests in life business. In our efforts to transform Ordinary Life, we will be increasing our financial advisors workforce to about 900 by close of 2016, so as to widen our reach in the market and improve life insurance uptake. We continue to train our financial advisors, thereby equipping them with knowledge and skills relevant in today's market. This will empower them to confidently approach and conquer the market. To further grow our business, we are reviewing market opportunities that have the capacity for growth, locally and in the region using established groups such as cooperatives and other aggregators like banks, churches and schools. We will consistently review our general and life business, analyzing account performance in view of retaining businesses bearing the potential of driving the company towards profitable growth.

ACKNOWLEDGEMENT

Finally I would like to thank our esteemed clients for their continued support and their patronage of our products and services. I would also like to thank our business partners, brokers, agents and all intermediaries. I must also thank my fellow directors for their dedication and insights as well as our staff and financial advisors for their hard work and commitment to the company.

Japheth A Magomere, OGW

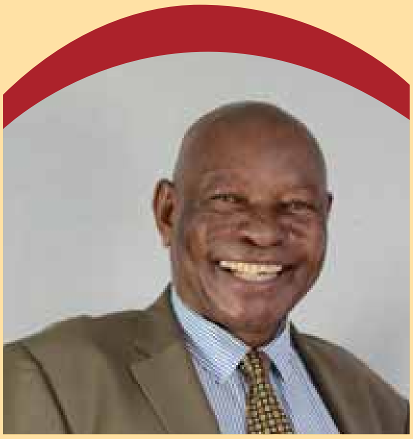
GROUP CHAIRMAN

BOARD OF DIRECTORS

From left to right:
Rosemary Githaiga - Director, Gordon Owour - Director, Gail Odongo - Group Company Secretary, Japheth Magomere - Chairman, Rev.Peterson Kagane - Group Vice Chairman, Mary Mungai - Director, Philip Lopokoiyit - Director

From left to right:
Jonah Mutuku - Director, Veronicah Leseya - Director, Michael Wambia - Director, Tom Gitogo - Group CEO, Harrison Githae - Director, Peter Nyigei - Director.

BOARD OF DIRECTORS



JAPHETH ANAVILA MAGOMERE, OGW

Chairman

Mr. Japheth Anavila Magomere, aged 64, has been a member of the Board since 1988 and is the Director representing Nairobi Region, Private Sector based societies. He has been the Chairman of CIC Insurance Group Limited since 2004. He has been a Delegate of Co-op Holdings Co-operative Society (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)], Honorable Secretary Maisha Bora Sacco since 1984, a Council member of East African Farmers Federation since 2008, the current Chairman of the National Council for Ushirika Day Celebrations, a board member of the International Co-operative Alliance ("ICA"), Africa Chapter and a Board Member of several secondary schools. He was honoured with the Order of the Grand Warrior of Kenya ("OGW") in 2009.

REV. PETERSON NJUE KAGANE

Vice- Chairman

Rev. Peterson Njue Kagane, aged 57, 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 and the Vice-Chairman of CIC Insurance Group Ltd. Rev. Kagane was the Vicar General and the Provost of St. Paul's Cathedral of ACK Diocese, 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. The Director has also undergone a specialized Life Insurance Business Management Training conducted by LIMRA (Life Insurance and Market Research Association).

TOM GITOGO

Group Chief Executive Officer

Mr. Tom Gitogo, aged 47, is the Group Chief Executive Officer of CIC Insurance Group Ltd. Tom has an MBA in Strategic Management and holds a BSc in Civil Engineering from the University of Nairobi. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as the Institute of Certified Public Secretaries CPS(K). Tom is a Fellow member of ICPAK and a Fellow member of the Kenya Institute of Management. He has served as the Deputy Chairman of the Association of Kenya Insurers (AKI) and the Chairman of its Life Insurance Council. Tom also sits in the Life Insurance Committee of the African Insurance Organization (AIO) and is a Member of the Institute of Directors of Kenya. In 2012 he won the coveted CEO of the Year Award in the prestigious COYA awards.

BOARD OF DIRECTORS

GORDON ONDIEK OWUOR

Director

Mr. Gordon Ondiek Owuor, aged 59, joined the Board in 2006. He is the Director representing Nyanza Region based societies. Mr. Owuor is the Chairman of Jumuika (formerly Chemelil) SACCO, a member of the Nyanza Provincial Co-operative Development Team and a Member of the Institute of Directors-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. The Director has undergone a specialized Life Business Management Training conducted by LIMRA (Life Insurance and Market Research Association).

MICHAEL ONDINYA WAMBIA

Director

Mr. Michael Ondinya Wambia, aged 48, joined the Board in 2008. He is the Director representing Western Region based societies and is the Chairman of FARIDI SACCO. He is a teacher by profession. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute) and he is also a Member of the Institute of Directors Kenya.

JONAH MAKAU MUTUKU

Director

Mr. Jonah Makau Mutuku, aged 68, joined CIC Board in 2008. He is the Director representing Coast and North Eastern Province Based Societies and is the Chairman of MAFANIKIO SACCO. He is a retired teacher and serves as the Vicar's Warden ACK St. Philips Church. Mr. Mutuku is a Delegate of Co-op Holdings Co-operative Society (the anchor shareholder of Co-operative Bank). He is also a member of the Institute of Directors of Kenya.

ROSEMARY MAJALA GITHAIGA

Director

Mrs. Rosemary Majala Githaiga, aged 52, joined the Board in 2010. She has over 25 years' experience as a lawyer and is the Group Company Secretary of the Co-operative Bank of Kenya Limited. She is a graduate of Nairobi University, LLB (Hons), Post- graduate Diploma in Legal Studies from Kenya School of Law. She is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries (CPS (K)), an Associate Member of the Chartered Institute of Arbitrators and a member of the Institute of Directors of Kenya.

BOARD OF DIRECTORS

PETER KIPKIRUI NYIGEI

Director

Mr. Peter Kipkirui Nyigei, aged 63, joined CIC Board in 2009. He is the Director representing Rift Valley Region based societies and is the secretary of Sinendet Tea Multipurpose Society. Further he is a Director of Imarisha SACCO. Mr. Kipkirui is a retired teacher and principal who at one time served as a Programme Officer and a trainer in Early Childhood Education, Bomet, Nakuru, Baringo and Kericho County. The Director has undergone General Insurance Business training. Mr. Nyigei is a member of the Institute of Directors of Kenya.

MARY NJERI MUNGAI

Director

Mrs. Mary Mungai, aged 58, is the Deputy Director, Marketing and New Ventures – in the State Department of Co-operatives in the Ministry of Industry, Investment and Trade. The Director holds an MSC in Agricultural Economics from Purdue University in USA and a BSC in Agriculture from the University of Nairobi. Mrs. Mungai has over 34 years' experience and skills in policy analysis, policy development, formulation, design and development of projects and programmes. She has been involved in implementation of projects funded by Ministries of Agriculture and department of Co-operatives, IFAD, World Bank, GTZ, SIDA, FAO and European Union. The Director is a member of the Institute of Directors of Kenya.

GAIL ODONGO

Group Company Secretary

Ms. Odongo, aged 43, is the Group Company Secretary/ Chief Legal Officer. 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 14 years of experience in various capacities and industries ranging from Audit, Banking and Finance, Insurance and Legal. Ms. Odongo joined CIC in 2011. The Company Secretary has completed the Advanced Management Programme from Strathmore University. She is also member of the Institute of Directors of Kenya

BOARD OF DIRECTORS

HARRISON GITHAE HUNYU

Director

Mr. Harrison Githae Hunyu, aged 68, is the Director representing Central Region based societies and is currently the Chairman of Mutheka FCS Limited. He previously served as a director of Coffee Exports 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 member of the Institute of Directors of Kenya. 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.

MR PHILIP LOPOKOIYIT

Director

Mr. Philip Lopokoiyit, aged 49, joined CIC Insurance Group Limited in November 2015 as an independent director and Chairman of the Audit committee. The Director has extensive experience in financial management and has served in senior management over the last 16 years as head of finance in various BAT Business units where he is currently the Finance Director BAT Kenya and the BAT East and Central Africa Area Head of Finance. Philip is a member of the Institute of Certified Public Accountants of Kenya CPA (K), a fellow Member of the Institute of Chartered Accountants of England and Wales (FCA) and a member of the Institute of Chartered Management Accountants, ACMA. He also holds an MBA from Warwick Business School, UK and a Bachelor of Commerce, Accounting option from the University of Nairobi. He has also attended various international and local trainings regarding matters of governance and leadership.

VERONICAH SOILA LESEYA

Director

Mrs Veronicah Soila Leseya-Owende, aged 42, joined CIC Group in 2012 as an Independent Director with oversight over minority interest. She currently heads the Admissions and Benefits Department at LAPFUND, with over 17 years working experience in pension and group life servicing. She holds a Bachelor of Arts (BA Hons) from Nairobi University and a Diploma in Insurance (AIIK). The Director is a Chartered Pension Analyst Manager (CPAM) and has undergone Trustees Development Programme Kenya (TPDK) and also a specialized Life Insurance Business Management Training conducted by LIMRA (Life Insurance and Market Research Association). She is a member of the Institute of Directors of Kenya (IOD), Insurance Institute of Kenya (IIK) and the Kenya Institute of Management (KIM).

FROM THE GCEO's DESK

Mr. Tom Gitogo
Group CEO

> "The economic environment in the country provides numerous opportunities for growth.."

INSURANCE INDUSTRY ENVIRONMENT

The insurance industry has faced a myriad of challenges in 2015 among them intense competition, fraudulent claims, and high interest rates. Not surprising therefore, a significant number of the players witnessed a reduction in profitability compared to the 2014 results. This is expected to be a short term phenomenon and the long-term outlook for the industry is a positive one; so much so that we have seen an unprecedented interest in our market by big multi-national insurance companies.

Support by the regulator in addressing various challenges has improved the way of doing business, inspiring more confidence in the market. The fraud detection unit for instance run by IRA (Insurance Regulatory Authority) is a measure that is addressing one of the major challenges currently facing the industry. We welcome and await the full implementation of Risk Based Capital regime as we believe it will improve the financial strength of the players.

The economic environment in the country provides numerous opportunities for growth. This will have a direct impact on insurance companies which are set to benefit from development in new sectors such as oil and gas, road expansion programs and power generation projects. At CIC Group we are excited about these developments and are positioning ourselves to take advantage of these opportunities as they arise.

LOCAL EXPANSION

During 2015, we increased our presence locally with the objective of making it easy for our clients to access our services. We now have a branch in Kitengela at the heart of the town, which will primarily serve customers from Kajiado County and its environs. Our Nanyuki branch officially opened in the third quarter of last year and we expect that it will tap the business potential in Laikipia County in sectors such as transport and agriculture. We acknowledge the ability of the devolved system of government to spur growth and development at the grassroots level and consequently, we will be increasing our presence in other strategic counties, to bring quality tailor made insurance and investment products closer to the people.

REGIONAL UPDATE

Our regional offices are progressing well, each pursuing strategies that match the business environment. CIC South Sudan office is taking advantage of planned development projects by government and private sector to grow its business. Although ongoing challenges in the country's political environment have slowed the rate of economic development, it is expected that once addressed, the country will experience positive growth given its wealth of resources and support from various partners in the region. Our Malawi office has received good support from the locals, who are directly working with us through established institutions such as MUSCCO, the country's cooperative apex body. Although uptake of insurance is lower than Kenya's 3%, the potential for growth is significant, driven by sectors such as agriculture and tourism. We are also engaging the private sector and small businesses (SMEs) in this country to grow our customer base.

The Uganda market is very competitive and faces similar challenges as those faced here in Kenya particularly in the area of cut-throat competition based on premium undercutting. Our strategy is to work with the cooperative movement in Uganda and a shares drive exercise will be undertaken shortly to ensure they have a stake in the company.

BUSINESS TRANSFORMATION

We rolled out several initiatives in 2015 to transform our business. This was in recognition of the fact that CIC purposes to be the preferred insurer in Kenya and a strong player in the regional market. One such initiative is the Job Evaluation exercise which involved analyzing the various job roles in view of our strategic direction. The exercise has seen development of a new structure in line with our strategy. Implementation of the new structure is currently on-going.

We also refreshed our brand, giving it a new look and feel. The previous brand identity served us well but given the present and future expectation, it was vital to seek a new identity in order to strongly position ourselves in the market. The decision to make the change was informed by research, which necessitated the need for rebranding. We are transforming our way of doing business, investing in technology and our people in order to provide excellent customer service.

TECHNOLOGICAL ADVANCEMENT

As a company we have invested on technology which is the way of the future. Our mobile platform MBima has been revamped, making it possible for customers to access more products and services through the mobile phone. We are focused on enhancing customer experience which includes providing convenience as a value in our package. Our investment in acquiring a new medical system (e-Oxygen) is expected to provide positive results in this line of business. Using this system, CIC will be able to effectively manage fraudulent claims, a common problem in the industry. The system which is designed to help the user detect fraud, data inaccuracy among other factors is currently being tested and will be commissioned in mid-2016.

RECOGNITION AND AWARDS

CIC participated in the Think Business Awards for 2015, an annual event that recognizes exemplary performance by insurance and investment companies. CIC emerged position three in claim settlement and major loss categories. In relation to awards for investment firms, our subsidiary CIC Asset Management was awarded as the winner in the best performing money market fund category. We were also the third best firm in the equity fund category. In another set of awards, CIC was rated third best company in the insurance firms category during the Service Excellence Awards, by Institute of Customer Service in Kenya.

Winning these awards attest to our strength as a strong insurance company. Our strength in the investment space reaffirms our ability to offer solid returns to the short and long term investor.

FUTURE OUTLOOK

Our theme for 2016 is "To give flight to profitable growth through professionalism and customer focus" in our endeavour to be a world class provider of insurance and other financial services. We are investing in our people, equipping them with the necessary tools required to improve performance. We are revisiting our products to ensure that we offer customers what they need. To bridge the gaps in our product lines, we are engaging stakeholders, an aspect we shall maintain in order to offer competitive insurance and investment solutions with a superior value proposition.

We are also reviewing our investment strategy and options in order to steadily and consistently grow our asset base and return to our shareholders. To this end, we will be venturing into real estate, setting up units for commercial and residential purposes on our 200 acre parcel in Kiambu County.

We continue to focus our efforts on identifying untapped market opportunities, while seeking ways to best serve the existing markets. We are certain of our suitability in providing insurance and financial solutions for our target markets. We have a clear understanding of where we are going, and know what we need to do to get there.

Let me take this opportunity to sincerely thank our customers, business associates and intermediaries for their kind support to our business during the past year and seek their continued support going forward. I would also like to thank the Board for its counsel and staff including all our sales force for their hard work.

Tom Gitogo

GROUP CEO

BOARD OF MANAGEMENT

TOM GITOGO

Group Chief Executive Officer

Tom is the Group Chief Executive Officer of CIC Insurance Group Ltd. Tom has an MBA in Strategic Management and holds a BSc in Civil Engineering from the University of Nairobi. He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as the Institute of Certified Public Secretaries CPS(K). Tom is a Fellow member of ICPAK and a Fellow member of the Kenya Institute of Management. He has served as the Deputy Chairman of the Association of Kenya Insurers (AKI) and the Chairman of its Life Insurance Council. Tom also sits in the Life Insurance Committee of the African Insurance Organization (AIO) and is a Member of the Institute of Directors. In 2012 he won the coveted CEO of the Year Award in the prestigious COYA awards.

GEORGE WAFULA

Group Chief Finance Officer

George is the Group Chief Finance Officer of CIC Insurance Group. He has an MBA in Strategic management from Strathmore Business School and holds a degree in Business Administration from USIU. George also has a certificate – Doing Business in a Globalized Environment from IESE Business School, Spain.

He is a certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya as well as ACMA (Association of Chartered Management Accountants). Before Joining CIC Insurance Group, George had over 20 years' experience in various capacities in FMCG at Unilever, Telecoms at Airtel and Insurance at Kenindia Assurance. He joined CIC in 2015.

ELIJAH WACHIRA

Managing Director CIC General Business

Elijah is the Managing Director of CIC General Insurance. He holds an MBA in Strategy and Marketing from the University of Nairobi and a Bachelor of Arts from Egerton University. He is a member of Chartered Insurance Institute (CII) of London and Marketing Society of Kenya (MSK). He has a wealth of experience in general insurance business in both Kenya and the East African Region. He is specialized in strategy formulation and implementation. Elijah joined CIC in 2015.

EZEKIEL OWOUR

Managing Director CIC Life Assurance

Ezekiel is the Managing Director of CIC Life Assurance. He holds an MBA in Strategic Business Management from Strathmore Business School and has a degree in Arts – Government and public Administration from Moi University. He is a qualified member of the Chartered Institute of Marketing – UK (MCIM – UK), Retail Banking Academy- UK and holds a Certificate of Proficiency in Insurance from the college of insurance. He is also a member of the Marketing Society of Kenya (MSK). Ezekiel has over 16 years' experience in the financial services industry including banking and insurance. He joined CIC in September 2015.

BOARD OF MANAGEMENT

STANLEY MUTUKU

Ag. Managing Director CIC Asset Management

Stanley is the Acting Managing Director - CIC Asset Management. He holds an MBA (Double Major) in Finance and strategic Management and a B Com (Double Major) in Business Administration, Management and Marketing. Professionally, Mr. Mutua has a CPA, CIM and Capital Market Specialist Training - INTERFIMA and is currently undertaking his CFA qualification.

Mr. Stanley has over 20 years work experience in the financial services industry having worked for Old Mutual Kenya and Jubilee insurance. He has worked in CIC for the last 6 years.

JAPHETH OMARE

Managing Director CIC Transcoop

Japheth is the Managing Director of Transcoop. He graduated with a Bachelor of Commerce Insurance Option, from the University of Nairobi. In addition, Mr. Omare has done the Advanced Diploma in Insurance – Associate of the Chartered Institute of Insurers (ACII). Professionally, he is an Associate of Chartered Insurance Institute, London and currently holds Certified Public Accountant Part II. Japheth has over 14 years' experience in the Insurance Industry. He joined CIC in Feb 2015 the position Managing Director of the CIC PSV business.

MICHAEL MUGO

Managing Director - South Sudan

Michael is the Principal Officer of CIC Africa South Sudan. He was appointed in November 2013. Mr. Mugo is a B.Ed. graduate from the Moi University. He has an Executive MBA from JKUAT. He has Certificate of Proficiency (COP) from the college of insurance. He has an extensive career in Insurance having started his career as a Sales Rep. Mr. Mugo Joined CIC in 2003 as an Agency Manager.

ROBERT MURIGIH

Managing Director CIC Africa - Malawi

Robert is the Managing Director of CIC – Africa Co-operatives Insurance Limited in Malawi. He holds a Diploma in Business Management from the University of Nairobi. He also holds a Certificate in Corporate Governance from Centre for Corporate Governance, Kenya. He is a seasoned and dynamic management professional and a skilful negotiator with over 35 years of quality work experience acquired in challenging roles with leading Insurance Companies in Kenya. He has served in several Technical Committees of the Association of Kenya Insurers (AKI). Mr Murigih joined CIC in April, 2006.

BOARD OF MANAGMENT

ROSAMYSTICA NYAMOMBI

Managing Director – Uganda

Rosamystica is the Acting Managing Director of CIC Africa Uganda Limited.She holds a Bachelors of Arts (Linguistics & Sociology) degree from Kenyatta University and a post graduate Diploma in Public Relations from Kenya Institute of Management. She has over 15 years of experience in the insurance industry having started her career as a Customer service Administrator. Ms. Nyamombi joined CIC in 2004 as a Branch Manager where she rose through the ranks to the Regional Manager. She was appointed Principal Officer, Uganda in 2014.

GAIL ODONGO

Group Company Secretary

Gail is the Group Company Secretary/ Chief Legal Officer. 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. Gail has completed the Advanced Management Programme from Strathmore University. She has 14 years of experience in various capacities and industries ranging from Audit, Banking and Finance, Insurance and Legal. The Group Company Secretary is also member of the Institute of Directors of Kenya Ms. Odongo joined CIC in 2011

MUYESU LUVAI

Group Chief Internal Auditor

Luvai is the Group Chief Internal Auditor. He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Bachelor of Commerce degree (Marketing) from the University of Nairobi and a Master of Business Administration (MBA) degree with a concentration in Employee Relations/Organisational Behaviour from the University of Leicester (UK). This mixed background allows him to look at company operations at a wide scale, providing solutions from a business strategy perspective while seeking to enhance the effectiveness of governance, risk management and control processes.

Prior to joining CIC in 2008, Mr. Luvai worked for Deloitte in the Audit & Assurance Division, obtaining extensive experience in auditing a wide variety of international and local organisations drawn from both the private and public sectors. Prior to joining Deloitte, Mr. Luvai had a stint in the oil and gas industry working in the Finance Department of Dalbit Petroleum Limited.

BOARD OF MANAGEMENT

MUKAMI NJERU

Group Resident Actuary

Mukami is the Group Resident Actuary. She holds a Bachelor of Science – Actuarial from the University of Nairobi (1st Class Honors). Mukami is a Fellow of the UK institute of Actuaries and a member of the Actuarial Society of Kenya. She has also completed the examinations required for the Certified Enterprise Risk Actuary (CERA) qualification. Prior to joining CIC, she worked with various consulting firms including PwC Kenya in Corporate Finance & Recovery, and PwC Sydney - Australia and Deloitte London - UK in Actuarial roles for 6 years. Mukami joined CIC in May 2013.

HENRY MALMQVIST

Group Chief Information Officer

Henry is the Group Chief Information Officer. He is a graduate of Institute for the Management of Information Systems (IMIS) Kent and is currently pursuing his MSc Information Technology Management at University of Sunderland. He is certified in Project Management, Information Security & Performance Management. Henry has 14 years' experience in ICT both within Kenya and the East African region. He joined CIC in September 2015.

