True to our commitment

PIONEER ASSURANCE

YOUR SECURITY FOR THE FUTURE

2015

Annual Report &
Financial Statemments

#BeaPioneer

Our Vision

To offer quality insurance products and services to our customers and deliver value to stakeholders

Our Mission

To be the leading and preferred life and health insurance company in Kenya.

Our Values

Team work – Cooperation, Unity of Purpose, Family like values

Integrity – Respect, Accountability, Transparency, Trustworthy

Empowerment – Responsibility, Delegation, Training, Communication, Open door policy

Innovation – Creativity, Imagination, Initiative

Solid

Group credit policy for Saccos, Chamas, MFI's, Welfare Societies and Banks

Pioneer Assurance Company Ltd. formally Pioneer General Assurance Society Ltd was established in 1930 as the first company in Kenya to insure Africans. The Company's registered office is situated at Pioneer House along Moi Avenue.

On 1st January 2002, Pioneer Assurance Company Limited acquired the closed life funds of Occidental Insurance Company Limited and Fidelity Shield Insurance Company Limited. The company has 15 sales offices countrywide with a total of over 500 sales representatives.

Over the years the Company has continued to provide Kenyans with financial security and peace of mind. It has stood strong to provide Insurance services in Kenya regardless of the many economic changes and difficulties that the country has gone through.

The company has established a reputation for excellence based on promises made and promises kept through provision of transparent and competitive services, Pioneer is a major player in the insurance industry with life as its core business. It has now expanded to provide Kenyans with quality innovative annuities, as well as group life and pensions competitively.

Our History

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Company/Corporate Information

BOARD OF DIRECTORS
Bonaventure Andrew Omuse
Moses Njuguna Kimani
Amai Olubayi
John Mark Okondo
Michael Kenga Mure
Mtalaki Mwashimba
Shiraz Jeraj

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Pioneer House, Moi Avenue
P.O. Box 20333, 00200
NAIROBI

INDEPENDENT AUDITORS
PKF Kenya
Certified Public Accountants
P.O. Box 14077, 00800
NAIROBI

COMPANY SECRETARY
Winniefred Nyagoha Jumba
Certified Public Secretary
P.O. Box 30029, 00100
NAIROBI

PRINCIPAL BANKERS
Barclays Bank of Kenya Limited
NAIROBI

Habib Bank Limited
NAIROBI

National Bank of Kenya Limited
NAIROBI

Commercial Bank of Africa
NAIROBI

Ecobank Limited
NAIROBI

PRINCIPAL LEGAL ADVISERS
Mboya Wangong'u & Waiyaki Advocates
NAIROBI

CONSULTING ACTUARY
Abed Mureithi
Actuarial Services East Africa Limited
NAIROBI

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2015 which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

The principal activities of the company are those of provision of insurance and related services as licensed by the Kenyan Insurance Act. The company provides individual life assurance, group life assurance and pension administration.

2. RESULTS AND DIVIDEND

Profit for the year of Shs. 156,368,679 (2014: Shs. 263,376,423) has been added to shareholders' funds. The directors do not recommend payment of a dividend for the year (2014: Nil).

3. DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 8. In accordance with the company's Articles of Association, no directors are due for retirement by rotation.

4. INDEPENDENT AUDITOR

The company's independent auditor, PKF Kenya, has indicated willingness to continue in office in accordance with section 159(2) of the Kenyan Companies Act (Cap. 486).

BY ORDER OF THE BOARD

W Kimunda.

Company Secretary
Nairobi
31st March 2016

"Our focus in the next five years is on efficiency and revenue growth through strategic alliances."

Bonaventure Omuse
Chairman

CHAIRMAN'S REPORT

It is with pleasure that I present to you the Annual Report and Financial Statements for Pioneer Assurance Company Limited for the year ended 31 December 2015.

BUSINESS ENVIRONMENT

The macroeconomic environment in Kenya has been favourable in the year under review except for the stock market. Annual inflation rate was relatively low at 6.69% while foreign exchange rates remained stable throughout the year. The Central Bank of Kenya increased the CBR rate to 11.5% from 8.5% in 2014. The Nairobi securities exchange declined from 5346 points at the beginning of the year to close at 4040 points in December 2015. The total number of shares traded declined by 17.3% to 6.8Billion shares compared to an increase of 7.4% to 8.1billion recorded in 2014.

YEAR 2015 RESULTS

The company performance was significantly better compared to last year especially in the gross premium income which grew significantly from Kshs 2.6 Billion in 2014 to Kshs 4.1 billion in 2015.The growth was supported by significant strides that the company is making in corporate business. Total assets grew from Kshs 2.1 Billion in 2014 to Kshs 3.1 Billion in 2015 while the life fund grew from Kshs 730 million to Kshs 1.4 Billion in 2015. Profits after tax however decreased from Kshs 263 million to Kshs 156 million in 2015 mainly as a result of increase in policy holder benefits and claims. During the year the company won several trophies in the annual Association of Kenya Insurers (AKI) award ceremony as recognition of the significant growth especially in group life line of business. For the second successive year, we won the company of the year award in group life business and the most improved company award. At the Nairobi international trade fair our stand was ranked as runners up in the insurance category. The company has now positioned itself among the top players in life insurance business as it significantly improves its market share

FUTURE OUTLOOK

The Insurance act is being reviewed and we expect a more robust industry in the coming years. To this end we are developing and harnessing capacity in key control functions such as risk and actuarial services. The key objective is to ensure that we are able to grow profitably and remain competitive in the marketplace. Year 2015 was the first year in our medium term strategic plan. Our focus in the next four years is on efficiency, improved customer experience, revenue growth through strategic alliances add effecting application of our newly acquired system and general IT solutions. We are focusing on innovation, developing the human capacity, customer service and effective distribution channels. We continue to attract top talent in all areas of the business and are geared for significant growth.

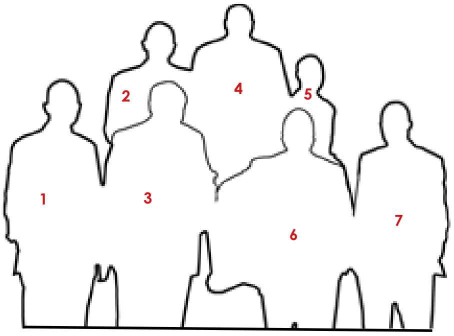
I once again express my confidence and wish to emphasize that the company is on the right direction. I also wish to assure all the stakeholders that my Board and the Management are committed to achieving the stability and growth for the benefit of all stakeholders.

APPRECIATION

I would like to conclude by taking the opportunity on behalf of my Board and Management to thank all those who contributed to the successful financial year 2015, our Clients, Brokers, Agents and other business partners for their continued patronage and support during the year. I also wish to thank the Management, both head office and field Staff for their hard work and dedication. Finally let me express my gratitude to my fellow Directors for their unreserved support accorded to me during the year.

