MAYFAIR
INSURANCE

2015

ANNUAL REPORT
& FINANCIAL STATEMENTS

You are in safe hands

Table of Contents

Corporate Information

DIRECTORS

Joe W Okwach - Chairman
Tushar Shah - Managing Director
Shehnaz Sumar - Executive Director
Joshua Chiira - Deputy Managing Director
(Appointed on 1st January 2016)
Ambrose D Rachier
Harish Shah
Bharat V Shah
Edward K Muriu
Vishal Patel
Christopher Harrison - (Appointed on 2nd December 2015)

ADVOCATES

Coulson Harney
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo road
P O Box 10643 – 00100, Nairobi

BANKERS

CFC Stanbic Bank Limited
Kenyatta Avenue
P O Box 72833 – 00200, Nairobi

Kenya Commercial Bank Limited
Kipande House
P O Box 30012 – 00100, Nairobi

MANAGEMENT

Tushar Shah - Managing Director
Shehnaz Sumar - Executive Director
Joshua Chiira - Deputy Managing Director
(Appointed on 1st January 2016)
S K Singh - General Manager
Gurbux Singh - Deputy General Manager, Coast Region
James Ndegwa - Manager, Reinsurance & Underwriting
Eva Wambui - Manager, Claims
Anand Lakhani - Manager, Eldoret Branch
Darshna Patel - Asst. Manager, Finance
Gladys Gichogo - Asst. Manager, Finance
Fred Karanja - Asst. Manager, Underwriting
George Nyakomitta - Asst. Manager, Bancassurance
Emma Mwangi - Asst. Manager, Claims
Peter Ngugi - Asst. Manager, IT

AUDITORS

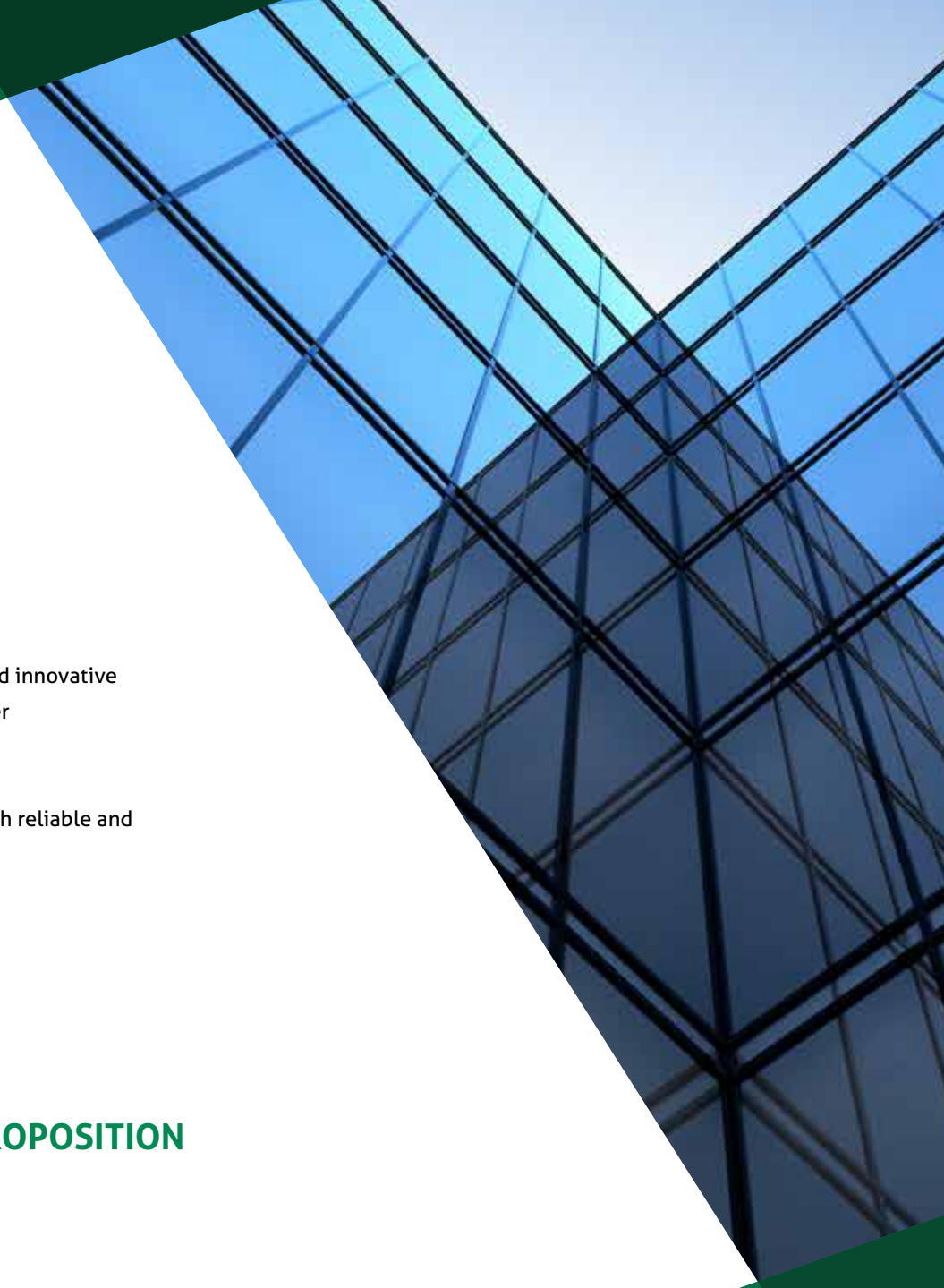
PricewaterhouseCoopers
PwC Tower, Waiyaki Way / Chiromo Road, Westlands
P O Box 43963 - 00100, Nairobi

SECRETARY

Susan Wanjiru Gichina
Certified Company Secretary (Kenya)
P O Box 45761 – 00100, Nairobi

REGISTERED OFFICE

8th Floor, Mayfair Centre
Ralph Bunche Road
P O Box 45161 – 00100, Nairobi



VISION

To be distinguished as a reliable and innovative Pan-African financial services leader

MISSION

To provide financial security through reliable and innovative insurance solutions

CORE VALUES

- Integrity
- Professionalism
- Reliability
- Respect

CUSTOMER VALUE PROPOSITION

- Personalization
- Simplicity
- Convenience
- Transparency

Our Goals & Value

Board of Directors

MAYFAIR INSURANCE TIME LINE

2005
Company Inception

2006
Gross Premium income
KShs 143 million

2007
Gross Premium income
KShs 273 million

2008
Opened Regional Branch
Offices

2009
Inception of Mayfair
Zambia

2010
Excellent Investment
Portfolio

Chris Harrison Edward K Muriu Vishal Patel Joe W Okwach Shehnaz Sumar

2011
Moved to New Offices at Mayfair Center

2012
Recognised as a Premier Insurer in the Market

2013
Gross Premium Income over Kshs 1 Billion

2014
Accorded a BBB+ (Ke) Credit Rating by GCR

2015
Gross Premium Income Kshs 2 Billion

Expectation 2016
Gross Premium Income expected to rise to Kshs 2.5 Billion

Ambrose Rachier Harish Shah Bharat Shah Tushar Shah Joshua Chiira

Management Team

Joshua Chiira
Deputy Managing Director

Tushar Shah
Managing Director

Peter Ngugi
Asst. Manager, IT

George Nyakomitta
Asst. Manager, Bancassurance

Shehnaz Sumar
Executive Director

Emma Mwangi
Asst. Manager, Claims

Gurbux Singh
Deputy General Manager, Coast Region

James Ndegwa
Manager, Reinsurance & Underwriting

Anand Lakhani
Eldoret Branch Manager

Fred Karanja
Asst. Manager, Underwriting

S K Singh
General Manager

Darshna Patel
Asst. Manager, Finance

Gladys Gichogo
Asst. Manager, Finance

Eva Wambui
Manager, Claims

Chairman's Statement

"Total assets grew by 16% to close at Shs 4.331 billion"

Chairman's Statement

CHAIRMANS REPORT

On behalf of the Board of Directors of Mayfair Insurance Company, I am pleased to present to you the Annual Report and Financial Statements for the year ended 31st December 2015. These accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

2015 marked the Company's 10th anniversary. Since inception, the Company has developed and grown significantly, and continues to deliver impressive results by harnessing opportunities in the market afforded by the resilient economy. We are excited to have hit the Shs. 2 billion mark on Gross Premiums Written in 2015. This milestone is attributed to the unwavering support of our highly esteemed shareholders, customers and other stakeholders and is also clear demonstration of the confidence they have in us. This is a clear indication that we are indeed on course to achieve our ambitious vision.