SUSAN ROBI

Group Risk and Compliance Manager

Susan is the Group Risk and Compliance Manager. She is an Advocate of the High Court of Kenya holding a Bachelor of Laws (LLB) Degree from the Makerere University and a Masters in Law and Finance from Goethe University (Institute of law and Finance) in Frankfurt Germany. Professionally Ms. Robi holds a post Graduate Diploma from the Kenya School of Law and has 10 years of experience in various capacities and industries ranging from Both Local and International Law Practice, Insurance, Finance and Risk Management. Ms. Robi joined CIC in 2011.

BOARD OF MANAGEMENT

JOSEPH KAMIRI

General Manager Marketing and Distribution

Joseph is the General Manager - Marketing and Distribution. He holds Bachelor of Commerce - Insurance Option from the University of Nairobi. He has a Diploma in Insurance (ACII, 2004) and a Diploma in Insurance (AIIK, 2005). He holds an MBA (Marketing) from the University of Nairobi. In addition, Mr. Kamiri has done the Advanced Management Program (AMP), from IESE Business School, Spain & Strathmore Business School, Kenya and has attended Negotiation, Mediation & Arbitration training from the International Law Institute (George Washington University-USA). Mr. Kamiri has over 23 years' experience in the Insurance Industry. He joined CIC in June 2014.

PAMELA OYUGI

Group Human Resources and Administration Manager

Pamela is the Group Human Resources and Administration Manager. She holds a Bachelor of Education Degree from University of Nairobi, Executive MBA (specializing in HRM) from Moi University and a Post Graduate Diploma in Human Resource Management from Kenya Institute of Management. She has undertaken several trainings both locally and internationally. She has over 18 years of work experience in various capacities, part of which is in the Insurance Industry. The most recent role prior to joining CIC, Pamela was the Head of HR & Administration at National Oil Corporation of Kenya where she was a member of the Senior Management Team and the Secretary to the HR Board Committee. She is a Full Member of the Institute of Human Resource Management (IHRM). Pamela joined CIC in 2013.

RICHARD NYAKENOGO

General Manager Cooperatives

Richard is the General Manager- Co-operatives. He holds a Bachelors of Commerce degree from Egerton University and Masters in Business Administration from Mount Kenya University. He has a Diploma in Co-operative management from the Co-operative college of Kenya and a certificate in Corporate Governance from Centre for Corporate Governance .He joined CIC in 1999.

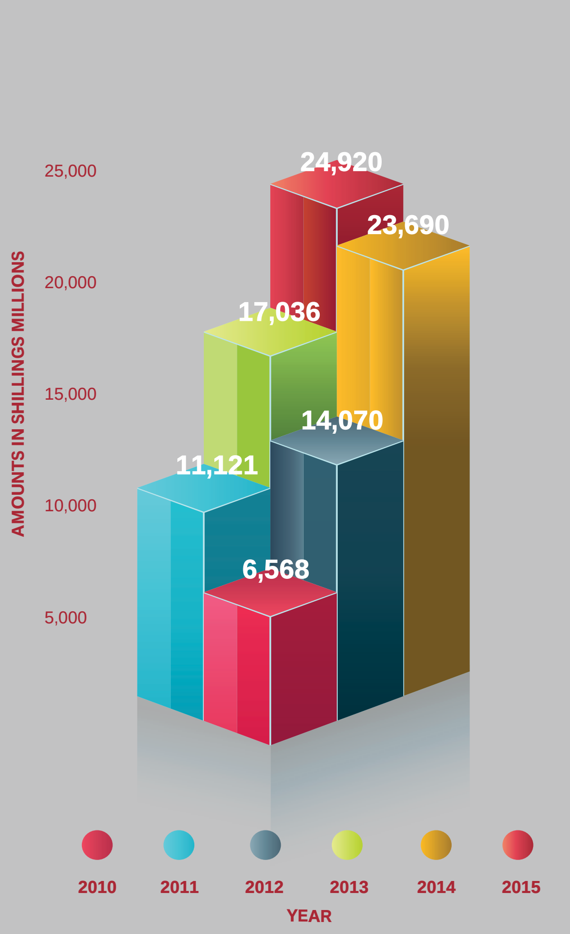
FRED RUORO

General Manager Medical

Fred is the General Manager Medical. He holds a Bachelor's degree in Mathematics & Physics from The University of Nairobi. He holds also a Diploma in Management Accounting from Chartered Institute of Management Accountant (CIMA). Fred has attended several Leadership and management programs, which include; Program for Management Development at Strathmore University, Accelerated Leadership Program at Centre for Creative Leadership – SA and Managing for results at Strathmore University among many others. He joined CIC in 2016. .

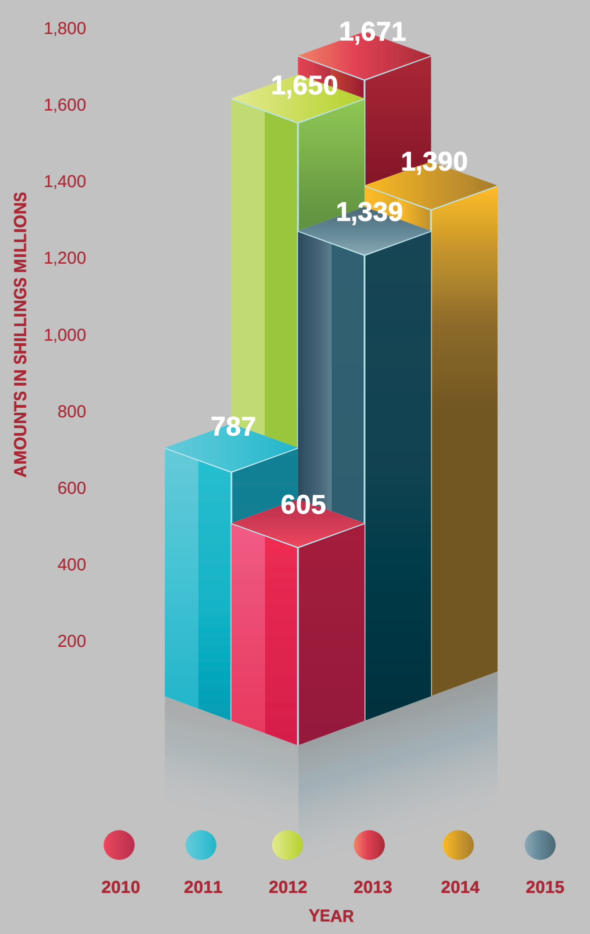
FINANCIAL HIGHLIGHTS

TOTAL ASSET (KES MILLIONS)



Total Assets

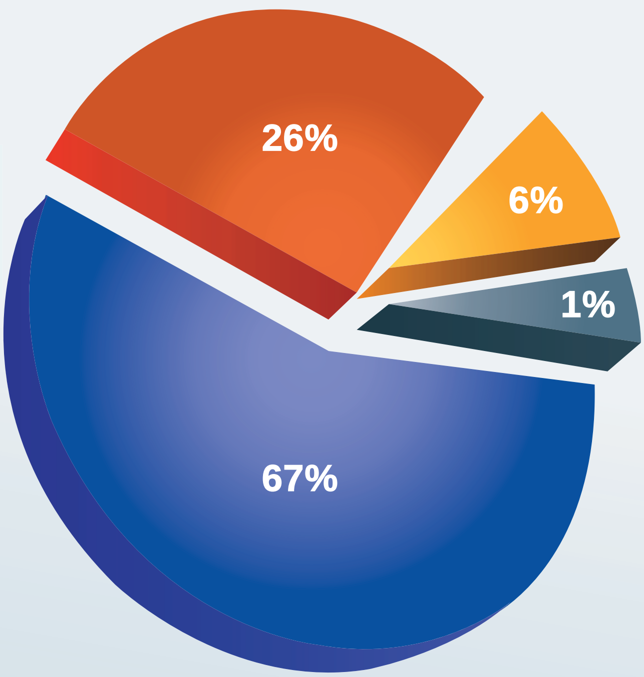
PROFIT BEFORE TAX (KES MILLIONS)



Profit Before Tax

SUMMARY OF 2015 RESULTS

Total Income for the period ended 31st December 2015
CIC Insurance Group and it's subsidiaries



CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

GENERAL OVERVIEW

CIC Insurance Group Limited (the Company) was established with the main aim of enabling people achieve financial security and remains steadfastly visionary to being a world class provider of Insurance and other financial services within and without the Kenyan borders. Given, therefore, the nature of its business as well as the shares of the Company being listed on the Nairobi Securities Exchange, a number of legal, regulatory and governance requirements are consequently imposed upon it. The Company is committed to observing the regulatory requirements applicable to public listed companies in Kenya as well as ensuring that its subsidiaries comply with the relevant industry requirements. Further, the Board of Directors (the "Board") is conscious that best practice in the area of Corporate Governance is continuously evolving, and will therefore continue to anticipate and respond to other corporate governance developments.

The Board of Directors

The Board establishes broad corporate policies for the Company and its controlled entities (referred to collectively as the "Group"), sets the strategic direction for the Group and oversees management with a focus on enhancing the interests of shareholders. The Board is also responsible for corporate governance of the Group.

Composition of the Board of Directors

The Company's Articles of Association provide that the Board shall consist of at least eight (8) and not more than thirteen (13) members. The Board of Directors is quorate when at least one half of the members in office are present or as may be fixed by directors for transaction of business. All members of the Board are appointed by the General Meeting of Shareholders. During the year, the Board of Directors consisted of twelve members, eleven of whom were non-executive. The Board members were Mr. Japheth Magomere (Group Chairman), Mr. Peterson Kagane (Group Vice Chairman), Tom Gitogo (Group Chief Executive Officer), Mrs. Mary Mungai (Ministry of Cooperative Development), Mr. Michael Wambia, Mr. Peter Nyigei, Mrs. Veronicah Leseya (independent), Mr. Harrison Githae, Mrs. Rosemary Githaiga, Mr. Gordon Owour, Mr. Jonah Mutuku, Mrs. Grace Mabishi (who retired by rotation on 17th April 2015) and Mr. Philip Lopokoiyit (Independent Director). Mr. Philip Lopokoiyit was appointed to the Board with effect from 25th October 2015.

Notably, seven members of the Board are nominated from the co-operative movement and represent the strategic and majority shareholder in the group (Co-operative Insurance Society Limited). The non-executive directors are drawn from diverse range of business and other backgrounds. This diversity in the composition of the Board has been identified as one of its strengths. The non-executive directors are appointed by the shareholders for three-year terms and are bound by the Company's Code of Conduct.

The Structure of the Board ensures no individual or group of Individuals dominate the Board's decision-making process.

Main duties of the Board of Directors

The Board has the overall responsibility of overseeing the effective management and control of the Group on behalf the Company's shareholders and supervising executive management's conduct of the Group's affairs within a control and authority framework, which is designed to enable risk to be prudently and effectively assessed and monitored.

The Board is responsible for approving the Group's overall strategic objectives, facilitating the appropriate financial and human resources to meet these objectives and reviewing executive management's performance.

The roles of the Group Chairman and executive management, led by the Group Chief Executive Officer, are separated and clearly defined. Whereas, the Group Chairman, Mr. Japheth Magomere is responsible for leadership of the Board, setting the Board's agenda, conducting Board meetings, facilitating effective communication with the shareholders and conduct of shareholder meetings; the Executive management led by the Group Chief Executive Officer, Tom Gitogo, has been delegated responsibility for the management of the Company within the control and authority set by the Board. The Group Chief Executive Officer is also required to provide such necessary information to the Board in the discharge of the Board's business. The levels of authority for management are periodically reviewed by the Board and are documented. The Chief Executive Officer is assisted by the Company's Board of Management (BOM).

The Non-Executive Directors constructively challenge the development of strategy. They review the performance of

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

management in meeting agreed objectives and monitor the reporting of performance. They have a prime role in appointing and where necessary, recommending the removal of Executive Directors, and in their succession planning.

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. Members of the Company's senior management attend Board Meetings by invitation to ensure informed and efficient decision making by the Board. In addition, the Board invites third party professionals to attend Meetings and provide opinions and advice as necessary to enable the Board to discharge its fiduciary mandate.

Review of Board Performance

The Board undertakes an annual review of its performance and engages the assistance of external consultants to facilitate formal board review.

Director Induction and Education

Newly appointed Directors receive appropriate induction and training, specifically tailored to the Company's needs. Appointees are provided with the Company's Board Manual and business information.

On an ongoing basis, Directors participate in Board Training facilitated by industry and professional bodies. In addition, board meetings regularly include agenda on recent industry developments on legislation, governance and corporate matters and significant accounting matters.

The Board and the Company Secretary

The Board is assisted by the Group Company Secretary who, under the direction of the Chairman, is responsible for facilitating good information flows within the Board and its Committees and between Senior Management and Non-Executive Directors as well as the induction of New Directors and the ongoing professional development of all Directors.

The Group Company Secretary is also responsible for monitoring compliance with the Board's procedures and for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Group Company Secretary, whose appointment and removal is a matter for the Board.

Board Meetings

The Board meets regularly 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 and consider and approve the annual and interim financial statements. The Board in fulfilling its mandate is guided by the Board Charter.

In the year 2015, the Board of Directors convened Nine (9) official Board Meetings.

Board Committees

The Board has three standing Committees: Audit and Risk, Governance and Human Resource and Finance and Investment. The Committees meet regularly under clearly defined and materially delegated terms of reference set out by the Board. The work carried out by each of the three specific Committees is described in the Board Charter which clearly spells out their mandates, responsibilities, scope of authority and procedures for reporting to the Board. The Committees have access to company information and are authorized to obtain independent professional advice on matters within their scope.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

Audit and Risk Committee

The Committee's 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 the Internal Audit Department Charter. These are designed to provide a comprehensive framework for the audit function within the company.

Audit and Risk Committee Members:

- Philip Lopokoiyit
- Henry Ereri (Retired from the Committee on 15th April 2016).
- Peter Nyigei
- Michael Wambia (Retired from the Committee on 9th March 2016).
- Judith Oluoch (Appointed to the Committee as at 9th March 2016).

Finance and Investment Committee

The Committee's purpose is to assist the Board in fulfilling its overall responsibilities with respect to the financial, investment and 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 assets and considering recommendations on capital expenditure. It also reviews proposals involving capital developments, financing and investment proposals.

Finance and Investment Committee members;

- Rev. Peterson Kagane - Committee Chairman
- Cornelius Ashira
- John Mbitu
- Rosemary Githaiga
- Edwin Otieno
- Tom Gitogo

Governance and Human Resource Committee

The Committee's purpose is to provide focus on governance of the Group thereby enhancing its overall performance. The Committee assesses the Board's and Management's performance and makes recommendations regarding Board and management effectiveness. It provides direction regarding on-going 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 are promoting good Corporate Governance practices 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.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

Governance and Human Resource Committee members;

- Japheth Magomere
- Gordon Owuor
- Harrison Githae
- Jonah Mutuku
- Tom Gitogo
- Michael Wambia (Appointed to the Committee as at 9th March 2016).

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 by the Group Company Secretary. The record of attendance at meetings is also noted in the minutes of the meetings.

Table 1

Directors	Board Meeting		Governance and Human Resource Committee		Finance and Investment Committee		Audit and Risk Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Japheth Magomere (Group Chairman)	9	8	9	9	3	2		
Rev. Peterson N Kagane (Vice-Chairman)	9	9			3	3		
Harrison Hunyu	9	9	9	9				
Gordon Owuor	9	9	9	9				
Michael Wambia	9	9					5	5
Jonah Mutuku	9	9	9	9				
Peter Nyigei	9	9					5	5
Mary Mungai	9	8						
Rosemary Githaiga	9	7			3	2		
Grace Mabishi*	9	4					5	2
Veronicah Leseya	9	5						
Tom Gitogo	9	9	9	9	3	3	5	5
Philip Lopokoiyit*	9	1					5	1

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

*Grace Mabishi retired by rotation on 17th April 2015 and Philip Lopokoiyit was appointed in her place on 1st November 2015.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

Internal Controls

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

The system of internal controls ensures that assets are safeguarded and that the company remains structured to secure 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 other stakeholders on acceptable behavior when 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.

Shareholding

1. Consolidated top ten Shareholders Schedule as at 31st December 2015

	2014		2015	
NAME OF SHAREHOLDER	**SHARES**	**%**	**SHARES**	**%**
Co-operative Insurance Society Ltd.	1,943,441,304	74.30	1,943,441,304	74.30
Gideon Maina Muriuki	122,402,304	4.68	123,037,304	4.70
Standard Chartered Nominees Non Resident A/C9011	24,422,040	0.93	24,422,040	0.93
Patrick Njogu Kariuki	18,025,400	0.69	19,492,829	0.75
Welton Weda	15,556,800	0.59	15,556,800	0.59
NIC Custodial Services A/C 077	15,481,560	0.59	15,481,560	0.59
Nelson Chege Kuria	13,909,800	0.53	13,909,800	0.53
Peter Mutarura Mwaura	11,343,536	0.43	10,983,536	0.42
Kenya Reinsurance Corporation	10,800,000	0.41	10,800,000	0.41
Weda & Emily Achieng Chweya Welton	8,880,000	0.34	8,880,000	0.34
TOTAL	**2,180,581,504**	**83.51**	**2,186,005,173**	**83.56**

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Top ten CIC Insurance Group Limited individuals as at 31st December 2015

	2015	
NAME OF SHAREHOLDER	SHARES	%
Gideon Maina Muriuki	123,037,304	4.704
Patrick Njogu Kariuki	19,492,829	0.745
Welton Weda	15,556,800	0.59
Nelson Chege Kuria	13,909,800	0.532
Peter Mutarura Mwaura	10,983,536	0.420
Weda & Emily Achieng Chweya Welton	8,880,000	0.34
David Kipruto Ronoh	7,081,860	0.271
Stanley Charles Muchiri	6,453,312	0.247
Amarjeet Baloobha Patel; Baloobhai Patel	6,000,000	0.229
Nancy Wangari Ndungu	5,520,000	0.211
TOTAL	**216,915,441**	**8.293**
TOTAL CIC SHARES ISSUED	**2,615,538,528**	**100.000**

3. Top-fifteen CIS Shareholders Schedule as at 31st December 2015

	2014		2015	
SHAREHOLDER'S NAME	SHARES	%	SHARES	%
The Co-operative Bank of Kenya Limitetd	694,056,720	35.71	694,056,720	35.71
Co-operative Bank Savings And Credit Society Limited	187,155,264	9.63	187,155,264	9.63
K-Unity Savings And Credit Co-operative Society Limited	62,537,776	3.22	62,537,776	3.21
Harambee Co-operative Savings And Credit Society Limited	35,234,280	1.81	35,234,280	1.81
Nawiri Savings And Credit Co-operative Society Limited	34,604,352	1.78	34,604,352	1.78
FEP Co-operative Society Limited	28,800,000	1.48	30,720,000	1.58
Kipsigis Teachers Savings & Credit Society Limited	29,764,248	1.53	29,764,248	1.53
Stima Co-operative Savings And Credit Society Limited	15,162,384	0.78	26,162,384	1.35
Boresha Savings And Credit Co-operative Society Limited	26,134,224	1.34	26,134,224	1.34
H&M Savings And Credit Co-operative Society Limited	24,732,000	1.27	24,732,000	1.27
Kenya Police Staff Co-operative Savings And Credit Society Ltd	23,722,704	1.22	23,722,704	1.22
Bandari Co-operative Savings And Credit Society Limited	20,074,968	1.03	20,074,968	1.03
Ndege Chai Co-operative savings And Credit Society Limited	16,049,928	0.83	16,049,928	0.83
Wakenya Pamoja Savings And Credit Co-operative Society Ltd	14,589,144	0.75	14,589,144	0.75
Nacico Savings And Credit Co-operative Society Limited	14,044, 416	0.72	14,044, 416	0.72
TOTAL	**1,212,617,992**	**62.40**	**1,239,582,408**	**63.78**

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. Directors Shareholding Schedule as at 31st December 2015.

		2014		2015	
	NAME	NO. OF SHARES	%	NO. OF SHARES	%
1	Japheth Magomere	560,000	0.03	672,000	0.026
2	Rev.Peterson Kagane	200,000	0.01	240,000	0.009
3	Tom Gitogo	300,000	0.01	1,500,000	0.057
4	Gordon Owuor	220,000	0.01	264,000	0.010
5	Michael O. Wambia	30,000	0.00	36,000	0.001
6	Jonah M. Mutuku	20,000	0.00	24,000	0.001
7	Peter Nyigei	10,000	0.00	12,000	0.000
8	Harrison Githae	210,000	0.01	252,000	0.010
9	Veronicah Leseya	0	0	0	0
10	Rosemary Githaiga	2,058,000	0.09	2,589,600	0.099
11	Mary Mungai	0	0	0	0
12	Philip Lopokoiyit	0	0	0	0
	TOTAL	**15,199,500**	**0.69**	**18,100,100**	**0.692**

5. Shareholder Categories as at 31st December, 2015

SHAREHOLDER CATEGORY	SHARES HELD	%
Foreign Investor	40,689,300	1.56
Local Individual Investors	576,567,938	21.70
Local Institutional Investors	2,007,281,290	76.74
TOTAL	**2,615,538,528**	**100.00**

6. Categorized Shareholders Distribution Schedule as at 31st December 2015

	SHAREHOLDING RANGE	NO. OF SHAREHOLDERS	NO. OF SHARES	%
1	1-500	3,698	853,984	0.03
2	501-5000	6,210	12,739,249	0.48
3	5001-10,000	1,550	11,503,311	0.44
4	10,001-100,000	4,545	127,863,791	4.89
5	100,001 - 1,000,000	540	133,355,476	5.11
6	1,000,001 - above	68	2,329,222,717	89.05
	TOTAL	**16,611**	**2,615,538,528**	**100**


Sometimes a word is what we wait for
RAIN
We stand behind every
word you stand for
CIC GROUP

CORPORATE SOCIAL RESPONSIBILITY
FOR THE YEAR 2016

CORPORATE SOCIAL RESPONSIBILITY 2016

CIC Group believes in addressing key challenges faced by society in the areas it operates. The company has supported various initiatives that seek to benefit members of society, improving lives and empowering people to become contributors of the country's economy.

