A CO-OPERATIVE ENTERPRISE

2013 ANNUAL REPORT & FINANCIAL STATEMENTS

HEADED FOR GREATER HEIGHTS

CIC INSURANCE GROUP LTD

We keep our word

Our Mission :

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

Our Vision :

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

Our Values:

Integrity | Teamwork

Productivity | Fairness | Dynamism

Our Customer Value Proposition:

Fastest Service | Fairest Price

Friendliest Relationships | Service of the Highest Quality

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS	J A Magomere	– Group Chairman
	Rev. P N Kagane	– Group Vice Chairman
	N C Kuria	– Group Chief Executive Officer
	P N Kipkirui	
	G O Owuor	
	M O Wambia	
	J N Njoroge	– Resigned 1 June 2013
	H G Hunyu	– Appointed 17 June 2013
	J M Mutuku	
	G Mabishi	
	S G Kaimenyi	
	V Leseya	
	R M Githaiga	
COMPANY SECRETARY	Gail Odongo Certified Public Secretary (Kenya) P O Box 59485 - 00100 Nairobi	
REGISTERED OFFICE	CIC Plaza Upper Hill, Mara Road P O Box 59485 - 00200 Nairobi	
SENIOR MANAGEMENT	N C Kuria	– Group Chief Executive Officer
	K Kimani	– Managing Director – CIC General Insurance Limited
	P Mwaura	– Managing Director – CIC Asset Management Limited
	D Ronoh	– Managing Director – CIC Life Assurance Limited
	G Odongo	– Group Company Secretary/Chief Legal Officer
	J Gatune	– Group Finance & Investment Manager
	P Oyugi	– Group Human Resources Manager
	M Luvai	– Group Chief Internal Auditor
	Dr. E Rukwaro	– General Manager Medical Business
	S Kitur	– Group ICT Manager
	M Njeru	– Resident Actuary
	M Kinyua	– Asst. General Manager – CIC General Insurance Limited
	J Kionga	– Asst. General Manager – CIC Life Assurance Limited
	S Robi	– Risk and Compliance Manager
AUDITORS	Ernst & Young Certified Public Accountants (Kenya) Kenya Re Towers, Upper Hill Off Ragati Road P O Box 44286 - 00100 Nairobi GPO - Kenya	
PRINCIPAL BANKERS	The Co-operative Bank of Kenya Limited P O Box 67881 - 00100 Nairobi	
CONSULTING ACTUARIES	The Actuarial Services Company Limited Victoria Towers, Upper Hill P O Box 10472 - 00100 Nairobi	

NOTICE OF THE 36TH ANNUAL GENERAL MEETING OF CIC INSURANCE GROUP LIMITED

NOTICE IS HEREBY GIVEN that the 36th ANNUAL GENERAL MEETING of CIC INSURANCE GROUP LIMITED will be held at the Bomas of Kenya Nairobi, on 19th June 2014 10.00am to transact the following business:-

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 Annual Report and Financial Statements for the year ended 31st December 2013 together with the Directors' and Auditors thereon.

3. To declare a first and final dividend for the year ended 2013 of Kshs. 0.10per share in respect of the year ended 31st December 2013, to be paid to the shareholders on or about 18th July 2014.

4. TO ELECT DIRECTORS:

   a. Japheth A. Magomere, Michael Wambia, and Jonah Mutuku retire by rotation in accordance with Article 125 of the Company's Articles of Association, and being eligible offer themselves for re-election as Directors.
   b. In accordance with Article 128 of the Company's Articles of Association, Harrison Githae Hunyu appointed by the board on the 17th June 2013 to fill a casual vacancy following Joshuah Njoroge's retirement on the 1st June 2013 retires and being eligible offers himself for election as a Director."

5. To note that Ernst and Young continue in office as Auditors of the Company and to authorize the directors to fix their remuneration.

Special Business

6. INCREASE OF AUTHORIZED SHARE CAPITAL
   To consider and if found fit to pass the following Ordinary Resolution:-
   "That the authorized share capital of the company be and is hereby increased from Kenya Shillings Three Billion (3,000,000,000) to Kenya Shillings Six Billion (6,000,000,000) by the creation of Three Billion (3,000,000,000) ordinary shares of Kenya Shillings One (Kshs 1) each which shall rank in pari passu with the existing shares and that the Board of Directors is hereby authorized to do all such things as may be necessary to effect this resolution."

7. RIGHTS ISSUE
   To consider and if found fit to pass the following Ordinary Resolution:-
   "That the Company undertakes a rights issue by the offer of new ordinary shares to its existing shareholders at such price, on such terms and at such date as the Board of Directors may determine subject always to the receipt of the approval of the Capital Markets Authority and that the Board of Directors is hereby authorized to do all such things as may be necessary to undertake the Rights issue"

8. BONUS SHARE ISSUE:
   To consider and if found fit approve and pass the following Ordinary Resolution:-
   "That subject to the approval of the Capital Markets Authority and the Nairobi Securities Exchange the sum of Kshs. 435,923,088 being part of the money now standing to the credit of the share premium reserves of the Company be capitalized and that the same be applied in making payment in full at par for 435,923,088 ordinary shares of Kshs. 1/-each in the capital of the Company. and that such shares to be distributed as fully paid among the persons who are registered as holders of the ordinary shares in the capital of the Company at the close of business on 30th July 2014 at the rate of 1 new ordinary share for every 5 fully paid up shares by such holders respectively and that such shares shall rank pari passu for all purposes and in all respects with the existing shares in the share capital of the Company and the Board of Directors be and are hereby also authorized generally to do and effect all acts and things required to give effect to this Resolution".

9. REGIONAL EXPANSION
   To consider and if found fit pass the following Ordinary Resolution:-
   "That subject to all relevant regulatory approvals being obtained, the Company be authorized to incorporate subsidiaries and/or enter into joint ventures for the purposes of entering into new businesses and expanding its current business in any country in Africa as the Board of Directors may determine and deem appropriate and that the Board be and is hereby authorized to do all such acts and things necessary to as may be deemed necessary to give effect to this resolution.

10. Any other business of the Company, which may be properly transacted at an Annual General Meeting.

Dated at Nairobi this 13th day of May 2014

By Order of the Board,

GAIL ODONGO
GROUP COMPANY SECRETARY & CHIEF LEGAL OFFICER

NB:

1. In accordance with section 136(2) of the Companies Act (Cap 486, 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.

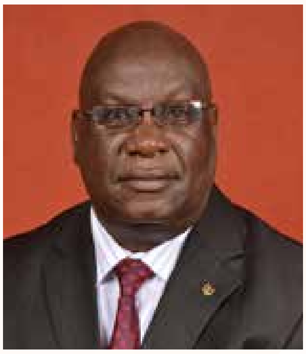
2. A copy of the entire Annual Report and Accounts may be viewed at our Company's website www.cic.co.ke also is the proxy form.

PROFILES OF CIC INSURANCE GROUP LIMITED DIRECTORS

JAPHETH ANAVILA MAGOMERE, OGW, Group Chairman

Mr. Japheth Anavila Magomere, aged 62, is a member of the Board. He joined the Board in 1988 and is the Director representing Nairobi Province Private Sector Based Societies. He has been the Chairman of CIC Insurance Group Ltd Board since 2004. Mr. Magomere is also a Board Member of several schools. He has been a Delegate of Co-operative Holdings (the anchor shareholder of Co-operative Bank) since 1986 and is a Member of the Institute of Directors Kenya. He serves as the Vice Chairman of Co-operative Alliance of Kenya [formerly Kenya National Federation of Co-operatives (KNFC)], Hon. Secretary Maisha Bora Sacco since 1984 and also a Council member of East African Farmers Federation since 2008.

Mr. Magomere is the current Chairman of the National Council for Ushirika Day Celebrations. He was honoured with the Order of the Grand Warrior of Kenya ("OGW") in 2009. He is also a board member of the International Co-operative Alliance ("ICA"), Africa.



REV. PETERSON NJUE KAGANE, Group Vice- Chairman

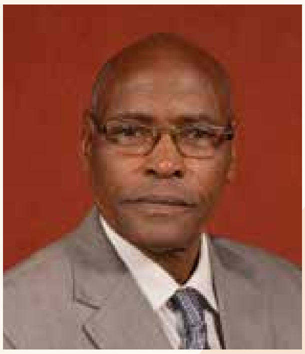
Rev. Peterson Njue Kagane, aged 55, joined the Board in 2007. He holds a Bachelor of Divinity and a Diploma in Theology. He is the Director representing Eastern Province based Societies. Rev. Kagane was the Vicar General and the Provost of St. Paul's Cathedral of the ACK Diocese of Embu. He is also the Chairman of St. Agnes Girls Secondary School and the Scouts Centre Embu. He is a member of the Institute of Directors Kenya.

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

Mr. Kuria is an Economist with 35 years' experience in Development Finance and Insurance. He joined The Co-operative Insurance Company of Kenya, now CIC Insurance Group in June 1998 as Chief Manager in charge of Strategy and Business Development and became CEO in 2001 and Group CEO in 2011.

He has been honored with two awards by the President of Kenya for his contribution in the development of the co-operative movement in Kenya (Order of the Grand Warrior-OGW-2005- and Moran of the Burning Spear- MBS-2011). In July 2012 Mr. Kuria was honored with the Life Time Achievement Award for his role in the development of the insurance industry in Kenya.

Mr. Kuria has served as a director in numerous boards in Kenya. He is past Chairman of the Association of Kenya Insurers (AKI), past Deputy Chairman-Federation of Kenya Employers (FKE), and is currently a member of various Boards including the International Co-operative & Mutual Insurance Federation (ICMIF) - based in Manchester-UK, and Takaful Insurance of Africa. In 2011, he was a member of the UN Expert Group on Co-operatives and in 2012, he was a member of the International Co-operative Alliance (ICA) Planning Working Group which developed the Global Co-operative Blueprint. He is currently the Chair of the Micro-insurance Working Group of the African Insurance Organization-AIO.

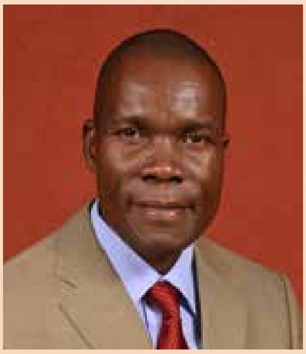


HARRISON GITHAE HUNYU,
Director

Mr. Harrison Githae Hunyu, aged 67, is currently the Chairman of Mutheka FCS Limited and served as a Director of Kenya Co-operative Coffee Exporters Limited. The Director is a member of the Institute of Directors Kenya. He has worked as a Parliamentary Reporter (Hansard), District Officer, District Commissioner and Under Secretary in various Central Government Ministries retiring as a Deputy Secretary in 2001. He is a graduate of Nairobi University, Bachelor of Arts (Hons.) and holds an Advanced Certificate in Public Administration and Parliamentary Training. He has attended local and international courses in administration

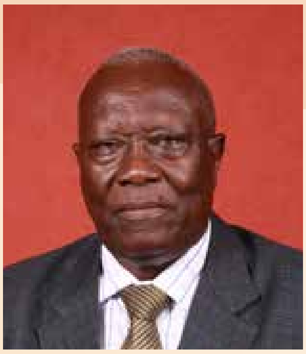
ORDON ONDIEK OWUOR,
Director

Mr. Gordon Ondiek Owuor, aged 57, joined the Board in 2006. He is the Director representing Nyanza based societies. Mr. Owuor is the Chairman Chemelil SACCO, a member of the Nyanza Provincial Co-operative Development Team and 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.



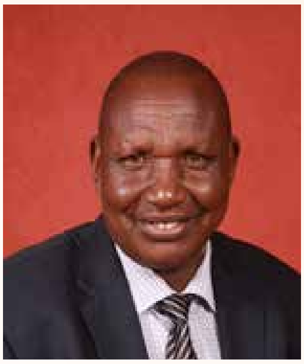
MICHAEL ONDINYA WAMBIA,
Director

Mr. Michael Ondinya Wambia, aged 45, joined the Board in 2008. He is the Director representing Western Province based societies and is the Chairman of Busia and Teso Teachers SACCO. He is a teacher by profession. The Director also holds a diploma in Education Management from KEMI (Kenya Educational Management Institute). He is a member of the Institute of Directors Kenya.



JONAH MAKAU MUTUKU,
Director

Mr. Jonah Makau Mutuku, aged 66, joined the Board in 2008. He is the Director representing Coast and North Eastern Province Based Societies and is the Chairman of Mombasa Teachers SACCO. He is a retired teacher and serves as the Vicar's Warden ACK St. Philips Church. Mr. Mutuku is a Delegate of Co-operative Holdings (the anchor shareholder of Co-operative Bank). He is also a member of the Institute of Directors Kenya.



PETER KIPKIRUI NYIGEI,
Director

Mr. Peter Kipkirui Nyigei aged 60, joined the Board in 2009. He is the Director Representing Rift Valley Province based societies and is the Secretary of Sinendet Tea Multipurpose Society .He is also a Director of Imarisha SACCO . Mr. Kipkirui is a retired teacher and educationist Principal. He has equally served as a Programme Officer, Bomet Diocese. He is a member of the Institute of Directors Kenya.

STELLA KAIMENYI, HSC,
Director

Mrs. Stella Kaimenyi, aged 59, as an independent Director, joined the Board in 2010. She represents the Permanent Secretary in the Ministry of Industrialization and Enterprise Development. Mrs. Kaimenyi holds a Bachelor of Science Degree, Agriculture from the University of Nairobi and Master of Science Degree, Management and Organizational Development. She is currently the Secretary of Ethics Commission for Co-operative Societies based at Ministry's Headquarters. She has worked in various senior positions at the Ministry and has over 34 years of experience. She is a member of the Institute of Directors Kenya.

ROSEMARY M. GITHAIGA,
Director

Mrs. Rosemary Majala Githaiga, aged 50, joined the Board in 2010. She is the Group Company Secretary of the Co-operative Bank of Kenya Limited. She is a graduate of Nairobi University, LLB (Hons), holds a Post- graduate Diploma in Legal Studies from Kenya School of Law and is a member of the Chartered Institute of Public Secretaries. She is also an Associate Member of the Chartered Institute of Arbitrators. She is a member of the Institute of Directors Kenya.

GRACE KULOLA MABISHI
Director

Mrs. Grace Mabishi aged 53 joined the board in 2012 as an independent Director. She is the head of Internal Audit at KCA University, where she has worked in various capacities since 2008. She has over 23 years' experience in Audit, Accountancy, Taxation, Secretarial and Consultancy services. She holds a CPA (K), Bachelor of Commerce Degree (accounting option) from Nairobi University and a Master's Degree in Business Administration from KCA University . Ms. Mabishi is an independent Director with oversight over minority interest. She is also a member of the Institute of Directors Kenya.