In the implementation of our Strategic Plan 2015-2019, we have completed rebranding of the Company in line with the renewed identity. A new Information Management System envisioned to enhance internal and external service delivery has been deployed in response to the changing environment as set out in the Strategic Plan.

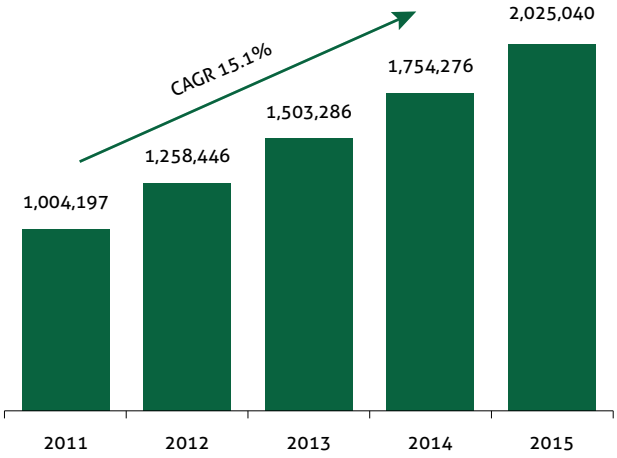
BUSINESS ENVIRONMENT

Kenya's economic performance expanded at a healthy pace, remaining solid in 2015 on the back of public infrastructure projects and robust gains in most sectors such as construction and communication. This compensated for the high interest rates, continued depreciation in the Kenyan Shilling and a decline in international tourism. According to the Kenya National Bureau of Statistics, actual economic performance in 2015 was slower than initially projected. The Gross Domestic Product grew by 5.6% against an estimated growth of 6.5% in 2015

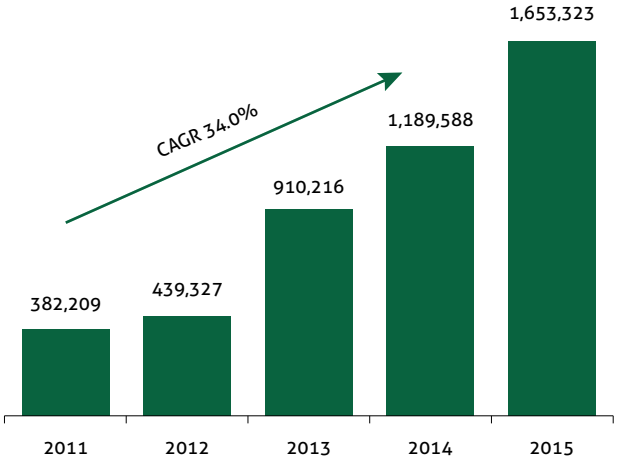
BUSINESS AND FINANCIAL RESULTS

Mayfair Insurance Company Limited recorded strong performance in 2015, with Gross Written Premium of Shs.2.025 billion against Shs.1.754 billion in 2014 The Company made an underwriting profit of Shs.238.42 million (2014 – Shs.188.19 million), and after taking into account investment and other income, the Gross Profit before tax stood at Shs.402.65 million (2014 – Shs.360.11 million). The shareholder's funds stood at Shs.1.653 billion (2014- Shs.1.190 billion). Total assets grew by 16% to close at Shs.4.331 billion (2014 - Shs.3.745 billion).

GROSS WRITTEN PREMIUM



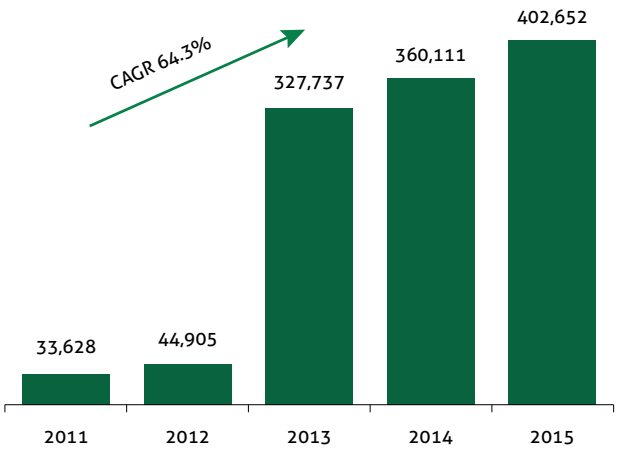
SHAREHOLDERS FUND



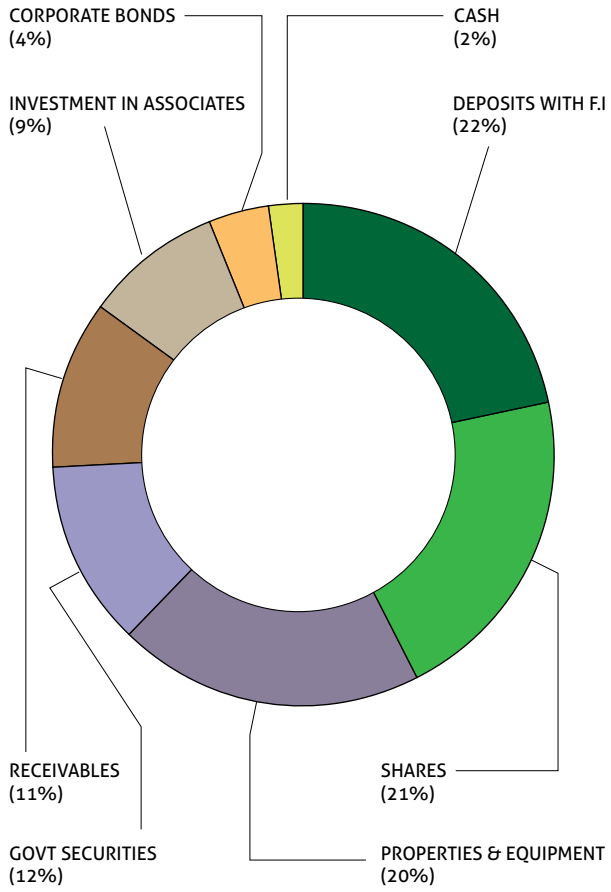
Chairman's Statement

Chairman's Statement (continued)

PROFIT BEFORE TAX



DISTRIBUTION OF ASSETS IN 2015



DIVIDENDS

The Board recommends a first and final cash dividend of Shs 11.9 per share amounting to Shs 62.5 million and a bonus share for the year amounting to Shs 62.5 million. This will increase the share capital of the Company to Shs. 587.5 million. The Directors recognize the need to retain adequate reserves for re-investing back to support the ambitious growth strategy as well as meeting the statutory capital requirements.

BOARD OF DIRECTORS

We have a strong Board of Directors with a diverse mix of skills and experience. To further strengthen our skills base, Mr. Christopher Harrison was appointed to the Board in December 2015 and Mr. Joshua Chiira appointed as the Deputy Managing Director in January 2016. The two are valuable members of the team and will contribute towards the development of the company to greater heights in the next decade.

CORPORATE GOVERNANCE

We are committed to the highest standards of Corporate Governance and have put in place the requisite structures to ensure adherence to the existing and emerging regulatory requirements as per the below:

- The Board Audit, Risk and Compliance Committee is chaired by Mr. Harish Shah, and included Directors Mr. Edward Muriu, Mr. Vishal Patel, Mrs. Shehnaz Sumar and Mr. Joshua Chiira
- The Board Investment Committee is headed by Mr. Bharat Shah, and includes Directors Mr. Ambrose Rachier, Mr. Harish Shah, Mrs. Shehnaz Sumar and Mr. Joshua Chiira.
- The Board Strategic & HR Committee is headed by Mr. Vishal Patel and includes Directors Mr. Christopher Harrison, Mrs. Shehnaz Sumar and Mr. Joshua Chiira.