To ensure that the company fully impacts society, CIC Group has set up a CIC Foundation. The foundation has been charged with the mandate of running CSR programs that both empower communities and benefit society for a better and brighter future. The foundation which is currently taking shape is governed by a board of trustees who guide the selection and implementation of community based projects.

All projects selected are guided by the foundation's strategic framework which contains five pillars. These pillars are environmental sustainability, talent development and empowerment, building future customers, sports, public risk and awareness. CIC foundation has where appropriate, partnered with like-minded organizations to see projects in line with the pillars succeed.

Road Safety Program for school children

It is estimated that pedestrians below the age of 24 years account for 41% -75% of all road deaths in Kenya. Over 9,300 children are involved in road traffic accidents annually and the number continues to rise. According to the Global Status Report of the World Health Organization (WHO), road crashes are the leading cause of death worldwide among young people aged 10 to 24 years.

CIC has partnered with Usalama Initiative to run a road safety program targeting school children. The pilot program equips school children & teachers with knowledge on road safety, through trainings facilitated in the schools by Usalama Initiative. The program assists children to access their learning institutions safely through the help of a traffic marshal. Our overall goal through this program is to encourage a culture of road safety through all road users including children.

The pilot program is currently running in ten public schools situated in high road risk areas within Nairobi County. Successful implementation of this program will see its expansion to other major towns in the country.

Mentorship program targeting the Youth

CIC Group partnered with KCDF (Kenya Community Development Foundation) in a male mentorship program called Mentenda, which stands for Men Taking Action. The decision to participate was guided by challenges faced by the Kenyan boy child today. We recognize the efforts placed over the years by government bodies, institutions and organizations in empowering the girl child, whose impact can be felt in various communities presently.

Although there is significant change owing to empowerment of both genders, reports in the public domain highlight challenges faced by the boy child which need to be addressed in order to have a healthy, balanced society.

CIC Group participated in a man camp which brought together young males between the ages of 12 and 20 years. The man camp provided an opportunity for interaction and learning. Our team was able to share meaningful information and life lessons, motivating and empowering the young men to become responsible citizens.

Women empowerment initiatives

CIC partnered with Upstream Oil Kenya on a training program held to enlighten women on opportunities in the Oil and Gas sector. The forum provided a platform for women to be informed on gaps that exist in the sector, encouraging them to take advantage on these areas. The forum demystified the sector as a preserve for males, emphasizing that women can equally perform as well in the sector.

We also partnered with absolute media in an education forum designed to empower young mothers with life skills. This was in line with challenges cited by young mothers in managing their responsibilities within their environment. The one day program brought together women from different walks of life. Among the topics covered included insurance which was presented as a necessity in managing risk.

At the same time, CIC worked with Elim Consulting to hold an exhibition that would open up marketing opportunities for

CORPORATE SOCIAL RESPONSIBILITY
FOR THE YEAR 2016

small scale traders majority being women from Kibera slums. The exhibition gave the traders an opportunity to market their creative work and receive business tips from CIC Group, Nairobi County Government and Kenya National Chamber of Commerce representatives.

CIC acknowledges the impact of the micro market in building our economy. This is why we have taken steps to educate business people in the low income bracket, to help them maximize gains in their businesses. We have also partnered with IRA (Insurance Regulatory Authority) to enlighten this market on the significance of insurance in their business.

Tree planting for environmental sustainability

CIC came together with other cooperative organizations during Ushirika Day Celebrations, an annual event that sees the implementation of value adding activities, by cooperative organizations in the country. We participated in a tree planting exercise aimed at eliminating environmental degradation. Over 300 trees were planted through this initiative in Nairobi County alone.

Run for the Bibless

CIC partnered with Bible Translation & Literature EA (BTL) in the Run for the Bibless initiative. The run which is carried out annually seeks to generate funds that would be used for production and distribution of bibles in local languages, in some of the remotest parts of the country. CIC contributed towards this course joining other Kenyans in supporting the initiative. As CIC we share in BTL's goal of improving literacy levels across the country, through sustainable literacy and language development programs. We take pride in supporting such initiatives which have a direct positive impact at the grassroots level.

Support for Cooperatives Training

As a company we are proud to be members of the cooperative movement. We understand the role that cooperatives play in building our economy. Cooperatives contribute over 45% of the country's GDP confirming their significance in the growth and stability of the country. CIC endeavors to grow the movement through platforms that seek to equip members with information that will increase their knowledge and capacity, giving them the power to exert more influence, and work at their greatest potential.

Additionally, CIC sponsored SACCA Congress, a conference held for cooperative members to equip them with information, useful in growing their institutions. CIC also carried out trainings for sacco members and leaders, providing information that would inspire them to impact their institutions. This included trainings at the county level.

Support for sports initiatives

We understand the power of sports in building talent and promoting good health. As an organization we have supported various sports initiatives aimed at nurturing talent and encouraging good healthy living. As a company we have supported our staff members facilitating their participation in various sports events. Our staff participated in the annual AKI (Association of Kenya Insurers) Sports competition emerging winners in various categories demonstrating our strength in all spheres.

We have also sponsored our staff to participate in sports events organized by cooperatives in particular the annual Ushirika Celebrations. Through sports, we have enhanced cooperation between our staff, business partners, and industry players easing our way of doing business.

CIC has been at the forefront of supporting the growth of golf in Kenya. Our golf sponsorships aim at developing skills for the youth and amateur golfers in the country so they can compete at the global level. As we grow popularity of the sport, we have taken the opportunity to interact with players and position our brand. We intend to continue supporting sports initiatives owing to the power they hold in enhancing cultural integration, and nurturing talent.

CORPORATE SOCIAL RESPONSIBILITY
FOR THE YEAR 2016

3. Outdoor activity during the

4. CIC netball team emerged
competition

1. A CIC traffic marshal assisting St Teresa's pupils in Eastleigh to cross the road

2. Sacco leaders attending a training by CIC in Naivasha. The company conducted many such trainings countrywide.

CORPORATE SOCIAL RESPONSIBILITY
FOR THE YEAR 2016

Mentenda Man Camp at Karura Forest

the winners at the annual AKI Sports

5.CIC staff participating in a tree planting initiative during Ushirika Celebrations week at Jamhuri grounds

6. A golfer in action at one of CIC's sponsored golf events. CIC held golf tournaments in the regions.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2015.

1. PRINCIPAL ACTIVITIES

The principal activity of the Group is the transaction of general and life insurance business and fund management. The Group also invests in equity and government securities, properties and loans.

GROUP RESULTS

	2015 KShs'000	2014 KShs'000
Profit before taxation	1,339,086	1,390,314
Taxation charge	(202,482)	(301,874)
Profit for the year	1,136,604	1,088,440

2 DIVIDENDS

The directors recommend the payment of a first and final dividend of KShs 274,635,699 (2014: KShs 261,557,800) which represents 10.5% of paid up capital (2014 - 10%).

3. DIRECTORS

The current directors are as shown on page 4. Mr. P Lopokoiyit was appointed on 25th October 2015.

4.AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486).

BY ORDER OF THE BOARD

Secretary

9th March 2016

Nairobi, Kenya

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2015

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 Company and its subsidiaries (the Group) as at the end of the financial year and of the operating results of the Group and the Company for that year. It also requires the directors to ensure that the Group and the Company keep proper accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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 present fairly, in all material respects, the state of the affairs of the Group and the Company and of operating results of the Group and the Company.

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 control.

Nothing has come to the attention of the directors to indicate that the Group and the Company will not remain a going concern for at least the next twelve months from the date of this statement.

....

Director

....

Director

9th March 2016

Date

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CIC INSURANCE GROUP LIMITED

Ernst & Young
Certified Public Accountants (Kenya)
Kenya Re Towers, Upper Hill
Off Ragati Road
P.O.Box 44286 - 00100
Nairobi GPO - Kenya
www.ey.com

Report on the financial statements

We have audited the accompanying financial statements of CIC Insurance Group Limited and its subsidiaries (the Group), which comprise the consolidated and company statement of financial position as at 31 December 2015, consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 40 to 149.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements present fairly, in all material respects, the financial position of CIC Insurance Group Limited and of its subsidiaries as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF CIC INSURANCE GROUP LIMITED (Continued)

Report on other legal and regulatory requirements

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

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion proper books of account have been kept by the Group and the Company, so far as appears from our examination of those books; and

iii. the Group and Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Joseph K Cheboror – P/No. P.1145

Nairobi, Kenya

21st April 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Notes	2015	2014	2015	2014
		KShs'000	KShs'000	KShs'000	KShs'000
Gross written premiums	3 (a)	11,439,541	13,721,376	-	-
Gross earned premiums	3 (b)	12,638,444	13,363,942	-	-
Less: Reinsurance premiums ceded	3 (c)	(1,909,518)	(1,053,618)	-	-
Net earned premiums		10,728,926	12,310,324	-	-
Fees and commission income	4 (a)	650,516	385,697	-	-
Investment income	5	1,537,813	1,051,816	523,435	103,601
Other gains	6	722,932	772,038	300,000	400,000
Foreign exchange gain		186,365	-	-	-
Dividend income		-	-	240,000	475,000
		3,097,626	2,209,551	1,063,435	978,601
		13,826,552	**14,519,875**	**1,063,435**	**978,601**
Commissions expense	4(b)	(1,379,772)	(1,138,843)	-	-
Claims and policyholders' benefits expenses	7	(7,283,698)	(8,641,875)	-	-
Operating and other expenses	8	(3,173,833)	(3,206,525)	(77,802)	(62,287)
		(11,837,303)	**(12,987,243)**	**(77,802)**	**(62,287)**
Finance cost	9	(650,000)	(150,000)	(650,000)	(150,000)
Share of results of associate	16	(163)	7,682	-	-
Profit before taxation		**1,339,086**	**1,390,314**	**335,633**	**766,314**
Taxation charge/(credit)	10	(202,482)	(301,874)	19,555	-
Profit for the year		**1,136,604**	**1,088,440**	**355,188**	**766,314**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

	Notes	Group 2015 KShs'000	Group 2014 KShs'000	Company 2015 KShs'000	Company 2014 KShs'000
OTHER COMPREHENSIVE INCOME					
Other comprehensive income not to be reclassified to profit or loss in subsequent years					
Surplus on revaluation of buildings	12	80,075	87,834	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent years					
Forex currency translation loss		(282,179)	-	-	-
Fair value gain on available-for -sale investments	21	2,131	3,300	-	-
Fair value loss on available-for -sale investments (government securities)	20	(154,524)	(54,990)	(3,400)	(3,697)
Other comprehensive income for the year		(354,497)	36,144	(3,400)	(3,697)
Total comprehensive income for the year		**782,107**	**1,124,584**	**351,788**	**762,617**
Earnings per share (KShs)	11	0.43	0.42	0.14	0.29

	Notes	Group 2015 KShs'000	Group 2014 KShs'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		1,046,146	-
NON - CONTROLLING INTERESTS		90,458	-
		1,136,604	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		749,705	-
NON CONTROLLING INTEREST		32,402	-
		782,107	-
EARNINGS PER SHARE (KShs) – BASIC AND DILUTED	11	0.43	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 KShs'000	2014 KShs'000
ASSETS			
Property and equipment	12(a)	1,344,707	1,257,021
Investment properties	13(a)	5,420,742	4,596,000
Intangible assets	14	93,461	94,747
Corporate bonds	15	611,573	252,299
Investment in associate	16	129,166	117,554
Government securities classified as held to maturity	18 (a)	891,888	709,002
Loans receivable -Mortgage loans	19 (a)	482,440	446,226
-Other loans	19 (b)	504,479	425,735
Government securities classified as available for sale	20(a)	2,321,713	1,794,011
Equity investments classified as available for sale	21	19,125	17,667
Deferred taxation	22(a)	239,143	30,055
Equity investments at fair value through profit or loss	23	1,056,654	359,952
Deposits and commercial paper	24 (a)	2,195,407	2,265,584
Deferred acquisition costs	25	416,220	404,050
Receivables arising out of direct insurance arrangements	26 (a)	1,372,319	1,464,532
Receivables arising out of reinsurance arrangements	26 (b)	622,989	203,563
Reinsurers share of liabilities and reserves	27	1,365,388	639,214
Taxation recoverable	10 (b)	-	46,322
Other receivables	28 (a)	371,888	446,040
Due from related parties	29	93,889	272,448
Deposits with financial institutions	30 (a)	4,842,340	7,289,290
Cash and bank balances	48	524,704	559,075
Total assets		24,920,235	23,690,387
EQUITY AND LIABILITIES			
Share capital	31	2,615,578	2,615,578
Share premium	32	162,179	162,179
Funds awaiting allotment	33	512	-
Statutory reserve	34	1,039,810	970,671
Revaluation surplus	35	138,877	87,834
Foreign currency translation reserve	36	(195,091)	-
Fair value reserve	37	(205,921)	(53,528)
Retained earnings	38	4,110,156	3,424,706
Equity attributable the owners of the parent		7,666,100	7,207,440
Non-controlling interest		164,383	-
Total equity		7,830,483	7,207,440
LIABILITIES			
Deferred taxation	22 (a)	527,469	416,001
Borrowings	39	5,068,037	5,052,266
Other payables	40 (a)	782,974	546,185
Tax payable	10 (b)	97,579	-
Dividend payable	41	34,607	34,662
Payables arising from reinsurance arrangements and insurance bodies	26 (c)	25,631	63,826
Deposits and administration contracts	42	756,097	-
Actuarial value of policyholder liabilities	43	3,365,171	3,288,325
Provisions for unearned premiums reserve and unexpired risks	44	3,407,235	4,396,959
Insurance contracts liabilities	45	3,024,952	2,684,723
Total liabilities		17,089,752	16,482,947
Total equity and liabilities		24,920,235	23,690,387

The financial statements were approved by the Board of Directors on 9th March 2016 and signed on its behalf by:

Group Chairman	Director	Group Chief Executive Officer

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 KShs'000	2014 KShs'000
ASSETS			
Property and equipment	12(b)	61,856	-
Investment properties	13(b)	2,200,000	1,900,000
Investment in associate	16	138,400	140,320
Investment in subsidiaries	17	3,392,179	2,811,000
Loans receivables – Mortgage loans	19 (a)	96,415	105,589
– Other loans	19 (b)	51,479	25,050
Government securities classified as available for sale	20 (b)	32,903	36,303
Deferred taxation asset	22(b)	26,355	6,800
Taxation recoverable	10 (e)	2,000	2,000
Deposits and commercial paper	24 (b)	972,888	1,065,164
Other receivables	28 (b)	32,187	38,932
Due from related parties	29	603,010	352,786
Deposits with financial institutions	30 (b)	1,790,170	3,249,635
Total assets		9,399,842	9,733,579
EQUITY AND LIABILITIES			
Equity			
Share capital	31	2,615,578	2,615,578
Share premium	32	162,179	162,179
Fair value reserve	37	(7,097)	(3,697)
Retained earnings	38	1,343,766	1,250,135
Total equity		4,114,426	4,024,195
LIABILITIES			
Bank overdraft	48	6,773	-
Borrowings	39	5,068,037	5,052,266
Due to related parties	29	141,387	606,552
Other payables	40 (b)	34,612	15,904
Dividend payable	41	34,607	34,662
Total liabilities		5,285,416	5,709,384
Total equity and liabilities		9,399,842	9,733,579

The financial statements were approved by the Board of Directors on 9th March 2016 and signed on its behalf by:

________________________	________________________	________________
Group Chairman	**Director**	**Group Chief Executive Officer**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital	Share Premium	Statutory Fund	Revaluation surplus	Funds awaiting Allotment	Foreign Currency Translation Reserve	Fair value reserve	Retained earnings	Due to equity holders of the parent	Non-controlling interests	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	Ksh'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2015	2,615,578	162,179	970,671	87,834	-	-	(53,528)	3,424,706	7,207,440	(11,770)	7,195,670
Transfer to retained earnings	-	-	(115,000)	-	-	-	-	115,000	-	-	-
Investment in share capital	-	-	-	-	-	-	-	-	-	143,751	143,751
Funds awaiting allotment	-	-	-	-	512	-	-	-	512	-	512
Tax on transfer to retained earnings	-	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividends declared– 2015	-	-	-	-	-	-	-	(261,557)	(261,557)	-	(261,557)
Profit for the year	-	-	184,139	-		-	-	862,007	1,046,146	90,458	1,136,604
Other comprehensive income for the year	-	-	-	51,043	-	(195,091)	(152,393)	-	(296,441)	(58,056)	(354,497)
Total comprehensive income for the year	-	-	184,139	51,043	-	(195,091)	(152,393)	862,007	749,705	32,402	782,107
At 31 December 2015	2,615,578	162,179	1,039,810	138,877	512	(195,091)	(205,921)	4,110,156	7,666,100	164,383	7,830,483

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital KShs'000	Share Premium KShs'000	Statutory Fund KShs'000	Revaluation Surplus KShs'000	Foreign Currency Translation Reserve Ksh'000	Fair value reserve KShs'00	Retained earnings KShs'000	Due to equity holders of the parent KShs'000	Non-controlling interests KShs'000	Total KShs'000
At 1 January 2014	2,179,655	598,102	830,851	74,623	-	(1,838)	2,649,429	6,330,822	-	6,330,822
Transfer to retained earnings	-	-	(100,000)	-		-	100,000	-	-	-
Tax on transfer to retained earnings	-	-	-	-		-	(30,000)	(30,000)	-	(30,000)
Capitalisation of share premium	435,923	(435,923)	-	-		-	-	-	-	-
Transfer of the revaluation surplus of the property and equipment transferred to investment property	-	-	-	(74,623)		-	74,623	-	-	-
Dividends declared – 2014	-	-	-	-		-	(217,966)	(217,966)	-	(217,966)
Profit for the year	-	-	239,820	-			848,620	1,088,440		1,088,440
Other comprehensive income for the year	-	-	-	87,834	-	(51,690)	-	36,144	-	36,144
Total comprehensive income for the year	-	-	**239,820**	**87,384**	**-**	**(51,690)**	**848,620**	**1,124,584**	**-**	**1,124,584**
At 31 December 2014	**2,615,578**	**162,179**	**970,671**	**87,834**	**-**	**(53,528)**	**3,424,706**	**7,207,440**	**-**	**7,207,440**

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital KShs'000	Share premium KShs'000	Fair value reserve KShs'00	Retained Earnings KShs'000	Total KShs'000
At 1 January 2014	2,179,655	598,102	-	701,787	3,479,544
Dividends declared – 2014	-	-	-	(217,966)	(217,966)
Capitalisation of share premium	435,923	(435,923)	-	-	-
Profit for the year	-	-	-	766,314	766,314
Other comprehensive income for the year	-	-	(3,697)	-	(3,697)
Total comprehensive income for the year	-	-	(3,697)	766,314	762,617
At 31 December 2014	**2,615,578**	**162,179**	**(3,697)**	**1,250,135**	**4,024,195**
At 1 January 2015	**2,615,578**	**162,179**	**(3,697)**	**1,250,135**	**4,024,195**
Dividends declared – 2015	-	-	-	(261,557)	(261,557)
Profit for the year	-	-	-	355,188	355,188
Other comprehensive income for the year	-	-	(3,400)	-	(3,400)
Total comprehensive income for the year	-	-	(3,400)	355,188	351,788
At 31 December 2015	**2,615,578**	**162,179**	**(7,097)**	**1,343,766**	**4,114,426**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		2015 KShs'000	2014 KShs'000
Cash generated from operations	47	(907,202)	1,255,072
Taxation paid	10 (b)	(186,201)	(304,812)
Net cash (used in)/generated from operating activities		(1,093,403)	950,260
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	(175,296)	(478,126)
Purchase of investment property	13	(28,930)	-
Purchase of intangible assets	14	(38,449)	(39,658)
Purchase of corporate bonds	15	(359,274)	(252,299)
Proceeds from sale of property and equipment		6,714	-
Dilution of share in associate	16	1,920	-
Investment in associate (Malawi)	16	(13,695)	
Purchase of government securities held to maturity	18	(183,055)	(90,000)
Mortgage loans advanced	19 (a)	(164,688)	(259,669)
Mortgage loan repaid	19 (a)	128,474	128,134
Other staff loans advanced	19 (b)	(169,020)	(208,263)
Other staff loan repaid	19 (b)	90,276	114,809
Purchase of government securities available for sale	20	(800,226)	(210,000)
Proceeds from maturity of government securities available for sale	20	118,000	131,382
Proceeds from sale of equity investments available for sale	21	673	-
Purchase of equity investment at fair value through profit or loss	23	(822,925)	(12,604)
Proceeds from sale of equity investments	23	16,373	-
Decrease/(Increase) in deposits with non-financial institutions	24	70,177	(1,447,312)
Decrease/(Increase) in fixed deposits with financial institutions (excluding cash and cash equivalents)	30	4,595,418	(4,219,365)
Interest income		1,316,611	864,481
Dividend income		13,949	10,074
Net cash (used in)/generated from investing activities		**3,603,027**	**(5,968,416)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on non-controlling interest		143,751	-
Funds awaiting allotment		512	-
Borrowings	39	15,771	5,052,266
Dividends paid	41	(261,612)	(206,455)
Net cash (used in)/generated from financing activities		(101,578)	4,845,811
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,408,046	(172,345)
Effect of foreign exchange translations		(282,179)	-
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**2,442,026**	**2,614,371**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**48**	**4,567,893**	**2,442,026**

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 KShs'000	2014 KShs'000
Profit before taxation		335,633	-
Adjustments for:			
Depreciation on property and equipment	12	11,263	-
Fair value gains on revaluation on investment property	13	(300,000)	-
Interest income		(523,435)	-
Dividend income		(240,000)	-
Decrease/(increase) in other receivables	28	6,745	
(Increase)/decrease in related party balances	29	(715,389)	-
Increase in other payables	40	18,708	-
Cash generated from operations		(1,406,475)	-
Taxation paid		-	-
Net cash generated from operating activities		**(1,406,475)**	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	(73,119)	-
Diluted share in associate	16	1,920	-
Staff loans advanced	19	(73,032)	-
Staff loan repaid	19	55,777	-
Investment in subsidiaries	17	(581,179)	-
Increase in deposits with non-financial institutions	24	92,276	-
(Decrease)/Increase in fixed deposits with financial institutions (excluding cash and cash equivalents)	30	3,249,635	-
Interest income		523,435	-
Dividend income		240,000	-
Net cash used in investing activities		**3,435,713**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings	39	15,771	-
Dividends paid	41	(261,612)	-
Net cash used in financing activities		**(245,841)**	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,783,397	-
CASH AND CASH EQUIVALENTS AT 1 JANUARY		-	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	48	**1,783,397**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT 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), as issued by the International Accounting Standards Board (IASB).