VERONICAH SOILA LESEYA
Director

Mrs. Veronicah Leseya, aged 40, joined CIC in 2012 as an independent Director. She currently heads the admission and benefits administration Department at Local Authorities Provident Fund (LAPFUND). She has over 15 years working experience in pension, group life and medical servicing. She holds a Bachelor of Arts from Nairobi University and a Diploma in Insurance (AIIK), and is pursuing an Executive Masters in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT). She is a member of the Institute of Directors Kenya, Insurance Institute of Kenya and the Kenya Institute of Management. Ms. Leseya has oversight over minority interest.

GAIL ODONGO
Group Company Secretary

Ms. Odongo, aged 41, 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 13 years of experience in various capacities and industries ranging from Audit, Banking and Finance, Insurance and Legal. Ms. Odongo joined CIC in 2011. She is also a member of the Institute of Directors Kenya.

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

Report on the financial statements

We have audited the accompanying financial statements of CIC Insurance Group Limited and subsidiaries, (the Group) which comprise the consolidated and company statement of financial position as at 31 December 2013, consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 7 to 83.

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 2013 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.

Other matters

The financial statements of CIC Insurance Group Limited for the year ended 31 December 2012 were audited by another auditor whose report dated 26 March 2013 expressed an unmodified opinion on those financial statements.

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

11 March 2014

SENIOR MANAGEMENT TEAM

NAME	TITLE
STANDING FROM THE LEFT	
STANLEY KITUR	GROUP ICT MANAGER
DR. EDWARD RUKWARO	GENERAL MANAGER, MEDICAL DIVISION
MILCAH KINYUA	ASST GM CIC GENERAL INSURANCE
GAIL ODONGO	GROUP COMPANY SECRETARY/CHIEF LEGAL OFFICER
RICHARD NYAKENOGO	DIVISIONAL MANAGER-CO-OPERATIVES
JOEL K. GATUNE	GROUP FINANCE & INVESTMENT MANAGER
MUYESU LUVAI	CHIEF INTERNAL AUDITOR
SUSAN ROBI	RISK AND COMPLIANCE MANAGER
MICHAEL MUGO	GROUP MARKETING MANAGER
JACK KIONGA	ASST GM CIC LIFE ASSURANCE
HENRY NJERENGA	ASST GM TOWN OFFICE
SEATED FROM THE LEFT	
PAMELA OYUGI	GROUP HUMAN RESOURCES MANAGER
KENNETH KIMANI	MD-CIC GENERAL INSURANCE
NELSON C. KURIA	GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER
PETER MWAURA	MD-CIC ASSET MANAGEMENT
DAVID RONOH	MD-CIC LIFE ASSURANCE
MUKAMI NJERU	RESIDENT ACTUARY

GROUP CHAIRMAN'S STATEMENT

"I have no doubt in my mind that we have the requisite strategies, people and resources to continue to deliver growth and value to all our stakeholders in the years ahead."

I am delighted and deeply honoured to present, on behalf of the Board of Directors, the Group's Annual Report and financial statements for the year ended 31st December, 2013. Once again, riding on the back of brand vibrancy and sound strategies, the Group recorded positive results, witnessing increased volumes, revenue and profit to remain one of the leading insurance companies in the country.

The growth momentum attained since the Group was listed at the Nairobi Securities Exchange by way of introduction on the 18th July 2012 has been sustained. Within the year under review, we also continued to firm up our plans to expand our business into the Eastern Africa region as we plant the seeds of a great future.

OPERATING ENVIRONMENT

Kenya's economy enjoyed sustained recovery and improved resilience in 2013, providing a fairly conducive operating environment. The country received adequate rain during the first part of the year. This had a positive effect on food production and electricity generation with reduced prices of both commodities resulting in a moderate reduction in inflation. Interest rates and the Kenya Shilling remained relatively stable despite a relatively weak current account position. Peaceful General Elections gave way to a smooth transition into a devolved system of governance. Modest GDP growth was recorded in 2013. This was attributed to a slowdown in business activity after the March elections, as firms took a "wait-and-see" approach as well as reduced government spending.

As devolution unfolds and creates new opportunities, we look forward to working together with the County and National governments for the prosperity of all.

THE GROUP'S PERFORMANCE

In the year under review, the positive trend of the Group's financials seen in recent years continued. Gross premiums rose by 23% from Kshs.9 billion to Kshs.11 billion as the Group sustained its efforts to capture greater market share. Profit before tax went up by 1% from Kshs.1.65 billion to Kshs.1.67 billion. Total assets increased by 21% from Kshs.14 billion to Kshs.17 billion, testimony to the Company's growing financial strength. Over the same period, shareholders' equity increased by 22% from Kshs.5.5 billion to Kshs.6.7 billion.
Following a review of the performance, the Board of Directors resolved to recommend to shareholders a first and final dividend of 0.10 per share.

CIC GENERAL INSURANCE'S PERFORMANCE

In only its second year of operation, it performed remarkably well to register a profit before tax increase of 5%, from Kshs.930 million to Kshs.979 million. The company continued to claim an ever growing share of the market with the gross premium jumping from Kshs.6.6 billion to Kshs.8.1 billion, an increase of 23%. Investments and other income went up and increased by 13% from Kshs.708 million to Kshs.801 million. The claims paid, commissions and expenses amounted to Kshs.6.1 billion compared to Kshs.4.8 billion in 2012. Total assets increased by 21% from Kshs.8.6 billion to Kshs.10.4 billion.

CIC LIFE ASSURANCE'S PERFORMANCE

The company, in only its second year of operation, registered a gross premium increase of 22%, from Kshs.2.5 billion to Kshs.3 billion. It saw its investments and other income grow to Kshs.586 million from Kshs.370 million representing a 58% increase. Policy-holders' benefits paid, commissions and expenses amounted to Kshs.3 billion compared to

Kshs.2.4 billion in 2012. Profit before tax increased by an impressive 51%, from Kshs.298 million to Kshs.450 million. As a growing entity, the company saw its total assets increase by 31%, from Kshs.4.1 billion to Kshs.5.3 billion.

CIC ASSET MANAGEMENT'S PERFORMANCE

This company that deals in unit trusts and fund management is on a growth curve with its investment income standing at Kshs.34 million during the year. Management fee income recorded a substantial increase of 73% to Kshs53.3 million. The operating and other expenses increased by 5% to Kshs83.4 million. This resulted in a profit before tax of Kshs.3.8 million. In January 2013, the company was licensed by the Retirement Benefit Authority (RBA) as a pension fund manager.

GIVING BACK TO SOCIETY

To give back to the community and improve lives, we have continued to embark on various corporate social responsibility programmes. To this effect, we have renewed our community policing project known as "Toa Habari kwa Polisi", which seeks to encourage the public to report any criminal activity around them. The initiative, launched in 2005, has been less effective in the recent past. But with the introduction of Nyumba Kumi initiative, it will help reduce insecurity.

The Group is also on track with the Corporate Social Responsibility (CSR) initiative, dubbed "I'm a Co-operator". The aim of the programme is to marshal youth to the Cooperative Movement and impart leadership skills while promoting environmental conservation and cultural integration. We are currently in the second phase, which focuses on environmental conservation and employment creation through nature-based entrepreneurship. Under this phase, CIC Insurance and our partners, the African Biodiversity Conservation and Innovation Centre (ABCIC) and KCA University have been holding a series of workshops targeting over 6000 university students, various youth groups and societies on business opportunities that can be realized while preserving our environment and establish social cohesion.

To better define our CSR activities, The Board is in the process of registering The CIC Foundation. Through these investments, we believe we will make a difference in our society and position CIC as a responsible corporate entity.

FUTURE OUTLOOK

Our regional expansion drive is on course and we have set up an office in South Sudan, hopeful that the current political crisis will be resolved. Presently, we have successfuly registered the Company and are awaiting the finalization of the license. Similarly, we have identified strategic partners in Uganda and Malawi and have signed agreements with them. We hope to commence operations in the two countries by the second half of 2014.

Reflecting on the achievements of 2013, I would like to thank our Group Chief Executive Officer Mr. Nelson Kuria, my fellow Directors on the Board, management, our business partners and all the CIC Insurance Group staff. All played their part in the Company's excellent performance. I look forward to your continued support as we work together to build a great company.

I have no doubt in my mind that we have the requisite strategies, people and resources to continue to deliver growth and value to all our stakeholders in the years ahead.

I take great pleasure in thanking our shareholders, intermediaries, clients, co-operative societies and all stakeholders for their contribution to our success. We are confident that with your unwavering support, we shall succeed in securing the future of millions of Africans.

Japheth A Magomere, OGW

GROUP CHAIRMAN

GROUP CHIEF EXECUTIVE'S STATEMENT

"The use of alternative delivery channels will enhance market penetration and is a key growth area."

In an increasingly competitive market featuring 46 insurance companies and a challenging operating environment, the CIC Insurance Group's performance improved just marginally in 2013. The Group remains a strong and profitable venture on which many Kenyans depend to shoulder risks through provision of innovative insurance and investment services.

Our 2013 financial results, underlined by increased assets and profit, show that the Group is a growing institution standing on solid ground. Through our array of financial services, we continue to play a key role in Kenya's development, particularly by reaching out to the uninsured through micro-insurance. Our evolution into a Pan-African financial services giant, anchored on the co-operative model and regional expansion, will ensure that we realize our mission of serving more of Africa's population.

REGIONAL EXPANSION

Our regional expansion, aimed at sustaining the Group's rapid growth, continues at an accelerated pace. Our South Sudan subsidiary is almost ready and we are currently finalizing the licensing processes with operations expected to commence in July 2014. Feasibility studies and business plans for both Uganda and Malawi have been completed and shareholders' agreements are at the final stage. Operations in both countries are expected to commence within the second half of 2014.

STRATEGIC PARTNERSHIPS

The use of alternative delivery channels will enhance market penetration and is a key growth area. The Group, through its subsidiaries, has broadened its alternative distribution channels by entering into a number of strategic partnerships. Tuskys, a leading supermarket chain will provide a shop-assurance channel through its retail outlets. Various banks are already in partnership with the Group providing bancassurance to their customers. Additionally, the Group has partnered with the Co-operative Bank whose wide agency banking platform will be used to roll out various products. All these initiatives will assist the Group in capturing a sizeable segment of the uninsured population.

INVESTMENTS

The Group, in its endeavor to strengthen its financial base, has completed construction of CIC Plaza II, a 12-floor twin tower investment with an expected rental income of Kshs.100 million or a return on investment of 8%.

A real estate blue print that will guide the group in developing its 712 acres of land in Kiambu and Kajiado Counties is in the process of completion. The Group will undertake commercial and residential developments on these parcels of land. The Group, through its Asset Management subsidiary, will also increase its investment portfolio in equities in order to rapidly increase overall return from investments.

SERVICE DELIVERY AND PRODUCT INNOVATION

The Group provides to individuals and business organizations an array of financial services as a one-stop shop. CIC products stand out in the market as they are tailored to fit customer needs. Our diverse product range ensures that we are able to satisfy consumers from all walks of life - both high and low end.

When it comes to meeting our part of the bargain, we take pride in our impeccable track record in claims settlement and integrity. "We truly keep our word."

The Diaspora
CIC acknowledges the contribution of the Diaspora towards the nation's development. It has thus developed insurance, investment and pension products specifically tailored to meet the needs of Kenyans living in the Diaspora.

TALENT DEVELOPMENT
The Group strives to attract, develop, motivate and retain a multi-skilled professional workforce committed to our core values. CIC's core purpose remains to deliver an outstanding customer experience through superior service.

We recognize the critical role played by our employees in realizing the Group's strategic objectives and making it a leading and respected insurance company within the Kenyan market and the leading co-operative insurer in Africa. We will continue to empower our employees through training so that they grow academically and professionally and help the Group scale greater heights.

RECOGNITION AND AWARDS
During the 2013 Think Business Insurance Awards ceremony, the Group through its subsidiaries scooped a significant number of awards. CIC General was awarded "Medical Insurer of the Year – 2nd Position and General Insurer of the year -3rd Position". CIC Life Assurance was awarded "Claims Settlement Award – 2nd Position".

CIC Asset Management was recognized as 2nd runners-up Unit Trust provider of the Year at the Think Business CMA Awards 2013.

Best company to work for – BCTWF- organized by Deloitte.
The Group participated in the BCTWF achieving 74% (Excellent rating) hence qualifying as amongst the best rated organizations to work for in Kenya.

CREDIT RATING
I am happy to report that in 2013, the Global Credit Rating Company, (GCR), assigned an initial national scale claims paying ability rating of A (KE) for CIC General Insurance Limited and rating of A+ (KE) for CIC Life Assurance, with outlook rated as stable.

RISK MANAGEMENT
We have adopted an Enterprise Risk Management (ERM) Framework. This guides us in ensuring that the interactive effects of various business risk elements are within our shareholders' risk appetite. Through this framework we will improve the Group's ability to realize its strategic objectives in a prudent manner so that shareholder value is preserved and enhanced.

FUTURE OUTLOOK
Development of the 5 year Strategic Plan: 2014 - 2018
2013 was a significant year that marked the end of our 3rd 5 year Strategic Plan, heralding the next five year comprehensive plan which will run from 2014 to 2018. In line with the changes in the internal and external environment, the group adopted a new approach in formulating the strategy, while still taking cognizance of current dynamics and future business trends.

In the year 2018, the Group expects to attain Ksh. 45 billion in gross written premiums, post a profit before Tax of Ksh. 12.5 billion, register net assets of Ksh. 30 billion, and maintain a solvency margin of 80%.

The Group will implement new business and operating models designed to offer seamless support for the new strategic initiatives. A clear implementation roadmap and a performance management framework for all functions and staff of the group have been developed to ensure clinical execution.

Finally, I would like to thank our shareholders, intermediaries, co-operative societies, customers, various strategic partners, management and the Board for playing a significant role in making 2013 a truly successful year.

Nelson C. Kuria, OGW, MBS
GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

INDUSTRY ACCLAIM

Our strong performance, claims settlement, customer service and innovation has enabled us gain recognition in the industry and amongst our peers. This recognition has seen us gunner several accolades including;

2013

Think Business Insurance Awards.

- Claims settlement award
- Medical Insurer of the year,
- General Insurer of the year,

Ushirika Sports

- Winner – Soccer Tournament.