The responsible Committees charged with compliance, strategic growths and best practices to corporate governance standards, meet quarterly and more frequently on a need basis. The Committees report regularly to the Board of Directors. The Board of Directors meetings are held quarterly to review the Reports of the Committees as well as give guidance on the development of the company in a structured and consistent manner.

Chairman's Statement

Chairman's Statement (continued)

HUMAN RESOURCES

We have qualified, sincere, dedicated and committed staff force whose performance is managed based on the Balance Scorecard system. The directors are committed to skills development of the staff as well as creation of an enabling environment to realize their maximum potential.

OUTLOOK FOR 2016

We remain cautiously upbeat about the economic environment in Kenya for year 2016. The International Monetary Fund (IMF) projects a growth of 6% slightly higher than the 5.6% achieved up to the third quarter of 2015. The Central Bank of Kenya has continued implementing monetary policies to correct the high interest rates as well as tame the adverse currency movements. The investment impetus in both the private sector and government is expected to be sustained. With the revised travel advisories from many of the key tourist source markets coupled with invigorated marketing efforts of the Kenyan government, it is hoped that international tourism should pick up and this should put the economy on a good growth trajectory. We are confident that we are well placed to exploit existing and future opportunities as we continue to implement the five-year strategic plan and therefore enhance value for the shareholders and other stakeholders.

Mayfair Insurance remains committed to its vision of being distinguished as a reliable and innovative Pan-African financial services leader by expanding our operations into the East African region. We resonate with our enterprise clients' needs for the same superior services even as they transform into multinationals with regional presence as well target new clients in the region.

We are pleased to report that we began operations in Tanzania in December 2015 and are scheduled to set up office in Rwanda by the 2nd Quarter 2016. The economies of Tanzania and Rwanda are expected to register high growths of 7% and 6-6.5% respectively according to the IMF. We are optimistic that this growth together with the political stability enjoyed in these regions, will give Mayfair a solid future in these markets. The Zambian operations are growing steadily with profitable results.

APPRECIATION

We would not be where we are today without the unwavering support and the clear demonstration of the confidence from our highly esteemed Customers, Partners, shareholders, management, staff and other stake holders. I wish to thank each one of you most sincerely for the part you played in making 2015 a success and we look forward to an even greater and more profitable 2016.

Joe Okwach
Chairman

Company Activities

Top: Acrobats forming the Mayfair Logo at the 10th Anniversary Celebrations in Nairobi

Below: Tushar Shah (Managing Director) sharing a light moment with Peter Kenneth at the 10th Anniversary celebrations.

Lower: Tushar Shah (Managing Director) with Anand Lakhani (Branch Manager, Eldoret) receiving a certificate for sponsoring the Golf Tournament at Eldoret Club

Bottom: Participants at the Mayfair Insurance Ltd sponsored Golf Tournament at Nyali Golf Club

CSR

Corporate Social Responsibility

In 2015, Mayfair extended support to the needy in our society through donation of foodstuff, water tanks among others to Childrens' homes. We also sponsored education of children with disabilities including Beatrice Alosa and John Musau (both in at the primary level) and Jackline Waithera and Patience Nicholas (both at the secondary level of education).

Beatrice Alosa

John Musau

Supporting children in need through food stuff and water tanks

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of Mayfair Insurance Company Limited, (the "Company").

PRINCIPAL ACTIVITIES

The principal activity of the Company is the transaction of general insurance business.

RESULTS AND DIVIDEND

Profit for the year of Shs 378,023,000 (2014: Shs 257,701,000) has been added to retained earnings. The Directors recommend a first and final cash dividend of Sh 11.9 per share amounting to Sh 62,500,000 and a bonus share for the year amounting to Sh 62,500,000 (2014: bonus shares in lieu of cash dividends amounting to Shs 175,000,000)

By order of the Board

Susan Wanjiru Gichina

Secretary

Nairobi

22nd March 2016

DIRECTORS

The Directors who served during the year and to the date of this report are shown on page 2.

AUDITOR

The Company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act (CAP 486), subject to approval by the Commissioner of Insurance under section 56(4) of the Kenyan Insurance Act.

Statement of Director's 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 Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

i) Selecting and applying appropriate accounting policies;

ii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Joe Okwach
Chairman

Bharat Shah
Director

Shehnaz Sumar
Executive Director

22nd March 2016

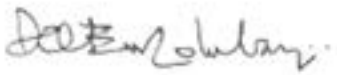
Report of the Consulting Actuary

For the year ended 31 December 2015

I have conducted an Insurance Liability Valuation of the short term business of Mayfair Insurance Company Limited as at 31st December 2015.

The valuation was conducted in accordance with generally accepted actuarial principles and the requirements of The Kenya Insurance Act. These principles require prudent provision for insurance liabilities in the financials on a best estimate basis.

I verify that the calculation of the short term insurance liabilities as at 31st December 2015 is appropriate. I am satisfied that the Unearned Premium Reserve, Deferred acquisition Costs, Outstanding Claims Reserve and Incurred But Not Reported reserve as per the valuation are sufficient and appropriate given the nature of the business and existing liabilities.



James I. O. Olubayi
Fellow of the Institute of Actuaries
Alexander Forbes Financial Services (E.A.) Limited
Nairobi (22nd March 2016)

Report of the Auditor

Report of the independent auditor to the shareholders of Mayfair Insurance Company limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mayfair Insurance Company Limited (the "Company") set out on pages 19 to 59. These financial statements comprise the statement of financial position at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 opinion.

OPINION

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

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 Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement leader responsible for the audit resulting in this independent auditor's report is CPA Moses Nyabanda – P/No 2047.

PricewaterhouseCoopers
Certified Public Accountants
Nairobi (22nd March 2016)

MAYFAIR
INSURANCE

You are in safe hands

RELIABLE | CONVENIENT | HASSLE FREE

Income Statement

For the year ended 31 December 2015

	Notes	2015 Shs '000	2014 Shs '000
Gross earned premiums	5	1,962,982	1,778,960
Less: reinsurance premiums ceded		(965,348)	(849,196)
Net earned premiums		997,634	929,764
Investment income	6	193,601	192,899
Commissions earned		235,630	231,169
Other income	7	2,651	1,358
Total income		1,429,516	1,355,190
Net claims incurred	8	(398,917)	(469,175)
Operating and other expenses	9	(350,875)	(281,895)
Commissions payable		(277,072)	(244,009)
Total expenses		(1,026,864)	(995,079)
Profit before income tax		402,652	360,111
Income tax expense	11	(24,629)	(102,410)
Profit for the year		**378,023**	**257,701**

The notes on pages 24 to 58 are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 Shs '000	2014 Shs '000
Profit for the year		378,023	257,701
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Fair value gains on available for sale equity investments	18	36,431	18,214
Exchange gain on available for sale equity investments	18	35,668	14,102
Surplus on revaluation of building	13	15,309	13,364
Deferred income tax on revaluation surplus		(1,696)	(4,009)
		85,712	41,671
Total comprehensive income for the year		**463,735**	**299,372**

Items in the statement above are disclosed net of tax.

The notes on pages 24 to 58 are an integral part of these financial statements.