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 profit or loss and other comprehensive income.

a. Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act. The financial statements have been prepared on a historical cost basis, except for available –for sale investments, equity investments at fair value through profit or loss, building and investment properties which have been measured at fair value and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional currency.

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

The Group presents its statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full.

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group financial statements reflect the result of the consolidation of the financial statements of the Company and its subsidiaries, CIC General Insurance Limited, CIC Life Assurance Limited, CIC Asset Management Limited, CIC Africa Insurance (SS) Limited and CIC Africa Group Limited, details of which are disclosed in note 17, made up to 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of consolidation (continued)

(i) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Associates

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint arrangement.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive income.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit and loss.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. Any interest in the equity of the associate that was recorded directly in other comprehensive income of the investor is recycled to the profit or loss and is included in the calculation of the gain or loss on disposal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests that are not present ownership interests are measured at fair value. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations

The group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the group, since none of the entities within the group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The group has applied these improvements for the first time in these financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the group has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the group had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the group's financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar' The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The group has not applied the aggregation criteria in IFRS 8.12. The group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in this period's financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the group during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the group has applied these amendments for the first time in the financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

Joint arrangements, not just joint ventures, are outside the scope of IFRS 3. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The group does not have a joint arrangement, and thus this amendment is not relevant for the group

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the group.

Standards issued but not yet effective

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The group plans to adopt the new standard on the required effective date. Overall, the group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

(i) Classification and measurement

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

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

(ii) Impairment

IFRS 9 requires the group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(iii) Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The group plans to adopt the new standard on the required effective date using the full retrospective method.

The group's principal activity is the transaction of general and life insurance business and fund management. The group is in the process of analysing the contracts with the customers and reinsurers and will need to perform further assessments in the future to quantify the financial impact to its financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group, since the group has not entered into any joint arrangements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the group has not used a revenue-based method to depreciate its non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have an impact on the group as the company will not early adopt the amendments.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. There will be an impact on the group's financial statements only if there is loss of control in the group's subsidiaries (CIC General Insurance Limited, CIC Life Assurance Limited, CIC Asset Management Limited, CIC Africa Insurance (SS) Limited and CIC Africa Group Limited) or contribution to associate (Takaful Insurance of Africa Limited and CIC Africa Co-operatives Limited).

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal group's) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5 These amendments will not have an impact on the group as the group does not have non-current assets held for sale and there are no immediate plans to discontinue operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments will not have any impact on the group's financial statements since the group does not have servicing contracts.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments will not have any impact on the group's financial statements since it is not required to prepare interim financial statements.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospective. This amendment does not impact the group as the currency in which the obligation is denominated is same as of the country where the obligation is located.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the group, as the group does not issue interim financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards and interpretations (continued)

Amendments to IAS 1 Disclosure Initiative (Continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the group, as the group will not early adopt the amendments. The Group plans to align the accounting policies in line with the new amendment.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

These amendments are not expected to have any impact on the group as the group will not early adopt the amendments. The Group plans to align the accounting policies in line with the new amendment, if and when applicable.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The Group still has to assess the full impact of this new standard.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Gross premiums

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross written premiums under short term life insurance contracts comprise the total premiums receivable for the whole period of the cover provided by the contract, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Gross earned premiums comprise the total premiums receivable for the respective accounting period which is under consideration, and are recognised up to the end of the reporting period. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums on life are recognised as an expense when payable or on the date on which the policy is effective. Gross general written premiums under short term life and general reinsurance contracts comprise the total premiums payable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Investment income

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

Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognised as an operating lease liability/asset.

Commission income

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

Realised / unrealised gains and losses

Unrealised / realised gains and losses on valuation of financial assets and investment properties at the reporting date or sale of financial assets are recognised in profit or loss. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Financial services income

Financial services income includes income from investment management and related activities. This is based on the value of the assets managed on behalf of clients such as fund management fees, collective investment and linked product administration fees. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

(f) 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 1/365th method on net commissions. The 1/365th is a time apportionment method of premium whereby the unearned premium reserve is the aggregate of unearned premium calculated on a pro-rata basis, in respect of the premiums relating to the unexpired periods of the respective insurance policies at the end of the reporting period. These commissions are recognised over the period in which the related revenues are earned.

(g) Insurance receivables

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

Insurance receivables are derecognised when the de-recognition criteria for financial assets, as described in (w) have been met.

(h) 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 Company’s experience but subject to the minimum percentages set by the Commissioner of Insurance per the requirement of Kenyan Insurance Act and related regulations. Claims liability on long term contracts is determined through actuarial valuation which is carried out annually.

(i) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company 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 Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

(i) Reinsurance contracts held (Contiued)

The benefits to which the Company 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.

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

(ii) Taxation

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Current income tax assets or liabilities are based on the amount of tax expected to be paid or recovered in respect of the taxation authorities in the future. Tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. The prevailing tax rate and the amount expected to be paid are highlighted in note 10 of these financial statements.

The company offsets current tax assets and current tax liabilities when:

- It has a legally enforceable right to set off the recognised amounts; and
- It intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The net amount of current income tax recoverable from, or payable to, the taxation authority is included on a separate line in the statement of financial position of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

(ii) Taxation (continued)

Deferred income tax

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax is provided on temporary differences except those arising on the initial recognition of goodwill, the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The accounting of deferred tax movements is driven by the accounting treatment of the underlying transaction that lead to the temporary differences. Deferred tax relating to items recorded in profit or loss is recognised in profit or loss, while deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income Taxes

Value Added Tax (VAT) and premium taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Earnings per share

The Group calculates basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

- profit or loss from continuing operations attributable to the parent entity; and
- profit or loss attributable to the parent entity

is the amounts in (i) and (ii) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

(l) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates), which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the end of each reporting period and on date of settlement 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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(m) Property and equipment

Property and equipment is initially recorded at cost only when the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably and subsequently stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

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 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Property and equipment (continued)

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 are measured according to the revaluation model stated at fair value, which reflects market conditions at the reporting date.

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

Property and equipment are reviewed for impairment note (s) 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. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its continued use or disposal. Gains and losses on de-recognition of property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss in the year the asset is derecognised. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end are adjusted prospectively, if appropriate.

(n) Investments properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost including the transaction costs. The investment properties are subsequently carried at fair value, representing the open market value at the reporting date determined by annual valuations carried out by Crystal Valuers Limited as at 31 December 2015 and 31 December 2014. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met; and excludes the costs of day-to-day servicing of an investment property.

When the Company can reliably determine the fair value of a self-constructed investment property under construction or development, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the profit or loss.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software over its estimated useful life (four years).

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Softwares under implementation are recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such softwares includes professional fees and costs directly attributable to the software. The softwares are not amortised until they are ready for the intended use.

Intangible assets have finite lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(p) 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 fund, 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 KShs 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.

Termination Benefits

The company recognises a liability and expense for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

i. For termination benefits payable as a result of an employee's decision to accept an offer of benefits in exchange for the termination of employment, then time when the company can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction (eg a legal, regulatory or contractual requirement or other restriction) on the entity's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Termination Benefits (continued)

ii. For termination benefits payable as a result of the company's decision to terminate an employee's employment, the company then can no longer withdraw the offer when it has communicated to the affected employees a plan of termination meeting all of the following:
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made.
- The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date.

The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

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

(r) Segment reporting

An operating segment is a component of an entity:

i. That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)

ii. Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance, and

iii. For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues for example start-up operations may be operating segments before earning revenues. 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 Group to comprise three business segments, general insurance business, long term insurance business and other business, and two geographical segments, in Kenya, Sudan and Mauritius.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

The following criteria are also applied in assessing impairment of specific assets:

The recoverable amount for the life insurance business has been determined based on a fair value less costs to sell calculation. The calculation requires the Group to make an estimate of the total of the adjusted net worth of the life insurance business plus the value of in-force covered business. New business contribution represents the present value of projected future distributable profits generated from business written in a period. Growth and discount rates used are suitable rates which reflect the risks of the underlying cash flows.

Associates

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate less costs to sell and the carrying value and recognises this amount in the profit or loss.

(t) Other financial liabilities and insurance payables

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit or loss. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Borrowings and trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and losses on financial liabilities at amortised cost are recognised on derecognition and through the amortisation process. Gains and loss on financial liabilities at fair value through profit or loss are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Other financial liabilities and insurance payables (continued)

Insurance payables are recognised when due and measured on initial recognition at the fair value of the claim payable plus directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

(u) Financial and insurance liabilities

Insurance contract liabilities and reinsurance assets

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

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the profit or loss.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period. The group used the 365th method in computing this reserve. The estimate of the incurred claims that have not yet been reported to the Group (IBNR) is computed using the basic chain ladder method. The basic assumption using this method is that claims will emerge in a similar way in each development year.

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

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate, and DAC (deferred acquisition cost – by using an existing liability adequacy test as laid out under the Kenyan Insurance Act.

(v) Fair value measurement

The Group measures financial instruments such as available-for-sale at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as property and investment properties. Involvement of external valuers is decided upon annually by the finance and investment manager after discussion with and approval by the group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(w) Financial instruments

Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases and sales of financial instruments are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

The Group classifies its financial assets into the following IAS 39 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 financial instruments at initial recognition.

Financial assets 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. Financial assets 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.

The fair values of quoted securities 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 and reference to other instruments that are substantially the same.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments are recognised in profit or loss in the period that they arise.

Financial assets at fair value through profit or loss comprise quoted equity investments and investment in collective investment scheme i.e CIC Unit Trust and corporate bonds.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans receivables, receivables arising from direct insurance arrangements, receivable arising from reinsurance arrangements, due from related parties, reinsurer share of liabilities and reserve other receivables and deposits with financial institutions

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

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.

After initial measurement, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Financial assets held to maturity comprise government securities held under lien by the central bank of Kenya for the commission of insurance, commercial papers and corporate bonds.

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.

Subsequent to initial recognition, these investments are re-measured at fair value unless their value cannot be reliably measured in which case they are carried at cost less provision for impairment.

Unrealised gains and losses arising from changes in the fair value of 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.

Unquoted investments and government securities (those not under lien) are classified as available-for-sale investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial instruments (continued)

Reclassifications

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. If the tainting provisions are triggered, no investment should be classified as held-to-maturity if, during either the current financial year or the two preceding financial years, the reporting entity has sold or reclassified more than an insignificant amount of such investments before maturity other than by those effected:

- close enough to maturity or call date (e.g. less than three months before maturity) so that changes in the market rate of interest did not have a significant effect on the investment's fair value;
- after substantially all of the investment's original principal had been collected through scheduled payments or prepayments; or
- due to an isolated non-recurring event that is beyond the holder's control and could not have been reasonably anticipated by the holder.

Any remaining held-to-maturity investments should also be reclassified as available-for-sale. Similarly, if, as a result of a change in intention or ability or because the tainting period has passed, it becomes appropriate to regard an available-for-sale asset as held-to-maturity, it should be reclassified accordingly.

The said financial assets should be reclassified at fair value, gains or losses arising the difference between the carrying amount and the fair value should be reclassified from equity to profit or loss as a reclassification adjustment.

As the business grows, a need to increase the financial assets held under lien increases which should be maintained at 5% of the company's admitted assets as per the Kenyan Insurance Act.

Impairment of financial assets

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

Financial assets carried at amortised cost- loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost- loans and receivables(continued)

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Available-for-sale financial investments

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

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

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

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

De-recognition of Financial Assets

The company derecognises a financial asset when and only when:

The contractual rights to the cash flows from the financial asset expire, or

It either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where all of the following three conditions are met.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial instruments (continued)

Impairment of financial assets (continued)

De-recognition of Financial Assets (continued)

i. The company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.

ii. The company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.

iii. The company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients

Financial liabilities and equity instruments issued by the Group

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

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.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, payables and financial guarantee contracts, net of directly attributable transaction costs. The Group's financial liabilities include long term bond (borrowing), other payables and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial instruments (continued)

Impairment of financial assets (continued)

Loans and borrowings and payables

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings and payable are subsequently measured at amortised cost using the EIR method. 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, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to interest-bearing borrowings and payables.

Financial guarantee contracts

Financial guarantee contracts issued by the Group or held by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

The company holds funds for various retirement schemes where it guarantees the pension holders a minimum rate of return of 5%. See note 42 for more details.

Derecognition

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

Offsetting of financial assets and financial liabilities

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

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Dividends

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

(z) Events after the reporting date

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

(aa) Share capital and share premium

Ordinary shares are recognised at par value and classified as ‘share capital’ in equity. Any amounts received over and above the par value of the shares issued are classified as ‘share premium’ in equity.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

(ab) Statutory fund

The Group matches the assets to liabilities, after which there is a surplus/deficit that is transferred to the statutory fund. The Insurance Act regulations stipulate that only a maximum 30% of this can be transferred to the shareholders. The statutory actuary advices on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2014: 30% (2013:30%) is incurred.

(ac) Expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

i. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.

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

(ad)Accounting for leases

Determination

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

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

When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination took place.

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Since such estimates and assumptions are based on the directors' best knowledge of the information available, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed below.

(i) The key areas of judgment in applying the Group's accounting policies are dealt with below:

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

a. Whether it is probable that that future taxable profits will be available against which temporary differences can be utilised; and

b. Whether the Group has the ability to hold 'held-to maturity' investments until they mature. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

c. Whether the Group has control over investee in view of the criteria set out under IFRS 10. These are;

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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

(ii) Key sources of estimation uncertainty

Valuation of insurance contract liabilities

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

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

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

Property and equipment

Critical estimates are made by the Group's management, in determining depreciation rates for property and equipment. The rates used are set out in accounting policy in note (m) above.

Receivables

Critical estimates are made by the directors in determining the recoverable amount of receivables. The directors make their estimate as described in note (g) above.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Equity investment impairment

In assessing whether equity investments classified as available-for-sale has had a 'significant or prolonged' decline in the fair value of the investment below its cost, the Group would benchmark the performance of the investment against its peers, review three years strategic plan and perform in-depth analysis on key identified ratios.

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

(ii) Key sources of estimation uncertainty (continued)

Impairment losses

At each reporting date, 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. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for coming years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the Group considers the following indications:

a. there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

b. significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

c. market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

d. the carrying amount of the net assets of the entity is more than its market capitalisation.

e. evidence is available of obsolescence or physical damage of an asset.

f. significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 53 for further discussion.

Revaluation of property and equipment and investment properties

The Group carries certain classes of property and equipment at fair value, with changes in fair value being recognised in the other comprehensive income. Land and buildings were valued on the basis of open market value by independent valuers, Crystal Valuers Limited. Refer to note 12 and 13 where detailed assumptions have been disclosed.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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

(ii) Key sources of estimation uncertainty (continued)

Contingent liabilities

The Group is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The Directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the Directors' evaluation, a present obligation has been established. Judgement and assumptions are required in:

- assessing the existence of a present obligation (legal or constructive) as a result of a past event,
- assessing the probability that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Estimating the amount of the obligation to be paid out.

Tax assessment

The Kenya Revenue Authority (KRA) carried out an audit on the group companies during the year covering VAT, Excise Duty and Corporation Tax for the period between 2011 and 2014. KRA raised tax assessments (which exclude penalties and interest) as shown below for the respective subsidiary.

Company	Type of tax	Amount (KShs 'million)
CIC General Insurance Limited	Excise duty and corporation tax	32
CIC Life Assurance Limited	Corporation tax	62
CIC Asset Management Limited	VAT	24
Total		118

In the opinion of directors and after taking appropriate tax advice, this amount is not payable and they have appealed the matter through the Tax Appeals Tribunal to review the assessment. The directors are of the opinion that the outcome of their appeal will be favourable hence no provision has been made for any tax liability that may arise from this assessment in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION

The Group had adopted IFRS 8 Operating Segments. In accordance with IFRS 8, operating segments, the information presented hereafter by operating segment is the same as that reported to the Chief Operating Decision Maker (the Group Chief Executive Officer) for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Under IFRS 8 the Group's reportable segments are long term business, short term business and other. 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 or 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. Other business comprises non insurance related businesses. 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 companies 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 reportable segments; general insurance business, long term insurance business and other business.

Group management internally evaluates its performance based upon:

- Reportable segment profits after tax.
- Capital employed (defined as the total of intangible and tangible assets and working capital).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (CONTINUED)

The various products and services that the reporting segments derive their revenues from have been described as follows.

	2015 KShs'000	2014 KShs'000
(a) Gross written premiums		
General insurance business		
Motor	4,345,206	4,348,143
Medical	1,123,005	3,083,556
Fire	673,703	653,574
Personal accident	201,417	186,490
Theft	432,423	415,848
Liability	121,305	192,000
Engineering	402,623	155,021
Miscellaneous accident	181,352	173,269
Others	516,962	411,090
	7,997,996	**9,618,991**
Life assurance business		
Ordinary life	866,412	574,101
Group life	2,575,133	3,528,284
	3,441,545	4,102,385
Total gross written premiums	**11,439,541**	**13,721,376**
(b) Gross earned premiums		
General insurance business		
Motor	4,309,829	4,134,937
Medical	2,363,007	3,013,158
Fire	678,197	634,453
Personal accident	222,510	188,471
Theft	433,915	454,653
Liability	157,520	190,420
Engineering	423,175	140,854
Miscellaneous accident	194,364	163,254
Others	414,382	341,357
	9,196,899	9,261,557
Life assurance business		
Ordinary life	866,412	574,101
Group life	2,575,133	3,528,284
	3,441,545	**4,102,385**
Total gross earned premiums	**12,638,444**	**13,363,942**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (continued)

(c) Reinsurance premiums	2015 KShs'000	2014 KShs'000
General insurance business		
Motor	59,915	48,788
Medical	185,024	47,950
Fire	319,365	322,929
Engineering	353,583	78,289
Personal accident	51,335	21,288
Theft	30,467	32,079
Miscellaneous accident	120,931	141,351
Liability	75,957	108,706
Others	40,538	22,195
	1,237,115	823,575
Life assurance business		
Group credit	656,736	202,997
Individual Life	15,667	27,046
	672,403	230,043
Total reinsurance premiums	**1,909,518**	**1,053,618**

(d) Investment income:		
General insurance business		
Interest from government securities held to maturity	140,070	205,763
Interest on corporate bonds held to maturity	2,789	102
Amortisation/discount on government securities held to maturity	(1,673)	10,356
Bank deposit interest	295,163	190,131
Interest on staff loan receivables	15,787	11,840
Dividend income	9,138	8,586
Rental income from investment properties	125,802	90,473
Accrued interest on government securities classified as available for sale	27,459	23,326
	614,535	**540,577**
Life assurance business		
Interest from government securities held to maturity	135,496	183,459
Amortisation/discount on government securities held to maturity	1,504	3,345
Bank deposit interest	120,833	137,098
Interest on staff loan receivables	17,641	7,342
Dividend income	4,706	1,397
Rental income from investment properties	23,055	8,660
Fair value gain on equity investment at fair value through profit or loss	25,260	25,791
	328,495	**367,092**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (continued)

(d) Investment income (continued)	2015 KShs'000	2014 KShs'000
Other business		
Interest from government securities held to maturity	-	4,375
Corporate bond interest receivable	5,845	-
Interest receivable on fixed deposits	-	122,921
Interest on staff loan receivables	24,417	1,450
Dividend income	105	91
Fair value on equity investment at fair value through profit or loss	564,416	15,310
	594,783	**144,147**
Total investment income	**1,537,813**	**1,051,816**

(e) Claims and policy holders' benefits expenses	2015 KShs'000	2014 KShs'000
General insurance business:		
- Gross	6,411,400	6,884,533
- Reinsurer's share	(1,019,212)	(1,080,296)
	5,392,188	**5,804,237**
Life insurance business:		
- Gross	2,383,522	2,021,548
- Reinsurer's share	(243,669)	(67,502)
	2,139,853	1,954,046
Actuarial adjustment of policyholder's liability	(248,343)	883,592
	1,891,510	**2,837,638**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (continued)