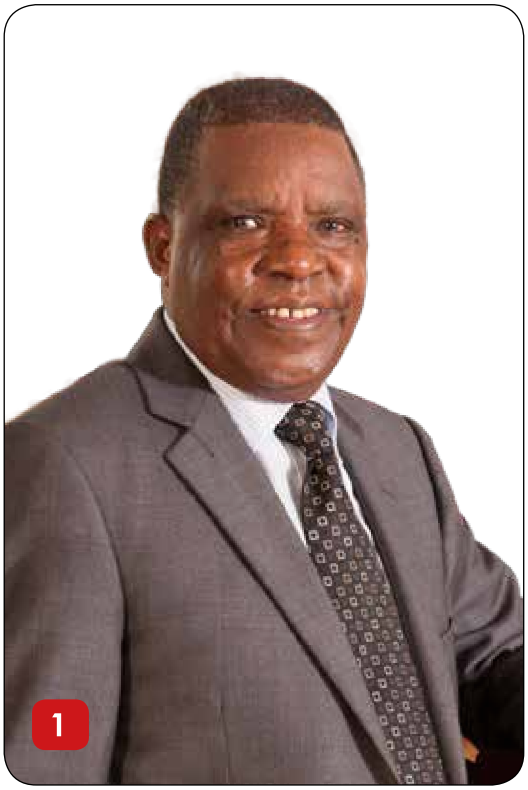
Bonaventure Omuse
Chairman

BOARD OF DIRECTORS



1. **Mtalaki Mwashimba**
   Director
2. **Michael G. Mure**
   Director
3. **Shiraz Jeraj**
   Director
4. **John Okondo**
   Director
5. **Amai Olubai**
   Director
6. **Bonaventure Omuse**
   Chairman
7. **Moses Kimani**
   Managing Director

MANAGEMENT TEAM



1. **Moses Kimani**
   Managing Director
2. **David K Ronoh**
   Chief Operations Officer
3. **Cyprian Ombogo**
   Head of Finance
4. **Timothy Mutua**
   Life Manager
5. **Margaret Mwashimba**
   Human Resources & Administration Manager
6. **Wanderi Ngunje**
   Head of Sales & Marketing
7. **Robert Ipomai**
   ICT Manager

STATEMENT OF CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors, Pioneer Assurance Company Limited is committed to developing and implementing policies that will enhance corporate governance in the company. These policies form the core of the company and ensure that there is proper ethics, transparency and accountability in the conduct of business.

COMPOSITION

The Board has members with diverse skills, experience and professional background. It consists of the Managing Director and six other non executive Directors. No individual in the Board can dominate its decision making. Proper information is supplied to the Board in a timely manner, in this regard, notices of Board meetings are circulated at least two weeks before Board meetings and detailed Board papers are circulated at least one week before any meeting.

BOARD COMMITTEES

The Board is responsible for the management of the company, and its main responsibility is to give guidance and control operations of the company. There are quarterly meetings held by the full Board where strategic and policy issues are discussed. Responsibility of the day to day running of the company has been delegated to the Chief Executive Officer. The Board has constituted three committees namely; Risk Audit and compliance committee, Finance and investment committee and, Remuneration & appraisal committee. All board committees have charters that govern their operations.

(i) Risk, Audit and compliance committee

The committee is comprised of three members and is scheduled to meet on a quarterly basis.

Membership:-

1)	Mr. John M. Okondo	Chairman	Non-Executive Director
2)	Mr. Amai Olubayi	Member	Non-Executive Director
3)	Mr. Mtalaki Mwashimba	Member	Non-Executive Director

The Managing Director attends meetings at the invitation of the committee. The functions of the audit committee are outlined in its terms of reference and include: Reviewing the reports and following up matters raised by auditors and the actuary; to review regulatory environment and develop strategies that are not in conflict with statutory and other regulatory requirements.
The committee held four meetings during the year and all members attended.

(ii) Finance and Investment Committee

This committee is scheduled to meet on a quarterly basis and has five members

Membership:-

1)	Mtalaki Mwashimba	Chairman	Non-Executive Director
2)	Amai Olubayi	Member	Non-Executive Director
3)	Michael Mure	Member	Non-Executive Director
4)	Shiraz Jeraj	Member	Non-Executive Director
5)	Moses N Kimani	Member	Managing Director

The functions of the Investments Committee are outlined in its terms of reference and include: Developing and ensuring the implementation of investment policies and guidelines; measuring the company's performance against set benchmarks; reviewing the company's investments; and approving the acquisition and disposal of capital expenditure. The committee held three meetings during the year and all members attended.

STATEMENT OF CORPORATE GOVERNANCE

(iii) Remuneration and appraisal Committee
This committee meets thrice a year and has three members

Membership:-

1)	Mr. Bonaventure Omuse	Chairman	Non-Executive Director
2)	Amai Olubayi	Member	Non-Executive Director
3)	Moses Kimani	Member	Managing Director

The functions of the Remuneration and recruitment Committee are outlined in its terms of reference and include: Reviewing and approving salary reviews and bonuses; approving terms and conditions of service and any amendments thereto; developing guidelines on staffing skills and qualifications required; and reviewing appraisals for key management personnel. The committee held three meetings during the year and all members attended.

Apart from the Managing Director, no other Director or body related to a Director receives compensation from the company. Directors are paid a sitting allowance when they attend Board meetings; a register which is in the custody of the company secretary is used to confirm attendance. All board members have access to the records.

CORPORATE SOCIAL RESPONSIBILITY

The company gives special attention to its corporate social responsibility and it is involved in various projects affecting society in which it operates such as: Improving the health status of the needy and assisting deserving charities. In 2015 the company launched was the lead sponsor of the Pioneer Meru AP marathon which is geared towards developing a dispensary and setting up a high altitude training centre.
The company also caters for the welfare of staff and that of their immediate families. The company has in place a medical scheme and last expense cover for the nuclear family of staff and agents, group life and accident covers for the staff.

TRAINING AND RECRUITMENT

The company has a well defined training and reward programme on professional courses for its staff. The company sponsors staff for professional courses and are from time to time sent on scheduled short-term training programs that are geared at improving the human capital capacity of the company. Appraisal of all staff is structured and is done semi annually. The company has in place a structured recruitment policy that ensures staff to be recruited posses the necessary skills to adequately serve the insuring public.

GOING CONCERN

The Board submits this annual report and audited financial statements for the year ending 31 December 2015. This annual report and audited financial statements present, in the opinion of the Directors, a fair, balanced and understandable assessment of the state of affairs of the company's position and prospect. The Board reports that the business is a going concern and it has no reason to believe that the company will not be a going concern into the foreseeable future.

Bonaventure Omuse	Moses Kimani
Chairman	Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act (Cap. 486) requires the directors to prepare financial statements for each financialview of the state of affairs of the company as at the end of the financialyear and of its profit or loss for that year. It also requires the directors to ensure that the companymaintains proper accounting records that disclose, with reasonable accuracy, the financial position ofthe 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 misstatement whether due to fraud or error. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
ii. Selecting and applying appropriate accounting policies; and
iii. 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 state of the financial position of the company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act (Cap. 486).

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.

Approved by the board of directors on 31st March 2016 and signed on its behalf by:

Bonaventure Omuse
DIRECTOR

Moses Kimani
DIRECTOR

REPORT OF THE DIRECTORS

I have conducted an actuarial valuation of the life assurance business of Pioneer Assurance Company Limited (the "company") as at 31 December 2015.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Kenyan Insurance Act. Those principles require prudentprovision for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.In completing the actuarial valuation, I have relied upon the financial statements of the company.

In my opinion, the life assurance business of the company was financially sound and the actuarial value of the liabilities in respect of all classes of life insurance business did not exceed the amount of funds of the life assurance business at 31 December 2015.