Statement of Financial Position

As At 31 December 2015

	Notes	2015 Shs '000	2014 Shs '000
ASSETS			
Property, plant and equipment	13	277,152	256,033
Intangible assets	14	9,335	1,891
Investment properties	15	404,913	389,357
Investment in joint arrangements	17	264,222	263,032
Investment in associate	16	57,022	48,777
Available for sale equity investments	18	737,590	644,269
Receivables arising out of direct insurance arrangements		297,175	223,256
Receivables arising out of reinsurance arrangements		6,114	11,354
Reinsurers' share of technical provisions and reserves	19	681,956	599,232
Deferred acquisition costs	20	129,811	87,614
Other receivables	21	87,785	73,059
Government securities - held to maturity	22	429,352	334,893
Corporate bonds - held to maturity	23	129,477	112,164
Deposits with financial institutions	24	763,718	676,560
Current income tax	11	718	-
Cash and cash equivalents		55,003	24,324
TOTAL ASSETS		**4,331,343**	**3,745,815**
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	26	525,000	350,000
Investment revaluation reserve		323,690	251,591
Property revaluation reserve		84,746	74,784
Retained earnings		594,887	338,213
Proposed dividends		125,000	175,000
Total equity		1,653,323	1,189,588
Liabilities			
Outstanding claims provision	27	1,373,280	1,395,830
Unearned premiums reserve	29	841,313	691,613
Payables arising from insurance arrangements		12,821	5,428
Payables arising out of reinsurance arrangements		311,936	159,058
Deferred reinsurance commissions	30	69,238	84,643
Deferred income tax	31	32,329	105,887
Other payables	32	37,103	63,363
Current income tax	11	-	50,405
Total liabilities		2,678,020	2,556,227
TOTAL EQUITY AND LIABILITIES		**4,331,343**	**3,745,815**

The financial statements on pages 19 to 59 were approved for issue by the Board of Directors on 22 March 2016 and signed on its behalf by:

Joe Okwach
Chairman

Bharat Shah
Director

Shehnaz Sumar
Executive Director

The notes on pages 24 to 58 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

	Notes	Share Capital Shs '000	Investments Revaluation Reserve Shs '000	Property Revaluation Reserve Shs '000	Retained Earnings Shs '000	Proposed Dividends Shs '000	Total Equity Shs '000
Balance at 1 January 2014		350,000	219,275	65,429	275,512	-	910,216
Profit for the year		-	-	-	257,701	-	257,701
Other comprehensive income:		-	32,316	9,355	-	-	41,671
Transactions with owner:							
Dividends:							
- Final for 2013	35	-	-	-	(20,000)	-	(20,000)
Total transactions with owners recognised directly in equity		-	-	-	(20,000)	-	(20,000)
Balance at 31 December 2014		**350,000**	**251,591**	**74,784**	**513,213**	**-**	**1,189,588**
Balance at 1 January 2015		350,000	251,591	74,784	513,213	-	1,189,588
Profit for the year		-	-	-	378,023	-	378,023
Other comprehensive income:		-	72,099	13,613	-	-	85,712
Transfer of excess depreciation				(3,477)	3,477	-	-
Deferred tax on excess depreciation				(174)	174	-	-
Transactions with owner:							
Dividends:	36	-	-	-	-	-	-
Issue of bonus shares - 2014	26	175,000	-	-	(175,000)	-	-
Proposed dividends - 2015		-	-	-	(62,500)	62,500	-
Proposed bonus shares - 2015		-	-	-	(62,500)	62,500	-
Total transactions with owners recognised directly in equity		175,000	-	-	(300,000)	125,000	-
Balance at 31 December 2015		**525,000**	**323,690**	**84,746**	**594,887**	**125,000**	**1,653,323**

The notes on pages 24 to 58 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 Shs '000	2014 Shs '000
Cash flows from operating activities			
Cash generated from operations	33	445,537	525,886
Income tax paid		(151,006)	(62,970)
Net cash generated from operating activities		294,531	462,916
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(12,509)	(19,670)
Purchase of intangible assets	14	(13,342)	(1,740)
Investment in joint arrangements	17	(1,190)	(68,761)
Purchase of available for sale equity investments	18	(29,467)	(438,654)
Proceeds of disposal of available for sale equity investments		-	201,797
Net investments in treasury bonds maturing after 90 days	22	(250,339)	622
Net investments in corporate bonds	23	(17,313)	(85,394)
Net cash used in investing activities		(324,160)	(411,800)
Cash flows from financing activities			
Dividends paid to shareholders	36	-	(20,000)
Net cash generated from financing activities		-	(20,000)
Net (decrease)/increase in cash and cash equivalents		(29,629)	31,116
Cash and cash equivalents at beginning of year		867,264	836,148
Cash and cash equivalents at end of year	33(b)	837,635	867,264

The notes on pages 24 to 58 are an integral part of these financial statements.

Notes

Notes to the Financial Statements

1 GENERAL INFORMATION

Mayfair Insurance Company Limited ("the Company") deals with general insurance business and is incorporated in Kenya under the Companies Act as a private limited liability Company. The Company is domiciled in Kenya and the address of its registered office is:

Mayfair Centre, 8th floor, Ralph Bunche Road
PO Box 45161
Nairobi 00100.

For the Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the statement of comprehensive income in these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for land and buildings, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted by the Company

A number of amendments to standards arising from the annual improvement to IFRSs became effective for the first time in the financial year commencing 1 January 2015 and none of them had an impact on the Company's financial statements.

IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.

IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement.

IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.

IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9.

IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.

IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) New standards, amendments and interpretations adopted by the Company (continued)

IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.

Amendments to IAS 19,'Defined Benefit Plans: Employee Contributions'. Effective 1 July 2014. The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version of IAS 19, most entities deducted the contributions from the cost of the benefits earned in the year the contributions were paid. However, the treatment under the 2011 revised standard was not so clear. It could be quite complex to apply, as it requires an estimation of the future contributions receivable and an allocation over future service periods. To provide relief, changes were made to IAS 19. These allow contributions that are linked to service, but that do not vary with the length of employee service (eg a fixed % of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore many entities will be able to (but not be required) continue accounting for employee contributions using their existing accounting policy.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Company.

(ii) New and revised standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued on July 2014. It replaces the guidance in IAS 30 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurements model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

IFRS 11, 'Joint arrangements'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective for annual periods beginning on or after 1 January 2016.

IAS 1, 'Presentation of financial statements' These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014. These set of amendments, effective 1 January 2016, impacts 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information

IFRS 16, 'Leases'. After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) New standards, amendments and interpretations adopted by the Company (continued)

This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenya Shillings in thousands (Shs) which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Premium income for general business is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less unearned premiums. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date which relate to the unexpired terms of policies in force at the reporting date, and are calculated using the 24th basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Commissions receivable are recognised as income in the period in which they are earned.

Investment income is stated net of investment expenses. Interest income for all interest bearing financial instruments is recognised using the effective interest method. Dividends income on available for sale equities is recognised as income in the period in which the right to receive payment is established. Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Reinsurance

The Company assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as income in the same manner as they would be if the reinsurance were considered direct business. Premiums ceded and

claims reimbursed are presented on a gross basis in profit and loss and statement of financial position as appropriate.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recognised in the profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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 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 recognised in profit or loss.

Claims incurred

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims provisions represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the reporting date, but not settled at that date. Outstanding claims provisions are computed on the basis of the best information available at the time the records for date based on the Company's experience but subject to the minimum percentage set by the Commissioner of Insurance. Outstanding claims are not discounted.

Commissions payable and deferred acquisition costs

A proportion of commission payable is deferred and amortised over the period in which the related premiums are earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims and therefore the ultimate cost of this category of claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract at which time it is recognised as premium income.

Investment property

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, determined periodically by external independent valuers. Fair value is based on open market basis determined using the highest and best use valuation model.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss for the year.

Property, plant and equipment

Property and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation and any accumulated impairment losses.

Any surplus arising on the revaluation is recognised in other comprehensive income and accumulated in the revaluation reserve. Decreases that offset previous increases of the same asset are recognised in charged to profit or loss. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

The last valuation was done in December 2015 on an open market value basis using the highest and best use valuation model.

Depreciation is calculated on a reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Building	Over the period of the lease
Partitioning	12.5%
Motor vehicles	25%
Furniture, fittings and equipment	12.5%
Computer hardware	30%

The annual depreciation on the revaluation surplus element of property, plant and equipment is transferred from the revaluation surplus to retained earnings net of the resultant deferred tax.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired. The Directors determine the classification of the financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment

(A) Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or a Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Financial assets (Continued)

Evidence of impairment may include indications that the debtors or a Company 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.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

B) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Company of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in 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 shown within borrowings in current liabilities

Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

Joint arrangements

The Company has assessed the nature of its joint arrangements and determined them to be joint operations. The Company accounts for its interest in the joint arrangement through the proportionate consolidation method, by recording its share of jointly controlled assets, and obligations for the liabilities, relating to the arrangement.