The Kenya Secondary Schools Heads Association

- Appreciation Award at the 3rd Annual Delegates Conference

2012

Winner

- Claims settlement award
- Socially Responsible Corporate
- Outstanding innovation in Insurance in 2012 by Computer Society of Kenya

Runners up in:

- Medical Insurer of the year,
- Customer Service award,
- Life Insurer of the year,
- Marketing initiative of the year
- Brokers Relation award by AIBK

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2013

OVERVIEW

CIC Insurance Group Limited is committed to the highest standards of Corporate Governance for which the Board is accountable to the Company's shareholders. In pursuance of this the Board maintains and requires that CIC Insurance Group Limited's management maintains the highest level of corporate ethics.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the shareholders for legal compliance and ensuring the maintenance of the abovementioned highest Corporate Governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the CMA and the IRA. The Company operates under a wide regulatory, legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding shareholders' value and ensuring a favorable return on investment, reaffirms its commitment to upholding policies and strategies that enhance and facilitate compliance with the company's continuing listing obligations and adhere to the aforementioned CMA guidelines for public listed companies in Kenya.

Board of Directors

The Board directs the Company's risk assessment, resource management, strategic planning and financial and operational management to ensure that the obligations to shareholders and other stakeholders are understood and met. Certain functions are delegated to committees consisting of non-executive directors.

The Board generally meets at least four times a year and additionally when necessary to consider all matters relating to the overall control, business performance and strategy of the company including succession planning.

The Group Chairman leads the Board consisting of twelve directors of whom eleven are non-executive directors with the exception for the Group Chief Executive Officer who leads the executive management of the company. Notably, seven members of the Board are elected from the co-operative movement and represent the strategic and majority shareholder in the group being Co-operative Insurance Society Limited. The non-executive directors are drawn from a 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, renewable and are bound by the Company's Code of Conduct.

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

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

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.

Board Performance Evaluation

The Board undertook a board evaluation of its perfomance and that of its committees and individual directors. This involved a self review of the Board's capacity, funtionality and effectiveness of perfomance against set objectives. The Board and all its committees conducted evaluations during the year and no material concerns were expressed.

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 Manual.

Board Committees

The Board has three specific Committees: Audit and Risk, Governance and Human Resource and Finance and Investment. These 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 Manual which clearly spells out their mandates, responsibilities, scopes 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.

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;

- Grace Mabishi - Committee Chairperson
- Joseph Nyagah
- Peter Nyigei
- Michael Wambia

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 Mwangi
- Rosemary Githaiga
- Edwin Otieno
- Nelson Kuria

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.

Governance and Human Resource Committee members;

- Stella Kaimenyi - Chairlady
- Japheth Magomere
- Gordon Owuor
- Harrison Githae
- Jonah Mutuku
- Nelson Kuria

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 (Chairman)	11	11	10	10	-	-	-	-
Rev. Peterson N Kagane (Vice-Chairman)	11	11	-	-	5	5	-	-
Harrison Hunyu*	11	8	10	10	-	-	-	-
Gordon Owuor	11	10	10	10	-	-	-	-
Michael Wambia	11	11	-	-	-	-	3	3
Jonah Mutuku	11	11	10	10	-	-	-	-
Peter Nyigei	11	11	-	-	-	-	3	3
Stella Kaimenyi	11	10	10	10	-	-	-	-
Rosemary Majala	11	9	-	-	5	3	-	-
Grace Mabishi	11	11	-	-		-	3	3
Veronicah Leseya	11	10	-	-		-	-	-
Nelson Kuria	11	11	10	10	5	5	-	-
Joshuah Njoroge**	11	3	-	-	5	2	-	-

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
c. * Harrison Hunyu appointed on 17th June 2013
** Joshuah Njoroge retired on 1st June 2013

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 2013

	NAME	NO. OF SHARES	%
1	CO-OPERATIVE INSURANCE SOCIETY LIMITED	1,619,534,420	74.10
2	GIDEON MAINA MURIUKI	78,052,120	3.57
3	STANDARD CHARTERED NOMINEES A/C 9389	15,500,000	0.71
4	NELSON CHEGE KURIA	12,597,000	0.58
5	WELTON WEDA	11,279,000	0.52
6	PETER MUTARURA MWAURA	10,386,280	0.48
7	NORMAN JAMES MUNENE NYAGAH	10,000,000	0.46
8	KENYA REINSURANCE CORPORATION LIMITED	9,000,000	0.41
9	WEDA WELTON & EMILY ACHIENG CHWEYA	7,400,000	0.34
10	MR DAVID KIPRUTO RONOH	6,879,160	0.31
	TOTAL	1,780,627,980	81.47

2. Top-ten CIS Shareholders Schedule as at 31st December 2013

	NAME	NO. OF SHARES	%
1	THE CO-OPERATIVE BANK OF KENYA LTD	578,380,600	35.71
2	CO-OPERATIVE BANK SAVINGS & CREDIT SOCIETY LTD	155,962,720	9.63
3	K-UNITY SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD	52,006,480	3.21
4	HARAMBEE CO-OPERATIVE SAVINGS & CREDIT SOCIETY LTD	29,361,900	1.81
5	EMBU FARMERS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD	28,836,960	1.78
6	KIPSIGIS TEACHERS SAVINGS & CREDIT SOCIETY LTD	24,803,540	1.53
7	FEP CO-OPERATIVE SAVINGS & CREDIT SOCIETY LTD	24,000,000	1.48
8	BARINGO TEACHERS SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD	21,778,520	1.34
9	H & M SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD	20,610,000	1.27
10	KENYA POLICE STAFF CO-OPERATIVE SAVINGS & CREDIT SOCIETY LTD	19,768,920	1.22
	TOTAL	955,509,640	59.00

3. Directors Shareholding Schedule as at 31st December 2013

	NAME	NO. OF SHARES	%
1	JAPHETH A. MAGOMERE	560,000	0.03
2	REV. PETERSON N. KAGANE	200,000	0.01
3	NELSON C. KURIA	11, 591,500	0.53
4	GORDON O. OWUOR	220,000	0.01
5	MICHAEL O. WAMBIA	30,000	0.00
6	JONAH M. MUTUKU	20,000	0.00
7	PETER K. NYIGEI	10,000	0.00
8	HARRISON H. GITHAE	210,000	0.01
9	VERONICAH LESEYA	0	0
10	ROSEMARY MAJALA	2,058,000	0.09
11	GRACE MABISHI	0	0
12	STELLA KAIMENYI	300,000	0.01
	TOTAL	15,199,500	0.69

4. Categorised Shareholding Distribution Schedule as at 31st December 2013

	SHAREHOLDING RANGE	NO. OF SHAREHOLDERS	NO. OF SHARES	%
1	1-500	1,215	317,480	0.01
2	501-5000	2,534	5,474,710	0.25
3	5001-10,000	1,733	15,980,200	0.73
4	10,001-100,000	2,621	92,185,260	4.23
5	100,001-1,000,000	436	120,553,430	5.53
6	1,000,001-OVER	66	1,945,104,360	89.24
	TOTAL	8605	2,179,615,440	100.00

CIC INSURANCE GROUP LIMITED
CORPORATE SOCIAL RESPONSIBILITY

At CIC Insurance Group, we believe in Creating Leaders, Caring for the Environment and Uniting Communities through deliberate creation of positive impact on the society. We do this through promotion of activities beyond our core business while serving the interest of our shareholders. As a corporate, we recognize the distinctive contribution we have to make to the advancement of the society.

CIC's growth and development is anchored on sound economic and social conditions. Thus CIC Insurance Group's commitment to progressive social change.

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

CIC I'm a Cooperator Initiative

Youth unemployment statistics in Kenya show that 60% of the population is under the age of 30 and the unemployment rate is approximately 40%. Launched in 2012, the goal of the project is to enhance integration of the youth in national economic development and create employment opportunities through engagement in co-operative movement and environment conservation.

We are in the second phase where we have partnered with KCA University and Africa Biodiversity Conservation and Innovation Centre (ABCIC) and educated over 6000 young people from:-

- Several universities among them KCA, USIU and Egerton;
- Youth Saccos such as Mathira East Youth Sacco, Vijana Sacco
- And self help groups.

This phase focuses on environmental conservation and employment creation through nature-based entrepreneurship.

Case Study on CIC

In order to better understand the changing environment of the Co-operative Movement, CIC Insurance Group has commissioned a case study to be completed my June 2014. The case study, which analyses the unmatched growth challenges and successes of CIC Insurance Group and by and large its role in the Co-operative Movement, is expected to be of great use to students in colleges and universities. The students not only use this as a point of reference in their studies and research, but get better understanding of the power of Co-operation.

"Toa Habari Kwa Polisi" Initiative

CIC has been in a 7-year partnership with the Kenyan Government in the "Toa Habari Kwa Polisi" initiative. This is a community-policing venture that aims at encouraging the public to inform the police on any suspicious activities that might equate to crime in order to enhance security. We believe that this approach will greatly support the "Nyumba Kumi" initiative began by our President last year.

Other Sponsorships

CIC has been at the forefront in partnering with various organizations in sponsoring walks, marathons and other initiatives throughout the country. This include the Mater Heart Run, Chase Group foundation Walk, Nairobi Cleanup Initiative, various other donations to institutions and Groups such as Church organisations and Schools.

CIC Staff take part in the 2013 Ushirika day celebrations Saturday 6th 2013

Michael Mugo, CIC Group Strategy & Marketing Manager, planting a tree at PAC University.

CIC team at the Matter Heartrun 2013

CIC Staff take part in the Nairobi Cleanup exercise.

CIC INSURANCE GROUP LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013

OVERVIEW

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS

	2013 KShs'000	2012 KShs'000
Profit before Taxation	1,671,095	1,649,591
Taxation charge	(265,191)	(261,390)
Profit for the year	**1,405,904**	**1,388,201**

DIVIDENDS

The directors recommend the payment of a first and final dividend of KShs 217,965,500 (2012: KShs 217,965,500) which represents 10% of the paid up share capital (2012 – 10%).

DIRECTORS

The current directors are as shown on page 4. Mr J N Njoroge resigned on 1st June 2013 and was replaced by Mr H G Hunyu on 17th June 2013.

AUDITORS

Ernst & Young were appointed during the year, and have expressed their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap 486) and subject to approval by the Commissioner of Insurance under Section 56(4) of the Kenyan Insurance Act.

BY ORDER OF THE BOARD

SECRETARY

11 March 2014

Nairobi

CIC INSURANCE GROUP LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Director

Director

11 March 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Notes	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Gross written premiums		11,061,282	9,009,893	-	-
Gross earned premiums	3	10,067,665	8,168,717	-	-
Less: Reinsurance premiums ceded		**(911,983)**	**(880,537)**	-	-
Net earned premiums		9,155,682	7,288,180	-	-
Fees and commission income		303,354	201,282	-	-
Investment income	4	722,466	821,980	4,475	2,237
Other gains/ (losses)	5	705,598	590,551	300,000	446,701
Dividend income		-	-	577,500	-
		1,731,418	1,613,813	881,975	448,938
Total income		10,887,100	8,901,993	881,975	448,938
Claims and policyholders' benefits expense	6	(6,020,059)	(4,644,801)	-	-
Commissions expense		(843,552)	(641,300)	-	-
Operating and other expenses	7	(2,351,499)	(1,956,564)	(17,781)	(24,905)
		(9,215,110)	(7,242,665)	(17,781)	(24,905)
Share of results of associate	14	(895)	(9,737	-	-
Profit before taxation		1,671,095	1,649,591	864,194	424,033
Taxation charge	9	(265,191)	(261,390)	-	(276)
Profit for the year		1,405,904	1,388,201	864,194	423,757
OTHER COMPREHENSIVE INCOME Other comprehensive income not to be reclassified to profit or loss in subsequent years					
Surplus on revaluation of buildings	11	63,480	11,143	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent years					
Fair value (loss)/gain on available-for -sale investments	16	(5,477)	3,639	-	-
Other comprehensive income for the year		58,003	14,782	-	-
Total comprehensive income for the year		1,463,907	1,402,983	864,194	423,757
Earnings per share (KShs)	10	0.65	0.64	0.39	0.19

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	Group 2013 KShs'000	Group 2012 KShs'000	Company 2013 KShs'000	Company 2012 KShs'000
ASSETS					
Property and equipment	11	1,120,589	349,185	-	-
Intangible assets	12	86,670	56,485	-	-
Investment properties	13	3,657,000	2,554,472	1,500,000	1,200,000
Investment in associate	14	109,872	70,447	140,320	100,000
Investment in subsidiaries				2,011,000	1,711,000
Available - for- sale investments	16	14,367	19,844	-	-
Loans receivable -Mortgage loans	17	314,691	240,869	-	-
- Other loans	18	332,281	255,758	41,729	39,018
Financial assets at fair value through profit or loss	19	282,031	203,377	-	-
Deferred taxation	20	21,208	8,109	6,800	6,800
Deposits and commercial paper	21	517,464	423,441	-	-
Receivables arising out of reinsurance arrangements	22	200,635	10,084	-	-
Receivables arising out of direct insurance arrangements	22	1,502,690	1,144,634	-	-
Taxation recoverable	9(c)	22,309	2,450	2,000	2,000
Due from related parties	35	16,595	16,621	4,685	-
Reinsurers share of liabilities and reserves	38	1,695,350	1,965,437	-	-
Deferred acquisition costs	23	361,527	319,930	-	-
Other receivables	24	302,702	134,267	188,869	13,225
Government securities held to maturity	25	2,375,683	2,101,355	36,757	36,701
Short term investments	26	300,808	206,937	-	-
Deposits with financial institutions	27	3,343,407	3,727,723	-	-
Cash and bank balances		457,938	258,126	-	-
Total assets		17,035,817	14,069,551	3,932,160	3,108,744
EQUITY					
Share capital	29	2,179,655	2,179,655	2,179,655	2,179,655
Share premium	30	598,102	598,102	598,102	598,102
Statutory reserve	31	1,170,886	849,115	-	-
Revaluation surplus	32	130,178	66,698	-	-
Fair value reserve	33	12,426	17,903	-	-
Retained earnings	34	2,595,654	1,759,487	701,782	55,554
Total equity		6,686,901	5,470,960	3,479,539	2,833,311
LIABILITIES					
Insurance contracts liabilities	36	3,103,300	3,197,799	-	-
Unearned premiums reserve	39	4,070,695	3,092,113	-	-
Actuarial value of policyholder liabilities	40	2,059,131	1,650,108	-	-
Payables arising from reinsurance arrangements and insurance bodies		299,128	134,799	-	-
Due to related parties	35	-	-	429,005	272,851
Other payables	41	793,511	444,409	465	225
Dividend payable	42	23,151	2,357	23,151	2,357
Taxation payable	9(c)	-	77,006	-	-
Total liabilities		10,348,916	8,598,591	452,621	275,433
Total equity and liabilities		17,035,817	14,069,551	3,932,160	3,108,744

The financial statements were approved by the Board of Directors on 11 March 2014 and signed on its behalf by:

Director

Director

Principal Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital KShs'000	Share Premium KShs'000	Statutory reserve KShs'000	Revaluation surplus KShs'000	Fair value reserve KShs'00	Retained earnings KShs'000	Total KShs'000
At 1 January 2012	2,179,655	598,102	651,418	55,555	14,264	795,148	4,294,142
Transfer to retained earnings	-	-	(100,000)	-	-	100,000	-
Tax on transfer to retained earnings	-	-	-	-	-	(30,000)	(30,000)
Dividends paid - 2012	-	-	-	-	-	(196,165)	(196,165)
Profit for the year	-	-	297,697	-		1,090,504	1,388,201
Other comprehensive income for the year	-	-	-	11,143	3,639	-	14,782
Total comprehensive income for the year	-	-	297,697	11,143	3,639	1,090,504	1,402,983
At 31 December 2012	2,179,655	598,102	849,115	66,698	17,903	1,759,487	5,470,960
At 1 January 2013	2,179,655	598,102	849,115	66,698	17,903	1,759,487	5,470,960
Transfer to retained earnings	-	-	(100,000)	-	-	100,000	-
Tax on transfer to retained earnings	-	-	-	-	-	(30,000)	(30,000)
Dividends paid - 2012	-	-	-	-	-	(217,966)	(217,966)
Profit for the year	-	-	421,771	-		984,133	1,405,904
Other comprehensive income for the year	-	-	-	63,480	(5,477)	-	58,003
Total comprehensive income for the year	-	-	421,771	63,480	(5,477)	984,133	1,463,907
At 31 December 2013	2,179,655	598,102	1,170,886	130,178	12,426	2,595,654	6.686,901

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital KShs'000	Share premium KShs'000	Statutory Reserve KShs'000	Revaluation surplus KShs'000	Fair value reserve KShs'00	Retained Earnings KShs'000	Total KShs'000
At 1 January 2012	2,179,655	598,102	651,418	55,555	14,264	795,566	4,294,560
Deficit arising on transfer of assets and liabilities	-	-	(651,418)	(55,555)	(14,264)	(967,604)	1,688,841
Dividends paid - 2012	-	-	-	-	-	(196,165)	(196,165)
Profit for the year	-	-	-	-	-	423,757	423,757
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	423,757	423,757
At 31 December 2012	2,179,655	598,102	-	-	-	55,554	2,833,311
At 1 January 2013	2,179,655	598,102	-	-	-	55,554	2,833,311
Dividends paid - 2012	-	-	-	-	-	(217,966)	(217,966)
Profit for the year	-	-	-	-	-	864,194	864,194
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	864,194	864,194
At 31 December 2013	2,179,655	598,102	-	-	-	701,782	3,479,539

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 KShs'000	2012 KShs'000
Cash generated from operations	2,381,717	2,099,108
Taxation paid	(405,155)	(283,997)
Net cash generated from operating activities	1,976,562	1,815,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(792,106)	(76,970)
Purchase of intangible assets	(59,076)	(16,421)
Purchase of investment property	(485,317)	(715,294)
Investment in associate	(40,320)	-
Mortgage loans advanced	(154,325)	(62,143)
Mortgage loan repaid	80,503	27,938
Disposal/purchase of equity investment at fair value through profit or loss	3,300	(5,097)
Purchase of financial assets held to maturity	(540,000)	(257,740)
Proceeds of maturity of financial assets held to maturity	231,250	679,420
Purchase of short term investments	(93,871)	(81,188)
Increase in deposits with non-financial institutions	(94,023)	(128,619)
Proceeds of disposal of equipment	885	2,384
Decrease/Increase in fixed deposits with financial institutions (excluding cash and cash equivalents)	705,097	(1,040,417)
Net cash used in investing activities	(1,238,003)	(1,674,147)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(217,966)	(196,165)
Net cash used in financing activities	(217,966)	(196,165)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	520,593	(55,201)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,093,778	2,148,979
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	2,614,371	2,093,778

The company does not have cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 measurement basis used is the historical cost basis, as modified by the carrying of certain property and equipment, investment property and certain investments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value. The financial statements are presented in Kenya Shillings (KShs), rounded to the nearest thousand, which is also the functional 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 the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the 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 company in their capacity as owners are recognised in the statement of changes in equity.

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

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note (2).

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the company has controls when it they are exposed or the company 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.

The company is considered to have control if and only all the following criteria are met:

a. power over the investee
b. exposure, or rights, to variable returns from its involvement with the investee
c. the ability to use its power over the investee to affect the amount of the investor's returns

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the company. 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:

- Recognises 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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 and CIC Asset Management Limited, details of which are disclosed in note 15, made up to 31 December 2013.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New and amended standards, interpretations and improvements

The accounting policies applied are consistent with those of the previous financial year, except for the following new and amended IFRS interpretations effective as of 1 January 2013.

- IFRS 7 Financial Instrument Disclosures (revised)
- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 19 Employee Benefits (Revised 2011)
- IAS 16 Property, Plant and Equipment — Classification of servicing equipment
- IAS 32 Financial Instruments: Presentation — Tax effects of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting — Interim financial reporting and segment information for total assets and liabilities

These revised standards and interpretations did not have any material effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures in some occasions.

IFRS 7 Financial Instrument Disclosures (revised) - effective for periods beginning on or after 1 January 2013.
The amendments require disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

These amendments are applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. If an entity chooses to early adopt IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32, it must make the disclosure required by IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7. IFRS 7 did not have an impact on the financial performance or the financial position of the Group as the Group does not have such arrangements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements - effective for annual periods beginning on or after 1 January 2013

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:-

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

IFRS 10 also provides a number of clarifications on applying this new definition of control. The Group assessed its control in the subsidiaries as per the requirements of IFRS 10. The adoption of IFRS 10 has not resulted in a change in the consolidated group as disclosed in note 15. The significant judgment applied by management in determining if a subsidiary is controlled is disclosed in note 2 - Significant Judgements and Estimates."

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures - effective for annual periods beginning on or after 1 January 2013.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

a. Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

b. Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures as defined in IFRS 11 using proportionate consolidation has been removed.

Under these new categories, the legal form of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances. IAS 28 has been amended to include the application of the equity method to investments in joint ventures.

IFRS 11 did not have an impact on the financial performance or the financial position of the Group as the Group does not have such arrangements.

IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning on or after 1 January 2013. IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries for example, where a subsidiary is controlled with less than a majority of voting rights. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity
- Significant judgements used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e., joint operation or joint venture), if applicable
- Summarised financial information for each individually material joint venture and associate
- Nature of the risks associated with an entity's interests in unconsolidated structured entities, and changes to those risks

The Group has no subsidiaries with material non-controlling interests or unconsolidated structured entities. IFRS 12 had no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement - effective for annual periods beginning on or after 1 January 2013

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 13 requires an entity to disclose additional information that helps users of its financial statements assess both of the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements
- for fair value measurements using significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income for the period.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 48 (d) to these financial statements.

IAS 19 Employee Benefits (Revised 2011) – effective for annual periods beginning on or after 1 January 2013
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures and in determining the discount rate used in accounting for employee benefit plans, an entity would include high quality corporate bonds issued by entities operating in other countries, provided that those bonds are issued in the currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds would be assessed at the currency level and not at the country level.

Short-term employee benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service whereas other long-term employee benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

IAS 19R also requires that when an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

a. as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
b. as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

Application of IAS 19R has not materially impacted the Group's financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 - effective from 1 July 2012

The amendments to IAS 1 require an allocation of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

The following improvements to International Financial Reporting Standards – 2009 -2011 Cycle were effective for annual periods beginning on or after1 January 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 1 Clarification of the requirement for comparative information (Amendment) - effective from 1 July 2012
These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments also clarify that the opening statement of financial position presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendment did not have impact on the Group's financial statements as the Group did not have any retrospective restatement or reclassification in its financial statements.

IAS 16 Property Plant and Equipment (amendment) Classification of servicing equipment- effective for annual periods beginning on or after 1 January 2013
This amendment clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory. The improvement had no impact on the Group's consolidated financial statements.

IAS 32 Financial Instruments: Presentation (amendment) -Tax effects of distributions to holders of equity instruments- effective for annual periods beginning on or after 1 January 2013
This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The improvement had no impact on the Group's consolidated financial statements.

IAS 34 Interim Financial Reporting (amendment) - Interim financial reporting and segment information for total assets and liabilities- effective for annual periods beginning on or after 1 January 2013
This improvement clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The improvement had no impact on the Group's consolidated financial statements.

Standards issued but not effective

The following standards have been issued or revised and will become effective for the December 2014 year end:

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. The Group does not expect this amendment to have material financial impact in future financial statements.

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

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group had no derivatives during the current period. However, these amendments would be considered for future novations.

IFRS 9 Financial Instruments

IFRS 9, as issued in November 2009 and October 2010, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 and Transitional Disclosures, issued in December 2011, moved the mandatory date to 1 January 2015. On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (IFRS 9 (2013)), which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. The standard does not have a mandatory effective date, but it is available for immediate application. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 36 Recoverable Amount Disclosures for Non- Financial Assets — Amendments to IAS 36 - effective for annual periods beginning on or after 1 January 2014.

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. In addition, additional disclosure requirements have been added as follows:

a. Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
b. Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The Group does not expect that the amendment to any have material financial impact in future financial statements.

The IASB issued two cycles of Annual Improvements to IFRSs – 2010-2012 Cycle and 2011-2013 Cycle – on 12 December 2013. These improvements will not have an impact on the Group, but include:

- IFRS 2 Share-based Payment - Definition of vesting condition
- IFRS 3 Business Combinations-Accounting for contingent consideration in a business combination
- IFRS 3 Business Combinations-Scope exceptions for joint ventures
- IFRS 8 Operating Segments-Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 Fair Value Measurement-Short-term receivables and payables
- IFRS 13 Fair Value Measurement-Scope of paragraph 52 (portfolio exception)
- IAS 16 and IAS 38 - Revaluation method—proportionate restatement of accumulated depreciation
- IAS 24 Related Party Disclosures-Key management personnel
- IAS 38 Intangible Assets-Revaluation method—proportionate restatement of accumulated amortisation

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IAS 40 Investment Property - Clarifying the interrelationship between IFRS3 and IAS 40 when classifying investment property or owner-0cuppied property.

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

(e) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of services in the course of the Group's activities. It is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts.

When revenue is recognised the group estimates whether rebates or trade discounts will be provided and include this estimate in measuring the revenue at the amount received or receivable. Later changes in estimates are included in the revenue line.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

Gross premiums

Gross recurring premiums on life and investment contracts with discretionary participating features 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 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 for premiums receivable in respect of business written in prior accounting periods. 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 and investment contracts with discretionary participation features are recognised as an expense when payable or on the date on which the policy is effective. Gross general written r 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 the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument. Investment income also includes dividend income which is recognised when the right to receive the payment is established.

Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

received is recognised as an operating lease liability/asset.

Dividends are recognised when the Group's right to receive the payment is established.

Realised / unrealised gains and losses

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

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 1/24th method on net commissions. 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 derecognition criteria for financial assets, as described in (y) 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 Group's experience but subject to the minimum percentages set by the Commissioner of Insurance. Claims liability on long term contracts is determined through actuarial valuation which is carried out annually.

(i) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

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

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

Receivables and payables related to insurance contracts and investment contracts

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

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

(j) 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 the statement of 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 9 of these financial statements.

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.

Deferred Income tax

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 nor 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred income tax is determined using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values 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.

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 income 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

Sales taxes and premium taxes

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

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

(k) 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,

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

respectively).

(l) Property and equipment

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

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

(l) Property and equipment

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

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The impairment loss is recognised in profit or loss for the year.

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

(m) Investments properties

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external registered valuers/ directors. 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 are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The Investment properties are stated at fair value, which has been determined based on valuations performed by Crystal Valuers Limited as at 31 December 2013.

When the Group can reliably determine the fair value of a self constructed investment property under construction

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The difference between the carrying value and the fair value of the properties at the date of reclassification to investment properties 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 Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

(n) Properties under construction

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

(o) Borrowing costs

In the instance of specific funding being obtained, the net borrowing cost capitalised is the actual borrowing cost incurred on the amount borrowed specifically to finance the asset less any investment income earned on surplus funds. In the case of general borrowings, the capitalised borrowing cost is determined using the overall weighted average cost of the general borrowings during the year and applying this rate to the costs incurred on the asset. The amount capitalised can never exceed the borrowing costs incurred. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(q) 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.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. The Group currently does not have any finance lease.

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

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease. The amortisation is recognised as an operating expense in profit or loss.

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.

(r) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the end of the reporting period

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

is recognised as an expense accrual.

Retirement benefit obligations

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

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

(s) 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 the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(t) Segment reporting

An operating segment is a component of an entity:

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)
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
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 one geographical segment, Kenya.

(u) 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 to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the 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.

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(u) Impairment of non-financial assets

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.

(v) 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(w) Financial and insurance liabilities

Insurance contract liabilities (including investment contracts with discretionary participation features) 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 twelfth 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 life insurance liabilities are adequate, net of related PVIF and DAC (deferred acquisition cost –by using an existing liability adequacy test as laid out under the Kenyan Insurance Act.

(x) 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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.

(y) 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

been transferred and the Group has also transferred substantially all risks and rewards of ownership.

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

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 shares, commercial paper 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 receivables arising from direct insurance arrangements and other receivables.

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 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 (long-term business).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unquoted investments are classified as available-for-sale investments.

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.

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.

Available-for-sale financial investments

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

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

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Financial liabilities

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This category generally applies to interest-bearing loans and 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.

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.

(z) 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.

(aa) 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.

(ab) 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.

(ac) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) 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 2013: 30% (2012:30%) is incurred.

(ae) Expenses

Expenses are recognised in the statement of 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).

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

(af) Business reorganisation

In accounting for transfer of assets and liabilities transferred to the subsidiary companies under a reorganisation of the Group's business in 2012, the Company recognises the assets and liabilities transferred at their carrying amounts in the Company's books at the date of the transfer. The difference between the consideration paid or received in respect of net assets or net liabilities respectively and carrying amounts of assets and liabilities at the date of the transfer is dealt with through the statement of changes in equity. More details in note 44 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. 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.

The preparation of the Group's financial statements 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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 (l) 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.

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 36 (v) for further discussion.

Revaluation of property 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 11&13 where detailed assumptions have been disclosed.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 Managing Director) 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 three reportable segments; general insurance business, long term assurance 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).