Abed Mureithi
Actuarial Services (E.A) Ltd
31st March 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PIONEER ASSURANCE COMPANY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Pioneer Assurance Company Limited set out on pages 7 to 44 which comprise the statement of financial position as at 31 December 2015, statement ofprofit or loss, statement of changes in equity and statement of 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act (Cap. 486), and for suchinternal control as management determines is necessary to enable the preparation of financial statements thatare free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making thoserisk assessments, the auditor considers internal control relevant to the entity's preparation and fairpresentation 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 internalcontrol. An audit also includes evaluating the appropriateness of accounting policies used and thereasonableness of accounting estimates made by management, as well as evaluating the overall presentationof the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pioneer Assurance Company Limited as 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 requirements of the Kenyan Companies Act (Cap. 486).

Report on other legal requirements

As required by the Kenya Companies Act (Cap. 486) 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 profit or loss and statement of financial position are in agreement with the books of account.

Certified Public Accountants
NAIROBI
2016

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Salim Alibhai – P/No 2151.
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STATEMENT OF PROFIT OR LOSS

	Notes	2015 Shs	2014 Shs
Gross earned premiums	4(a)	4,079,505,847	2,608,481,174
Premium ceded to reinsurers	4(b)	(1,306,719,859)	(959,905,273)
Net earned premiums		**2,772,785,988**	**1,648,575,901**
Investment income	5	195,611,446	146,392,066
Commissions income	6	86,951,588	66,989,030
Other (loss)/income	7	(75,812)	2,859,311
Net income		**3,055,273,210**	**1,864,816,308**
Claims and policy holder benefits payable	8	(3,210,025,633)	(1,184,186,509)
Recoverable under reinsurance arrangements	8	931,527,326	158,781,100
Net claims payable		**(2,278,498,307)**	**(1,025,405,409)**
Operating and other expenses	9	(351,275,534)	(310,185,494)
Commissions payable	11	(225,151,764)	(159,245,980)
Profit before tax		**200,347,605**	**369,979,425**
Tax	12(a)	(43,978,926)	(106,603,002)
Profit for the year		**156,368,679**	**263,376,423**
Earnings per share (basic and diluted)	13	104.25	175.58

The notes on pages 19 to 52 form an integral part of these financial statements.

Report of the independent auditor - page 14

STATEMENT OF FINANCIAL POSITION

	Notes	2015 Shs	2014 Shs
Assets			
Property, plant and equipment	14	33,571,432	15,951,917
Intangible assets	15	9,647,867	7,844,540
Investment properties	16	875,059,040	601,647,000
Financial assets at fair value through profit or loss:			
- quoted investments	17(a)	27,217,650	11,239,661
- unquoted investment	17(b)	-	4,440,544
- investments with fund managers	18	53,335,864	43,031,393
Policy loans receivable	19	56,729,948	82,157,592
Government securities held to maturity	20	287,125,991	161,257,926
Corporate bond	21	1,000,000	1,000,000
Kenya Motor Insurance Pool	22	13,001,575	13,077,387
Receivables arising from reinsurance arrangements	23	153,323,133	66,657,317
Receivables arising out of direct insurance arrangements	24	184,092,815	229,267,917
Other receivables	25	52,077,545	102,762,198
Deposits with financial institutions	26	286,990,034	155,680,831
Cash and cash equivalents	27	1,115,209,634	590,316,720
Total assets		**3,148,382,528**	**2,086,332,943**
Equity			
Share capital	28	150,000,000	150,000,000
Retained earnings		301,690,027	183,772,178
Statutory fund	29	315,563,879	277,113,049
Total equity		**767,253,906**	**610,885,227**
Liabilities			
Insurance contract liabilities	30	1,397,557,053	729,585,996
Payables under deposit administration contracts	31	77,907,973	46,931,687
Unit linked payables	32	23,577,668	42,662,455
Outstanding claims	33	617,536,219	379,350,591
Borrowings	34	-	15,475,172
Creditors arising from reinsurance arrangements	35	48,345,973	70,316,641
Other payables	36	72,142,660	68,204,873
Deferred tax	37	140,841,662	118,762,736
Current tax	12(b)	3,219,412	4,157,565
Total liabilities		**2,381,128,620**	**1,475,447,716**
Total equity and liabilities		**3,148,382,528**	**2,086,332,943**

The financial statements on pages15 to 53 were approved and authorised for issue by the Board of Directors on 31st March 2016 and were signed on its behalf by:

Principal Officer
Moses N Kimani

Chairman
Bonaventure Omuse

Director
Amai Olubayi

The notes on pages 19 to 52 form an integral part of these financial statements.

Report of the independent auditor - page 14

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs	Retained earnings Shs	Statutory reserve Shs	Total Shs
Year ended 31 December 2014					
At start of year		150,000,000	129,936,093	67,572,711	347,508,804
Profit for the year		-	263,376,423		263,376,423
Transfer (net of deferred tax)	29	-	(209,540,338)	209,540,338	-
At end of year		**150,000,000**	**183,772,178**	**277,113,049**	**610,885,227**
Year ended 31 December 2015					
At start of year		150,000,000	183,772,178	277,113,049	610,885,227
Profit for the year		-	156,368,679	-	156,368,679
Transfer (net of deferred tax)	29	-	(38,450,830)	38,450,830	-
At end of year		**150,000,000**	**301,690,027**	**315,563,879**	**767,253,906**

The notes on pages 19 to 52 form an integral part of these financial statements.

Report of the independent auditor - page 14

STATEMENT OF CASH FLOW

Operating activities	Notes	2015 Shs	2014 Shs
Profit before tax		**200,347,605**	**369,979,425**
Adjustments for:			
Depreciation on property, plant and equipment	14	6,337,026	4,828,549
Amortisation of intangible assets	15	2,837,094	2,509,283
Fair value gain on investment properties	16	(61,000,000)	(51,000,000)
Fair value loss/(gain) on quoted investments	17(a)	4,754,549	(193,130)
Fair value loss/(gain) on investments with fund managers	18	432,073	(7,728,540)
Gain on disposal of quoted shares		-	(3,464,192)
Change in claims outstanding		250,077,127	242,475,190
Interest paid		180,423	4,438,077
Change in actuarial liabilities		667,971,057	264,698,396
Impairment of policy loans		6,500,457	27,157,977
(Gain) on disposal of property, plant and equipment		(9,600)	-
Changes in:			
Receivables and other assets		9,193,938	(125,217,430)
Payables and other liabilities		(18,032,880)	62,988,407
Cash from operations		1,069,588,870	791,472,012
Interest paid		(180,423)	(4,438,077)
Tax paid	12(b)	(22,838,151)	(12,154,650)
Net cash from operating activities		**1,046,570,296**	**774,879,285**
Investing activities			
Purchase of property, plant and equipment	14	(23,956,541)	(6,758,530)
Purchase of intangible assets	15	(4,640,421)	(80,000)
Purchase of investment properties	16	(212,412,040)	(113,944,000)
Purchase of quoted investments	17(a)	(32,282,663)	(25,485,396)
Purchase of unquoted investments		-	(4,440,544)
Proceeds from disposal of quoted investments	17(a)	11,550,125	30,067,929
Proceeds from disposal of unquoted investments	17(b)	4,440,544	-
Additions to investments with fund managers	18	(10,736,544)	(182,512)
Withdrawals of investments with fund managers	18	-	1,829,370
Purchase of corporate bond	21	-	(1,000,000)
Policy loans advanced	19	(6,820,830)	(19,571,109)
Policy loans repaid	19	25,748,017	26,685,195
Change in deposits with financial institutions over 90 days	20	(131,309,203)	(121,859,498)
Net movement in government securities	20	(125,868,065)	(59,905,698)
Net movement in Kenya Motor Insurance Pool	22	75,812	(2,859,311)
Proceeds from sale of property, plant and equipment		9,600	-
Net cash (used in) investing activities		**(506,202,209)**	**(297,504,104)**
Financing activities			
Proceeds from borrowings	34	-	20,000,000
Repayment of borrowings	34	(15,475,172)	(31,235,004)
Net cash (used in) financing activities		**(15,475,172)**	**(11,235,004)**
Increase in cash and cash equivalents		524,892,914	466,140,177
Cash and cash equivalents at start of year		590,316,720	124,176,543
Cash and cash equivalents at end of year	**27**	**1,115,209,634**	**590,316,720**

The notes on pages 19 to 52 form an integral part of these financial statements.