Income tax expense

a) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

(i) Retirement benefit obligations

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer, with the employer contributing 10% while the employee contribution is voluntary.

The Company also contributes to the statutory defined contribution pension schemes, the National Social Security Fund (NSSF). Contributions to these schemes are determined by local statute and are currently limited to Sh 200 per employee per month

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The ultimate liability arising from claims made under insurance contracts

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

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

Classification of leases of land as finance or operating leases

At the inception of each lease of land, the Company considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The Company also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Management of Insurance and financial risk

The Company's activities expose it to a variety of risks. The Company classifies the various risks it is exposed to into insurance risk and financial risk. Financial risks include credit risk, liquidity risk and market risk which includes the effect of changes in equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets, identification and management of risks. It 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.

(i) Insurance risk

Insurance risk in the Company 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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Core insurance risk (continued)

- 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 Company. The bases of these purchases is underpinned by the Company's experience, financial modelling by and exposure of the reinsurance broker. Reinsurance is placed with providers who meet the Company's counter-party security requirements.

Claims reserving

The Company'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 upon 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.

Short-term insurance contracts

The Company engages in short term insurance contracts and funds the insurance liabilities using a portfolio of financial assets. An analysis of the Company's financial assets and its short term insurance liabilities is presented below;

31 December 2015	Carrying amount Shs'000	0 - 1 yrs Shs'000	1 - 5 yrs Shs'000	> 5 yrs Shs'000
Financial assets				
Equity instruments available for sale	737,590	737,590	-	-
Receivable arising out of direct insurance arrangements	297,175	297,175	-	-
Other receivables	87,785	87,785	-	-
Investment in joint arrangements	264,222	264,222	-	-
Held to maturity				
- Government securities	429,352	18,914	20,142	390,296
- Corporate bonds	129,477	129,477	-	-
- Deposits with financial institutions	763,718	763,718	-	-
Cash and bank balances	55,003	55,003	-	-
Total	2,764,322	2,353,884	20,142	390,296
Short term insurance liabilities				
Outstanding claims provisions	1,373,280	-	-	-
Payables arising out of reinsurance arrangements	311,936	-	-	-
Deferred reinsurance commissions	69,238	-	-	-
Other payables	37,103	-	-	-
Less reinsurers share of technical provisions	(681,956)	-	-	-
Total	1,109,601	-	-	-
Difference in contractual cash flows	1,654,721	2,353,884	20,142	390,296

31 December 2014	Carrying amount Shs'000	0 - 1 yrs Shs'000	1 - 5 yrs Shs'000	> 5 yrs Shs'000
Financial assets				
Equity instruments available for sale	693,046	693,046	-	-
Receivable arising out of direct insurance arrangements	223,256	223,256	-	-
Other receivables	73,059	73,059	-	-
Investment in joint arrangements	263,032	263,032	-	-
Held to maturity				
- Government securities	334,893	166,380	10,010	158,503
- Corporate bonds	112,164	112,164	-	-
- Deposits with financial institutions	676,560	676,560	-	-
Cash and bank balances	24,324	24,324	-	-
Total	2,400,334	2,231,821	10,010	158,503
Short term insurance liabilities				
Outstanding claims provisions	1,395,830	-	-	-
Payables arising out of reinsurance arrangements	159,058	-	-	-
Deferred reinsurance commissions	84,643	-	-	-
Other payables	63,263	-	-	-
Less reinsurers share of technical provisions	(599,232)	-	-	-
Total	1,103,662	-	-	-
Difference in contractual cash flows	1,296,622	2,231,771	10,010	158,503

(ii) Financial risks

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risks, equity price risk and foreign exchange currency risk. The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant:

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (continued)

i) Interest rate risk

The Company is exposed to the risk that the level of interest income and in effect the cash flows will fluctuate due to changes in market interest rates. To manage this risk, the Company ensures that the investment maturity profiles are well spread.

The sensitivity analysis presented below shows how profit and equity would change if the interest rates had increased/(decreased) on the reporting date with all other variables held constant.

	2015 (Shs'000)		2014 (Shs'000)	
	Effect on profit	Effect on equity	Effect on profit	Effect on equity
+ 5 percentage point movement	35,073	33,828	35,073	33,828
- 5 percentage point movement	(35,073)	(33,828)	(35,073)	(33,828)

ii) Equity price risk

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

The Company is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi Securities Exchange. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

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

The sensitivity analysis presented below shows how other comprehensive income would change if the market prices increased/(decreased) by 5% on the reporting date with all other variables held constant.

	2015 Shs'000	2014 Shs'000
Effect on other comprehensive income		
+ 5 percentage point movement	13,349	9,997
- 5 percentage point movement	(13,349)	(9,997)

iii) Foreign exchange currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations.

The following sensitivity analysis shows how profit and other comprehensive income would change if the exchange rates increased/(decreased) by 5% on the reporting date with all other variables held constant, mainly as a result of translation of US Dollar denominated available for sale equity investments.

	2015 Shs'000	2014 Shs'000
Effect on other comprehensive income		
+ 5 percentage point movement	10,147	159
- 5 percentage point movement	(10,147)	(159)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the Company by failing to discharge a contractual obligation. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties i.e. limits are set for investments and cash deposits, and minimum credit ratings for investments that may be held.
- Reinsurance is placed with counterparties that have a good credit rating.
- Ongoing monitoring by the management credit committee.

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 Company. Management information reported to the Directors include details of provisions for impairment on receivables and subsequent write offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The table below shows the carrying amounts of financial assets bearing credit risk

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
31 December 2015				
Receivable arising out of direct insurance arrangements	297,175	-	-	297,175
Receivable arising out of reinsurance arrangements	6,114	-	-	6,114
Held to maturity:				
- Government securities	429,352	-	-	334,893
- Corporate bonds	129,477	-	-	112,164
- Deposits with financial institutions	763,718	-	-	676,560
Other receivables:				
- Deposits with institutions under statutory management	-	25,934	-	25,934
Cash and bank balances	55,003	-	-	55,003
	1,680,839	25,934	-	1,706,773
31 December 2014				
Receivable arising out of direct insurance arrangements	223,256	-	-	223,256
Receivable arising out of reinsurance arrangements	11,354	-	-	11,354
Held to maturity:				
-Government securities	334,893	-	-	334,893
-Corporate bonds	112,164	-	-	112,164
-Deposits with financial institutions	676,560	-	-	676,560
Other receivables:				
- Deposits with institutions under statutory management	-	32,417	-	32,417
Cash and bank balances	24,324	-	-	24,324
	1,382,551	32,417	-	1,414,968

The debt that is past due relates to amounts held in a local financial institution that is under statutory management. The recoverability of this balance is dependent on resolution of a dispute between the institution and the Central Bank of Kenya but the Directors are confident that the amount will be recovered.

Government securities are generally considered risk free because the risk of loss is remote.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has developed and put in place an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Between 1 – 3 months Shs'000	Over 3 months Shs'000	Over 12 months Shs'000	Total Shs'000
31 December 2015				
Payables arising from				
- reinsurance arrangements	311,936	-	-	311,936
- insurance arrangements	12,821	-	-	12,821
Outstanding claims provisions	1,373,280	-	-	1,373,280
	1,698,037	-	-	1,698,037
At 31 December 2014				
Payables arising from				
- reinsurance arrangements	159,058	-	-	159,058
- insurance arrangements	5,428	-	-	5,428
Outstanding claims provisions	1,395,830	-	-	1,395,830
	1,560,316	-	-	1,560,316

(iii) Capital Management

The Company'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 Company'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.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Capital Management

An important aspect of the Company'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 Company is focused on the creation of value for shareholders.