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

	2013 KShs'000	2012 KShs'000
Gross earned premiums		
General insurance business		
Motor	3,443,999	2,949,339
Medical	1,847,401	1,362,762
Fire	557,898	403,751
Personal accident	182,606	173,238
Theft	370,549	369,876
Liability	171,387	106,661
Engineering	123,874	93,706
Others	366,821	256,613
	7,064,535	5,715,946
Life assurance business		
Ordinary life	437,912	350,154
Group life	2,540,549	2,102,617
Annuities	24,669	-
	3,003,130	2,452,771
Total gross earned premiums	10,067,665	8,168,717

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

	2013 KShs'000	2012 KShs'000
Reinsurance premiums		
General insurance business		
Engineering	76,312	50,532
Fire	321,489	169,807
Liability	100,106	87,032
Medical	74,872	261,613
Others	170,733	170,145
	743,512	739,129
Life assurance business		
Group credit	20,666	17,346
Employee group life	94,092	78,977
Group Mortgage	28,140	23,619
Individual Life	25,573	21,465
	168,471	141,408
Total reinsurance premiums	911,983	880,537
Investment income:		
General insurance business		
Interest from Government securities held to maturity	165,968	113,172
Amortisation/discount on Government securities held to maturity	(26,021)	19,600
Bank deposit interest	179,166	275,571
Interest on staff loan receivables	19,818	6,581
Dividend income	31,181	22,980
	370,112	437,904
Life assurance business		
Interest from Government securities held to maturity	146,423	112,284
Amortisation/discount on Government securities held to maturity	(8,401)	11,866
Bank deposit interest	141,405	167,094
Interest on staff loan receivables	4,963	2,361
Dividend income	12,257	14,738
Rental income from investment properties	18,262	17,904
	314,909	326,247
Other business		
Interest from government securities held to maturity	4,475	2,237
Interest receivable on fixed deposits	31,902	55,549
Interest on staff loan receivables	1,008	-
Dividend income	60	43
	37,445	57,829
Total investment income	722,466	821,980

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

3. SEGMENT INFORMATION (continued)

Other disclosures:	**General Insurance business KShs'000**	**Life Assurance business KShs'000**	**Other business KShs'000**	**Total 2013 KShs'000**
31-Dec-13				
Reportable segment profits after tax	727,876	437,815	240,213	1,405,904
Reportable segment total assets	10,428,522	5,326,892	4,092,254	19,847,668
Less:				
: Related party balances	(619,511)	(160,074)	9,222	(770,363)
: Investment in subsidiaries	-	-	(2,011,000)	(2,011,000)
: movement in investment in associate	-	-	(30,488)	(30,488)
Reportable segment total assets-Net	9,809,011	5,166,818	2,059,988	17,035,817
Reportable segment total liabilities	7,653,211	3,139,784	429,346	11,222,341
Less: related party balances	(179,545)	(264,875)	(429,005)	(873,425)
Net	7,473,666	2,874,909	341	10,348,916
Fees and Commission Income	250,012	-	53,341	303,353
Depreciation of property and equipment	53,832	28,970	340	83,142
Amortisation of intangible assets	10,340	18,525	25	28,890
Property and equipment additions	261,696	134,105	396,305	792,106
Intangible assets additions	23,600	35,376	100	59,076
Investment properties additions	100,852	621,954	-	722,806
31-Dec-12				
Reportable segment profits after tax	674,905	297,697	415,599	1,388,201
Reportable segment total assets	8,576,260	4,060,562	3,513,368	16,150,190
Less:				
: Related party balances	(327,552)	(29,156)	16,622	(340,086)
: Investment in subsidiaries			(1,711,000)	(1,711,000)
: movement in investment in associate			(29,553)	(29,553)
Net	8,248,708	4,031,406	1,789,437	14,069,551
Reportable segment total liabilities	6,215,848	2,374,749	348,081	8,938,678
Less: Related party balances		(1,484)	(338,603)	(340,087)
Net	6,215,848	2,373,265	9,478	8,598,591
Commissions earned	170,496	-	30,786	201,282
Depreciation	19,671	29,901	272	49,844
Amortisation	5,920	12,908	-	18,828
Property and equipment additions	33,235	42,056	1,679	76,970
Intangible assets additions	6,965	9,456	-	16,421
Investment properties additions	702,547	12,747	-	715,294

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. INVESTMENT INCOME

GROUP

	2013 KShs'000	2012 KShs'000
Interest from government securities held to maturity	316,865	227,693
Bank deposit interest	352,473	498,214
Interest on staff loan receivables	25,789	8,942
Dividend income	43,499	37,761
Rental income from investment properties	18,262	17,904
Amortisation/discount on Government securities held to maturity	(34,422)	31,466
	722,466	821,980
Investment income earned on financial assets, analysed by category of asset is as follows:		
Held to maturity investments	634,916	757,373
Fair value through profit or loss investments	43,499	37,761
Loans and receivables	25,789	8,942
Investment income earned on non-financial assets	18,262	17,904
Total investment income	722,466	821,980

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

COMPANY

	2013 KShs'000	2012 KShs'000
Interest from government securities	4,475	2,237

5. OTHER GAINS/(LOSSES)- GROUP

	2013 KShs'000	2012 KShs'000
Fair value gains on investment properties (note 13(a))	617,211	532,434
Fair value gain/(loss) on quoted equity investments at fair value through profit or loss (note 19(a))	81,955	53,570
Loss on disposal of property and equipment	(210)	(1,459)
Miscellaneous income	6,642	6,006
	705,598	590,551
COMPANY		
Fair value gains on investment properties (note 13(b))	300,000	450,000
Other losses	-	(3,299)
	300,000	446,701

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

6. CLAIMS AND POLICYHOLDERS BENEFITS PAYABLE

	2013 KShs'000	2012 KShs'000
Claims and policyholders benefits payable:		
- Gross	6,291,635	4,785,449
- Reinsurer's share	(645,536)	(517,573)
Actuarial adjustment of policyholder's liability	373,960	376,925
	6,020,059	4,644,801

7. OPERATING AND OTHER EXPENSES

	2013 KShs'000	2012 KShs'000
The following items have been charged in arriving at profit before taxation:		
Staff costs (note 8)	712,804	599,867
Auditors' remuneration	5,200	5,150
Directors' fees	43,048	32,242
Directors' emoluments	20,465	46,683
Depreciation (note 11(a))	83,143	49,844
Amortisation (note 12(a))	28,890	18,828
Impairment charge for doubtful premium receivables	38,494	38,494
Premium tax	87,234	77,983
Staff welfare	310,385	224,968
Utilities	183,643	168,135
Printing and stationery	100,530	84,954
Direct operating expense (utilities) arising on rental earning investment property	14,678	12,894
Business advertising and promotion	515,311	415,624
Professional fees	159,428	109,715
Statutory returns	22,920	19,541
Other	25,326	43,192
	2,351,499	1,956,564
COMPANY		
Directors allowances	9,186	9,186
Audit fee	465	465
AGM expenses	2,154	4,326
Others	5,976	10,928
	17,781	24,905

8. STAFF COSTS

	2013	2012
Staff costs include the following:		
- Salaries	651,859	542,907
- Pension costs	47,918	43,449
- Leave pay	13,027	13,511
	712,804	599,867

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

9. TAXATION

GROUP

(a) Statement of profit or loss and other comprehensive income

Current taxation charge	278,247	262,423
Prior year under provision	43	-
Deferred tax credit (note 20(a))	(13,099)	(1,033)
	265,191	261,390

(b) Statement of Financial Position

At 1 January	74,556	66,130
Taxation charge	278,247	262,423
Prior year under provision	43	-
Tax charge on transfer to retained earnings	30,000	30,000
Tax paid	(405,155)	(283,997)
At 31 December	(22,309)	74,556

	2013 KShs'000	2012 KShs'000
c) Reconciliation of taxation expense to expected tax based on accounting profit		
Profit before taxation	1,671,095	1,649,591
Tax calculated at a tax rate of 30%	501,328	494,877
Tax effect of expenses not deductible for tax	29,608	27,518
Prior year tax under-provision	43	-
Tax effect of income not subject to tax	(265,788)	(261,005)
Taxation charge for the year	295,191	261,390
COMPANY		
(a) Statement of comprehensive income		
Current taxation charge	-	276
(b) Statement of financial position		
At 1 January	2,000	(58,634)
Paid during the year	-	60,634
At 31 December	2,000	2,000
c) Reconciliation of taxation expense to expected tax based on accounting profit		
Profit before taxation	864,194	424,033
Tax calculated at a tax rate of 30%	259,258	127,210
Tax effect of expenses deductible for tax		276
Tax effect of income not subject to tax	(259,258)	(127,210)
Taxation charge for the year	-	276

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

10. 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:

	2013 KShs'000	2012 KShs'000
Profit attributable to ordinary shareholders' (KShs'000)	1,405,904	1,388,201
Weighted average number of shares (in thousands)	2,179,655	2,179,655
Earnings per share (KShs) – Basic and diluted	0.65	0.64

There were no dilutive shares during the year.

11. PROPERTY AND EQUIPMENT – GROUP

2013	Buildings KShs'000	Motor vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Total KShs'000
COST OR VALUATION					
At 1 January	142,980	52,785	134,539	172,220	502,524
Additions	489,354	12,480	59,534	230,738	792,106
Disposals	-	(2,465)	-	-	(2,465)
Revaluation gains	63,480	-	-	-	63,480
At 31 December	695,814	62,800	194,073	402,958	1,355,645
COMPRISING:					
Cost	632,334	62,800	194,073	402,958	1,292,165
Valuation –	63,480	-	-	-	63,480
	695,814	62,800	194,073	402,958	1,355,645
At 1 January	-	24,441	73,771	55,128	153,340
Charge for the year	-	9,590	30,073	43,478	83,141
Eliminated on disposals	-	(1,425)	-	-	(1,425)
At 31 December	-	32,606	103,844	98,606	235,056
CARRYING AMOUNT					
At 31 December	695,814	30,194	90,229	304,352	1,120,589
CARRYING AMOUNT - COST BASIS					
At 31 December	632,334	32,659	90,229	304,352	1,059,574

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

11. PROPERTY AND EQUIPMENT – GROUP (continued)

2012	Buildings KShs'000	Motor vehicles KShs'000	Computers KShs'000	Furniture fittings & equipment KShs'000	Total KShs'000
At 1 January	130,980	51,469	109,044	138,649	430,142
Additions	5,463	12,441	25,495	33,571	76,970
Disposals	-	(11,125)	-	-	(11,125)
Revaluation surplus	6,537	-	-	-	6,537
At 31 December	142,980	52,785	134,539	172,220	502,524
ACCUMULATED DEPRECIATION					
At 1 January	1,195	22,276	53,513	38,399	115,383
Charge for the year	3,411	9,448	20,258	16,727	49,844
Eliminated on disposals	-	(7,282)	-	-	(7,282)
Reversal on revaluation	(4,606)	-	-	-	(4,606)
At 31 December	-	24,442	73,771	55,126	153,339
CARRYING AMOUNT					
At 31 December	142,980	28,343	60,768	117,094	349,185
CARRYING AMOUNT - COST BASIS					
At 31 December	72,239	28,343	60,768	117,094	278,444

An independent valuation of the building was carried out at 31 December 2013 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.
The useful lives 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.

12. INTANGIBLE ASSETS

	2013 KShs'000	2012 KShs
COST		
At 1 January	166,400	149,980
Additions	59,076	16,421
At 31 December	225,476	166,401
ACCUMULATED AMORTISATION		
At 1 January	109,916	91,088
Charge for the year	28,890	18,828
At 31 December	138,806	109,916
CARRYING AMOUNT		
At 31 December	86,670	56,485

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. INVESTMENT PROPERTIES

(a) GROUP

	CIC plaza I&II KShs'000	Kamiti Land KShs'000	Kajiado Land KShs'000	Work in progress KShs'000	Total KShs'000
At 1 January 2013	322,020	1,200,000	500,000	532,452	2,554,472
Additions	458,257	-	559,512	(532,452)	485,317
Fair value gains (note 5)	194,723	300,000	122,488	-	617,211
At 31 December 2013	975,000	1,500,000	1,182,000	-	3,657,000
At 1 January 2012	294,020	750,000	-	262,724	1,306,744
Additions	12,747	-	432,819	269,728	715,294
Fair value gain	15,253	450,000	67,181	-	532,434
At 31 December 2012	322,020	1,200,000	500,000	532,452	2,554,472

	2013 KShs'000	2012 KShs'000
The movement in the year is as shown below:		
At 1 January	2,554,472	1,306,744
Additions: Cash paid	485,317	715,294
Fair value gains (note 5)	617,211	532,434
At 31 December	3,657,000	2,554,472

All land was re-valued by Crystal Valuers Limited, registered valuers at 31 December 2013 on the basis of open market value. Crystal Valuers Limited are industry specialists in valuing these types of investment properties. In arriving at the value of the 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.

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

a. a directionally similar change in the rent growth per annum and discount rate (and exit yield)
b. 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	25,000,000
	Annual rent growth rate	5%
	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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

13. INVESTMENT PROPERTIES (continued)

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 tenancies and also considers the normal lease structure for similar buildings.

(b) COMPANY

	2013 KShs'000	2012 KShs'000
At 1 January	1,200,000	750,000
Fair value gains	300,000	450,000
At 31 December	1,500,000	1,200,000

14. INVESTMENT IN ASSOCIATE

The holding in Takaful Insurance of Africa Limited represents 24% (2012 – 24%) of the issued ordinary share capital. The associate is a limited liability Company incorporated and domiciled in Kenya. Its principal activity is transaction of general insurance business and the financial year end is 31 December. The company is not listed on any stock exchange.

	GROUP		COMPANY	
	2013 KShs'000	2012 KShs'000	2013 KShs'000	2012 KShs'000
Takaful Insurance of Africa Limited				
At 1 January	70,447	80,184	100,000	100,000
Additional investment during the year	40,320	-	40,320	-
Share of loss before taxation	(895)	(8,282)	-	-
Share of taxation	-	(1,455)	-	-
At 31 December	109,872	70,447	140,320	100,000

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

	2013 KShs'000	2012 KShs'000
Total assets	841,338	644,704
Total liabilities	407,561	355,128
Equity	433,777	289,574
Group's share of net assets of associate	103,230	68,927
Net earned premiums	432,817	273,828
Loss for the year	(3,762)	(34,800)
Group's share of loss of associate	(895)	(9,737)
Group's share of associate's contingent liabilities	Nil	Nil

The extent to which an outflow of funds will be required on the Group's share of associate's contingent liabilities is dependent on the future operations of the 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 FOR THE YEAR ENDED 31 DECEMBER 2013

15. INVESTMENT IN SUBSIDIARIES - COMPANY

	2013 KShs'000	2012 KShs'000
CIC Asset Management Limited: 550,000 ordinary shares of KShs 20 each at cost	311,000	311,000
CIC General Insurance Limited: 45,000,000 ordinary shares of KShs 20 each at cost	900,000	700,000
CIC Life Assurance Limited: 40,000,000 ordinary shares of KShs 20 each at cost	800,000	700,000
Total	2,011,000	1,711,000

Company	Share capital	Country of Incorporation	Principal activity	Percentage Holding
	Shs '000			
CIC Asset Management Limited	311,000	Kenya	Funds and assets management as regulated by the Capital Markets Authority.	100%
CIC General Insurance Limited	900,000	Kenya	Underwriting general insurance business.	100%
CIC Life Assurance Limited	800,000	Kenya	Underwriting life assurance business.	100%

16. AVAILABLE -FOR - SALE INVESTMENTS – GROUP

2013	2012 KShs'000	KShs'000
Unquoted shares:		
Class 'A' Shares held in Co-op Holding Co-operative Society Limited	13,694	19,171
Shares held in Allnations, Inc. – at cost	673	673
	14,367	19,844
The movement in available-for-sale investments is as follows:		
At 1 January	19,844	16,205
Fair value (losses) gains	(5,477)	3,639
At 31 December	14,367	19,844

The Class 'A' shares in The Co-operative Bank of Kenya Limited were acquired before the initial public offer (IPO) in 2009 and are not listed at the Nairobi Securities Exchange (NSE). The remaining portion of the Co-operative Bank of Kenya Limited shares are currently listed on the Nairobi Securities Exchange. There was an agreement for the Class 'A' shares held by corporation's pre IPO shareholders' not to be traded at the NSE for the first 5 years. These shares are to be valued at the higher of 40% of the average of the month's quoted Co-operative Bank of Kenya Limited shares at the Nairobi Security Exchange or Kenya Shillings nine (Kshs 9/=). In the current year the shares have been valued at KShs 9.