Report of the independent auditor - page 14

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The company is incorporated in Kenya under the Kenyan Companies Act (Cap. 486) as a private limited liability company and is domiciled in Kenya. The address of its registered office is:

Pioneer House, Moi Avenue
P.O. Box 20333, 00200
NAIROBI

The company carries out life assurance business which includes provisions of individual life assurance, group life assurance and pension deposits administration.

2. Significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicatedotherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in anorderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value,such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and thesignificance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the company is set out in the report of directors and in the statement of profitor loss. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 42. Disclosure in respect of capital management are set out in Note 43.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Kenyan Companies Act (Cap. 486). The statement of profit or loss represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

New and amended standards adopted by the company

A number of new and revised Standards and Interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments issued in December 2014 to IAS 1 'Presentation of Financial Statements' which will be effectivefor annual accounting periods beginning on or after 1 January 2016 clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments issued in June 2014 to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' which will be effective for annual periods beginning on or after 1 January 2016 define bearer plants and include them within IAS 16's scope while the produce growing on bearer plants remain within the scope of IAS 41.
- Amendments issued in May 2014 to IAS 16 and IAS 38 'Intangible Assets' which will be effective for annual periods beginning on or after 1 January 2016 add guidance and clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate; however, this presumption can be rebutted incertain limited circumstances.
- Amendment (Annual improvements to IFRSs 2012-2014 Cycle, issued in September 2014) to IAS 19'Employee Benefits' which will be effective for annual periods beginning on after 1 January 2016, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- Amendments issued in August 2014 to IAS 27 'Separate Financial Statements' which will be effective forannual periods beginning on or after 1 January 2016 reinstate the equity method option to account for investments in subsidiaries, joint venture and associates in separate financial statements.

- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' whichwillbe effective for annual periods beginning on or after 1 January 2016 adds specific guidance when an entity reclassifies an asset (or group)from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) to IFRS 7 'Financial Instruments: Disclosures' which will be effective for annual periods beginning on or after 1 January2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- IFRS 9 'Financial Instruments' (Issued in July 2014) will replace IAS 39 and will be effective for annual periodsbeginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.
- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profitor loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

NOTES TO THE FINANCIAL STATEMENTS

- Amendments issued in September 2014 to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associated and Joint Ventures' which will be effective for annual periods beginning on or after 1 January 2016 address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets thatdo not constitute a business.
- Amendments issued in December 2014 to IFRS 10, IFRS 12 'Disclosure of Interests on Other Entities' andIAS 28 which will be effective for annual periods beginning on or after 1 January 2016, clarify guidance the application of the consolidation exception for investment entities and their subsidiaries.
- Amendments issued in May 2014 to IFRS 11 'Joint Arrangements' which will be effective for annual periods beginning on or after 1 January 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 'Business Combinations') to apply all of the business combinations accounting principles and disclosures in IFRS 3 and other IFRSs, except for those principles that conflict with guidance in IFRS 11.
- IFRS 14 'Regulatory Deferral Accounts' (issued in January 2014) which will be effective for annual periods beginning on or after 1 January 2016 defines a regulatory deferral account balance and allows entities continue apply their existing policy for regulatory deferral account balances, but requires certain disclosures.
- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their and 18). It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.
- IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019,replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16establishes principles for the recognition,

The directors expect that the future adoption of IFRS 9, may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards or Interpretations will material impact on the financial statements in future periods. The Company plans to apply the changes above from their effective dates noted above.

b) Insurance contracts

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the Company; and

That are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract;
- realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the basis for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible

NOTES TO THE FINANCIAL STATEMENTS

surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders); the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the relevant local appointed actuary.

Recognition and measurement

Insurance contracts and investment contracts are classified into various categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Premium income

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Claims and policy benefits payable

Benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions. The liabilities are recalculated at each reporting date using the assumptions established at inception of the contracts.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss.

Unit linked contracts

These contracts insure human life events over a long duration. However, insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender changes and any withdrawals. These liabilities are the contract holders' account balance.

Revenue consists of fees deducted for mortality, policy administration and surrender changes. Interest orchanges in the unit prices credited to the account balances and excess benefit claims in excess of theaccount balances incurred in the period are charged as expenses in the profit or loss for the year.

Deposit administration contracts

The Company administers the funds of a number of retirement benefit schemes. The liability of the Company to the schemes has been included within the statement of financial position.

Commissions

Commissions payable are recognised in the period in which the related premiums are written. Commissions receivable are recognised in income in the period in which the related premiums ceded.

Reinsurance contracts held

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

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

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

The Company assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets (Note 2 (g)).

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents and insurance contract holders. If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in the statement of profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets (Note 2 (g)).

Life Insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based oncurrent assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding.

Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss in 'Gross change in contract liabilities'. Profits originated from margins of adverse deviations on run-off contracts are recognized in the statement of profit of loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

c) Investment and other income

Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through profit or loss, are recognised in the statement of profit or loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

NOTES TO THE FINANCIAL STATEMENTS

Dividend income
Dividend income for quoted shares is recognised when the right to receive payment is established.

Rental income
Rental income is accounted for on an accrual basis, on a straight line basis.

Policy processing fee
Policy processing fee is recognised upon processing of customer policies.

d) Property, plant and equipment
All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

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

Depreciation is calculated on straight line basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Motor vehicles	20
Computer equipment	20
Fittings and equipment	12.5

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

e) Investment properties
Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognised at cost and subsequently carried at fair value representing open market value at the reporting date Changes in fair value are recorded in profit or loss.

Subsequent expenditure on investment properties where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment properties. All other expenditure is recognised as an expense in the year which it is incurred.
Gains and losses on disposal of investment properties are determined by reference to their carrying amount and are taken into account in determining profit before tax.

f) Intangible assets
Computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an exas incurred. Costs that are directly associated with the acquisition of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

g) Financial assets
The company classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and held to maturity. The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

NOTES TO THE FINANCIAL STATEMENTS

a) Classification

- **Financial assets at fair value through profit or loss**
  Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months of the reporting date, otherwise they are classified as non-current.
- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months of the reporting date. These are classified as non-current assets. The company's loans and receivables comprise policy loans, receivables arising out of reinsurance arrangements, receivables arising out of direct insurance arrangements, other receivables and prepayments, deposits with financial institutions and cash and cash equivalents in the statement of financial position.
- **Held-to-maturity financial assets**
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold tomaturity, other then:

  - those that the company upon initial recognition designates as at fair value through profit or loss;
  - those that the company designates as Available for sale; and
  - those that meet the definition of loans and re ceivables.