Other disclosures:	General Insurance business KShs'000	Life Assurance Business KShs'000	Other business KShs'000	Total 2015 KShs'000
31-Dec-15				
Reportable segment profits after tax	**656,076**	**184,139**	**296,389**	**1,136,604**
Reportable segment total assets	10,798,053	7,458,397	6,663,785	24,920,235
Less:				
: Related party balances	(15,106)	(158,090)	79,307	(93,889)
: Investment in subsidiaries	(1,700,000)	(800,000)	(892,179)	(3,392,179)
Reportable segment total assets - Net	9,082,947	6,500,307	5,850,913	21,434,167
Reportable segment total liabilities	6,614,363	5,524,346	4,951,043	17,089,752
Less: related party balances	(332,883)	(5,299)	338,182	-
Net	**6,281,480**	**5,519,047**	**5,289,225**	**17,089,752**
Interest income	481,268	273,970	30,262	785,500
Interest expense	-	-	665,771	665,771
Income tax expense/(credit)	160,683	52,649	(10,850)	202,482
Fees and commission income	317,379	190,941	142,196	650,516
Depreciation of property and equipment	62,058	33,662	27,366	123,086
Amortisation of intangible assets	11,485	13,521	345	25,351
Property and equipment additions	106,487	9,735	59,074	175,296
Intangible assets additions	15,664	5,570	17,215	38,449
31-Dec-14				
Reportable segment profits after tax	603,352	239,820	245,268	1,088,440
Reportable segment total assets	**10,605,178**	**6,706,712**	**10,409,320**	**27,721,210**
Less:				
: Related party balances	(709,599)	(286,251)	(223,973)	(1,219,823)
: Investment in subsidiaries	(1,700,000)	(800,000)	(311,000)	(2,811,000)
Reportable segment total assets - Net	8,195,579	5,620,461	9,874,347	23,690,387
Reportable segment total liabilities	**6,817,485**	**4,772,563**	**5,976,605**	**17,566,653**
Less: Related party balances	-	(242,955)	(840,751)	(1,083,706)
Net	**6,817,485**	**4,529,608**	**5,135,854**	**16,482,947**
Interest income	431,162	327,899	128,746	887,807
Interest expense	-	-	150,000	150,000
Income tax expense/(credit)	241,425	63,987	(3,538)	301,874
Fees and commission income	239,876	59,761	86,060	385,697
Depreciation of property and equipment	62,365	51,777	15,386	129,528
Amortisation of intangible assets	12,497	19,000	84	31,581
Property and equipment additions	142,337	223,657	112,132	478,126
Intangible assets additions	18,970	20,426	262	39,658
Investment properties transfer	-	300,000	-	300,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

4. (a) Fees and commissions income

	2015 KShs'000	2014 KShs'000
General insurance business		
Engineering	108,914	36,969
Fire	112,675	137,031
Liability	20,383	28,018
Medical	37,005	5,366
Others	40,628	34,001
Total	319,605	241,385
Life assurance business		
Group life	164,184	50,290
Ordinary Life	26,757	9,471
Total	190,941	59,761
Other business		
Fund management fees	110,507	62,716
Administration fee	27,874	20,531
Wealth management fee	1,025	925
Other income	564	379
Total	139,970	84,551
Total Commission Income	650,516	385,697

4. (b) Commissions expense

	2015 KShs'000	2014 KShs'000
General Insurance business		
Engineering	43,531	28,669
Fire	165,397	146,419
Liability	39,924	36,077
Medical	85,674	151,247
Motor	429,988	369,798
Others	177,796	160,227
Total	942,310	892,437
Life assurance business		
Group life	331,013	133,396
Ordinary Life	106,449	113,010
Total	437,462	246,406
Total Commission Expense	1,379,772	1,138,843

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

5. INVESTMENT INCOME

GROUP

	2015 KShs'000	2014 KShs'000
Interest from government securities held to maturity	280,053	393,597
Bank deposit interest	978,713	450,252
Corporate bond interest receivable	5,845	-
Interest on staff loan receivables	57,845	20,632
Dividend income	13,949	10,074
Rental income from investment properties	148,858	99,133
Amortisation/discount on government securities classified as held to maturity (note 18 (a))	(169)	13,702
Accrued interest income on government securities classified as available for sale	52,719	64,426
	1,537,813	1,051,816
Investment income earned on financial assets, analysed by category of asset is as follows:		
Held to maturity investments	1,264,442	857,551
Available for sale investments	52,719	64,426
Dividend income	13,949	10,074
Loans and receivables	57,845	20,632
Investment income earned on non-financial assets	148,858	99,133
Total investment income	1,537,813	1,051,816

Fair value gains relating to financial assets classified as fair value through profit or loss is included in other gains and losses in note 6.

COMPANY

	2015 KShs'000	2014 KShs'000
Interest from government securities	4,487	103,601
Bank interest	518,948	-
	523,435	103,601

6. OTHER GAINS/(LOSSES)

GROUP

Fair value gain on investment properties (note 13)	795,812	639,000
Fair value (loss)/gain on quoted equity investments at fair value through profit or loss (note 23)	(109,850)	65,317
Miscellaneous income	36,970	67,721
	722,932	772,038

COMPANY

Fair value gains on investment properties (note 13 (b))	300,000	400,000

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 5 above and impairment losses recognised in respect of premium receivable (see note 8).


A word describes who we are
WAREMBO
We stand behind every
word you stand for
CIC GROUP

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

7. CLAIMS AND POLICYHOLDERS BENEFITS EXPENSES

	2015 KShs'000	2014 KShs'000
Claims and policyholders benefits payable:		
- Gross (note 46)	8,794,922	8,906,081
- Reinsurer's share (note 46)	(1,262,881)	(1,147,798)
	7,532,041	7,758,283
Actuarial adjustment of policyholder's liability (note 43)	(248,343)	883,592
Total claims and policy holders benefits expense	7,283,698	8,641,875
Comprises of:		
Actual claims paid during the year	7,417,657	7,146,169
(Decrease)/increase of provision for incurred but not reported	(98,871)	392,638
Claims incurred in the year but not yet paid	213,255	219,476
Actuarial adjustment of policyholder's liability (note 43)	(248,343)	883,592
	7,283,698	**8,641,875**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

8. OPERATING AND OTHER EXPENSES

(a) GROUP

	2015 KShs'000	2014 KShs'000
The following items have been charged in arriving at profit before taxation:		
Staff costs (note 8(b))	1,124,994	900,707
Auditors' remuneration	9,500	6,470
Directors' fees	18,922	35,202
Directors' emoluments	25,278	29,350
Depreciation of property and equipment (note 12(a))	123,086	129,528
Amortisation of intangible assets (note 14 (a))	25,351	31,581
Impairment charge for doubtful premium receivables	187,911	120,705
Premium tax	84,929	100,417
Staff welfare	341,541	312,332
Utilities	203,874	274,515
Printing and stationery	142,993	124,752
Business advertising and promotion	289,820	679,838
Professional fees	170,260	217,061
Statutory returns	78,836	29,229
Premium collection cost	33,020	78,476
Professional subscriptions	23,763	1,115
Provision for imperial bank deposits	31,601	-
Loss on disposal of property and equipment (note 12(a))	169	-
Loss on scrapping of property and equipment (note 12(a))	37,718	-
Loss on scrapping of intangible assets (note 14 (a))	14,385	-
Amortisation of bond expenses (note 39)	15,771	3,413
Others*	190,111	131,834
	3,173,833	**3,206,525**

* Amortisation on deferred acquisition costs is included under other costs

(b) STAFF COSTS

	2015	2014
Staff costs include the following:		
- Salaries	1,010,443	828,930
- Defined contribution expense	54,778	56,968
- Termination benefits expense	30,353	-
- Leave pay	29,420	14,809
	1,124,994	**900,707**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

8. OPERATING AND OTHER EXPENSES (continued)

(c) COMPANY

	2015 KShs'000	2014 KShs'000
Office rent	6,923	-
Branding costs	28,822	-
Staff welfare	1,540	-
Printing and stationery	882	-
Business advertising	788	-
Delegates allowances	1,833	-
Depreciation (note 11(b))	11,262	-
Directors allowances	-	9,200
Audit fee	650	512
AGM expenses	529	829
Professional fees	6,948	46,961
Amortisation of bond expenses	15,771	3,413
Others	1,854	1,372
	77,802	**62,287**

9. FINANCE COST

	2015 KShs'000	2014 KShs'000
Interest expense on borrowings (note 39)	650,000	150,000

10. TAXATION GROUP

	2015 KShs'000	2014 KShs'000
(a) Statement of profit or loss		
Current tax charge	308,239	250,799
Prior year over provision	(8,137)	-
Deferred tax (credit)/charge (note 22)	(97,620)	51,075
	202,482	301,874
(b) Statement of financial position		
At 1 January	(46,322)	(22,309)
Tax charge	308,239	250,799
Prior year over provision	(8,137)	-
Tax charge on transfer to retained earnings	30,000	30,000
Tax paid	(186,201)	(304,812)
At 31 December	**97,579**	**(46,322)**
(c) Reconciliation of taxation expense to expected tax based on accounting profit		
Profit before taxation	**1,339,085**	**1,390,314**
Tax calculated at a tax rate of 30%	401,726	417,094
Prior year over provision	(8,137)	-
Tax effect of expenses not deductible for tax*	86,987	19,491
Tax effect of income not subject to tax**	(314,494)	(135,256)
Tax effect on capital gains	81,837	-
Prior year tax under-provision in deferred tax	(45,437)	545
Taxation charge for the year	**202,482**	**301,874**

*These expenses are valuation fees, fringe benefit tax, excess pension contributions, loss on valuation of shares etc.
**These incomes are dividend income, fair value gains on investment property and interest on infrastructure bond.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

10. TAXATION (continued)

COMPANY

	2015 KShs'000	2014 KShs'000
(d) Statement of profit or loss and other comprehensive income		
Deferred tax credit (note 22(b))	(19,555)	-
(e) Statement of financial position		
At 1 January	2,000	2,000
Taxation charge for the year	-	-
Paid during the year	-	-
At 31 December	2,000	2,000
(f) Reconciliation of taxation expense to expected tax based on accounting profit		
Profit before taxation	335,633	766,314
Tax calculated at a tax rate of 30%	100,690	229,894
Tax effect of income not subject to tax*	(162,000)	(229,894)
Tax effect of expenses not deductible for tax**	5,355	-
Tax effect on capital gains	81,837	
Prior year tax under-provision in deferred tax	(45,437)	-
Taxation charge for the year	**(19,555)**	-

*These expenses are donations and bond amortisation costs

**These incomes are dividend income and fair value gains on investment property

11. 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:

	GROUP		COMPANY	
	2015	2014	2015	2014
Profit attributable to ordinary shareholders' (KShs'000)	1,136,604	1,088,440	355,188	766,314
Weighted average number of shares (in thousands)	2,615,578	2,615,578	2,615,578	2,615,578
Earnings per share (KShs) – Basic and diluted (KShs)	0.43	0.42	0.14	0.29

There were no dilutive shares during the year (2014: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

12 (a) PROPERTY AND EQUIPMENT – GROUP

2015	Buildings KShs'000	Motor vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 January	500,000	72,494	213,641	835,470	1,621,605
Additions	94,871	20,066	12,575	47,784	175,296
Elimination on scrapping	-	-	(69,017)	(74,914)	(143,931)
Gross gain on revaluation	80,075	-	-	-	80,075
Elimination of depreciation charge on revaluation	(15,504)	-	-	-	(15,504)
Disposals	-	(24,090)	-	-	(24,090)
At 31 December	**659,442**	**68,470**	**157,199**	**808,340**	**1,693,451**
ACCUMULATED DEPRECIATION					
At 1 January	-	42,578	131,293	190,713	364,584
Charge for the year	15,504	9,685	21,441	76,456	123,086
Elimination on scrapping	-	-	(60,134)	(46,081)	(106,215)
Eliminated on disposals	-	(17,207)	-	-	(17,207)
Elimination on revaluation	(15,504)	-	-	-	(15,504)
At 31 December	-	35,056	92,600	221,088	348,744
NET CARRYING AMOUNT					
At 31 December	**659,442**	**33,414**	**64,599**	**587,252**	**1,344,707**
CARRYING AMOUNT - COST BASIS					
At 31 December	**594,871**	**20,348**	**94,572**	**659,295**	**1,091,274**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

12 (a) PROPERTY AND EQUIPMENT – GROUP (continued)

2014	Buildings KShs'000	Motor vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 January	695,814	62,800	194,073	402,958	1,355,645
Additions	16,352	9,694	19,568	432,512	478,126
Revaluation gains	87,834	-	-	-	87,834
Transfer to investment property	(300,000)	-	-	-	(300,000)
At 31 December	500,000	72,494	213,641	835,470	1,621,605
COMPRISING:					
Cost	412,166	72,494	213,641	835,470	1,533,771
Valuation	87,834	-	-	-	87,834
	500,000	72,494	213,641	835,470	1,621,605
ACCUMULATED DEPRECIATION					
At 1 January	-	32,606	103,844	98,606	235,056
Charge for the year	-	9,972	27,449	92,107	129,528
At 31 December	-	42,578	131,293	190,713	364,584
NET CARRYING AMOUNT					
At 31 December	**500,000**	**29,916**	**82,348**	**644,757**	**1,257,021**
CARRYING AMOUNT - COST BASIS					
At 31 December	**500,000**	**24,372**	**81,997**	**611,511**	**940,068**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

12. (a) PROPERTY AND EQUIPMENT – GROUP (continued)

An independent valuation of the buildings in Kenya was carried out at 31 December 2015 by Crystal Valuers 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. CIC Plaza in South Sudan was revalued on 31 December 2015 by registered valuers, Kneya Realtors Ltd on open market value basis. The fair value of property and equipment are assessed every year.

No borrowing costs have been capitalised in the additions to property and equipment. None of the above assets was pledged as collateral for liabilities.

(b) PROPERTY AND EQUIPMENT – COMPANY

	Motor vehicles KShs'000	Computers KShs'000	Furniture fittings & Equipment KShs'000	Total KShs'000
COST OR VALUATION				
At 1 January 2015	-	-	-	-
Additions	16,907	79	56,133	73,119
At 31 December 2015	16,907	79	56,133	73,119
ACCUMULATED DEPRECIATION				
At 1 January 2015	-	-	-	-
Charge for the year	4,227	19	7,017	11,263
At 31 December 2015	4,227	19	7,017	11,263
CARRYING AMOUNT				
At 31 December 2015	**12,680**	**60**	**49,116**	**61,856**

The company did not have property and equipment in the previous year.

13. INVESTMENT PROPERTIES

(a) GROUP	CIC plaza in Kenya and South Sudan KShs'000	Kamiti Land KShs'000	Kajiado Land KShs'000	Total KShs'000
At 1 January 2014				
Transfer from property and equipment	975,000	1,500,000	1,182,000	3,657,000
Fair value gains (note 6)		-	-	
	125,000	400,000	114,000	639,000
At 31 December 2014	**1,400,000**	**1,900,000**	**1,296,000**	**4,596,000**
At 1 January 2015	1,400,000	1,900,000	1,296,000	4,596,000
Additions	28,930	-	-	28,930
Fair value gains (note 6)	331,812	300,000	164,000	795,812
At 31 December 2015	**1,760,742**	**2,200,000**	**1,460,000**	**5,420,742**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

13. INVESTMENT PROPERTIES (continued)

(b) COMPANY	2015 KShs'000	2014 KShs'000
KAMITI LAND		
At 1 January	1,900,000	1,500,000
Fair value gains (note 6)	300,000	400,000
At 31 December	2,200,000	1,900,000

The movement in the year is as shown below:

(a) GROUP		
At 1 January	4,596,000	3,657,000
Additions: cash paid	28,930	-
Transfer from property and equipment	-	300,000
Fair value gains (note 6)	795,812	639,000
At 31 December	5,420,742	4,596,000

(b) COMPANY		
At 1 January	1,900,000	1,500,000
Fair value gains (note 6)	300,000	400,000
At 31 December	2,200,000	1,900,000

All investment properties except for CIC Plaza in South Sudan, were re-valued by Crystal Valuers Limited, registered valuers at 31 December 2015 on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties. CIC Plaza in South Sudan was revalued on 31 December 2015 by registered valuers, Kneya Realtors Ltd on open market value basis. In arriving at the value of the investment property, the valuer used capitalization of the rental income using the year purchase method. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

13. INVESTMENT PROPERTIES (continued)

Generally, a change in the assumption made for the estimated rental value is accompanied by:

i. a directionally similar change in the rent growth per annum and discount rate (and exit yield)

ii. an opposite change in the long term vacancy rate

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable Inputs	average
Capitalized rent income (year purchase) method	Net annual rent	127,543,395
	Annual rent growth rate	7%
	Discounting rate	13%

Considering the physical economic parameters in the country and the trends in property markets, management is of the opinion that there will not be significant change in the inputs to the valuation method during the year. The valuation takes into account recent prices of similar properties with adjustments made to reflect any changes in economic conditions since the date of the transactions at those prices.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the profit or loss.

The fair valuation basis takes into account the existing use and the tendencies and also considers the normal lease structure for similar buildings.

14. INTANGIBLE ASSETS

	2015 KShs'000	2014 KShs'000
COST		
At 1 January	265,134	225,476
Additions	38,449	39,658
Elimination on scrapping	(126,030)	-
At 31 December	177,553	265,134
ACCUMULATED AMORTISATION		
At 1 January	170,387	138,806
Charge for the year	25,351	31,581
Elimination on scrapping	(111,646)	-
At 31 December	84,092	170,387
CARRYING AMOUNT		
At 31 December	**93,461**	**94,747**

The intangible assets relate to costs incurred in the acquisition of various software in use by the Group. The cost is amortised on a reducing balance basis over the estimated useful lives of four years.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

15. CORPORATE BONDS

This refers to those bonds which are listed at the Nairobi Securities Exchange Limited and the valuation is based on the observable input prices.

	2015 KShs'000	2014 KShs
Kenya Electricity Generating Group Limited	19,956	24,949
UAP Insurance Kenya	32,961	32,698
CIC Insurance Group Limited	16,279	-
Real People Kenya	22,307	20,198
Centum Investment Company Limited	78,566	-
Chase Bank Limited	172,325	-
Housing Finance Company Limited	74,036	44,005
Family Bank Limited	20,370	-
Jamii Bora Bank Limited	52,448	59,116
ABC Bank Limited	122,325	71,333
	611,573	**252,299**

16. INVESTMENT IN ASSOCIATE

The holding in Takaful Insurance of Africa Limited represents 22% (2014 – 24%) of the issued ordinary share capital and the holding in CIC Africa Co-operatives Limited represents 49% (2014 – 0%) of the issued ordinary share capital. The associates are limited liability companies incorporated and domiciled in Kenya and Malawi respectively. Their principal activity is transaction of general insurance and life business and their financial year end is 31 December. The companies are not listed on any stock exchange.

		GROUP		COMPANY
	2015 KShs'000	2014 KShs'000	2015 KShs'000	2014 KShs'000
At 1 January	117,554	109,872	140,320	140,320
Dilution of shares in Takaful Insurance of Africa Limited	(1,920)	-	(1,920)	-
Share of (loss)/profit after taxation	(163)	7,682	-	-
Write in of investment in CIC Africa Co-operatives Limited	13,695	-	-	-
At 31 December	**129,166**	**117,554**	**138,400**	**140,320**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

16. INVESTMENT IN ASSOCIATE (continued)

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

	2015 KShs'000	2014 KShs'000
Total assets	1,497,370	1,212,879
Total liabilities	926,029	693,320
Equity	571,341	519,559
Cash and cash equivalents	292,544	118,125
Depreciation	-	21,614
Amortisation	-	-
Interest income	-	-
Interest expense	-	-
Income tax expense	-	-
Group's carrying amount of the investment	-	124,694
Net earned premiums	609,475	519,977
Investment and other income	137,605	30,242
Net claims and policy holder benefits payable	(272,363)	(194,700)
Operating and commissions expense	(441,235)	(323,239)
Profit for the year	33,482	32,280
Group's share of (loss)/profit of associate	(163)	7,682
Group's share of associate's contingent liabilities	Nil	Nil

The extent to which outflow of funds will be required on the Group's share of associate's contingent liabilities is dependent on the future operations of the associate 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

17. INVESTMENT IN SUBSIDIARIES

COMPANY	2015 KShs'000	2014 KShs'000
CIC Asset Management Limited: 550,000 ordinary shares of KShs 20 each at cost	311,000	311,000
CIC General Insurance Limited: 85,000,000 ordinary shares of KShs 20 each at cost	1,700,000	1,700,000
CIC Life Assurance Limited: 40,000,000 ordinary shares of KShs 20 each at cost	800,000	800,000
CIC Africa Insurance (South Sudan) Limited 690,000 ordinary shares USD 5 each at cost	319,962	-
CIC Africa Group Limited 528,000 ordinary shares of USD 5 each at cost	261,217	-
	3,392,179	2,811,000

Company	Share capital KShs '000	Country of Incorporation	Principal activity	Percentage Holding
CIC Asset Management Limited	311,000	Kenya	Funds and assets management as regulated by the Capital Markets Authority.	100%
CIC General Insurance Limited	1,700,000	Kenya	Underwriting general insurance business.	100%
CIC Life Assurance Limited	800,000	Kenya	Underwriting life assurance business.	100%
CIC Africa Insurance (SS) Limited	319,961	South Sudan	Underwriting general insurance business.	69%
CIC Africa Group Limited	261,218	Mauritius	Underwriting general and life insurance business.	100%

18. GOVERNMENT SECURITIES CLASSIFIED AS HELD TO MATURITY

(a) GROUP	2015 KShs '000	2014 KShs '000
At 1 January	709,002	2,375,683
Reclassification of government securities to available for sale	-	(1,770,383)
Additions	183,055	90,000
(Discount)/amortisation	(169)	13,702
At 31 December	891,888	709,002

Treasury bonds amounting to KShs 892 million (31 December 2014: KShs 709 million) are held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Kenyan Insurance Act.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

18. GOVERNMENT SECURITIES HELD TO MATURITY (continued)

COMPANY	2015 KShs '000	2014 KShs '000
At 1 January	-	36,757
Reclassification of government securities as available for sale	-	(36,757)
At 31 December	-	-

19. LOANS RECEIVABLES

The loans refers to loans given to staff and have collateral held on them, on resignation the credit quality of each loan is assessed and is acceptable within the parameters used to measure and monitor credit risk. No collective or specific impairment losses are recognised on the loans and receivables.