The fair value of the shares held in Allnations, Inc. has not been disclosed as their fair value cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

17. LOANS AND RECEIVABLES

	2013 KShs'000	2012 KShs'000
MORTGAGE LOANS: GROUP		
At 1 January	240,869	206,664
Loans advanced	154,325	62,143
Loan repayments	(80,503)	(27,938)
At 31 December	314,691	240,869
Mortgage loans		
Maturity profile of mortgage loans:		
Within 1 year	36	1,581
In 1-5 years	28,306	12,125
In over 5 years	286,349	227,163
	314,691	240,869

18. OTHER LOANS- GROUP

	2013 KShs'000	2012 KShs'000
Staff loans	297,850	219,522
Policy loans	34,431	36,236
	332,281	255,758
COMPANY-STAFF LOANS	41,729	39,018
Movement:		
At 1 January	39,018	197,330
Transfer to CIC General Insurance Limited	-	(79,764)
Transfer to CIC Life Assurance Limited	-	(117,566)
Loans advanced	7,738	45,834
Loan repayments	(5,027)	(6,816)
At 31 December	41,729	39,018

19. FINANCIAL ASSETS THROUGH AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 KShs'000	2012 KShs'000
Quoted investments:		
At 1 January	203,377	144,710
(Disposal)/additions	(3,300)	5,097
Fair value gain (note 5)	81,955	53,570
At 31 December	282,031	203,377

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

20. DEFERRED TAXATION

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2012: 30%).

2013- GROUP	At 1 January	Recognised in Profit or loss	At 31 December
Arising from:			
Accelerated depreciation for tax purposes	98	1,902	2,000
Provision and accruals	1,211	11,197	12,408
Tax losses	6,800	-	6,800
	8,109	13,099	21,208
2012- GROUP			
Arising from:			
Accelerated depreciation for tax purposes	4,555	(4,457)	98
Provision and accruals	2,521	(1,310)	1,211
Tax losses- CIC Group Limited	-	6,800	6,800
	7,076	1,033	8,109

COMPANY

The deferred tax asset is attributable to the following items:

Tax losses	6,800	6,800
Net deferred tax asset	6,800	6,800

The movement in the deferred tax account is as follows:

At 1 January	6,800	7,076
Profit or loss credit	-	(276)
At 31 December	6,800	6,800

21. DEPOSITS AND COMMERCIAL PAPER – HELD TO MATURITY-GROUP

(a) GROUP

OTHER DEPOSITS		
Nawiri Co-operative Society Limited	21,200	23,610
K'Unity Finance Limited	24,813	24,338
CIC SACCO	64,399	42,458
CIC - Unit Trusts	307,993	235,201
COMMERCIAL PAPER:		
Nakumatt Holdings Limited	48,922	42,745
Kenya Electricity Generating Company Limited	29,939	34,891
TPS Serena Limited	20,198	20,198
	517,464	423,441
Maturity analysis		
Maturing within three months	48,922	42,745
Maturing after 3 months	468,542	380,696
Total deposits and commercial paper	517,464	423,441

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

22. DIRECT INSURANCE AND REINSURERS RECEIVABLES

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

23. DEFERRED ACQUISITION COSTS – GROUP

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
At 1 January 2013	343,776	(23,846)	319,930
Increase in the year	41,597	-	41,597
At 31 December 2013	385,373	(23,846)	361,527
At 1 January 2012	200,917	(7,411)	193,506
Increase in the year	142,859	(16,435)	126,424
At 31 December 2012	343,776	(23,846)	319,930

24. OTHER RECEIVABLES

(a) GROUP	2013 KShs'000	2012 KShs'000
Staff advances	18,112	16,684
Salvage recoveries	-	21,748
Other receivables	284,590	95,835
Total receivables	302,702	134,267
(b) COMPANY		
Other receivables	13,225	13,225
Dividend receivable	175,644	-
Total receivables	188,869	13,225

25. GOVERNMENT SECURITIES HELD TO MATURITY

(a) GROUP	2013 KShs'000	2012 KShs'000
At 1 January	2,101,355	2,491,569
Additions	540,000	257,740
Maturities	(231,250)	(679,420)
(Discount)/amortisation	(34,422)	31,466
At 31 December	2,375,683	2,101,355
Treasury bills and bonds maturing		
- within 90 days	7,290	-
- after 90 days	2,368,393	2,101,355
At 31 December	2,375,683	2,101,355

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

25. GOVERNMENT SECURITIES HELD TO MATURITY (continued)

(b) COMPANY	2013 KShs'000	2012 KShs'000
At 1 January	36,700	2,491,569
Amortisation/discount	57	(3,299)
Transfer to CIC General Insurance Limited	-	(1,245,251)
Transfer to CIC Life Assurance Limited	-	(1,206,318)
At 31 December	36,757	36,701
Treasury bills and bonds maturing		
- after 90 days	36,757	36,701
At 31 December	36,757	36,701

Treasury bonds amounting to KShs 605.3 million (31 December 2012: KShs 395 million) are held by the Central Bank of Kenya under lien to the Commissioner of Insurance in accordance with the Insurance Act.

26. SHORT TERM INVESTMENT- GROUP

	2013 KShs'000	2012 KShs'000
Policyholder deposits:		
At 1 January	206,937	125,749
Additions	93,871	81,188
At 31 December	300,808	206,937

Short term investments relate to policyholder deposits held with CIC Asset Management (formerly managed by African Alliance Asset Management Limited) for Mavuno life product. This is a unit linked product whereby CIC Life Assurance Limited gets funds from investors and has engaged with CIC Asset Management to invest and manage the funds.

27. DEPOSITS WITH FINANCIAL INSTITUTIONS-GROUP

	2013 KShs'000	2012 KShs'000
The Co-operative Bank of Kenya Limited	491,555	876,043
Housing Finance Company of Kenya Limited	261,296	245,291
K-Rep Bank Limited	453,134	383,906
I & M Bank Limited	-	59,088
NIC Bank Limited	-	54,011
Bank of Africa Limited	204,609	107,741
Barclays Bank of Kenya Limited	15,498	15,759
PTA Bank	2,059	4,118
Consolidated Bank of Kenya Limited	271,614	408,437
Prime Bank Limited	-	86,766
Kenya Commercial Bank Limited	-	70,114
Development Bank of Kenya Limited	290,100	245,124
National Bank of Kenya Limited	120,973	99,890
Chase Bank Limited	387,390	372,425
ABC Bank Kenya Limited	431,310	461,516
Transnational Bank Limited	224,216	132,203
Family Bank Limited	23,639	22,509
Jamii Bora Bank Limited	166,014	82,782
	3,343,407	**3,727,723**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

27. DEPOSITS WITH FINANCIAL INSTITUTIONS-GROUP (continued)

	2013 KShs'000	2012 KShs'000
Maturity analysis:		
Maturing within three months	2,156,433	1,835,652
Maturing after 3 months	1,186,974	1,892,071
	3,343,407	3,727,723

28. WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

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

	2013 %	2012 %
Government securities	12	12
Mortgage loans	4	4
Policy loans	4	4
Deposits with financial institutions	11	14
Other deposits and commercial papers	10	9

29. SHARE CAPITAL

	2013 Number of shares '000	2013 Share capital KShs'000	2012 Number of shares '000	2012 Share capital KShs'000
Authorised ordinary shares of KShs 1 each (2012 KShs 10 each):				
At 1 January	150,000	3,000,000	150,000	3,000,000
At 31 December	150,000	3,000,000	150,000	3,000,000
Issued and fully paid up share capital:				
At 1 January	2,179,655	2,179,655	108,983	2,179,655
Increase due to share split	-	-	2,070,672	-
At 31 December	2,179,655	2,179,655	2,179,655	2,179,655

A split of 20:1 was effected in the prior year.

30. SHARE PREMIUM

	2013 KShs'000	2012 KShs'000
Share premium	598,102	598,102

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

31. 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 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 revenue reserve. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the Long term business.

32. REVALUATION SURPLUS

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

33. FAIR VALUE RESERVE

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

34. 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. At 31 December 2013, the unrealised fair value gains on revaluation of investment properties amounted to KShs 617,211,000 (2012 – KShs 532,434,000).

35. RELATED PARTIES

GROUP	2013 KShs'000	2012 KShs'000
Due from related company:		
Co-operative Insurance Society Limited	16,595	16,621
COMPANY		
Due to:		
CIC Asset Management Limited	2,649	-
CIC General Insurance Limited	298,308	270,851
CIC Life Assurance Limited	128,048	2,000
	429,005	272,851

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

a) Transaction with related parties during the year

The following transactions were carried out with related parties during the year:

	2013 KShs'000	2012 KShs'000
Net earned premium	987,793	735,639
Net claims incurred	247,346	365,060
Interest earned on bank deposits	187,242	282,090

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

35. RELATED PARTIES (continued)

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

a) Outstanding balances with related parties

	2013 KShs'000	2012 KShs'000
i) Term deposits and bank balances		
Fixed deposits	491,555	876,043
Cash balance	404,559	233,975
	896,114	**1,110,018**
ii) Insurance balances		
Premiums receivable from related parties	49,394	62,204
iii) Mortgage loans		
Mortgage receivable from related parties (note 17)	314,691	240,869

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

Loans to directors of the Company

The Company did not advance loans to its directors in the year ended 31 December 2013 and 31 December 2012.

Key management personnel remuneration

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

	2013 KShs'000	2012 KShs'000
Directors 'emoluments - fees	43,048	32,242
Others	20,465	46,683
Key management salaries and other short-term employment benefits	100,838	77,241
	164,351	156,166

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

36. INSURANCE CONTRACTS LIABILITIES- GROUP

	2013 KShs'000	2012 KShs'000
Claims reported and claims handling expenses:		
At 1 January		
- General insurance	1,332,454	963,329
- Life assurance	285,723	280,998
	1,618,177	1,244,327
Claims incurred in the year	5,594,753	4,496,071
Payments for claims and claims handling expenses	(5,434,231)	(4,122,221)
At 31 December	1,778,699	1,618,177
Comprising:		
- General insurance	1,484,134	1,332,454
- Life assurance	294,565	285,723
At 31 December	1,778,699	1,618,177
Comprising:		
At 31 December:		
Gross amounts	3,103,300	3,197,799
Reinsurers share (note 38)	(1,324,601)	(1,579,622)
	1,778,699	1,618,177

Movement in general insurance contract liabilities is shown in note 37.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

37. MOVEMENTS IN GENERAL INSURANCE LIABILITIES AND REINSURANCE ASSETS

GROUP
General (short term) insurance business
2013

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	2,570,565	(1,486,683)	1,083,882
Incurred but not reported	248,572	-	248,572
At 1 January	2,819,137	(1,486,683)	1,332,454
Cash paid for claims settled in year	(4,468,286)	506,905	(3,961,381)
Increase in liabilities arising from:			
Current year claims	3,300,479	(67,403)	3,233,076
Prior year claims	1,104,873	(224,888)	879,985
At 31 December	2,756,204	(1,272,069)	1,484,134
Notified claims	2,479,591	(1,272,069)	1,207,522
Incurred but not reported	276,612	-	276,612
At 31 December	2,756,204	(1,272,069)	1,484,134

2012

	Gross KShs'000	Reinsurance KShs'000	Net KShs'000
Notified claims	2,024,558	(1,263,955)	760,603
Incurred but not reported	202,726	-	202,726
At 1 January	2,227,284	(1,263,955)	963,329
Cash paid for claims settled in year	(3,122,968)	289,377	(2,833,591)
Increase in liabilities arising from:			
Current year claims	3,077,524	(401,938)	2,675,586
Prior year claims	637,297	(110,167)	527,130
At 31 December	2,819,137	(1,486,683)	1,332,454
Notified claims	2,570,565	(1,486,683)	1,083,882
Incurred but not reported	248,572	-	248,572
At 31 December	2,819,137	(1,486,683)	1,332,454

38. REINSURERS' SHARE OF INSURANCE LIABILITIES AND RESERVES

	2013 KShs'000	2012 KShs'000
(a) GROUP		
Reinsurers' share of:		
- General insurance contract liabilities	1,272,069	1,486,683
- Life assurance contract liabilities	52,532	92,939
Total (note 36)	1,324,601	1,579,622
- unearned premium and unexpired risks (note 39)	370,749	385,815
Total	1,695,350	1,965,437

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 37 and 38.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

39. 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:

(a) GROUP
2013

		Gross KShs'000	Reinsurance KShs'000	Net KShs'000
At 1 January		3,092,113	(385,815)	2,706,298
Increase/(decrease) in the year (net)		978,582	15,066	963,516
At 31 December		4,070,695	(370,749)	3,699,946
2012				
At 1 January		2,158,409	(293,286)	1,865,123
Increase/(decrease) in the year (net)		933,704	(92,529)	841,175
		3,092,113	(385,815)	2,706,298
(b) COMPANY				
At 1 January		2,158,409	293,286	1,865,123
Transfer to CIC General Insurance Limited	(note 44)	(2,158,409)	(293,286)	(1,865,123)
At 31 December		-	-	-

40. ACTUARIAL VALUE OF POLICYHOLDER LIABILITIES

The actuarial valuation of the life fund was carried out by The Actuarial Services Company Limited who are statutory actuaries and consultants. As at 31 December 2013, their actuarial review revealed that the life fund had an actuarial surplus of KShs 1,358,706,094 (2012- 943,032,275) before declaration of the interest and bonuses to policyholders. The statutory actuaries recommended a transfer from the life fund to the retained earnings for KShs 100,000,000 (2012 – 100,000,000). The value of policyholder benefits at 31 December 2013 was KShs 2,059,131,000 (2012-1,650,108,000).