Interest on held-to-maturity investments are included in the statement of profit or loss and are reported as 'Interest and similar income'. In the case of an impairment, it is been reported as a deduction from the carrying value of the investment and recognised in the statement of profit or loss as 'gain/(loss) on investments'.

b) 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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or loss arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of investment income when the company's right to receive payments is established.

c) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This includes listed equity securities and quoted debt instruments on major exchange (NSE). The quoted market price used for financial assets held by the company is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques,using inputs existing at the dates of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair valuemeasurement as classified in accounting policy (a).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

d) Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

Further increases in estimates of cash flows adjust effective interest rates prospectively.

e) Impairment of assets

- **-Financial 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') has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

- Evidence of impairment may include indications that the receivables or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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. Thecarrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 thedebtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

- **Impairment of other non-financial assets**
  Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed or impairment whenever events or changes in circumstances indicate that the carrying amount

NOTES TO THE FINANCIAL STATEMENTS

may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest non financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

- **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. 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.

h) ash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents banks and other short-term highly liquid investments with original maturities of three months or less.

i) Accounting for leasesLeases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

j) Employee benefits

i. Retirement benefit obligations
The Company operates a defined contribution scheme for its employees. The assets of the scheme are held in separate trustee administered funds, which are funded from contributions from both the company andemployees. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The employees of the company are also members of the National Social Security Fund ("NSSF").

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

ii. Other entitlements
The estimated monetary liability for employees accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

k) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

l) Dividends

Proposed dividends are disclosed as a separate component of equity until declared. Dividends are recognised as a liability in the period in which they are approved by the company's shareholders.

m) Share capital

Ordinary shares are classified as equity.

n) Statutory fund

The statutory reserve represents accumulated life fund inclusive of surpluses whose distribution is subject to

NOTES TO THE FINANCIAL STATEMENTS

restrictions imposed by the Kenyan Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of actuarially determine valuation surpluses of the life business.

o) Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

p) Comparatives

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

3. Critical accounting estimates and judgments

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made under insurance contracts is the company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

a) Impairment losses

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

b) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under insurance contracts is dependent on estimates made by the company. Estimates are made as to the expected number of deaths for each of the years in which thecompany is exposed to risk. The company bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the company's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that accidents arising from concentration of risk, epidemics such as AIDS, TB and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the company in which it has significant exposure to mortality risk

Judgment is also applied in the estimation of future contractual cash flows in relation to reported losses and losses incurred but not reported. There are several sources of uncertainty that need to be considered in the estimate of the ability that the company will ultimately pay for such claims. Case estimates are computed on the basis of the best information available at the time the records for the year are closed.

(c) Impairment of receivables

The Company reviews their portfolio of receivables on an annual basis. In determining whether receivables areimpaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

(d) Held to maturity financial assets

The directors have reviewed the company's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity.

NOTES TO THE FINANCIAL STATEMENTS

4. Insurance premium revenue	**2015 Shs**	**2014 Shs**
a) Gross earned premiums		
Ordinary life	581,622,128	504,021,329
Group life	3,497,883,719	2,104,459,845
Gross underwritten premiums	4,079,505,847	2,608,481,174
b) Premiums ceded to reinsurers		
Ordinary life	(2,977)	(851,889)
Group life	(1,306,716,882)	(959,053,384)
	(1,306,719,859)	**(959,905,273)**
Net earned premiums	**2,772,785,988**	**1,648,575,901**

5. Investment income		
Interest on policy loans	3,228,796	4,702,849
Policy processing fee	17,397,467	18,293,084
Interest on government securities	33,566,249	18,612,611
Interest on deposits with financial institutions	74,412,667	34,004,660
(Loss)/gain on revaluation of quoted shares (Note 17(a))	(4,754,549)	193,130
(Loss)/gain on revaluation of managed funds (Note 18)	(432,073)	7,728,540
Gain on disposal of quoted shares	3,329,374	3,464,192
Rental income from investment properties	8,671,630	8,264,767
Investment property expenses	(3,309,952)	(2,815,951)
Gain on revaluation of investment properties (Note 16)	61,000,000	51,000,000
Dividend income	1,025,850	532,691
Other investment income	2,524,323	3,430,142
Investment expenses	(1,048,336)	(1,018,649)
	195,611,446	**146,392,066**

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6. Commission income	**2015 Shs**	**2014 Shs**
Group life	86,951,440	66,982,548
Ordinary life	148	6,482
Total	**86,951,588**	**66,989,030**

The company earns commissions from its reinsurers on agreed percentage basis for business ceded to them.

7. Other income	**2015 Shs**	**2014 Shs**
Share of (loss)/profit from Kenya Motor Insurance Pool (Note 22)	(75,812)	2,859,311
8. Claims and policyholders benefits payable		
Death	2,294,508,963	669,597,161
Maturities	202,574,069	224,805,574
Surrenders	35,499,336	9,065,726
Personal accident	10,500	205,814
Withdrawals	6,173,630	8,405,141
Increase in actuarial value of policyholders liabilities (Note 30)	667,971,057	264,698,396
Interest declared on investment products	3,288,078	7,408,697
Gross claims and policyholders' benefits payable	3,210,025,633	1,184,186,509
Recoverable under reinsurance contracts	(931,527,326)	(158,781,100)
Net claims and policyholders' benefits payable	**2,278,498,307**	**1,025,405,409**
9. Operating and other expenses		
Auditors' remuneration	2,273,600	1,850,000
Director's remuneration	21,180,000	14,104,097
Directors' fees	4,209,300	4,342,863
Impairment losses on policy loans (Note 19)	6,500,457	27,157,977
Other debtors written off	8,913,748	20,917,215
Repairs and maintenance	3,849,590	1,107,136
Operating lease rentals	24,383,065	22,592,114
Depreciation on property, plant and equipment (Note 14)	6,337,026	4,828,549
Amortisation of intangible assets (Note 15)	2,837,094	2,509,283
Interest expense on borrowings	180,423	4,438,077
Staff costs (Note 10)	152,368,691	90,295,213
Other operating expenses	118,242,540	116,042,970
	351,275,534	**310,185,494**

NOTES TO THE FINANCIAL STATEMENTS

10. Staff costs	2015 Shs	2014 Shs
Salaries and wages	106,708,795	66,272,658
Staff leave accrual	6,090,588	5,544,453
Insurance	8,564,391	5,361,191
Pension costs:		
-National Social Security Fund	178,200	131,800
-Defined contribution scheme	5,858,379	3,504,362
Other staff costs	24,968,338	9,480,749
	152,368,691	**90,295,213**

11. Commission expense		
Ordinary life	137,018,569	115,593,515
Group life	88,133,195	43,652,465
	225,151,764	**159,245,980**

12. a) Tax		
Current tax	21,900,000	6,800,000
Deferred income tax charge (Note 37)	22,078,926	89,803,002
Tax charge	**43,978,926**	**106,603,002**

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

	2015 Shs	2014 Shs
Profit before tax	200,347,605	369,979,425
Tax calculated at a tax rate of 30% (2014: 30%)	60,104,282	110,993,828
Tax effect of:		
-income less expenses not subject to tax	(16,125,357)	(4,390,826)
	43,978,926	**106,603,002**

NOTES TO THE FINANCIAL STATEMENTS

b) Reconciliation of tax payable	**2015 Shs**	**2014 Shs**
At start of year	4,157,565	(487,785)
Current tax charge	21,900,000	16,800,000
Paid during the year	(22,838,151)	(12,154,650)
At end of year	**3,219,412**	**4,157,565**

13. Earnings per share

Total number of shares in issue during the year (Note 28)	1,500,000	1,500,000
Profit after tax	**156,368,679**	**263,376,423**
Basic and diluted earnings per share	**104.25**	**175.58**

There were no potentially dilutive shares outstanding as at 31 December 2015 and 2014.