(a) MORTGAGE LOANS	2015 KShs '000	2014 KShs '000
(i) GROUP		
At 1 January	446,226	314,691
Loans advanced	164,688	259,669
Loan repayments	(128,474)	(128,134)
At 31 December	482,440	446,226
Maturity profile:		
Within 1 year	379	5,462
In 1-5 years	11,113	28,476
In over 5 years	470,948	412,288
	482,440	446,226
(ii) COMPANY		
At 1 January	105,589	41,729
Loans advanced	24,786	63,860
Loan repayments	(33,960)	-
At 31 December	96,415	105,589
Maturity profile:		
Within 1 year	5,074	-
In 1-5 years	91,341	105,589
In over 5 years	96,415	105,589

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

19. LOANS RECEIVABLES (continued)

(b) OTHER LOANS	2015 KShs '000	2014 KShs '000
(i) GROUP		
Staff loans	414,612	367,984
Policy loans	89,867	57,751
	504,479	**425,735**
Movement:		
At 1 January	425,735	332,281
Loans advanced	169,020	208,263
Loan repayments	(90,276)	(114,809)
At 31 December	**504,479**	**425,735**
Maturity profile:		
Within 1 year	1,881	1,608
In 1-5 years	184,538	113,322
In over 5 years	318,060	310,805
	504,479	**425,735**
(ii) COMPANY		
At 1 January	25,050	-
Loans advanced	48,246	25,050
Loan repayments	(21,817)	-
At 31 December	51,479	25,050
Maturity profile:		
Within 1 year	-	-
In 1-5 years	-	-
In over 5 years	51,479	25,050
At 31 December	**51,479**	**25,050**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

20. GOVERNMENT SECURITIES CLASSIFIED AS AVAILABLE FOR SALE

(a) GROUP	2015 KShs'000	2014 KShs'000
At 1 January	1,794,011	-
Reclassification from government securities held to maturity	-	1,770,383
Additions	800,226	210,000
Maturities	(118,000)	(131,382)
Fair value loss on government securities classified as available for sale investments	(154,524)	(54,990)
At 31 December	**2,321,713**	**1,794,011**

(b) COMPANY	2015 KShs'000	2014 KShs'000
At 1 January	36,303	-
Reclassification from government securities held to maturity	-	40,000
Fair value loss on government securities classified as available for sale investment	(3,400)	(3,697)
At 31 December	32,903	36,303
Treasury bills and bonds maturing		
- after 90 days	32,903	36,303
At 31 December	**32,903**	**36,303**

21. EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE FOR SALE

GROUP	2015	2014
Unquoted investment:		
Shares held in Co-op Holding Co-operative Society Limited	19,125	16,994
Shares held in Allnations, Inc. – at cost	-	673
	19,125	**17,667**
The movement in available-for-sale investments is as follows:		
At 1 January	17,667	14,367
Refund of shares invested	(673)	-
Fair value gains	2,131	3,300
At 31 December	**19,125**	**17,667**

The shares held in Co-op Holding Co-operative Society Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange Limited (NSE). These shares are not available to the public market, they can only be sold to other members of the Co-operative entity at a specified agreed value. Thus the agreed price represents the exit price for these shares. They are to be valued at the higher of 60% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Securities Exchange Limited or KShs 9.50 per shareholders agreement. In the current year the shares have been valued at KShs 10.77 which approximates the fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

22. DEFERRED TAXATION

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2014: 30%).

(a) GROUP

2014	At 1 January KShs'000	Recognized in Profit or loss KShs'000	At 31 December KShs'000
Arising from:			
Accelerated depreciation for tax purposes	2,000	2,314	4,314
Provision and accruals	12,408	6,533	18,941
Unutilised tax losses	6,800	-	6,800
Deferred tax on life fund surplus	(356,079)	(59,922)	(416,001)
	(334,871)	**(51,075)**	**(385,946)**
Deferred tax asset	21,208	8,847	30,055
Deferred tax liability	**(356,079)**	**(59,922)**	**(416,001)**
2015			
Arising from:			
Accelerated depreciation for tax purposes	4,314	7,027	11,341
Provision and accruals	18,941	104,161	123,102
Unutilised tax losses	6,800	97,900	104,700
Deferred tax on capital gains	-	(81,837)	(81,837)
Deferred tax on life fund surplus	(416,001)	(29,631)	(445,632)
	(385,946)	97,620	(288,326)
Deferred tax asset	**30,055**	**209,088**	**239,143**
Deferred tax liability	**(416,001)**	**(111,468)**	**(527,469)**

COMPANY

2014			
Arising from:			
Unutilised tax losses	6,800	-	6,800
Deferred tax asset	**6,800**	**-**	**6,800**
2015			
Arising from:			
Tax losses	6,800	101,392	108,192
Deferred tax on capital gains	-	(81,837)	(81,837)
Deferred tax asset	**6,800**	**19,555**	**26,355**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 KShs'000	2014 KShs'000
Quoted investments:		
At 1 January	359,952	282,031
Additions	822,925	12,604
Disposal	(16,373)	-
Fair value (loss)/gain (note 6)	(109,850)	65,317
At 31 December	1,056,654	359,952

At year end, these are valued at the weighted average price at the Nairobi Securities Exchange Limited on the last day of trading in that year.

24. DEPOSITS AND COMMERCIAL PAPER

The deposits and commercial paper refer to instruments measured at fair value and issued by the corporates and attracts fixed interest rates as per the contractual agreements except for the investments in collective investment schemes which have floating interest rates. The investments in collective schemes lack a maturity date and can only be withdrawn.

GROUP	2015 KShs'000	2014 KShs'000
DEPOSITS		
Nawiri Co-operative Society Limited	23,607	22,403
CIC Sacco Society Limited	23,604	44,523
Investment in collective investment scheme (CIC Unit Trust)	1,503,560	1,834,795
COMMERCIAL PAPER:		
Nakumatt Holdings Limited	83,278	57,005
TPS Serena Limited	52,243	- -
Athi River Mining Limited	509,115	306,858
	2,195,407	2,265,584
Maturity analysis		
Maturing within three months	1,690,766	57,005
Maturing after 3 months	504,641	2,208,579
Total deposits and commercial paper	2,195,407	2,265,584

COMPANY		
DEPOSITS		
Investment in collective investment scheme (CIC Unit Trust)	577,737	758,307
COMMERCIAL PAPER:		
Athi River Mining	342,908	306,857
TPS Serena Limited	52,243	-
	972,888	1,065,164
Maturity analysis		
Maturing within three months	-	-
Maturing after 3 months	972,888	1,065,164
Total deposits and commercial paper	972,888	1,065,164

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

25. DEFERRED ACQUISITION COSTS

	2015 KShs '000	2014 KShs '000
At 1 January	404,050	361,527
New acquisition costs deferred	11,286	42,487
Amortisation charge	884	36
At 31 December	416,220	404,050

26 (a) RECEIVABLES ARISING OUT OF DIRECT INSURANCE ARRANGEMENTS

Receivables arising out of direct insurance arrangements relate to premiums earned as a result of risks underwritten but whose amounts have not been received as at year end.

	2015 KShs'000	2014 KShs'000
1 January	1,464,532	1,502,690
Gross written premiums	11,439,541	13,721,376
Payments received	(11,531,754)	(13,759,534)
31 December	1,372,319	1,464,532

	2015	2014
Classified as:		
Agents	394,507	425,507
Brokers	323,548	378,340
Direct	654,264	660,685
Total	1,372,319	1,464,532

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

26. (b) RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Receivables arising out of reinsurance arrangements relate to reinsurers portion of claims incurred which had not been recovered from reinsurers as at year end.

	2015 KShs'000	2014 KShs'000
1 January	203,563	200,635
Increase in reinsurance receivables	424,279	2,928
Bad debt written off	(4,853)	-
31 December	622,989	203,563

26. (c) PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Payables arising out of reinsurance arrangements relate to reinsurers portion of claims incurred which had not been paid to the reinsurers as at year end.

	2015 KShs'000	2014 KShs'000
1 January	68,326	299,128
Decrease in reinsurance payables	(42,695)	(230,802)
31 December	25,631	68,326

27. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

Reinsurers' share of:		
- General insurance contract liabilities	479,097	274,163
- Life assurance contract liabilities	40,658	19,747
Total (note 46)	519,755	293,910
Reinsurers share of actuarial value of policyholder reserve (note 43)	273,462	-
- Unearned premium and unexpired risks (note 44)	572,171	345,304
Total	1,365,388	639,214

Amounts due from reinsurers in respect of claims already paid by the Group 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 46.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

28. OTHER RECEIVABLES

(a). GROUP	2015 KShs'000	2014 KShs'000
Staff advances	13,412	20,863
Other receivables	120,583	91,278
VAT recoverable	-	37,063
Rent receivable	29,417	-
Medical fund administration scheme	15,474	113,954
Motor vehicle benefits recoverable	83,976	56,823
Available for sale bond interest receivable	55,196	49,407
Prepayments	53,830	76,652
	371,888	**446,040**

(b) COMPANY		
Other receivables	13,225	21,389
Prepayment	18,659	17,253
Interest receivable – financial assets available for sale	303	290
	32,187	**38,932**

29. RELATED PARTIES

The ultimate parent company is Co-operative Insurance Society Limited. The Group has various related parties, most of whom are related by virtue of being shareholders, and partly due to common directorships. There were no provisions made or amounts written off on related party balances during the year (2014: nil). The amounts due from related parties are non- interest bearing and the balances are not secured.

(a) GROUP	2015 KShs'000	2014 KShs'000
Due from related company:		
Co-operative Insurance Society Limited	16,557	16,718
CIC Africa Group Limited	-	255,730
CIC Africa Limited – Malawi	53,657	-
Transcoop Insurance Limited	23,675	-
	93,889	**272,448**

(a) Transaction with related parties during the year

The following transactions were carried out with related parties during the year:		
Net earned premium	132,696	987,793
Net claims incurred	90,214	247,346
Interest earned on bank deposits	**47,391**	**187,242**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

29. RELATED PARTIES (continued)

(b) Key management personnel remuneration

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

	2015	2014
Short-term employment benefits:	KShs'000	KShs'000
Directors		
Directors 'emoluments – fees	31,048	67,020
Leave allowance	-	721
Key management staff:		
Salaries	142,751	104,265
	173,798	**172,006**

COMPANY

	2015	2014
Due from related company:	16,557	16,718
Co-operative Insurance Society Limited	51,115	
CIC Asset Management Limited	316,180	
CIC General Insurance Limited	24,930	
Transcoop Insurance Limited	98,031	255,730
CIC Africa Limited – Malawi	53,657	
CIC Africa Insurance (SS) Limited	42,540	91,568
	603,010	**352,786**
Due to related company:		
CIC Asset Management Limited		7,594
CIC General Insurance Limited		329,554
CIC Life Assurance Limited	141,387	269,404
	141,387	**606,552**

The company has various related parties, most of whom are related by virtue of common directorships.

Transaction with related parties during the year	2015 KShs'000	2014 KShs'000
The following transactions were carried out with related parties during the year:		
Interest earned on bank deposits	409,775	69,210
Interest earned on unit trusts	69,865	2,912
	479,640	**72,122**

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

Loans to directors of the Company

The Company did not advance loans to its directors in the year ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

29. RELATED PARTIES (continued)

(b). Key management personnel remuneration

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

	2015 KShs'000	2014 KShs'000
Directors 'emoluments – fees	18,310	9,200

30. DEPOSITS WITH FINANCIAL INSTITUTIONS

GROUP

	2015	2014
The Co-operative Bank of Kenya Limited	3,036,614	4,331,452
Housing Finance Company of Kenya Limited	435,900	299,349
K-Rep Bank Limited	-	360,265
Bank of Africa Limited	27,908	212,862
Barclays Bank of Kenya Limited	-	16,814
Consolidated Bank of Kenya Limited	124,799	129,301
Equatorial Commercial Bank	-	20,623
Kenya Commercial Bank Limited	117,506	86,283
Development Bank of Kenya Limited	204,728	218,475
National Bank of Kenya Limited	111,217	324,744
Chase Bank Limited	286,516	466,753
ABC Bank Kenya Limited	79,108	357,059
Transnational Bank Limited	94,305	194,392
Family Bank Limited	181,669	182,238
Jamii Bora Bank Limited	29,176	62,186
Commercial Bank of Africa Limited	53,609	26,494
Barclays Bank of Uganda Limited	59,285	-
Imperial Bank of Kenya Limited	31,601	-
	4,873,941	7,289,290
Provision for Imperial Bank of Kenya Limited deposit	(31,601)	-
Net deposits	4,842,340	7,289,290
Maturity analysis:		
Maturing within three months	4,043,189	1,882,951
Maturing after 3 months	799,151	5,406,339
	4,842,340	7,289,290

During the year, Imperial Bank Limited was put under statutory management by Central Bank of Kenya (CBK) and the management assessed the recoverability of the deposits placed with the bank to be doubtful. This deposit has been fully provided for in the books of account.

(b) COMPANY	2015 KShs'000	2014 KShs'000
The Co-operative Bank of Kenya Limited	1,790,170	3,249,635
Maturity analysis:		
Maturing within 3 months	1,790,170	-
Maturing after 3 months	-	3,249,635
	1,790,170	3,249,635

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

31. SHARE CAPITAL

	2015 Number of shares '000	2015 Share capital KShs'000	2014 Number of shares '000	2014 Share capital KShs'000
Authorised ordinary shares of KShs 1 each (2014: KShs 1 each):				
At 1 January	3,000,000	3,000,000	3,000,000	3,000,000
At 31 December	3,000,000	3,000,000	3,000,000	3,000,000
Issued and fully paid up share capital:				
At 1 January	2,615,578	2,615,578	2,179,655	2,179,655
Bonus issue by capitalisation of share premium	-	-	435,923	435,923
At 31 December	**2,615,578**	**2,615,578**	**2,615,578**	**2,615,578**

32. SHARE PREMIUM

	2015 KShs'000	2014 KShs'000
Share premium	162,179	598,102
Capitalisation by issuance of bonus shares	-	(435,923)
	162,179	**162,179**

33. FUNDS AWAITING ALLOTMENT

The funds awaiting allotment represents payment for shares which are yet to be allocated in CIC Africa Group Limited.

34. STATUTORY RESERVE

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

Transfer from statutory reserve relates to the proportion of the life assurance business surplus which is distributable as dividends and therefore transferred to retained earnings. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated surplus of the long term business.

35.REVALUATION SURPLUS

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

36. FOREIGN CURRENCY TRANSLATION RESERVE

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

37. FAIR VALUE RESERVE

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

38.RETAINED EARNINGS

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

Retained earnings include fair value gains on revaluation of investment properties which are unrealised and whose distribution is subject to restrictions imposed by the Kenya Insurance Act.

39. BORROWINGS- CORPORATE BOND

	2015 KShs'000	2014 KShs'000
At start of year	5,052,266	-
Issue during the year	-	5,000,000
Bond related expenses	-	(101,147)
Interest expense incurred and paid in the year	500,000	-
Accrued interest for the year	150,000	150,000
Interest repayment during the year	(650,000)	-
Amortisation of bond expenses	15,771	3,413
At end of year	5,068,037	5,052,266

The principal amount of the corporate bond is KShs 5 billion with a maturity date of 2 October 2019. Interest rate is at 13% per annum, payable semi -annually, with the principal amount payable on maturity of the bond after five years.

40. OTHER PAYABLES

	2015 KShs'000	2014 KShs'000
(a)GROUP		
Sundry payables	217,922	173,880
Advance premiums	515,725	346,003
Leave pay provision	18,597	5,889
Rent deposits	30,730	20,413
	782,974	546,185
(b)COMPANY		
Sundry payables	19,788	15,904
Lease rentals payable	4,799	-
Provision for audit fees	650	-
Withholding tax payable	9,375	-
	34,612	15,904

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

41.DIVIDENDS

In respect of the current year, the directors propose a first and final dividend of KShs 274,635,699 (2014: KShs 261,557,800) which represents 10.5% (2014 – 10%) of the paid up share capital to be paid to shareholders. This is subject to approval by shareholders at the Annual General Meeting and has not been recognised 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 status of the shareholders during the year as per the provision of the Kenyan Income Tax Act.

	2015 KShs'000	2014 KShs'000
At 1 January	34,662	23,151
Declared during the year	261,557	217,966
Paid during the year	(252,179)	(201,770)
Withholding tax	(9,433)	(4,685)
At 31 December	34,607	34,662

42. DEPOSIT ADMINISTRATION CONTRACTS

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

Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.

Analysis of movement in deposit administration contract liabilities:	2015 KShs'000
Premium income (net)	807,047
Income on Investment	4,153
Total Income for the year	811,200
Policy benefits (net)	(47,328)
Administrative expenses	(7,775)
Total outflow	(55,103)
Net movement for the year	756,097
Balance at beginning of the year	-
Balance at end of year	756,097

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

43. ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The actuarial valuation of the policyholder benefit and of the life fund was carried out by The Actuarial Services Company Limited who are statutory actuaries and consultants. The movement in their valuation is shown below. Further, the statutory actuaries recommended a transfer of KShs 115 million (2014- KShs 100 million) from the life fund to the retained earnings.

	Ordinary Life KShs'000	Group Life KShs'000	Total KShs'000
As at 1 January 2014	1,254,904	2,027,700	3,282,604
Unit linked contracts 2014	(345,601)	-	(345,601)
Actuarial Adjustments (note 7)	435,681	(684,024)	(248,343)
Unit linked contracts 2015	403,049	-	403,049
Reinsurance recoveries (note 27)	-	273,462	273,462
As at 31 December 2015	**1,748,033**	**1,617,138**	**3,365,171**
As at 1 January 2013	907,409	1,427,518	2,334,927
Unit linked contracts 2013	(275,795)	-	(275,795)
Actuarial Adjustments (note 7)	283,410	600,182	883,592
Unit linked contracts 2014	345,601	-	345,601
Reinsurance recoveries (note 27)	-	-	-
As at 31 December 2014	**1,260,625**	**2,027,700**	**3,288,325**

44. PROVISIONS FOR UNEARNED PREMIUM AND UNEXPIRED RISKS

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 KShs '000	Reinsurance KShs '000	Net KShs '000
2015			
At 1 January	4,396,959	(345,304)	4,051,655
Increase in the year (net)	(989,724)	(226,867)	(1,216,591)
At 31 December	**3,407,235**	**(572,171)**	**2,835,064**
2014			
At 1 January	4,070,695	(370,749)	3,699,946
Increase in the year (net)	326,264	25,445	351,709
At 31 December	**4,396,959**	**(345,304)**	**4,051,655**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

45. INSURANCE CONTRACTS LIABILITIES

Gross claims reported, claims handling expense liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvage and subrogation. The expected recoveries at the end of 2014 and 2015 are not material.

The Company uses chain-ladder techniques to estimate the ultimate cost of claims and the IBNR provision. Chain-ladder techniques are used as they are an appropriate technique for mature classes of business that have a relatively stable development pattern. This involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not fully developed to produce an estimated ultimate claims cost for each accident year.

2015

Accident Year	2011	2012	2013	2014	2015	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Estimated ultimate claims cost						
at end of accident year	1,877,304	3,034,989	3,886,436	4,410,961	4,538,520	17,748,210
one year later	2,161,065	3,409,469	4,311,453	4,738,575	-	14,620,562
two years later	2,179,203	3,425,598	4,347,712	-	-	9,952,513
three years later	2,182,833	3,448,840	-	-	-	5,631,673
four years later	2,188,034	-	-	-	-	2,188,034
Current estimate of cumulative claims	2,188,034	3,448,840	4,347,712	4,738,575	4,538,520	19,261,681
Less: cumulative payments to date	(2,116,803)	(3,293,032)	(4,053,949)	(4,300,390)	(3,041,972)	(16,806,146)
	71,231	155,808	293,763	438,185	1,496,548	2,455,535
Liability incurred but not reported claims	-	-	-	-	-	569,417
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	**3,024,952**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

45. INSURANCE CONTRACTS LIABILITIES (continued)

2014

Accident Year	2010	2011	2012	2013	2014	Total
	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'	KShs'000'
Estimated ultimate claims cost						
at end of accident year	1,203,880	1,877,304	3,034,989	3,886,436	4,410,961	14,413,570
one year later	1,304,545	2,161,065	3,409,469	4,311,453	-	11,186,533
two years later	1,331,306	2,179,203	3,425,598	-	-	6,936,107
three years later	1,338,522	2,182,833	-	-	-	3,521,355
four years later	1,338,633	-	-	-	-	1,338,633
Current estimate of cumulative claims	1,338,633	2,182,833	3,425,598	4,311,453	4,410,961	15,669,478
Less: cumulative payments to date	(1,290,712)	(2,081,150)	(3,200,974)	(3,901,298)	(3,172,772)	(13,646,906)
	47,921	101,683	224,624	410,155	1,238,189	2,022,572
Liability incurred but not reported claims	-	-	-	-	-	662,151
Total gross claims liabilities included in statement of financial position	-	-	-	-	-	**2,684,723**

IBNR claims expense is determined in line with the minimum rates as prescribed by the Kenyan Insurance Regulatory Authority

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

45. INSURANCE CONTRACTS LIABILITIES (Continued)

GROUP	2015 KShs'000	2014 KShs'000
Claims reported and claims handling expenses:		
At 1 January		
- General insurance	1,994,158	1,484,134
- Life assurance	396,655	294,565
	2,390,813	**1,778,699**
Claims incurred in the year (note 46)	7,532,041	7,758,283
Payments for claims and claims handling expenses (note 46)	(7,417,657)	(7,146,169)
At 31 December	**2,505,197**	**2,390,813**
Comprising:		
- General insurance	2,209,174	1,994,158
- Life assurance	296,023	396,655
At 31 December	**2,505,197**	**2,390,813**
Comprising:		
At 31 December:		
Gross amounts	3,024,952	2,684,723
Reinsurers share (note 27)	(519,755)	(293,910)
	2,505,197	**2,390,813**

Movement in insurance contract liabilities is shown in note 46.