41. OTHER PAYABLES

	2013 KShs'000	2012 KShs'000
(a) GROUP		
Sundry payables	467,017	103,904
Advance premiums	46,602	124,401
Leave pay provision	739	5,267
Rent deposits	3,357	3,900
Mavuno unit linked deposits	275,796	206,937
	793,511	444,409
(b) COMPANY		
Sundry payables	465	225

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

42. DIVIDENDS

In respect of the current year, the directors propose a first and final dividend of KShs 217,965,500 (2012: KShs 217,965,500) which represents 10% of the paid up share capital (2012 – 10%) 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 of the shareholders.

	2013 KShs'000	2012 KShs'000
At 1 January	2,357	2,357
Declared during the year	217,966	196,169
Paid during the year	(197,172)	(196,169)
At 31 December	23,151	2,357

43. NOTES TO THE STATEMENT OF CASH FLOWS – GROUP

Reconciliation of profit before taxation to cash generated from operations:		
Profit before taxation	1,671,095	1,649,591
Adjustments for:		
Depreciation (note 11)	83,141	49,844
Amortisation of intangible assets (note 12)	28,890	18,828
Fair value gains on revaluation on investment property (note 13)	(617,211)	(532,434)
Share of loss of associate (note 14)	895	9,737
Loss on disposal of property and equipment (note 5)	210	1,459
Amortisation/discount on Government securities held to maturity (note 25)	34,422	(31,466)
Gain on revaluation of financial assets through profit or loss (note 19)	(81,955)	(53,570)
Increase in deferred acquisition costs (note 23)	(41,597)	(126,424)
Increase in provision for unearned premium (note 39)	978,582	933,704
Increase in insurance contracts liabilities(note 36)	(94,499)	602,100
Working capital changes;		
Increase in receivables arising out of direct insurance arrangements	(358,056)	(440,144)
Decrease in receivables arising out of reinsurance arrangements	(190,551)	6,839
Decrease(increase) in share of reinsurance liabilities and reserves	270,087	(320,779)
(Increase)/ decrease in other receivables	(168,435)	181,615
Increase/(Decrease) in other payables	349,102	(139,579)
Increase in actuarial value of policyholders liabilities	409,023	376,925
Decrease in staff and policy loans	(76,523)	(58,428)
Increase/(decrease) in payables arising from reinsurance arrangement and other insurance bodies	164,329	(12,089)
Increase in dividends payable	20,794	
Increase in related party balances	(26)	(16,621)
Cash generated from operations	2,381,717	2,099,108
Cash and cash equivalents comprises of:		
Bank and cash balances	457,938	258,126
Deposits with banks maturing within 3 months-(note 27)	2,156,433	1,835,652
	2,614,371	2,093,778

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

44. BUSINESS REORGANISATION

Following approval by shareholders, the Insurance Regulatory Authority and Minister of Finance, the holding company, CIC Insurance Group Limited was reorganised and this resulted in the Company transferring the following assets and the related liabilities to CIC General Insurance Limited and CIC Life Assurance Limited, through a transfer at on 1 January 2012. The transfer has been recognised in these financial statements of the company as detailed below:

Transfer of assets and liabilities

	Note	CIC General Insurance Limited Sh'000	CIC Life Assurance Limited Sh'000	Total Sh'000
Assets				
Property and equipment	11(b)	82,070	232,689	314,759
Intangible assets	12(b)	16,715	42,177	58,892
Investment properties	13(b)	262,724	294,020	556,744
Available - for- sale investments	16(b)	16,205	-	16,205
Loans receivable -Mortgage loans	17(b)	138,144	68,520	206,664
- Other loans	18(b)	79,764	117,566	197,330
Equity investments	19(b)	81,583	62,183	143,766
Deposits and commercial paper	21(b)	185,604	109,218	294,822
Receivables arising out of reinsurance arrangements		12,070	4,853	16,923
Receivables arising out of direct insurance arrangements		678,968	25,522	704,490
Reinsurers share of liabilities and reserves		1,557,241	87,417	1,644,658
Deferred acquisition costs	23(b)	193,506	-	193,506
Other receivables		271,191	43,739	314,930
Due from related parties		-	352	352
Government securities held to maturity	25(b)	1,245,251	1,206,318	2,451,569
Short term investments	26(b)	-	125,749	125,749
Deposits with financial institutions	27(b)	1,466,503	1,041,524	2,508,027
Cash and bank balances		111,592	44,187	155,779
Total assets		6,399,131	3,506,034	9,905,165
Liabilities				
Surplus representing statutory reserve		-	651,418	651,418
Insurance contracts liabilities	37(b)	2,227,284	368,415	2,595,699
Unearned premiums reserve	39(b)	2,158,409	-	2,158,409
Actuarial value of policyholder liabilities	40	-	1,273,183	1,273,183
Payables arising from reinsurance arrangements and insurance bodies		78,570	68,318	- 146,888
Other payables		253,000	389,145	642,145
Total liabilities		4,717,263	2,750,479	7,467,742
Net assets transferred		1,681,868	755,555	2,437,423
Less: Issue of shares to CIC Insurance Group Limited		(700,000)	(700,000)	(1,400,000)
Surplus on the transfer of assets and liabilities		981,868	55,555	1,037,423

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

45. CONTINGENT LIABILITIES

	2013 KShs'000	2012 KShs'000
Bank guarantees	164,809	108,867

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.

The Company does not have any contingent liabilities.

46 CAPITAL COMMITMENTS

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

	2013 KShs'000	2012 KShs'000
Committed and contracted for	-	274,547
Committed but not contracted for	3,003,000	1,081,261

The company does not have any capital commitments.

47. OPERATING LEASE COMMITMENTS

Group as a lessee

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

	2013 KShs'000	2012 KShs'000
Not later than one year	17,016	24,528
Later than 1 year but not later than 5 years	31,974	48,899
	48,990	73,427

Group as a lessor

Net rental income earned during the year was KShs 18,222,000 (2012: KShs 17,904,000). At the end of the reporting period, the Group had contracted with tenants for the following future lease receivables:

	2013 KShs'000	2012 KShs'000
Not later than one year	14,350	44,287
Later than 1 year but not later than 5 years	28,119	134,639
	42,469	178,926

Leases are for a period of six years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

Insurance risk in the Group arises from:

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

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

Core insurance risk

This risk is managed through:

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Claims reserving

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

Long term insurance contracts

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits of Shs. 3,000,000 on any single life are in place.

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

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

Key assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

the expenditure and reduce profits for the shareholders.

Investment return

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

Expenses

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

Lapse and surrender rates

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

Discount rate

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

Life assurance contracts sensitivity analysis

The actuarial assumptions used as at 31 December 2013 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 2013		31 December 2012	
	Shs'000	**% change**	**Shs'000**	**% change**
Main basis	2,334,927	-	1,857,046	-
Expenses plus 10%	2,481,596	6.28%	1,961,125	5.60%
Mortality and other claims experience plus 10%	2,385,028	2.15%	1,857,588	0.03%
Interest rate less 1%	2,348,188	0.57%	1,870,140	0.71%
Expense inflation plus 1%	2,409,132	3.18%	1,909,703	2.84%
Withdrawals plus 10%	2,334,642	-0.01%	1,856,789	-0.01%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Short term insurance contracts

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

	2013 KShs'000	2012 KShs'000
Financial assets		
Debt securities held to maturity:		
- Government bonds and treasury bills	1,209,845	1,027,172
Equity securities:		
At fair value through profit or loss - listed securities	223,731	113,523
Available for sale -unlisted securities	14,367	19,844
Loans and receivables from insurance and reinsurance contracts	1,425,917	1,283,235
Fixed and other deposits	2,223,949	2,194,693
Cash and bank balances	322,914	196,372
Total	**5,420,723**	**4,834,839**
Short – term insurance liabilities		
Insurance contracts- short term	2,756,203	2,819,137
Less assets arising from reinsurance contracts held-short term	(1,272,069)	(1,486,683)
Total	**1,484,134**	**1,332,454**

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

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

	2013	2012
Net short term insurance liabilities- life risk	0.2 years	0.2 years
Net short term insurance liabilities-property risk	2.0 years	2.0 years
Net short term insurance liabilities-casualty risk	5.0 years	5.0 years
Financial assets (excluding equity securities)	3.0 years	3.0 years

The table below indicates the contractual timing of cash flows arising from assets and liabilities included in the Group's ALM framework for management of short term

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

insurance contracts as of 31 December 2013:

General insurance business

	Carrying Amount	No stated	Contractual cash flows (undiscounted)				
Financial assets	**31.12.2013**	**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**
Debt securities held to maturity:- Government bonds and treasury bills at fixed rate	1,209,845	-	76,629	26,212	14,469	160,515	2,228,885
Equity securities:							
At fair value through profit(loss) - listed securities	223,731	223,731	-	-	-	-	-
Available for sale - unlisted securities	14,367	14,367	-	-	-	-	-
Loans and receivables from insurance and r einsurance contracts	1,425,917	1,425,917	-				
Fixed and other deposits	2,223,949	214,920	2,106,107	51,929	41,029	30,794	32,358
Cash and bank balances	322,914	322,914	-	-	-	-	-
Total	5,420,723	2,201,849	2,182,736	78,141	55,498	191,309	2,261,243
Short term insurance liabilities:							
Insurance contracts-short term	1,484,134	1,484,134	-	-	-	-	-
Payables arising from reinsurance arrangements	41,144	41,144	-	-	-	-	-
Less assets arising from reinsurance contracts	-	-	-	-	-	-	-
Total	1,525,278	1,525,278	-	-	-	-	-
Difference in contractual cash flows	3,895,445	676,571	2,182,736	78,141	55,498	191,309	2,261,243

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 2012:

General insurance business

	Carrying Amount	No stated	Contractual cash flows (undiscounted)				
Financial assets	**31.12.2012**	**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**
Debt securities held to maturity:- Government bonds and treasury bills at fixed rate	1,027,172	-	134,400	94,080	28,098	-	1,795,454
Equity securities:							
At fair value through profit(loss) - listed securities	113,523	113,523	-	-	-	-	-
Available for sale - unlisted securities	19,844	19,844	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	1,283,235		1,424,391				
Fixed and other deposits	2,194,693	24,286	2,349,831	5,074	11,032	-	69,520
Cash and bank balances	196,372	196,372	-	-	-	-	-
Total	4,834,839	354,025	3,908,622	99,154	39,130	-	1,864,974
Short term insurance liabilities:							
Insurance contracts-short term	2,819,137	2,819,137	-	-	-	-	-
Payables arising from reinsurance arrangements	124,361	124,361	-	-	-	-	-
Less assets arising from reinsurance contracts	(1,486,683)	(1,486,683)	-	-	-	-	-
Total	1,456,815	1,456,815	-	-	-	-	-
Difference in contractual cash flows	3,378,024	(1,102,790)	3,908,622	99,154	39,130	-	1,864,974

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (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 2013:

	Carrying Amount	No stated	Contractual cash flows (undiscounted)				
Financial assets	**31.12.2013 KShs'000**	**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**
Debt securities held to maturity:-Government bonds and treasury bills at fixed rate	1,129,081	-	85,897	38,879	-	103,918	2,094,457
Equity securities:							
At fair value through profit or loss - Listed securities	55,962	55,962	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	484,980	484,980	-	-	-	-	-
Fixed and other deposits	1,,315,007	89,651	1,175,753	34,434	-	45,510	181,201
Cash and bank balances	131,187	131,187	-	-	-	-	-
Total	3,116,217	761,780	1,261,650	73,313	-	149,428	2,275,658
Long- term insurance liabilities:							
Insurance contracts -Long term	347,097	347,097	-	-	-	-	-
Payables arising from reinsurance arrangements	21,128	21,128	-	-	-	-	-
Less assets arising from reinsurance contracts	(4,853)	(4,853)	-	-	-	-	-
Total	363,372	363,372	-	-	-	-	-
Difference in contractual cash flows	2,752,845	398,408	1,261,650	73,313	-	149,428	2,275,658

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 2012:

	Carrying Amount	No stated	Contractual cash flows (undiscounted)				
Financial assets	**31.12.2012 KShs'000**	**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**
Debt securities held to maturity:- Government bonds & treasury bills at fixed rate	1,037,482	-	134,400	94,080	-	28,098	1,818,246
Equity securities:							
At fair value through profit/loss-Listed securities	88,239	88,239	-	-	-	-	-
Loans and receivables from insurance and reinsurance contracts	292,019	292,019	-	-	-	-	-
Fixed and other deposits	1,597,967	23,610	1,641,007	-	38,217	-	114,631
Cash and bank balances	61,512	61,512	-	-	-	-	-
Total	3,077,219	465,380	1,775,407	94,080	38,217	28,098	1,932,877
Long- term insurance liabilities:							
Insurance contracts -Long term	378,662	378,662	-	-	-	-	-
Payables arising from reinsurance arrangements	10,438	10,438	-	-	-	-	-
Less assets arising from reinsurance contracts	(10,084)	(10,084)	-	-	-	-	-
Total	379,016	379,016	-	-	-	-	-
Difference in contractual cash flows	2,698,203	86,364	1,775,407	94,080	38,217	28,098	1,932,877

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

An increase/decrease of 5 % in interest yields would result in an increase/decrease of the profit for the year and equity by KShs 17,624,000 (2012: KShs 36,302,150).

(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.