14. Property, plant and equipment

Year ended 31 December 2015

	Motor vehicles Shs	**Fittings and equipment Shs**	**Computer equipment Shs**	**Total Shs**
Cost				
At start of year	5,743,285	21,750,877	24,353,929	51,848,091
Additions	12,994,390	7,361,946	3,600,205	23,956,541
Disposals	-	(9,600)	-	(9,600)
At end of year	**18,737,675**	**29,103,223**	**27,954,134**	**75,795,032**
Depreciation				
At start of year	5,043,475	13,480,752	17,371,947	35,896,174
Charge for the year	1,349,526	2,398,234	2,589,266	6,337,026
On disposals	-	(9,600)	-	(9,600)
At end of year	**6,393,001**	**15,869,386**	**19,961,213**	**42,223,600**
Net book value	**12,344,674**	**13,233,837**	**7,992,921**	**33,571,432**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

	Motor vehicles Shs	Fittings and equipment Shs	Computer equipment Shs	Total Shs
Cost				
At start of year	5,743,285	19,140,964	20,205,312	45,089,561
Additions	-	2,609,913	4,148,617	6,758,530
At end of year	**5,743,285**	**21,750,877**	**24,353,929**	**51,848,091**
Depreciation				
At start of year	3,993,765	11,688,530	15,385,330	31,067,625
Charge for the year	1,049,710	1,792,222	1,986,617	4,828,549
At end of year	**5,043,475**	**3,480,752**	**17,371,947**	**35,896,174**
Net book value	**699,810**	**8,270,125**	**6,981,982**	**15,951,917**

15. Intangible assets (computer software)

	2015 Shs	2014 Shs
Cost		
At start of year	20,990,484	20,910,484
Additions	4,640,421	80,000
At end of year	**25,630,905**	**20,990,484**
Amortisation		
At start of year	13,145,944	10,636,661
Charge for the year	2,837,094	2,509,283
At end of year	**15,983,038**	**13,145,944**
Net book value	9,647,867	7,844,540

Included in the cost of intangible assets above is an amount of Shs 8,786,319 (2014: Shs 8,741,079) fully amortised assets.

NOTES TO THE FINANCIAL STATEMENTS

16. Investment properties	2015 Shs	2014 Shs
At start of year	601,647,000	436,703,000
Additions	212,412,040	113,944,000
Fair value gain	61,000,000	51,000,000
At end of year	**875,059,040**	**601,647,000**

The valuation exercise was carried out by Nnamdi Maende & Associates Co. Limited registered professional valuers on 31 December 2015. Investment properties are valued on an open market basis.

The fair valuation of investment properties is done using the Level 3 technique as described in the basis of preparation of these financial statements.

17. Financial assets at fair value through profit or loss	2015 Shs	2014 Shs
a) Quoted investments		
At start of year	11,239,661	12,164,872
Additions	32,282,663	25,485,396
Disposals	(11,550,125)	(26,603,737)
Fair value(loss)/ gain (Note 5)	(4,754,549)	193,130
At end of year	**27,217,650**	**11,239,661**

These relate to investment in quoted equities traded at the Nairobi Securities Exchange. The fair valuation is done using the Level 1 technique as described in the basis of preparation of these financial statements.

b) Unquoted investment	2015 Shs	2014 Shs
At start of year	4,440,544	-
Additions	-	4,440,544
Disposal	(4,440,544)	-
At end of year	**-**	**4,440,544**

NOTES TO THE FINANCIAL STATEMENTS

18. Investments with fund managers	2015 Shs	2014 Shs
At start of year	43,031,393	36,949,711
Subscriptions for the year	10,736,544	182,512
Withdrawals	-	(1,829,370)
Fair value (loss)/gain (Note 5)	(432,073)	7,728,540
At end of year	**53,335,864**	**43,031,393**

The fund managers invest the fund in unit trusts which are valued at fair value as at the end of the year. The fair valuation of investments with fund managers is done using the Level 2 technique as described in the basis of preparation of these financial statements.

19. Policy loans receivable	2015 Shs	2014 Shs
At start of year	133,031,165	140,145,251
Loans advanced	6,820,830	19,571,109
Loan repayments	(25,748,017)	(26,685,195)
	114,103,978	133,031,165
Less: Provision for impairment losses	(57,374,030)	(50,873,573)
At end of year	**56,729,948**	**82,157,592**
Movement in impairment losses		
At start of year	50,873,573	23,715,596
Additions	6,500,457	27,157,977
At end of year	**57,374,030**	**50,873,573**
Maturity of gross amounts advanced		
Maturing:		
Within 1 year	30,278,477	17,078,518
1 year to 2 years	31,082,342	14,930,527
3 years to 5 years	52,743,159	101,022,120
	114,103,978	**133,031,165**

The weighted average effective interest rate on policy loans was 14% (2014: 14%) at the reporting date.
The collateral for the policy loans is the cash surrender value of the underlying policy. In case of default the loan is written off against the cash surrender value. Impairment loss has been assessed on policy loans that are no longer being repaid by the policy holders. The impaired amount is the balance in excess of the security that the company holds.

NOTES TO THE FINANCIAL STATEMENTS

20. Government securities

	2015 Shs	2014 Shs
Held to maturity		
Treasury bills and bonds:		
Maturing after 91 days but less than 1 year	134,176,834	30,000,000
Maturing after 1 year	152,949,157	131,257,926
	287,125,991	**161,257,926**

The weighted average effective interest rate on government securities was 12.39% (2014: 10.05%) at the reporting date.

The movement of government securities during the year is as follows:

	2015 Shs	2014 Shs
At start of year	299,000,000	158,000,000
Purchase	394,000,000	279,000,000
Maturity	(388,000,000)	(271,000,000)
At end of year	305,000,000	166,000,000
Unearned interest	(16,437,983)	(3,163,983)
Discount on purchase	(1,436,026)	(1,578,091)
At end of year	**287,125,991**	**161,257,926**

21. Corporate bond

	2015 Shs	2014 Shs
Maturing in between 1 and 5 years	**1,000,000**	**1,000,000**

22. Kenya motor insurance pool (KMIP)

	2015 Shs	2014 Shs
At start of year	13,077,387	10,218,076
Share of (loss)/profit (Note 7)	(75,812)	2,859,311
At end of year	**13,001,575**	**13,077,387**

This represents the company's share of the net assets of the pool.

NOTES TO THE FINANCIAL STATEMENTS

23. Receivables arising from reinsurance arrangements	2015 Shs	2014 Shs
Claims recoverable	153,323,133	66,657,317

The amounts receivable do not carry interest and are due within periods ranging from 30 days to 180 days.

24. Receivables arising out of direct insurance arrangements	2015 Shs	2014 Shs
Check off schemes	70,168,465	81,029,002
Direct clients	113,924,350	148,238,915
	184,092,815	**229,267,917**

The amounts receivable do not carry interest and are due within periods ranging from 30 days to 180 days.