The Company 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 Company 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 Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

Insurance entities in Kenya are governed by the Insurance Act and as such are subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. Insurance companies operating in Kenya are required to have the following minimum level of paid up capital;

- General insurance business companies: Kshs 600 million and
- Long term insurance business companies: Kshs 300 million

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

	2015 Shs'000	2014 Shs'000
Share capital	525,000	350,000
Fair value reserve for available-for-sale investments	323,690	251,591
Property revaluation reserve	84,746	74,784
Retained earnings	719,887	513,213
Equity	**1,653,323**	**1,189,588**
Total borrowings	-	-
Gearing	-	-

5 GROSS EARNED PREMIUMS

	2015 Shs'000	2014 Shs'000
Motor	518,850	481,249
Fire	502,453	364,810
Workmen's compensation	312,952	288,296
Marine	93,909	133,940
Personal accident	36,584	34,877
Engineering	223,270	214,138
Aviation	8,041	7,711
Miscellaneous	125,951	114,165
Theft	117,239	117,010
Others	23,733	22,764
	1,962,982	1,778,960

6 INVESTMENT INCOME

	2015 Shs'000	2014 Shs'000
Fair value gain on investment properties (Note 15)	18,603	18,541
Interest on bank deposits	89,238	79,968
Interest on Government securities	43,142	29,726
Rental income from investment properties (Note 15)	21,941	22,244
Dividends receivable on equity instruments	5,636	11,431
Gain/(loss) on disposal of equity instruments	-	23,753
Interest on corporate bonds	13,880	7,409
Interest on commercial papers	1,161	-
Amortization of corporate bonds	-	(173)
	193,601	192,899
Investment income earned on financial assets, analysed by category of financial asset, is as follows:		
Loans and receivables (including bank and cash balances)	89,238	79,968
Held-to-maturity investments	58,183	36,962
Available for sale financial assets	5,636	35,184
Investment income earned on non financial assets	40,544	40,785
Total investment income	193,601	192,899

	2015 Shs'000	2014 Shs'000
7 OTHER INCOME		
Miscellaneous income	1,406	1,191
Foreign exchange gains	1,245	167
	2,651	1,358
8 CLAIMS INCURRED		
Claims paid by principal class of business:		
Motor	127,658	307,934
Workmen's compensation	211,794	68,165
Marine	24,523	22,339
Theft	2,226	12,614
Fire	14,094	30,271
Engineering	22,787	18,035
Personal accident	(6,732)	3,042
Other	2,567	6,775
	398,917	469,175
9 OPERATING AND OTHER EXPENSES		
Staff costs (note 10)	162,598	136,371
Depreciation of property, plant and equipment (note 13)	18,560	18,232
Amortisation of computer software (note 14)	5,498	2,819
Subscriptions	1,960	2,022
Repairs and maintenance expenditure	4,182	6,044
Rent, rates and parking	5,488	5,148
Printing and stationery	6,475	5,965
Telephone and postage	6,312	5,841
Travelling and entertainment	15,808	13,586
Advertising costs	19,973	7,198
Licences and insurance	3,164	7,207
Auditors' remuneration	3,102	3,265
Directors' emoluments	2,209	1,826
Premium tax	19,276	18,762
Other expenses	76,270	47,609
	350,875	281,895

	2015 Shs'000	2014 Shs'000
10 STAFF COSTS		
Salaries and benefits	150,963	125,767
Defined contribution retirement schemes		
- Pension fund	11,433	10,404
- National Social Security fund	202	200
	162,598	136,371

11 INCOME TAX EXPENSE

a) Taxation charge

Current tax expense in respect of the year	99,883	91,071
Deferred income tax – charge recognised (Note 31)	7,333	11,339
Over provision of deferred tax in prior years	(82,587)	-
Total income tax expense	24,629	102,410

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

The Company's income tax expense is computed in accordance with income tax rules applicable to general insurance companies

Profit before income tax	402,652	360,111
Tax calculated at a tax rate of 30%	120,796	108,033
Tax effect of:		
- Income not subject to tax	(7,740)	(17,814)
- Expenses not deductible for tax purposes	4,120	12,191
- Over provision of deferred tax in prior years	(82,587)	-
- Revaluation of assets accounted at a different rate	(9,960)	-
	24,629	102,410

c) Corporate tax payable

At 1 January	50,405	22,304
Taxation charge - Note (a)	99,883	91,071
Tax paid	(151,006)	(62,970)
At 31 December	(718)	50,405

12 EARNINGS PER SHARE – BASIC AND DILUTED

	2015 Shs'000	2014 Shs'000
Profit for the year	378,023	257,701
Weighted average number of shares in issue during the year	5,250,000	3,500,000
Earnings per share (basic and diluted) (Shs)	72.00	73.63

13 PROPERTY AND EQUIPMENT

Cost or valuation	Building Shs'000	Partitioning Shs'000	Motor vehicles Shs'000	Computer equipment Shs'000	Furniture fittings and equipment Shs'000	Total Shs'000
At 1 January 2014	170,067	41,943	4,067	10,766	50,102	276,945
Additions	-	5,727	5,113	2,920	5,910	19,670
Surplus on revaluation	8,503	-	-	-	-	8,503
At 31 December 2014	178,570	47,670	9,180	13,686	56,012	305,118
At 1 January 2015	178,570	47,670	9,180	13,686	56,012	305,118
Additions	-	3,317	4,682	2,620	1,890	12,509
Transfer from IP 17,297	-	-	-	-	17,297	
Surplus on revaluation	9,793	-	-	-	-	9,793
Disposals	-	(1,951)	-	(409)	(6,028)	(8,388)
At 31 December 2015	205,660	49,036	13,862	15,897	51,874	336,329
Comprising						
At cost	82,708	49,036	13,862	15,897 5	1,874	213,377
At valuation - 2015	122,952	-	-	-	-	122,952
At 31 December 2015	205,660	49,036	13,862	15,897	51,874	336,329

13 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation	Building Shs'000	Partitioning Shs'000	Motor vehicles Shs'000	Computer equipment Shs'000	Furniture fittings and equipment Shs'000	Total Shs'000
At 1 January 2014	-	11,283	1,956	7,314	15,161	35,714
Charge for the year	4,861	4,547	1,806	1,911	5,107	18,232
At 31 December 2014	-	15,830	3,762	9,225	20,268	49,085
At 1 January 2015	-	15,830	3,762	9,225	20,268	49,085
Charge for the year	5,515	4,203	2,525	2,119	4,198	18,560
Eliminated on disposal	-	(586)	-	(391)	(1,976)	(2,953)
Reversal on revaluation	(5,515)	-	-	-	-	(5,515)
At 31 December 2015	-	19,447	6,287	10,953	22,490	59,177
Net book value (Revaluation basis)						
At 31 December 2015	205,660	29,589	7,575	4,944	29,384	277,152
At 31 December 2014	178,570	31,840	5,418	4,461	35,744	256,033
Net book value (Cost basis)						
At 31 December 2015	66,875	29,589	7,575	4,944	29,384	138,367
At 31 December 2014	71,736	31,840	5,418	4,461	35,744	149,199

The building was valued by Gimco Limited, registered valuers, on an open market value basis using the highest and best use valuation principle.

Details of the fair value hierarchy of the Company's property held at fair value as at 31 December 2015 are as follows:

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2015				
- Property, plant and equipment	-	205,660	-	205,660
31 December 2014				
- Property, plant and equipment	-	178,570	-	178,570

	2015 Shs'000	2014 Shs'000
14 INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Cost		
At 1 January	14,721	12,981
Additions	13,342	1,740
Disposals	(400)	-
At 31 December	27,663	14,721
Amortisation		
At 1 January	12,830	10,011
Charge for the year	5,498	2,819
At 31 December	18,328	12,830
Net book value	9,335	1,891
15 INVESTMENT PROPERTIES		
Cost/revaluation		
At 1 January	389,357	370,816
Additions	14,250	-
Transfer to PPE	(17,297)	-
Fair value gain*	18,603	18,541
At 31 December	404,913	389,357
*Net fair value gain credited to profit or loss (note 6)	18,603	18,541

Investment properties comprise a building and leasehold land. The building constructed on the land is held for the purposes of earning rental income and capital appreciation. The investment properties are held at fair value. The properties were valued by Gimco Limited, registered valuers, on an open market value basis using the highest and best use valuation principle.

Rental income arising from investment properties during the year amounted to Ksh 21,942,482 (2014: Ksh 22,243,604) as disclosed in note 6. Expenses relating to investment property amounted to Ksh 1,477,456 (2014: Ksh 1,285,645).