Listed equity securities represent 91% (2012: 91%) 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 4,112,000 (2012: KShs 2,669,950) and equity would increase/decrease by KShs 14,101,550 (2012: KShs 10,157,300).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

(iii) Currency risk

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

(b) Credit risk

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

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

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

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

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

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:

	2013 KShs'000	2012 KShs'000
General insurance business		
Debt securities held to maturity:		
- Government bonds and treasury bills	1,209,845	1,027,172
Equity securities:		
At fair value through profit/loss-listed securities	223,731	113,523
Available for sale -unlisted securities	14,367	19,844
Loans and receivables from insurance and reinsurance contracts	1,425,917	1,283,235
Fixed and other deposits	2,223,949	2,194,693
Cash and bank balances	322,914	196,372
Total	5,420,723	4,834,839

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	2013 KShs'000	2012 KShs'000
Long term insurance business		
Financial assets		
Debt securities held to maturity:		
- Government bonds and treasury bills	1,129,081	1,037,482
Equity sec. at fair value through profit/loss:		
- Listed securities	55,962	88,239
Loans and receivables from insurance and reinsurance contracts	484,980	384,958
Fixed and other deposits	1,315,007	1,597,967
Cash and bank balances	131,187	61,512
Total	**3,116,217**	**3,170,158**
Other business		
Financial assets		
Debt securities held to maturity:		
- Government bonds and treasury bills	36,758	36,701
Equity sec. at fair value through profit/loss:		
- Listed securities	2,339	1,384
Loans	70,770	37,072
Fixed and other deposits	321,914	355,368
Cash and bank balances	3,837	242
Total	**435,618**	**430,767**

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

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

At 31 December 2013	**Fully performing KShs'000**	**Past due KShs'000**	**Impaired KShs'000**
General insurance business			
Agents	376,032	125,479	70,075
Brokers	296,218	205,586	114,811
Direct	474,087	121,955	68,107
Total	1,146,337	453,020	252,992
Long term insurance business	156,326	-	-

At 31 December 2012	**Fully performing KShs'000**	**Past due KShs'000**	**Impaired KShs'000**
General insurance business			
Agents	454,165	111,201	34,831
Brokers	120,289	26,107	8,163
Direct	314,334	36,488	11,429
Total	888,788	173,796	54,423
Long term insurance business	82,050	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

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

(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 provides a contractual maturity analysis of the Group's financial liabilities:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

General insurance business

	31 December 2013				31 December 2012			
	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**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Insurance contract liabilities	1,484,134	-	-	1,484,134	2,819,137	-	-	2,819,137
Payables arising from reinsurance arrangements	41,144	-	-	41,144	124,361	-	-	124,361
Other payables	369,233	-	-	369,233	124,064	-	-	124,064
Bank Guarantees	310,980	-	-	310,980	106,619	-	-	106,619

Long term insurance business

	31 December 2013				31 December 2012			
	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**
Total								
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Insurance contract liabilities	347,097	-	-	347,097	378,662	-	-	378,662
Payables arising from reinsurance arrangements	21,128	-	-	21,128	10,438	-	-	10,438
Other payables	164,014		275,796	439,810	106,286	-	-	106,286
Bank Guarantees	38,312	-	-	38,312	2,248	-	-	2,248

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

48. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

GROUP

31 December 2013	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**	**Total Shs'000**
Fair value through profit or loss				
- Equity investments	282,031	-	-	282,031
Available for sale investments	-	14,367	-	14,367
Investment properties	-	-	3,657,000	3,657,000
Property and equipment	-	-	1,120,589	1,120,589
	282,031	14,367	4,777,589	5,073,987
31 December 2012				
Fair value through profit or loss				
- Equity investments	203,146	-	-	203,146
Available for sale investments	-	19,844	-	19,844
Investment properties	-	-	2,554,472	2,554,472
Property and equipment	-	-	349,185	349,185
	203,146	19,844	2,903,657	3,126,647
COMPANY				
31 December 2013				
Fair value through profit or loss				
- Equity investments	-	-	-	-
Available for sale investments		14,367	-	14,367
Investment properties	-	-	1,500,000	-
	-	14,367	1,500,000	14,367
31 December 2012				
Fair value through profit or loss				
- Equity investments	-	-	-	-
Available for sale investments	-	19,844		19,844
Investment properties	-	-	1,200,000	1,200,000
	-	19,844	1,200,000	1,219,844

(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. There is therefore no interest, price, currency or credit risk for the Company on these contracts.

49. CAPITAL RISK MANAGEMENT

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

The Group's objectives in managing its capital are:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

49. CAPITAL RISK MANAGEMENT (continued)

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:

	2013 KShs'000	2012 KShs'000
Share capital	2,179,655	2,179,655
Share premium	598,102	598,102
Statutory reserve	1,170,886	849,115
Revaluation surplus	130,178	66,698
Fair value reserve	12,426	17,903
Retained earnings	2,595,654	1,759,487
Total equity	6,686,901	5,470,960

The Group had no external borrowings at 31 December 2013 and 31 December 2012.

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 Acts require each insurance Company to hold the minimum level of paid up capital as follows:

	2013 KShs'000
Composite insurance companies	450,000
General insurance companies	300,000
Long-term insurance companies	150,000

Both subsidiaries were in compliance with the capital requirements as at 31 December 2013.

The subsidiary, CIC Asset Management Limited is regulated by the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

49. CAPITAL RISK MANAGEMENT (continued)

The subsidiary met the minimum capital requirement as detailed below:

	2013 KShs'000	2012 KShs'000
Minimum capital requirement	10,000	10,000
Capital held at 31 December:		
Share capital	311,000	311,000
Revenue reserve	23,079	20,977
	334,079	331,977
Working capital:		
Net working capital	326,688	325,737
20% of the minimum share capital	2,000	2,000

The capital structure of the subsidiary consists of, issued share capital and revenue reserves. The net working capital is above 20% of the minimum share capital. The subsidiary had no external financing at 31 December 2013 and 31 December 2012.

50. INCORPORATION

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

51. HOLDING COMPANY

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

52. CURRENCY

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

53. EVENTS AFTER REPORTING DATE

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

APPENDIX I

REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Ordinary Life KShs '000	Group life KShs '000	Total 2013 KShs '000	Total 2012 KShs '000
Gross written premium	437,912	2,565,218	3,003,130	2,452,771
Less: Reinsurance payable	(25,573)	(142,898)	(168,471)	(141,408)
Net premium income	412,339	2,422,320	2,834,659	2,311,363
Policyholders' benefits:				
Life and health claims	(7,655)	(1,431,618)	(1,439,273)	(1,034,832)
Maturities	(87,086)	-	(87,086)	(79,273)
Surrenders	(6,680)	-	(6,680)	(11,807)
Actuarial adjustment of policyholders' liability	(234,518)	(139,442)	(373,960)	(376,925)
Net policyholders' benefits	(335,939)	(1,571,060)	(1,906,999)	(1,502,837)
Commissions paid	(76,797)	(99,864)	(176,661)	(138,941)
Management expenses	(86,513)	(96,518)	(883,031)	(738,442)
Premium tax	(3,945)	-	(3,945)	(2,989)
Total expenses and commissions	(167,255	(896,382	(1,063,637)	(880,372)
Investment income	92,946	493,123	586,069	369,533
Increase in life fund before tax	2,091	448,001	450,092	297,687
Tax charge on transfer to shareholders	-	(12,278)	(12,278)	-
Increase in life fund after tax	2,091	435,723	437,814	297,687
Increase in life fund for the year	2,091	435,723	437,814	297,687

The revenue account was approved by the Board of Directors on 11 March 2014 and was signed on its behalf by:

Director

Director

Principal Officer

APPENDIX II

REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	C.A.R & Engin-eering	Fire Domestic	Fire Industrial	Liability Insurance	Marine & Transit	Motor Private	Motor Com-mercial	Motor Pool	Medical insurance	Personal Accident	Theft Insurance	Work men's Comp.	Misc. Accident	Micro solutions	Total 2013
	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000	Shs.'000		Shs.'000
Gross premium written	125,861	80,699	492,803	182,342	95,968	1,580,722	2,305,167	-	2,352,456	176,851	354,076	185,855	94,585	30,791	8,058,176
Unearned premium transferred in	20,434	27,433	60,135	52,239	1,460	571,844	817,968	-	910,027	52,006	109,255	66,072	17,380	-	2,706,253
Unearned premium c/f	(22,421)	(28,813)	(74,359)	(63,194)	(29,574)	(749,739)	(1,082,003)	-	(1,415,083)	(46,252)	(92,781)	(70,584)	(25,138)	-	(3,699,941)
Gross earned premium	123,874	79,319	478,579	171,387	67,854	1,402,867	2,041,132	-	1,847,401	182,606	370,549	181,343	86,827	30,791	7,064,529
Reinsurance premium	(76,312)	(5,745)	(315,744)	(100,106)	(12,621)	(17,740)	(25,870)	-	(74,872)	(19,539)	(25,932)	(6,333)	(62,692)	-	(743,506)
Net earned premium	47,562	73,574	162,835	71,281	55,233	1,385,127	2,015,262	-	1,772,529	163,067	344,617	175,010	24,135	30,791	6,321,023
Gross claims paid	36,352	11,291	52,788	20,477	1,903	1,063,825	895,801	-	1,553,435	82,177	191,571	33,735	16,021	-	3,959,376
Outstanding claims c/f	5,770	7,637	30,033	114,475	8,956	513,501	411,475	2,092	130,473	46,809	136,786	68,353	6,516	1,248	1,484,124
Outstanding claims transferred in	(8,110)	(6,617)	(35,023)	(46,413)	(100)	(453,398)	(425,373)	(2,092)	(97,987)	(43,011)	(151,593)	(48,411)	(14,319)	-	(1,332,447)
Net claims incurred	34,012	12,311	47,798	88,539	10,759	1,123,928	881,903	-	1,585,921	85,975	176,764	53,677	8,218	1,248	4,111,053
Commission receivable	(36,866)	(1,893)	(146,669)	(26,906)	(1,461)	-	-	-	-	(8,618)	(363)	-	(7,960)		(230,736)
Commissions payable	19,919	12,679	87,213	30,953	4,347	122,818	184,445	-	82,423	27,755	58,728	27,262	3,901	4,442	666,885
Net commission	(16,947)	10,786	(59,456)	4,047	2,886	122,818	184,445	-	82,423	19,137	58,365	27,262	(4,059)	4,442	436,149
Management Expenses	19,679	12,618	77,055	28,511	15,005	247,162	360,437	-	367,831	27,652	55,363	29,060	14,789	4,814	1,259,976
Premium Tax	1,613	1,034	6,316	2,337	1,230	20,260	29,545	-	30,151	2,266	4,538	2,382	1,212	394	103,278
Total	21,292	13,652	83,371	30,848	16,235	267,422	389,982	-	397,982	29,918	59,901	31,442	16,001	5,208	1,363,254
Total claims, expenses & commissions	38,357	36,749	71,713	123,434	29,880	1,514,168	1,456,330	-	2,066,326	135,030	295,030	112,381	20,160	10,898	5,910,456
Underwriting profit/(loss)	9,205	36,825	91,122	(52,153)	25,353	(129,041)	558,932	-	(293,797)	28,037	49,587	62,629	3,975	19,893	410,567

The revenue account was approved by the board of directors on 11 March 2014 and was signed on its behalf by:

Director

Director

Principal Officer

NOTES

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FORM OF PROXY

To:…………………………………………………..
The Group Company Secretary,
CIC Insurance Group Limited,
P.O Box 59485-00200
Nairobi.

I/WE……………………………………………………………………………….

Of P.O Box ……………………..………………………………………………….
member/members of CIC Insurance Group Limited appoint

……………………………………………………………………………………………

or failing him/her, the Chairman of the meeting as my/our proxy, to vote for me/us and on my/ our behalf at the Annual General Meeting of the Company to be held on 19th June 2014 at the Bomas of Kenya, or at any adjournment thereof.

As witness my/our hand/s this ………………………… Day of………………………… 2014

Signed: ………………………………………………………….

NOTES:

1. If a member is unable to attend this meeting personally this Form of Proxy should be completed and returned to reach the Company's Registered Office not later than 2.30pm on 17th June 2014
2. A person appointed as proxy need not be a member of the Company.
3. If the appointer is a corporation, this Form of Proxy must be under its Common Seal or under the hand of the officer or attorney duly authorized in that behalf.

OUR CONTACTS

HEAD OFFICE
CIC PLAZA, Mara Road, Upper Hill.
Tel: 020-2823000, 0721-632713, 0735-750885
Email: callc@cic.co.ke

NYAHURURU
KIMWA CENTRE, 2ND FLOOR, Kenyatta Avenue
Tel: 065-2032055
Email: nyahururu@cic.co.ke

WESTLANDS
Pamstech house,
Woodvale groove, 2nd floor.
Tel: 0718 882 826
Email: westlands@cic.co.ke

TOWN OFFICE
RE-INSURANCE PLAZA, MEZZANINE FLOOR,
Aga-Khan Walk.
Tel: 020-3296000, 0734-209600, 0722-209600/1
Email: townoffice@cic.co.ke

ELDORET
CO-OPERATIVE BANK BUILDING, 1ST FLOOR,
Ronald Ngala Street
Tel: 053-2031490, 0737-155924, 0714-180003
Email: eldoret@cic.co.ke

MOMBASA
MOMBASA TRADE CENTRE, 7th FLOOR
Nkrumah Road
Tel: 041-2224129, 041-2220454
Email: mombasa@cic.co.ke

KAKAMEGA
WALIA'S CENTRE, GROUND FLOOR,
KISUMU-Kakamega Road
Tel: 056-30242, 056-30850
Email: kakamega@cic.co.ke

KISII
MAGSONS PLAZA, 2nd FLOOR,
Opposite KCB, Hospital Road
Tel: 058-31242 / 058 30232. CELL: 0725-987183
Email: kisii@cic.co.ke

MACHAKOS
IMANI PLAZA (ABC BUILDING), 2nd FLOOR
NGEI ROAD
Tel: 044-20349, 044-20367
Email: machakos@cic.co.ke

KISUMU
WEDCO CENTRE, MEZZANINE FLOOR.
OGINGA ODINGA ROAD
Tel: 057-2025063, 2021255, 2020616.
Email: kisumu@cic.co.ke

KIAMBU
BISHOP MAGUA HOUSE, 4TH FLOOR
Tel: 066-2022038/9, 0701-238226, 0734-080430
Email: kiambu@cic.co.ke

NAKURU
MACHE PLAZA, 2ND FLOOR,
Geoffrey Kamau Road
Tel: 051-2217204, 2216035
Email: nakuru@cic.co.ke

THIKA
THIKA ARCADE, 6TH FLOOR,
Kenyatta Highway
Tel: 067-20209, 0701-238227, 0734-080445
Email: thika@cic.co.ke

EMBU
SPARKOS BUILDING, 3rd FLOOR, Opposite
Consolidated Bank,
Embu - Meru Highway
Tel: 068-30121, 0771-156816
Email: embu@cic.co.ke

BUNGOMA
BUNGOMA TEACHERS SACCO PLAZA,
3RD FLOOR
Hospital road
Tel: 055-30121 ,0737-155317, 0714-180014
Email: bungoma@cic.co.ke

NYERI
DISTRICT CO-OP UNION BUILDING,
3RD FLOOR
Gakere Road
Tel: 061-2030657, 0737-696358, 0701-226967
Email: nyeri@cic.co.ke

BURUBURU
VISION PLACE,GROUND FLOOR,
Mumias Road
Tel: 020-7780132, 0701-238225
Email: buruburu@cic.co.ke

MERU
BHATT BUILDING, 1ST FLOOR,
Ghana Street
Tel: 064-30591, 30869
Email: meru@cic.co.ke

KERICHO
KIPSIGIS TEACHERS SACCO BLDG,
2ND FLOOR
MOI HIGHWAY
TEL: 052-20395
Email: kericho@cic.co.ke

RATIVE ENTERPRISE

HEADED FOR GREATER HEIGHTS

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