25. Other receivables	2015 Shs	2014 Shs
Agents loans and advances	18,381,395	32,934,303
Staff loans and advances	9,058,790	18,832,556
Deposits	13,985,437	45,763,201
Prepayments	522,134	1,222,398
Rent receivable	93,600	243,600
Guarantees and performance bonds	1,053,714	1,053,714
Other sundry debtors	8,982,475	2,712,426
	52,077,545	**102,762,198**

The carrying amounts of the company's other receivables are denominated in Kenya Shillings In the opinion of the directors, the carrying amounts of these balances approximate to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

26. Deposits with financial institutions	2015 Shs	2014 Shs
Maturing:		
Maturing after 91 days but less than 1 year	286,990,034	155,680,831

These relate to investments in fixed and call deposits. The weighted average effective interest rate on deposits with financial institutions was 12.16% (2014: 10.04%) at the reporting date.

27. Cash and cash equivalents	2015 Shs	2014 Shs
Cash at bank and in hand	210,910,263	25,667,148
Government securities maturing within 91 days	160,000,000	133,000,000
Deposits with financial institutions maturing within 91 days	744,299,371	431,649,572
	1,115,209,634	**590,316,720**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the above.

28. Share capital

Authorized, issued and fully paid:		
1,500,000 (2014: 1,500,000) shares of Shs. 100 each	**150,000,000**	**150,000,000**

29. Statutory fund

The statutory fund represents a reserve maintained within the long term insurance business and represents unallocated surpluses from previous actuarial valuations as required by the Kenyan Insurance Act. Transfers from this fund are made upon recommendation of the actuary.

	2015 Shs	2014 Shs
At start of year	277,113,049	67,572,711
Transfer from profit or loss	54,929,757	299,343,340
Deferred tax	(16,478,927)	(89,803,002)
At end of year	**315,563,879**	**277,113,049**
30. Insurance contract liabilities		
At start of year	729,585,996	464,887,600
Increase in actuarial value of policyholders liabilities (Note 8)	667,971,057	264,698,396
At end of year	**1,397,557,053**	**729,585,996**

NOTES TO THE FINANCIAL STATEMENTS

31. Payables under deposit administration contracts	2015 Shs	2014 Shs
At start of year	46,931,687	34,719,714
Deposits received during the year	32,643,750	9,283,284
Benefits paid	(3,992,096)	(1,932,061)
Deposit administration expenses	(501,139)	(441,115)
Interest declared	2,825,771	5,301,865
At end of year	**77,907,973**	**46,931,687**

Deposit administration contracts are recorded at amortised cost. The liabilities are shown inclusive of interest accumulated to the reporting date. Interest was declared and credited to the client accounts at a weighted average rate of 11% for the year (2014: 12.8%). Members' contributions accrue interest from receipt date and cease accruing interest upon withdrawal. Interest is credited as per the received returns less administration expenses subject to the minimum guaranteed rate of return.

32 .Unit linked payables	2015 Shs	2014 Shs
At start of year	42,662,455	26,597,825
Received during the year	70,085,141	82,737,153
Withdrawals during the year	(89,632,235)	(68,779,354)
Interest declared	462,307	2,106,831
At end of year	**23,577,668**	**42,662,455**

This relates to the investment allocation portion of the Super Investor Plan. Interest was declared and credited to the client accounts at a weighted average rate of 2% for the year (2014: 5%).

33. Outstanding claims	2015 Shs	2014 Shs
Ordinary life	47,360,011	85,067,919
Group life	563,924,958	288,031,422
General business	6,251,250	6,251,250
	617,536,219	**379,350,591**
Movement in outstanding claims:		
At start of year	379,191,815	165,152,004
Claims intimated during the year	2,542,058,676	931,444,488
Claims paid during the year	(2,303,714,272)	(717,404,677)
At end of year	**617,536,219**	**379,191,815**

The balance at year end represents intimated amounts remaining unsettled. The amounts payable do not carry interest and are due within period ranging from 30 days to 90 days from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

34. Borrowings	2015 Shs	2014 Shs
At start of year	15,475,172	26,710,177
Advances during the year	-	20,000,000
Repayment during the year	(15,475,172)	(31,235,005)
At end of year	**-**	**15,475,172**

The exposure of the company's borrowings to interest rate changes and the contractualrepricing dates at the reporting date are as follows:

	2015 Shs	2014 Shs
12 months or less	**-**	**15,475,172**

The carrying amount of the company's borrowing is denominated in Kenya Shilling. There were no undrawn facilities as at the reporting date.

35. Creditors arising from reinsurance arrangements	2015 Shs	2014 Shs
Life	48,316,506	70,287,174
Motor Pool	29,467	29,467
	48,345,973	**70,316,641**

The balance at the reporting date represents premiums owed to reinsurers with respect to business in excess of the company's retention limits at year end.

36. Other payables	2015 Shs	2014 Shs
Commission payable	22,397,774	10,162,743
Agents bonds	2,024,342	4,957,040
Accrued expenses	8,243,444	7,969,836
Provision for gratuity	5,738,442	5,738,442
Provision for accrued leave	18,698,953	12,608,365
Other sundry creditors	15,039,705	26,768,447
	72,142,660	**68,204,873**

The carrying amounts disclosed above reasonably approximate fair value at the reporting date due to their short-term nature. The amounts payable do not carry interest and are due within period ranging from 30 days to 180 days.

NOTES TO THE FINANCIAL STATEMENTS

37. Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred income tax account is as follows:

	2015 Shs	2014 Shs
At start of year	118,762,736	28,959,734
Statement of profit or loss charge (Note 12)	22,078,926	89,803,002
At end of year	**140,841,662**	**118,762,736**

Deferred income tax liabilities and deferred income tax charge to profit or loss are attributable to the following items:

Deferred income tax liabilities	At start of year Shs	Charged to profit or loss Shs	At end of year Shs
Statutory reserve	118,762,736	16,478,926	135,241,662
Investment property fair value gains	-	5,600,000	5,600,000
	118,762,736	**22,078,926**	**140,841,662**

38. Related party transactions

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

Details of related party balances and transactions are as follows:

i) Amounts due from related parties	2015 Shs	2014 Shs
Key management staff personnel loans	**1,394,744**	**3,572,003**
ii)Key management personnel compensation		
Salaries and other short-term employment benefits	63,979,645	31,060,540
Post-employment benefits	3,070,347	1,462,007
	67,049,992	**32,522,547**

NOTES TO THE FINANCIAL STATEMENTS

iii) Directors' remuneration (included in (ii) above)	**2015 Shs**	**2014 Shs**
Fees for services as directors	4,209,300	4,342,863
Other emoluments	21,180,000	14,104,097
	25,389,300	**18,446,960**

39. Capital commitments

i)Authorized and contracted for	-	375,000,000
ii)Authorized but not contracted for	29,370,425	24,080,845

40. Operating lease arrangements

The company as a lessee

Rental expense incurred during the year was Shs 24,383,065 (2014: Shs 22,592,114).
As at 31 December 2015, the company had contracted with its landlords for the following future rental lease payables:

	2015 Shs	**2014 Shs**
Not later than 1 year	26,281,376	24,449,426
Later than 1 year but not later than 5 years	50,594,932	78,770,281
	76,876,308	**103,219,707**

Leases are negotiated for an average term of five years.