46.MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

2015	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	2,022,572	(180,581)	1,841,991
Incurred but not reported	662,151	(113,329)	548,822
At 1 January	2,684,723	(293,910)	2,390,813
Payments for claims and claims handling expenses year	(8,454,693)	1,037,036	(7,417,657)
Claims incurred in the year	8,794,922	(1,262,881)	7,532,041
At 31 December	3,024,952	(519,755)	2,505,197
Notified claims	2,455,535	(400,289)	2,055,246
Incurred but not reported	569,417	(119,466)	449,951
At 31 December	**3,024,952**	**(519,755)**	**2,505,197**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

46.MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

2014

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	2,826,688	(1,204,173)	1,622,515
Incurred but not reported	276,612	(120,428)	156,184
			-
At 1 January	**3,103,300**	**(1,324,601)**	**1,778,699**
Payments for claims and claims handling expenses	(9,324,658)	2,178,489	(7,146,169)
Claims incurred in the year	8,906,081	(1,147,798)	7,758,283
At 31 December	2,684,723	(293,910)	2,390,813
Notified claims	2,022,572	(180,581)	1,841,991
Incurred but not reported	662,151	(113,329)	548,822
At 31 December	**2,684,723**	**(293,910)**	**2,390,813**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

47. NOTES TO THE STATEMENT OF CASH FLOWS

GROUP

Reconciliation of profit before taxation to cash generated from operations:

	2015 KShs'000	2014 KShs'000
Profit before taxation	1,339,086	1,390,314
Adjustments for:		
Depreciation (note 12)	123,086	129,528
Amortisation of intangible assets (note 14)	25,351	31,581
Loss on scrapping of property and equipment (note 12)	37,716	-
Loss on scrapping of Intangible assets (note 14)	14,384	-
Fair value gains on revaluation on investment property (note 13)	(795,812)	(639,000)
Interest income	(1,316,611)	(864,481)
Dividend income	(13,949)	(10,074)
Share of loss/(profit) of associate (note 16)	163	(7,682)
Loss on disposal of property and equipment (note 5)	169	-
Amortisation/(discount) on government securities held to maturity (note 18)	169	(13,702)
Fair value loss/(gain) on equity investment at fair value through profit or loss (note 23)	109,850	(65,317)
Increase in deferred acquisition costs (note 25)	(12,170)	(42,523)
(Decrease)/increase in provision for unearned premium (note 44)	(989,724)	326,264
Increase/(decrease) in insurance contracts liabilities (note 45)	340,229	(418,577)
Working capital changes;		
Decrease in receivables arising out of direct insurance arrangements	92,213	38,158
Increase in receivables arising out of reinsurance arrangements	(419,426)	(2,928)
(Increase)/decrease in share of reinsurance liabilities and reserves	(726,174)	1,056,136
Decrease/(increase) in other receivables	74,152	(143,338)
increase in other payables	236,789	28,470
Increase in actuarial value of policyholders liabilities	76,846	953,398
Decrease in payables arising from reinsurance arrangement and other insurance bodies	(38,195)	(235,302)
Increase in deposits administration contracts	756,097	-
(increase)/decrease in related party balances	178,559	(255,853)
Cash generated from operations	**(907,202)**	**1,255,072**
Cash and cash equivalents comprises of:		
Bank and cash balances	524,704	559,075
Deposits with banks maturing within 3 months (note 30)	4,043,189	1,882,951
	4,567,893	**2,442,026**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

48.CASH AND CASH EQUIVALENTS

	2015 KShs'000	2014 KShs'000
Cash and cash equivalents comprises of:		
GROUP		
Bank and cash balances	524,704	559,075
Deposits with banks maturing within 3 months (note 30)	4,043,189	1,882,951
	4,567,893	**2,442,026**
COMPANY		
Bank and cash balances	(6,773)	-
Deposits with banks maturing within 3 months (note 30)	1,790,170	-
	1,783,397	**-**

49. CONTINGENT LIABILITIES

Bank guarantees	**85,954**	**157,349**

Bank guarantees relate to amount given by Co-operative Bank of Kenya on behalf of third parties who request for them when the Group is bidding for new business. The Group does not have present obligation in regards to the bank guarantee and hence this has not been provided for in the books of account and such obligation would only arise if it fails to honour the term and conditions of the new business.

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 any pending litigations will not have a material effect on the financial position or performance of the Group.

50. 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:

	Interest	2015 %	2014 %
Government securities	Fixed	12	12
Corporate bonds	Fixed	12	12.5
Mortgage loans	Fixed	6	4
Policy loans	Fixed	8	4
Deposits with financial institutions	Fixed	11	11
Other deposits and commercial papers	Variable	10	10
Amounts due to related party	N/A	-	-
Cash and Cash equivalent	Fixed	11	11

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

51. CAPITAL COMMITMENTS

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

	2015 KShs'000	2014 KShs'000
Committed and contracted for	-	-
Committed but not contracted for	218,946	3,003,000

The group does not have any capital commitments.

52 OPERATING LEASE COMMITMENTS

Group as a lessee

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

	2015 KShs'000	2014 KShs'000
Not later than one year	31,268	31,799
Later than 1 year but not later than 5 years	73,582	70,317
	104,850	102,116

Group as a lessor

Net rental income earned during the year was KShs 149,816,728 (2014: KShs 99,133,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables:

	2015 KShs'000	2014 KShs'000
Not later than one year	96,374	68,993
Later than 1 year but not later than 5 years	434,390	405,987
Later than 5 years	109,270	-
	640,034	474,980

A provision of KShs 9 million has been made in the books of account as a result of the difference between the lease rental which have been recognised as an income in the year on a straight line basis and the actual amount received as minimum lease rentals as at 31 December 2015.

Leases are for a period of six years.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. 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:

(1) 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.

a. Insurance risk in the Group arises from:

b. Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;

c. Unexpected claims arising from a single source;

d. Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten; 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 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(1) 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

	Products Group Life	**Type of contract**
1	Loan guard	Insurance contract
2	MEPIP	Insurance contract
3	Microfinance Insurance	Insurance contract
4	Group Life Assurance	Insurance contract
5	Group Mortgage	Insurance contract
6	Group Funeral Expenses	Insurance contract
	Individual Life	
1	The Board Members insurance plan	Insurance contract
2	CIC Academia Policy	Insurance contract
3	CIC Invest Plan Policy	Insurance contract
4	CIC Save plan policy	Insurance contract
5	CIC Family Protector Policy	Insurance contract
6	CIC Universal Endowment Plan	Insurance contract
7	Mavuno unit linked	Insurance contract
8	CIC Annuity Plan	Insurance contract
9	CIC Pension Plan	Insurance contract

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 Individual life contracts have a surrender value. Death benefits of the products are subject to a guaranteed minimum amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

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 and land. 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.

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 lapse policies 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 KShs. 3,000,000 on any single life are in place. 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.

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

Long term insurance contracts (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i)Insurance risk (continued)

Long term insurance contracts (continued)

Key assumptions (continued)

Lapse and surrender rates

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

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

Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on the insurance regulatory guidelines.

Life assurance contracts sensitivity analysis

The actuarial assumptions used as at 31 December 2015 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 2015		31 December 2014	
	Shs'000	**% change**	**Shs'000**	**% change**
Main basis	3,083,791	-	3,242,790	-
Expenses plus 10%	3,337,226	5.54%	3,422,481	5.54%
Mortality and other claims experience plus 10%	3,121,066	2.68%	3,329,585	2.68%
Interest rate less 1%	3,136,872	0.71%	3,265,720	0.71%
Expense inflation plus 1%	3,212,013	2.80%	3,333,702	2.80%
Withdrawals plus 10%	3,083,415	-0.01%	3,242,395	-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 Assets and Liability Matching framework.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Insurance risk (continued)

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 designated to mitigate the impact the impact of the volatility of equity prices experienced in recent years is presented below;

	2015 KShs'000	2014 KShs'000
Financial assets		
Government securities classified as held to maturity	891,888	709,002
Government securities classified as available for sale	2,321,713	1,794,011
Corporate bonds	611,573	252,299
Quoted equity investments at fair value through profit or loss	1,056,654	359,952
Unquoted equity investments classified as available for sale	19,125	17,667
Loans – mortgage and other staff loans	986,919	871,961
Receivables from insurance and reinsurance contracts	1,995,308	1,668,095
Fixed and other deposits	7,037,747	9,807,173
Cash and bank balances	524,704	559,075
Total	15,445,631	16,039,235
Short – term insurance liabilities		
Payables arising from reinsurance arrangements and insurance bodies	25,631	63,826
Insurance contracts - short term	3,024,952	2,684,723
Less: assets arising from reinsurance contracts held-short term	(1,365,388)	(639,214)
Total	1,685,195	2,109,335

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.

In the chain ladder method, 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 reporting date (both incurred claims and future claims arising from the unexpired risks at the reporting date). The mean durations are:

	2015	2014
Net short term insurance liabilities- life risk	1.8 years	0.2 years
Net short term insurance liabilities-property risk	2.2 years	2 years
Net short term insurance liabilities-casualty risk	2.2 years	5 years
Financial assets (excluding equity securities)	2 years	3 years

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

Short term insurance contracts

General Insurance contracts sensitivity analysis

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

The assumptions are as follows:

31 December 2015 Adjustments to claims incurred in prior accident years due to changes in assumption	Insurance contract liabilities	Re-insurance liabilities	Net
	KShs	KShs	KShs
Average claim cost	200,077	52,509	147,568
Average number of claims	8,000	8,000	8,000
31 December 2014			
Adjustments to claims incurred in prior accident years due to changes in assumption			
Average claim cost	180,626	55,922	124,704
Average number of claims	7,100	7,100	7,100

Insurance liabilities

31 December 2015

	Change in assumptions	Impact on gross liabilities KShs'000	Impact on net liabilities KShs'000	Impact on profit after tax KShs'000
Average claim cost	+10%	119,114	106,842	106,842
Average number of claims	-10%	(60,009)	(50,601)	(50,601)

31December 2014

	Change in assumptions	Impact on gross liabilities KShs'000	Impact on net liabilities KShs'000	Impact on profit after tax KShs'000
Average claim cost	+10%	117,133	106,146	106,146
Average number of claims	-10%	(59,036)	(50,226)	(50,226)

Note:

Claims numbers refer to the total ultimate claim numbers for 2010 - 2015 accident years

Average claim cost refers to the average ultimate claim amount for 25 delays and for 2010 to 2015 accident years

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

General insurance business

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 2015:

Financial assets	Carrying Amount 31/12/2015 KShs'000	No stated Maturity KShs'000	0-1 yr KShs'000	1-2 yrs KShs'000	2-3 yrs KShs'000	3-4 yrs KShs'000	> 5 yrs KShs'000
			Contractual cash flows (discounted)				
Government securities classified as available for sale	843,511	-	62,070	91,334	39,046	18,836	632,225
Corporate bonds	243,499	-	-	243,499	-	-	-
Government securities classified as held to maturity	428,984	-	-	24,845	-	-	404,139
Equity Investments:-							
At fair value through profit or loss - listed securities	440,770	440,770	-	-	-	-	-
Available for sale - unlisted securities	19,125	19,125	-	-	-	-	-
Loans receivable	364,811	364,811	-	-	-	-	-
Receivables arising out of reinsurance arrangements	551,447	551,447	-	-	-	-	-
Receivables arising out of direct insurance arrangements	1,213,160	1,213,160	-	-	-	-	-
Deferred acquisition costs	414,525	414,525	-	-	-	-	-
Deposits and commercial papers	2,495,928	315,166	1,301,229	20,285	-	67,617	791,631
Cash and bank balances	348,439	348,439	-	-	-	-	-
Total	7,364,199	3,667,443	1,363,299	379,963	39,046	86,453	1,827,995
Short term insurance liabilities:							
Insurance contracts-short term	2,685,954	2,685,954	-	-	-	-	-
Payables arising from reinsurance arrangements	19,476	19,476	-	-	-	-	-
Less: assets arising from reinsurance contracts	(1,051,268)	(1,051,268)	-	-	-	-	-
Total	1,654,162	1,654,162	-	-	-	-	-
Difference in contractual cash flows	5,710,037	2,013,281	1,363,299	379,963	39,046	86,453	1,827,995

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

General insurance business (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 2014:

Financial assets	Carrying Amount 31/12/2014 KShs'000	No stated Maturity KShs'000	Contractual cash flows (discounted) 0-1 yr KShs'000	1-2 yrs KShs'000	2-3 yrs KShs'000	3-4 yrs KShs'000	> 5 yrs KShs'000
Government securities classified as available for sale	765,409	-	6,838	10,348	76,460	41,244	630,519
Corporate bonds	6,381	-	6,381	-	-	-	-
Government securities classified as held to maturity	430,657	-	-	-	25,703	-	404,954
Equity Investments:-							
At fair value through profit or loss - listed securities	279,779	279,779	-	-	-	-	-
Available for sale - unlisted securities	17,667	17,667	-	-	-	-	-
Loans receivable	344,060	344,060	-	-	-	-	-
Receivables arising out of reinsurance arrangements	197,201	197,201	-	-	-	-	-
Receivables arising out of direct insurance arrangements	1,325,660	1,325,660	-	-	-	-	-
Deferred acquisition costs	404,050	404,050	-	-	-	-	-
Deposits and commercial papers	2,957,002	369,168	2,452,544	-	21,144	44,523	69,623
Cash and bank balances	322,324	322,324	-	-	-	-	-
Total	**7,050,190**	**3,259,909**	**2,465,763**	**10,348**	**123,307**	**85,767**	**1,105,096**
Short term insurance liabilities:							
Insurance contracts-short term	2,264,015	2,264,015	-	-	-	-	-
Payables arising from reinsurance arrangements	52,382	52,382	-	-	-	-	-
Less: assets arising from reinsurance contracts	(619,467)	(619,467)	-	-	-	-	-
Total	**1,696,930**	**1,696,930**	-	-	-	-	-
Difference in contractual cash flows	**5,353,260**	**1,562,979**	**2,465,763**	**10,348**	**123,307**	**85,767**	**1,105,096**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

Life assurance business

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 2015:

	Carrying Amount	No Stated			Contractual cash flows (discounted)		
Financial assets	31.12.2015	Maturity	0-1 yr	1-2 yrs	2-3 yrs	3-4 yrs	> 5 yrs
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Government securities classified as held to maturity	367,277	-	-	-	-	-	367,277
Corporate bonds	313,251	-	-	-	-	-	313,251
Government securities classified as available for sale	1,445,300	-	72,004	49,641	57,244	44,175	1,222,236
Equity investments at fair value through profit or loss	378,933	378,933	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	645,347	645,347	-	-	-	-	-
Fixed and other deposits	1,474,985	15,579	935,365	30,609	52,448	180,047	260,937
Cash and bank balances	96,941	96,941	-	-	-	-	-
Total	**4,722,034**	**1,136,800**	**1,007,369**	**80,250**	**109,692**	**224,222**	**2,163,701**
Long- term insurance liabilities:							
Insurance contracts -Long term	336,681	336,681	-	-	-	-	-
Payables arising from reinsurance arrangements	2,774	2,774	-	-	-	-	-
Less assets arising from reinsurance contracts	(71,542)	(71,542)	-	-	-	-	-
Total	267,913	267,913	-	-	-	-	-
Difference in contractual cash flows	**4,454,121**	**868,887**	**1,007,369**	**80,250**	**109,692**	**224,222**	**2,163,701**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(1) Insurance risk (continued)

Life assurance business (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 2014:

Financial assets	Carrying Amount 31.12.2014 KShs'000	No Stated Maturity KShs'000	Contractual cash flows (discounted) 0-1 yr KShs'000	1-2 yrs KShs'000	2-3 yrs KShs'000	3-4 yrs KShs'000	> 5 yrs KShs'000
Government securities classified as held to maturity	278,345	-	-	-	-	-	278,345
Corporate bonds	212,341	-	-	-	-	-	212,341
Government securities classified as available for sale	992,299	-	21,224	20,594	-	73,428	877,053
Equity investments at fair value through profit or loss	77,601	77,601	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	504,874	504,874	-	-	-	-	-
Fixed and other deposits	1,968,489	123,366	1,597,479	31,716	31,716	59,116	125,096
Cash and bank balances	212,006	212,006	-	-	-	-	-
	4,245,955	917,847	1,618,703	52,310	31,716	132,544	1,492,835
Long- term insurance liabilities:							
Insurance contracts -Long term	416,402	416,402	-	-	-	-	-
Payables arising from reinsurance arrangements	7,532	7,532	-	-	-	-	-
Less assets arising from reinsurance contracts	(4,853)	(4,853)	-	-	-	-	-
Total	419,081	419,081	-	-	-	-	-
Difference in contractual cash flows	3,826,874	498,766	1,618,703	52,310	31,716	132,544	1,492,835

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk – Group and Company

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.

(a) Market risk

(i) Interest rate risk

Interest bearing financial assets and liabilities.	Interest rates (Fixed/ Variable)
Government securities	Fixed
Corporate bonds	Fixed
Staff loans	Fixed
Policy loans	Fixed
Deposits with financial institutions	Fixed
Other deposits and commercial papers	Variable
Cash and Cash equivalent	Fixed
Actuarial value of policy holders	Fixed

Interest rate risk arises primarily from investments in floating interest securities as well as securities which are measured at fair value. The income received from floating-rate interest-bearing financial instruments is also affected by changes in interest rates. An assumption is made that the assets backing the subordinated debt portfolio are adequately providing cover for the liabilities, i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates. 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 company'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 5% 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 company's Asset Liability Matching framework and its impact in the company's profit or loss by business. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

An increase/decrease of 5 % in interest yields would result in an increase/decrease of the Group's profit before tax for the year by KShs 48,935,000 (2014: KShs 22,512,000), and on the company's profit before tax for the year by KShs 25,947,000 (2014 - KShs 4,779,000).

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

(a) Market risk (continued)

(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 and available for sale investments. 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.

Quoted equity securities represent 98% (2014: 95%) 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 KShs 5,502,000 (2014: KShs 3,265,850) and equity would increase/decrease by KShs 53,513,000 (2014: KShs 17,997,600).

(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. South Sudan and Mauritius subsidiary transacts in South Sudan Pounds and US Dollar respectively, but a significant portion of its transactions are denominated in other currencies.

The net impact on the company's operating results and retained earnings in case of any changes in foreign exchange rates was significant due to devaluation of the South Sudanese pound against the dollar, which was devalued from SSP 3.16 to the US Dollar as at 31 December 2014 to SSP 16.11 to the US Dollar as at 31 December 2015. The foreign currency balances were translated at KShs 98.59 to the US Dollar as at 31 December 2015 (2014: KShs 90.6 to the US Dollar). The Group is therefore exposed to currency risk.

(b) Credit risk

Te credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters such as default history, used to measure and monitor credit risk and also the Insurance Act. The loans given to staff have collateral held on them; on resignation the credit quality of each loan is assessed and is acceptable depending on the payment history.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53.RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

(b) Credit risk (continued)

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. However, this does not 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.

Maximum exposure to credit risk is represented by the carrying amounts of receivables in the Statement of Financial Position

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

General insurance business	2015 KShs '000	2014 KShs '000
Government securities classified as available for sale	843,511	765,409
Corporate bonds	243,499	6,381
Government securities classified as held to maturity	428,984	430,657
Loans receivable	364,811	344,060
Receivables arising out of reinsurance arrangements	551,447	197,201
Receivables arising out of direct insurance arrangements	1,213,160	1,325,660
Due from related parties	15,106	709,600
Deposits and commercial papers	2,005,232	2,486,306
Cash and bank balances	348,449	322,324
	6,014,199	**6,587,598**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2). Financial risk- Group and Company (continued)

(b)Credit risk (continued)

Long term insurance business	2015 KShs'000	2014 KShs'000
Government securities held to maturity	367,277	278,345
Corporate bonds	313,251	212,341
Government securities available for sale	1,445,300	992,299
Loans and receivables from insurance and reinsurance contracts*	1,599,309	1,158,245
Due from related parties	163,290	286,251
Fixed and other deposits	835,143	1,334,865
Cash and bank balances	96,941	212,006
Total	**4,820,511**	**4,474,352**
Other business		
Financial assets		
Government securities classified as available for sale	-	36,303
Government securities classified as held to maturity	-	-
Quoted equity investments classified as available for sale	-	2,572
Amounts due from related parties	5,459	
Staff Loans	55,548	25,050
Receivables	8,428	
Loans and Receivables from Insurance and reinsurance contracts	4,019	-
Fixed and other deposits*	303,776	4,553,239
Cash and bank balances	86,096	424
Total	**463,326**	**4,617,588**

*Loans and receivables from insurance and reinsurance contracts include loans receivables, receivables arising from direct insurance and reinsurance contracts and reinsurers share of liabilities.

**Fixed and other deposits include deposits and commercial paper and deposits with other financial institutions.

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.