Details of the fair value hierarchy of the Company's Investment property held at fair value as at 31 December 2015 are as follows:

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2015	-	404,913	-	404,913
31 December 2014	-	389,357	-	389,357

16 INVESTMENT IN ASSOCIATE

	2015 Shs'000	2014 Shs'000
Cost		
At 1 January	48,777	48,777
Reversal of revaluation loss	8,245	-
At 31 December	57,022	48,777

The Company owns a 40% share in Mayfair Insurance Company Zambia Limited. The shareholders of Mayfair Insurance Company Zambia Limited approved the proposed increase in the authorised share capital in September 2014.

17 INVESTMENT IN JOINT ARRANGEMENTS

	2015 Shs'000	2014 Shs'000
At 1 January	263,032	194,271
Additions	1,190	68,761
At 31 December	264,222	263,032

17 INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

Name of joint arrangement	Principal activity	Place of incorporation	Proportion of ownership interest held by the Company	2015 Shs'000	2014 Shs'000
Mayfair Estates Limited	Real Estate	Kenya	50%	69,350	69,350
Kitisuru Development Limited	Real Estate	Kenya	20%	87,903	87,862
Sealine Holdings Limited	Real Estate	Kenya	30%	64,329	63,180
Rushmore Investments Limited	Real Estate	Kenya	20%	42,640	42,640
				264,222	263,032

The Company holds interests in joint operations for the acquisition and the development of real estate projects in the above companies. Currently, the Company has deposited funds with the Companies that are serving as vehicles for execution of joint arrangement projects. The real estate ventures when complete will be shared based on each investees assets and liabilities.

18 AVAILABLE FOR SALE EQUITY INSTRUMENTS

	Quoted shares Shs'000	Unquoted equity investments Shs'000	Total Shs'000
2015			
At 1 January	266,971	377,298	644,269
Additions	14,089	15,378	29,467
Exchange gains	-	35,668	35,668
Fair value gains through other comprehensive income	(54,708)	82,894	28,186
At 31 December	226,352	511,238	737,590
2014			
At 1 January	199,930	200,190	400,120
Additions	239,600	199,054	438,654
Disposals	(178,044)	-	(178,044)
Exchange gains	-	14,102	14,102
Reclassification to investment in associate	-	(48,777)	(48,777)
Fair value gains through other comprehensive income	5,485	12,729	18,214
At 31 December	266,971	377,298	644,269

The unquoted investments relate to ordinary shares in ZEP-RE (PTA Reinsurance Company), Family Bank Company Limited, UAP Holdings Ltd and Mayfair Bank Ltd. The investments are carried at fair value and are denominated in the US Dollar in the case of the investment in PTA Reinsurance and in Kenya shillings in all other cases. The investments denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of reporting period. The exchange gains and losses are dealt with through other comprehensive income.

Details of the fair value hierarchy of the Company's available for sale financial instruments as at 31 December 2015 are as follows:

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2015				
Available for sale				
- Equity instruments	226,352	511,238	-	737,590
31 December 2014				
Available for sale				
- Equity instruments	266,971	426,075	-	693,046

19 REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

	2015 Shs'000	2014 Shs'000
Reinsurers' share of		
- unearned premiums	418,616	330,972
- notified claims (note 27)	202,622	162,588
- claims incurred but not reported (note 27)	60,718	105,672
	681,956	599,232

20 DEFERRED ACQUISITION COSTS

At 1 January	87,614	105,750
Increase/ (decrease) in the year	42,197	(18,136)
At 31 December	129,811	87,614

21 OTHER RECEIVABLES

Deposit held at financial institution under statutory management	25,934	32,417
Prepayments and deposits	2,463	793
Sundry receivables	59,388	39,849
	87,785	73,059

	2015 Shs'000	2014 Shs'000
22 GOVERNMENT SECURITIES - Held to maturity		
Treasury bills and bonds maturing:		
Within 90 days	18,914	166,380
In 1 to 5 years	20,142	10,010
More than 5 years	390,296	158,503
	429,352	334,893
23 CORPORATE BONDS - Held to maturity		
KenGen - Public Infrastructure Bond	10,577	13,264
Guarantee Trust Bank Limited	10,000	10,000
British American Insurance Bond	41,000	41,000
UAP Holdings Bond	15,600	15,600
NIC Bank Ltd Bond	32,300	32,300
Imperial Bank Bond	20,000	-
	129,477	112,164
24 DEPOSITS WITH FINANCIAL INSTITUTIONS		
Deposits maturing within 3 months:	763,718	676,560

25 WEIGHTED AVERAGE EFFECTIVE INTEREST RATES

The following table summarises the weighted average effective interest rates realised during the year on interest-bearing investments:	2015 %	2014 %
Government securities	12.25	11.53
Deposits with financial institutions	16.49	12.08
Corporate bonds	12.58	11.40

	2015 Shs'000	2014 Shs'000
26 SHARE CAPITAL		
Authorised:		
7,500,000 ordinary shares of Sh 100 each	750,000	450,000
Issued and fully paid:		
5,250,000 (2014: 3,500,000) ordinary shares of Sh 100 each	525,000	350,000
Movement		
At 1 January	350,000	350,000
Issue of bonus shares	175,000	-
At 31 December	525,000	350,000

27 OUTSTANDING CLAIMS PROVISION		
At 1 January	1,395,830	2,200,218
Claims incurred and claim handling expenses	423,572	(521,904)
Payments for claims and claims handling expenses	(654,013)	(527,272)
Claims incurred but not reported	207,891	244,788
At 31 December	1,373,280	1,395,830

27 OUTSTANDING CLAIMS PROVISION (CONTINUED)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company' estimate of total claims outstanding for each accident year has changed at successive year ends.

Accident year	2011 Shs'000	2012 Shs'000	2013 Shs'000	2014 Shs'000	2015 Shs'000	Total Shs'000
Cumulative incurred claims estimate						
At end of accident year	488,447	698,440	1,935,716	651,593	727,803	4,501,999
One year later	529,423	633,309	927,564	575,794		2,666,090
Two years later	443,242	572,163	899,825			1,915,230
Three years later	405,468	554,408				959,876
Four years later	408,698					408,698
Current estimate of cumulative claims	408,698	554,408	899,825	575,794	727,803	3,166,527
Less: Cumulative payments to date	(366,830)	(493,360)	(660,277)	(349,330)	(236,277)	(2,106,074)
Liability in the statement of financial position	41,868	61,048	239,548	226,463	491,526	1,060,453
Liability in respect of prior years						104,936
Incurred but not reported						207,891
Total gross claims liability included in the statement of financial position						1,373,280

28 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

The table below shows the movement in the Company's outstanding claims provision and related reinsurance share of outstanding claims.

	Gross outstanding claims	Reinsurance share	Net
	Shs'000	Shs'000	Shs'000
At 1 January 2015			
Notified claims	1,151,042	162,588	988,454
Incurred but not reported	244,788	105,672	139,116
Total at beginning of year	1,395,830	268,260	1,127,570
Claims paid in year	654,013	237,413	416,600
Decrease in liabilities:-			
- Arising from current year claims	(676,563)	(242,385)	(434,178)
At end of year	1,373,280	263,340	1,109,940
Notified claim	1,165,389	202,622	962,767
Incurred but not reported	207,891	60,718	147,173
Total at end of year	1,373,280	263,340	1,109,940
2014			
At 1 January 2014			
Notified claims	2,138,350	1,253,627	884,723
Incurred but not reported	61,868	22,700	39,168
Total at beginning of year	2,200,218	1,276,327	923,891
Claims paid in year	527,272	261,893	265,379
Decrease in liabilities:-			
- Arising from current year claims	(1,331,660)	(1,269,960)	(61,700)
At end of year	1,395,830	268,260	1,127,570
Notified claims	1,151,042	162,588	988,454
Incurred but not reported	244,788	105,672	139,116
Total at end of year	1,395,830	268,260	1,127,570

	2015 Shs'000	2014 Shs'000

29 UNEARNED PREMIUMS RESERVE

At 1 January	691,613	716,538
Increase in the year	149,700	(24,925)
At 31 December	841,313	691,613

30 DEFERRED REINSURANCE COMMISSIONS

At 1 January	84,643	113,128
Increase in the year	(15,405)	(28,485)
At 31 December	69,238	84,643

31 DEFERRED INCOME TAX

Deferred income tax is calculated, on all temporary differences under the liability method using the principal tax rate of 30% in prior years & 5% for capital gains in current year.