None of the above assets are either past due or impaired except for the following amounts in the company's receivables under direct insurance and reinsurance arrangements and fixed deposits:

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

(b) Credit risk (continued)

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

Long term insurance business	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000
At 31 December 2015			
Receivables arising out of reinsurance arrangements	71,542	-	4,853
Receivables arising out of direct insurance arrangements	155,140	-	-
Fixed deposits	-	-	31,601
	226,682	**-**	36,454
At 31 December 2014			
Receivables arising out of reinsurance arrangements	4,853	-	-
Receivables arising out of direct insurance arrangements	135,105	-	-
	139,958	**-**	-

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

General insurance business

	Receivables arising from direct insurance arrangements		Receivables arising from re-insurance arrangements	
	2015 KShs '000	2014 KShs '000	2015 KShs '000	2014 KShs '000
Past due but not impaired:				
by up to 30 days	402,688	422,366	67,102	59,462
by 31 days to 60 days	281,587	288,221	3,450	63,671
by 61 days to 150 days	306,228	246,251	302,377	74,068
by 151 days to 360 days	222,657	368,822	178,518	-
Total past due but not impaired	**1,213,160**	**1,325,660**	**551,447**	**197,201**
Receivables individually determined to be impaired:				
Carrying amount before provision for impairment	394,186	268,394	-	-
Provision for impairment loss	(394,186)	(268,394)	-	-
Net carrying amount	**1,213,160**	**1,325,660**	**551,447**	**197,201**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

(b)Credit risk (continued)

No collateral is held in respect of the receivables that are past due but not impaired. Movements on the provision for impairment of receivables arising on direct insurance arrangements are as follows:

	2015 KShs '000	2014 KShs '000
At 1 January	268,394	252,993
Provision in the year	125,792	15,401
At 31 December	**394,186**	**268,394**

The individually impaired receivables mainly relate to receivables arising out of direct insurance arrangements, the following amounts have been individually assessed:

Individually assessed impaired receivables:	2015 KShs '000	2014 KShs '000
Brokers	105,341	74,341
Agents	176,592	121,800
Direct Clients	112,253	72,253
At end of year	**394,186**	**268,394**

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

Receivables that are impaired are 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.

(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:

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

General insurance business

	31 December 2015				31 December 2014			
	6 months or on demand KShs'000	Between 6 months and 1 year KShs'000	More than 1 year KShs'000	Total KShs'000	6 months or on demand KShs'000	Between 6 months and 1 year KShs'000	More than 1 year KShs'000	Total KShs'000
Financial assets:								
Government securities classified as held to maturity	-	-	428,984	428,984	-	6,838	758,571	765,409
Corporate bonds	-	-	243,499	243,499	6,381	-	-	6,381
Government securities classified as available for sale	-	62,070	781,441	843,511	-	-	430,657	430,657
Equity investments:								
At fair value through profit or loss	-	-	440,770	440,770	-	-	279,779	279,779
Available for sale –Unquoted	-	-	19,125	19,125	-	-	17,667	17,667
Loans receivable	364,811	-	-	364,811	344,060	-	-	344,060
Receivables arising out of reinsurance arrangements	-	-	551,447	551,447	-	197,201	-	197,201
Receivables arising out of direct insurance arrangements	-	1,213,160	-	1,213,160	-	1,325,660	-	1,325,660
Deferred acquisition costs	-	-	414,525	414,525		-	404,050	404,050
Fixed and other deposits	2,459,928	-	-	2,459,928	2,957,002		-	2,957,002
Cash and bank balances	348,439	-	-	348,439	322,324	-	-	322,324
Total Financial Assets	3,173,178	1,275,230	2,879,791	7,328,199	3,629,767	1,529,698	1,890,724	7,050,190
Financial liabilities:								
Insurance contract liabilities	2,685,954	-	-	2,685,954	2,264,015	-	-	2,264,015
Payables arising from reinsurance Arrangements	-	19,476	-	19,476	-	52,382	-	52,382
Bank guarantee	84,467	-	-	84,467	156,791	-	-	156,791
Other payables	91,861	-	-	91,861	104,129	-	-	104,129
Total Financial Liabilities	2,862,282	19,476	-	2,881,758	2,524,935	52,382	-	2,577,317
Net Liquidity Gap	310,896	1,255,754	2,879,791	4,446,441	1,104,832	1,477,316	1,890,724	4,472,873

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

Long term insurance business

				31-Dec-15				31-Dec-14
	6 months or on demand	Between 6 months and 1 year	More than 1 year	Total	6 months or on demand	Between 6 months and 1 year	More than 1 year	Total
Government securities classified as held to maturity	-	-	369,849	369,849	-	-	278,345	278,345
Corporate bonds	-	-	313,251	313,251	-	-	212,341	212,341
Government securities classified as available for sale	-	-	1,442,728	1,442,728	21,224	-	971,075	992,299
Equity investments at fair value through profit or loss	378,933	-	-	378,933	77,601	-	-	77,601
Loans and receivables from insurance and reinsurance contracts	-	645,347	-	645,347	-	504,874	-	504,874
Fixed and other deposits	935,364	539,621	-	1,474,985	1,597,479	371,010	-	1,968,489
Cash and bank balances	96,941	-	-	96,941	212,006	-	-	212,006
Total Financial Assets	1,411,238	1,184,968	2,125,828	4,722,034	1,908,310	875,884	1,461,761	4,245,955
Insurance contract liabilities	336,681	-	-	336,681	416,402	-	-	416,402
Payables arising from reinsurance arrangements	2,774	-	-	2,774	7,532	-	-	7,532
Deposits administration contracts	-	-	756,097	756,097	-	-	-	-
Other payables	606,045	-	-	606,045	407,069	-	-	407,069
Total Financial liabilities	945,500	-	756,097	1,701,597	831,003	-	-	831,003
Net liquidity gap	465,738	1,184,968	1,369,731	3,020,437	1,077,307	875,884	1,461,761	3,414,952

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk- Group and Company (continued)

Other business

	31 December 2015				31 December 2014			
	6 months or on demand KShs'000	Between 6 months and 1 year KShs'000	More than 1 year KShs'000	Total KShs'000	6 months or on demand KShs'000	Between 6 months and 1 year KShs'000	More than 1 year KShs'000	Total KShs'000
Other payables	34,610			34,610	34,991			34,991
Borrowings			5,050,638	5,050,638	75,000	75,000	4,902,266	5,052,266
Dividend payable	34,607			34,607	34,662			34,662

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk (continued)

(d) 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 Securities 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, property and equipment and investment properties.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. For assets where the fair value cannot be measured reliably, cost basis has been used.

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

31 December 2015

Recurring Fair value Measurements	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Corporate bonds	611,573			611,573
Equity investments at fair value through Profit or loss	1,056,654	-	-	1,056,654
Government securities classified as available for sale	2,321,713	-	-	2,321,713
Government securities classified as held to maturity	823,166	-	-	823,166
Loans and receivables		592,149	-	592,149
Deposits and commercial paper		2,195,407		2,195,407
Owner occupied property and equipment			659,442	659,442
Investment properties	-	-	1,945,000	1,945,000
	4,813,106	**2,787,556**	**2,604,442**	**10,205,104**
Deposits administration contracts	-	-	756,097	756,097
Insurance contracts liabilities	-	-	3,024,952	3,024,952
Total liabilities at fair value	-	-	**3,781,049**	**3,781,049**

53. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(2) Financial risk (continued)

(d) Fair value hierarchy (continued)

31 December 2014

Recurring Fair value Measurements	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Corporate bonds	252,299	-	-	252,299
Equity investments at fair value through profit or loss	359,952	-	-	359,952
Government securities classified as held to maturity	654,372	-	-	654,372
Government securities classified as available for sale	1,794,011	-	-	1,794,011
Loans and receivables		523,174	-	523,174
Deposits and commercial paper		2,265,584		2,265,584
Owner occupied property and equipment			500,000	500,000
Investment properties	-	-	1,676,000	1,676,000
	3,060,634	**2,788,758**	**2,176,000**	**8,025,392**

Valuation methods used in determining the fair value of assets and liabilities

Instrument	Applicable Level	Valuation methods
Loans and receivables	2	Discounted cash flow model (DCF)
Investment properties	3	Discounted cash flow model (DCF)
Owner occupied property and equipment	3	Discounted cash flow model (DCF)
Deposits Administration contracts	3	Discounted cash flow model (DCF)
Insurance contracts liabilities	3	Discounted cash flow model (DCF)

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, Amounts due/from to related party and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(e) Unit-linked contracts

For unit-linked contracts the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. Therefore, there is no interest, price, currency or credit risk for the Company on these contracts.

54. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

54. CAPITAL RISK MANAGEMENT (continued)

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:

	2015 KShs'000	2014 KShs'000
Share capital	2,615,578	2,615,578
Share premium	162,179	162,179
Funds awaiting allotment	512	-
Statutory reserve	1,039,810	970,671
Revaluation surplus	138,877	87,834
Translation reserve	(195,091)	-
Fair value reserve	(205,921)	(53,528)
Retained earnings	4,110,156	3,424,706
Equity attributable the owners of the parent	7,666,100	7,207,440
Non-controlling interest	164,383	-
Total equity	**7,830,483**	**7,207,440**

The Group had external borrowings at 31 December 2015 of KShs 5,068,037 (2014 - 5,052,266), and had capital gearing ratio of 154% in 2015 (2014 - 142%).

54. CAPITAL RISK MANAGEMENT (continued)

The operations of the subsidiaries are also subject to regulatory requirements. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Kenyan Insurance Act requires insurance company to hold the minimum level of paid up capital as follows:

	2015 KShs'000
Composite insurance companies	1,000,000
General insurance companies	600,000
Long-term insurance companies	400,000

All subsidiaries were in compliance with the capital requirements as at 31 December 2015 and at 31 December 2014

The subsidiary, CIC Asset Management Limited is regulated by the Kenyan Capital Markets Authority which prescribes a minimum share capital of KShs 10 Million. The other regulatory requirement is that 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:

	2015 KShs'000	2014 KShs'000
Minimum capital requirement	10,000	10,000
Capital held at 31 December:		
Share capital	311,000	311,000
Retained earnings	36,901	23,220
	347,901	**334,220**
Working capital:		
Net working capital	123,371	109,727
20% of the minimum share capital	2,000	2,000

The capital structure of the subsidiary consists of, issued share capital and retained earnings. The net working capital is above 20% of the minimum share capital. The subsidiary had no external financing at 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

55.INCORPORATION

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

56. HOLDING COMPANY

The holding Company is Co-operative Insurance Society Limited which is incorporated and domiciled in Kenya.

57. CURRENCY

The financial statements are presented in Kenya shillings thousands (KShs '000') which is also the functional currency of the Company and the Group.

58. EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have a material impact on the financial statements for the Group or the company which have not been adequately adjusted for.

APPENDIX 1
CIC LIFE ASSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Ordinary Life KShs '000	Group Life KShs '000	Total 2015 KShs '000	Total 2014 KShs '000
Gross premium written	886,412	2,575,133	3,441,545	4,102,384
Less: Reinsurance payable	(15,667)	(656,736)	(672,403)	(230,043)
Net premium income	**850,745**	**1,918,397**	**2,769,142**	**3,872,341**
Policyholders' benefits:				
Life and health claims	(16,132)	(1,899,699)	(1,915,831)	(1,822,440)
Maturities	(180,741)	-	(180,741)	(108,884)
Surrenders	(43,281)	-	(43,281)	(22,722)
Actuarial adjustment of policy holders liability	(427,665)	684,024	256,359	(877,872)
Net policyholders' benefits	**(667,819)**	**(1,215,675)**	**(1,883,494)**	**(2,831,918)**
Commissions paid	(79,692)	(166,829)	(246,521)	(186,645)
Expenses of management	(134,954)	(800,354)	(935,308)	(1,119,692)
Premium tax	(6,295)	-	(6,295)	(5,343)
Total expenses and commissions	**(220,941)**	**(967,183)**	**(1,188,124)**	**(1,311,680)**
Investment income	57,274	481,990	539,264	575,064
Increase in life fund before tax	19,259	217,529	236,788	303,807
Tax charge on transfer to shareholders	-	(52,649)	(52,649)	(63,987)
Increase in life fund after tax	19,259	164,880	184,139	239,820
Increase in life fund for the year	**19,259**	**164,880**	**184,139**	**239,820**

The revenue account was approved by the board of directors on 9th March 2016 and was signed on its behalf by:

Director **Director** **Principal Officer**

APPENDIX 2
CIC GENERAL INSURANCE LIMITED
REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	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 Com-mercial Shs.'000	Motor Pool Shs.'000	Medical insurance Shs.'000	Personal Accident Shs.'000	Theft Insurance Shs.'000	Work men's Comp. Shs.'000	Misc. Accident Shs.'000	Micro solutions Shs.'000	Total 2015 Shs.'000
Gross premium written	402,623	100,130	573,573	121,305	127,628	1,909,288	2,435,918	-	1,123,005	201,417	432,423	242,231	181,351	70,811	7,921,703
Unearned premium transferred in	42,284	34,225	90,909	65,798	38,002	841,226	1,204,760	-	1,485,481	44,182	99,996	78,980	25,811	-	4,051,654
Unearned premium c/f	(26,941)	(34,107)	(89,346)	(30,194)	(41,764)	(948,873)	(1,140,221)	-	(245,479)	(24,991)	(117,823)	(89,833)	(12,798)	(24,998)	(2,827,368)
Gross earned premium	417,966	100,248	575,136	156,909	123,866	1,801,641	2,500,457	-	2,363,007	220,608	414,596	231,378	194,364	45,813	9,145,989
Reinsurance premium	(350,681)	(4,387)	(312,098)	(75,957)	(19,176)	(26,327)	(33,588)	-	(185,024)	(51,335)	(30,467)	(15,921)	(120,931)	-	(1,225,892)
Net earned premium	67,285	95,861	263,038	80,952	104,690	1,775,314	2,466,869	-	2,177,983	169,273	384,129	215,457	73,433	45,813	7,920,097
Gross claims paid	29,045	23,013	244,123	211,035	9,596	1,527,984	1,378,633	-	2,211,264	60,515	116,175	62,677	50,370	57,408	5,981,838
Outstanding claims c/f	84,735	16,969	131,275	271,791	11,451	794,613	788,389	2,092	364,842	36,030	86,393	72,890	23,131	1,353	2,685,954
Outstanding claims transferred in	(15,791)	(4,848)	(110,615)	(248,243)	(18,280)	(580,619)	(655,271)	(2,092)	(375,378)	(38,924)	(131,887)	(63,352)	(12,753)	(5,962)	(2,264,015)
Gross claims incurred	97,989	35,134	264,783	234,583	2,767	1,741,978	1,511,751	-	2,200,728	57,621	70,681	72,215	60,748	52,799	6,403,777
Recoveries	(31,008)	(324)	(190,865)	(191,556)	(104)	(191,938)	(233,860)	-	(72,978)	(15,192)	(5,845)	(11,884)	(41,717)	(31,941)	(1,019,212)
Net incurred Claims	66,981	34,810	73,918	43,027	2,663	1,550,040	1,277,891	-	2,127,750	42,429	64,836	60,331	19,030	20,858	5,384,565
Commission receivable	(108,914)	(686)	(111,988)	(20,383)	(2,644)	-	-	-	(37,005)	(12,185)	(546)	(3,145)	(19,883)	-	(317,379)
Commissions payable	43,531	18,542	146,855	39,924	14,162	170,240	259,748	-	85,673	7,828	70,058	45,499	20,564	13,502	936,126
Net commission	(65,383)	17,856	34,867	19,541	11,518	170,240	259,748	-	48,668	(4,357)	69,512	42,354	681	13,502	618,747
Management Expenses	29,240	18,291	94,622	41,027	21,777	358,148	521,280	-	441,241	40,034	80,238	42,161	7,392	21,306	1,716,757
Premium Tax	3,997	994	5,694	1,204	1,267	18,952	24,180	-	11,147	1,999	4,292	2,404	1,800	703	78,633
Total	33,237	19,285	100,316	42,231	23,044	377,100	545,460	-	452,388	42,033	84,530	44,565	9,192	22,009	1,795,390
Total claims expenses and commissions	34,835	71,951	209,101	104,799	37,225	2,097,380	2,083,099	-	2,628,806	80,105	218,878	147,250	28,904	56,369	7,798,702
Underwriting profit/(loss)	32,450	23,910	53,937	(23,847)	67,465	(322,066)	383,770	-	(450,823)	89,168	165,251	68,207	44,529	(10,556)	121,395

The revenue account was approved by the board of directors on 9th March 2016 and was signed on its behalf by:

Group Chairman | **Director** | **Group Chief Executive Officer**

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Opposite DC's Office
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malawi@mw.cicinsurancegroup.com

FORM OF PROXY

To: ______________________________

The Group Company Secretary

CIC Insurance Group Limited

P.O Box 59485 - 00200

Nairobi

I/We ____

____

of (address) ____

____

Share A/C No ____

being a member(s) of CIC Insurance Group Limited, hereby appoint

____

of (address) ____

or, failing him, the duly appointed Chairman of the meeting to be my/our Proxy, to vote on my/our behalf the Annual General Meeting of the Company to be held at 10:00 a.m. on 13th May, 2016 at Hilton Hotel, Nairobi or at any adjournment thereof.

As witness to my/our hands this ______________ day of ______________ 2016

Signature(s) ____

This form is to be used *in favour of / against the resolution. Unless otherwise instructed the proxy will vote as he thinks fit.

Notes:

1. The address should be that shown in the register of members.
2. In the case of a member being a corporation, this proxy must be executed either under its common seal or signed on its behalf by an attorney or officer of the corporation duly authorized.
3. A person appointed to act as a proxy need not to be a member of the company.
4. In case of joint holders, the signature of any one holder will be sufficient but names of all joint holders should be stated.
5. This Proxy is to be delivered to the Company's registered office no later than 10:00 a.m. on 12th May 2016, failing which it will be invalid. The proxy can also be sent by post to CIC Plaza, Mara Road, P.O. Box 59485-00200 Nairobi or emailed to cic@cic.co.ke.

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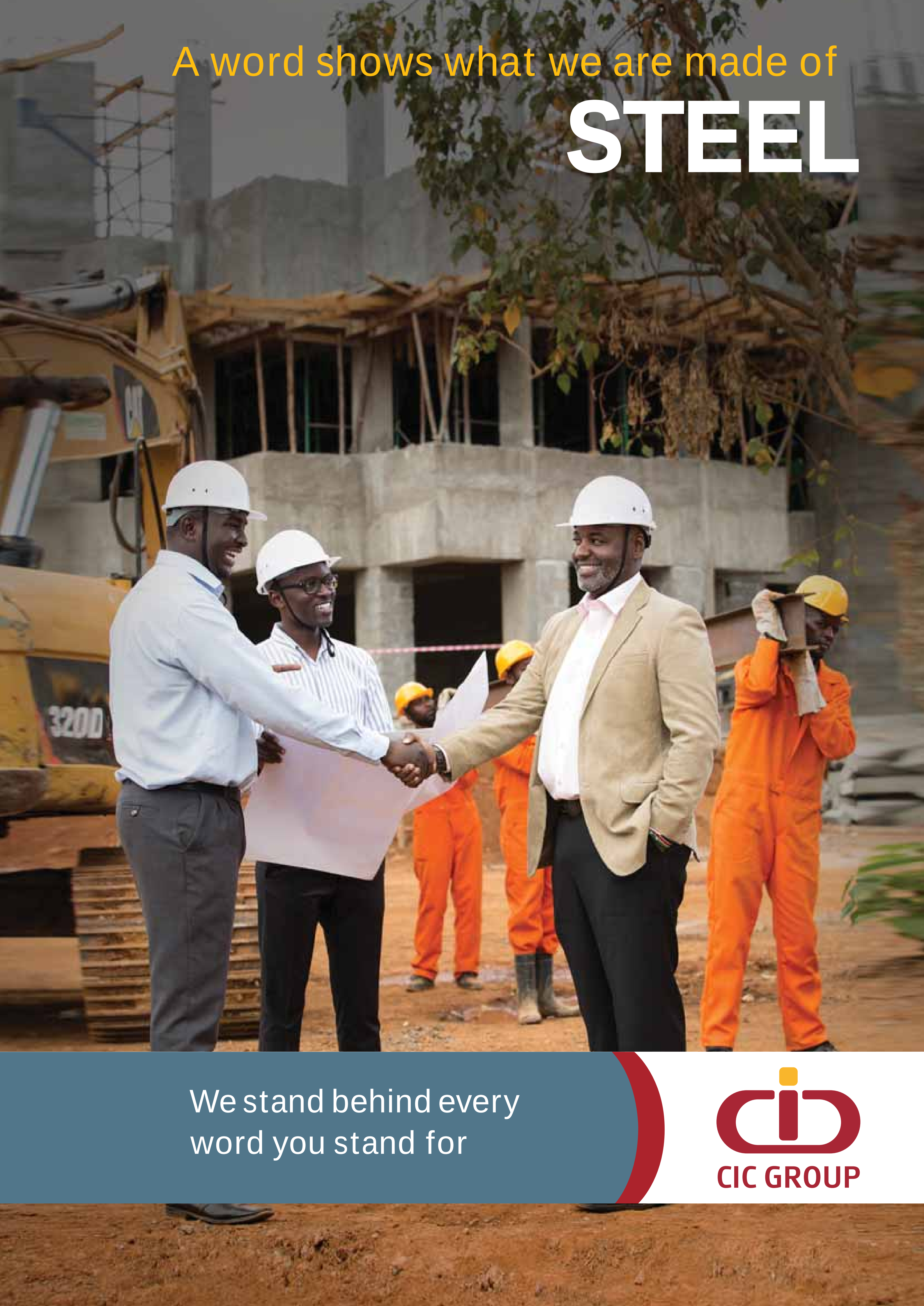
A word shows what we are made of
STEEL
We stand behind every
word you stand for
CIC GROUP

LIFE ASSET GENERAL HEALTH

CIC GROUP

www.cic.co.ke