(a)	The net deferred income tax is attributable to the following items:		
	Deferred tax liability:		
	Accelerated capital allowances	8,708	15,560
	Unrealised exchange gains	431	1,371
	Revaluation surplus	14,460	92,820
	Interest receivable	10,700	-
		34,299	109,751
	Deferred tax assets:		
	Unrealised exchange losses	-	(1,966)
	Leave pay provision	(1,970)	(1,898)
		(1,970)	(3,864)
	Net deferred tax liability	32,329	105,887
(b)	Movement in deferred tax (asset)/ liability is as follows:		
	At 1 January	105,887	90,539
	Taxation charge (note 11(a))	7,333	11,339
	Charge to other comprehensive income	1,696	4,009
	Over provision of deferred tax in prior years	(82,587)	-
	At 31 December	32,329	105,887

	2015 Shs'000	2014 Shs'000
32 OTHER PAYABLES		
Accrued expenses	7,596	50,535
Other liabilities	29,507	12,828
	37,103	63,363

33 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash generated from operations		
Reconciliation of profit before income tax to cash generated from operations;		
Profit before income tax	402,652	360,111
Adjustments for:		
Depreciation (note 13)	18,560	18,232
Amortisation of intangible asset (note 14)	5,498	2,819
Gain on disposal of equity instruments available for sale	-	(23,753)
Fair value gain on investment properties	(18,603)	(18,541)
Changes in:		
- receivables arising out of reinsurance arrangements	5,240	36,413
- receivables arising out of direct insurance arrangements	(73,919)	(104,284)
- reinsurers share of technical provisions and reserves	(82,724)	1,008,308
- deferred acquisition cost	(42,197)	18,136
- other receivables	(14,726)	8,310
- outstanding claims provisions	(22,550)	(804,388)
- unearned premiums reserve	149,700	(24,925)
- payables arising out of reinsurance arrangements	152,878	35,079
- payables arising out of direct insurance arrangements	7,393	38
- deferred reinsurance commission	(15,405)	(28,485)
- other payables	(26,260)	42,816
Cash generated from operations	445,537	525,886
(b) Analysis of cash and cash equivalents		
Cash and bank balances	55,003	24,324
Government securities maturing within 3 months (note 21)	18,914	166,380
Deposits with financial institutions maturing in 3 months (note 23)	763,718	676,560
At 31 December	837,635	867,264

34 RELATED PARTIES

	2015 Shs'000	2014 Shs'000
The following transactions were carried out with related parties:		
Directors' fees	2,209	1,826
Directors and key management remuneration	58,118	65,629
Gross earned premiums		
Related partied	9,700	
Net claims incurred		
Related partied	-	-

35 CONTINGENT LIABILITIES

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of insurance business. The Directors are of the opinion that any outstanding litigation as at 31 December 2015 will not have a material effect on the financial position or profit since adequate provisions for claims have been made as far as the Directors believes the claims will be payable.

The Company is also subject to insurance solvency regulations in respect of its insurance and investment contracts, and has complied with all these regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

The Company invested Shs 20 million in a bond issued by Imperial Bank which was placed under receivership in 2015. There has been no publicly available information on the amounts receivable from the receiver manager as at the date of the approval of the financial statements and hence it is not possible to estimate if any adjustment is required. The Directors will reassess the position once communication has been received from the receiver manager.

36 DIVIDENDS

The Directors recommend a first and final cash dividend of Sh 11.9 per share amounting to Sh 62,500,000 and a bonus share for the year amounting to Sh 62,500,000 (2014: bonus shares in lieu of cash dividends amounting to Shs 175,000,000).

	2015 Shs'000	2014 Shs'000
The movement in the dividend account is as follows:		
Payable at 1 January	-	-
Final dividend declared	-	20,000
Dividends paid	-	(20,000)
At 31 December	-	-

37 OPERATING LEASE COMMITMENTS

Outstanding commitments under operating leases are as follows:

Company as a lessor:		
Not later than one year	25,853	2,617
Amounts charged to the profit or loss in the Year in respect of operating leases	20,465	2,678

38 INCORPORATION

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

39 CURRENCY

These financial statements are presented in Kenya Shillings thousands (Shs '000).

Company Revenue Accounts

For the year ended 31 December 2015

Class of insurance business	Aviation Shs'000	Engineering Shs'000	Fire Domestic Shs'000	Fire Industrial Shs'000	Liability Shs'000	Marine Shs'000	Motor Private Shs'000	Motor Commercial Shs'000	Personal Accident Shs'000	Theft Shs'000	Workmens' Compensation Shs'000	Miscellaneous Shs'000	2015 Total Shs'000	2014 Total Shs'000
Gross premium written	8,022	229,362	44,267	483,008	26,268	113,608	245,086	267,188	36,601	117,480	326,835	127,314	2,025,039	1,754,276
Unearned premium at the beginning of the year	2	8,232	5,724	5,254	3,780	8,792	105,340	91,595	2,339	9,030	109,734	10,819	360,641	385,326
Unearned premium at the end of the year	(17)	14,323	7,174	28,627	6,316	28,491	96,391	93,967	2,356	9,271	123,618	12,181	422,698	360,642
Premium ceded to re-insurers	8,086	200,126	25,180	409,216	14,166	41,095	11,636	13,361	29,303	88,642	15,468	109,070	965,349	849,196
Net earned premium	(45)	23,145	17,639	50,419	9,566	52,814	242,399	251,455	7,281	28,597	297,483	16,882	997,633	929,764
Claims paid	0	19,417	5,025	16,036	1,197	22,069	117,711	54,274	(6,396)	6,335	140,619	40,260	416,549	265,497
Claims outstanding brought forward	0	20,055	5,070	18,857	8,749	52,743	142,351	376,625	2,607	16,127	427,066	57,322	1,127,572	923,894
Claims outstanding carried forward	40	23,425	5,663	11,296	7,113	55,197	149,959	324,689	2,270	12,018	498,242	20,028	1,109,940	1,127,572
Claims incurred	40	22,787	5,618	8,475	(438)	24,523	125,320	2,339	(6,732)	2,226	211,794	2,965	398,917	469,175
Commissions (net)	(699)	(19,881)	(447)	(9,750)	2,840	8,800	22,257	24,303	(2,600)	(5,574)	56,922	(34,729)	41,442	12,840
Expenses of management	241	13,843	8,253	30,779	3,065	11,578	83,753	54,038	5,078	20,799	46,220	17,038	294,685	240,796
Premium tax	96	2,738	528	5,765	314	1,356	2,925	3,189	437	1,402	3,901	1,520	24,171	18,762
Total expenses	(362)	(3,300)	8,334	26,794	6,219	21,734	108,936	81,530	2,915	16,628	107,043	(16,171)	360,299	272,399
Underwriting profit	277	3,6578	3,686	15,150	3,786	6,556	8,144	167,585	11,098	9,743	(21,354)	30,087	238,417	188,190

Joe Okwach
Chairman

Bharat Shah
Director

Shehnaz Sumar
Executive Director

Memo

MAYFAIR
INSURANCE

Smart
decision

:

Your
needs

+

Our
flexible
solutions

=

Stress-free
protection all
year round

MAYFAIR
INSURANCE

Lets keep in touch

NAIROBI
Mayfair Centre, 8th Floor,
Ralph Bunche Road
Tel: +254 20 2999000 / (0) 724 / 733 256925

MOMBASA
Mayfair House, Ground Flr, Junction
of New Nyali Rd & Silo Rd
Tel: +254 41 4470737/738

ELDORET
Vishva Plaza, 3rd Floor,
Uganda Road
Tel: +254 53 2032741/742

ZAMBIA
Plot 1278, Lubuto House,
Lubuto Road, Rhodes Park
Tel: + 260 211 255 182/3

TANZANIA
2nd Floor, TAN-RE House,
Longido Street, Upanga, Dar Es Salaam,
Tel: + +255 22 2922337/338

You are in safe hands

www.mayfair.co.ke