The company as a lessor

Gross rental income earned during the year was Shs. 8,671,630 (2014: Shs. 8,246,767). At the reporting date, the company had contracted with tenants for the following future lease receivables:

	2015 Shs	**2014 Shs**
Not later than 1 year	9,288,000	9,288,000

NOTES TO THE FINANCIAL STATEMENTS

41. Contingencies

Litigation against the company
As is 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 the ongoing litigations as at the reporting date will not have material effect on the financial position or profits of the company.

42. Financial risk management objectives and policies

Insurance risk

i) Frequency and severity of claims
For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are accidents arising from concentration of risk, epidemics (such as AIDS and TB) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the company. However, undue concentration by amounts could have an impact on the severity ofbenefit payments on a portfolio basis.The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above.

Total benefits insured

At 31 December 2015	Number of policies Shs	Before Reinsurance	%	After Reinsurance Shs
Age of assured				
18 - 30 years	5,696	846,414,275	34%	20,612,573
31 - 40 years	7,404	971,836,532	39%	21,551,061
41 - 50 years	4,528	568,866,139	23%	22,927,591
51 - 60 years	1,010	121,089,553	5%	2,727,434
More than 60 years	7	2,183,856	0%	170,551
	18,645	**2,510,390,355**	**100%**	**67,989,210**

NOTES TO THE FINANCIAL STATEMENTS

Total benefits insured

At 31 December 2015	Number of policies	Before Reinsurance Shs	%	After Reinsurance Shs
Age of assured				
18 - 30 years	3,609	563,634,411	21%	13,726,086
31 - 40 years	7,894	979,444,973	37%	21,719,783
41 - 50 years	6,894	738,527,796	28%	29,765,638
51 - 60 years	4,016	350,174,224	13%	7,887,362
More than 60 years	162	12,804,693	0%	1,000,000
	22,575	**2,644,586,097**	**100%**	**74,098,868**

ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the company over the last few years is carried out, and statistical methods are used to adjust the crudemortality rates to produce a best estimate of expected mortality for the future.

The principal risk that the company faces under insurance contracts is that the actual claims and benefitspayments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance products. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well asthe use of reinsurance arrangements.

Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in thecontinuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is thenmade for any trends in the data to arrive at a best estimate of future termination rates.

NOTES TO THE FINANCIAL STATEMENTS

iii) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates are made in two stages. At inception of the contract, the company determines assumptions in relation to future deaths,voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event.

The assumptions used for the insurance contracts disclosed in this note are as follows:

Mortality - the company uses KE 2007 - 2010 as a base table of standard mortality. Statistical methodsare used to adjust the rates reflected on the table based on the company's experience. For contracts insuring survivorship, an allowance for future mortality improvements made on trends identified in the data.

Persistence - Statistical methods are used to determine an appropriate persistency rate, with reference to the company's experience over the most recent five years. An allowance is then made for any trends in the date to arrive at the best estimate if future persistency rates.

Investment returns - A weighted average rate of investment return is derived with reference to the portfolio that backs the liabilities. In the current valuation, the rate of return was 13% (2014: 4%). The discount rates used to measure the actuarial liabilities match the interest rates disclosed above.

Long-term insurance contracts

Renewal expense level, inflation and tax - the current tax level of expenses is taken to be an appropriate expense base. Expense inflation is assumed to be 6%. It has been assumed that the current tax legislation and rates continue unaltered.

The sensitivity on the actuarial valuation are as follows:

	Impact on post tax profit 2015	Impact on post tax profit 2014
Increase in interest rate by 5%	3,925,390	2,041,278
(Decrease) in interest rate by 5%	(3,925,390)	(2,041,278)
The table below gives the concentration of interest risk:		
Interest from government securities	30%	32%
Interest from bank deposits	66%	58%
Interest from policy loans	3%	8%
Other interest income	1%	2%

NOTES TO THE FINANCIAL STATEMENTS

Financial risk

i) Interest rate risk

For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

The Company's management monitors the sensitivity of reported interest rate movements on a quarterly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 5 percentage points in all yield curves of financial assets and financial liabilities. These particular exposures illustrate thecompany's overall exposure to interest rate sensitivities included in the company's ALM framework and its impact in the company's profit or loss by business.

ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company has an active finance and investment committee that guides its credit control function. The committee comprises board members and sits on a quarterly basis.

The table below provides information regarding the credit risk exposure of the company at the reporting date.

As at 31 December 2015	Neither past due nor impaired Shs	Past due but not impaired Shs	Impaired Shs	Total Shs
Quoted investments	27,217,650	-	-	27,217,650
Investments with fund managers	53,335,864	-	-	53,335,864
Government securities	287,125,991	-	-	287,125,991
Corporate bond	1,000,000	-	-	1,000,000
Policy loans receivable	56,729,948		57,374,030	114,103,978
Receivables arising from reinsurance arrangements	153,323,133	-	-	153,323,133
Kenya Motor Insurance Pool	-	13,001,575	-	13,001,575
Receivables arising out of direct insurance arrangements	88,364,551	95,728,264	-	184,092,815
Other receivables	30,204,976	1,958,231	-	32,163,207
Deposits with financial institutions	286,990,034	-	-	286,990,034
Cash and cash equivalents	1,115,209,634	-	-	1,115,209,634
	2,099,501,781	**110,688,070**	**57,374,030**	**2,267,563,881**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014	Neither past due nor impaired Shs	Past due but not impaired Shs	Impaired Shs	Total Shs
Quoted investments	11,239,661	-	-	11,239,661
Unquoted investments	4,440,544	-	-	4,440,544
Investments with fund managers	43,031,393	-	-	43,031,393
Government securities held to maturity	161,257,926	-	-	161,257,926
Corporate bond	1,000,000	-	-	1,000,000
Policy loans receivable	41,900,372	40,257,220	50,873,977	133,031,569
Receivables arising from reinsurance arrangements	66,657,317	-	-	66,657,317
Kenya Motor Insurance Pool	-	13,077,387	-	13,077,387
Receivables arising out of direct insurance arrangements	110,048,600	119,219,317	-	229,267,917
Other receivables	61,800,440	44,782,043	-	106,582,483
Deposits with financial institutions	155,680,831	-	-	155,680,831
Bank and cash balances	590,316,720	-	-	590,316,720
	1,247,373,804	**217,335,967**	**50,873,977**	**1,515,583,748**

The fair value of collateral on the loans amounted to Shs. 188.1 million (2014: Shs. 221.6 million). No collateral is held for any of the above assets (except policy loans). All receivables that are neither past due or impaired are within their approved credit limits, and none have had their terms renegotiated.

Maximum exposure to credit risk before collateral held	2015 Shs	2014 Shs
Quoted investments	27,217,650	11,239,661
Unquoted investments	-	4,440,544
Investments with fund managers	53,335,864	43,031,393
Government securities held to maturity	287,125,991	161,257,926
Corporate bond	1,000,000	1,000,000
Policy loans receivable	56,729,948	82,157,592
Receivables arising from reinsurance arrangements	153,323,133	66,657,317
Kenya Motor Insurance Pool	13,001,575	13,077,387
Receivables arising out of direct insurance arrangements	184,092,815	229,267,917
Other receivables	52,077,545	102,762,198
Deposits with financial institutions	286,990,034	155,680,831
Bank and cash balances	1,115,209,634	590,316,720
	2,230,104,189	**1,460,889,486**

NOTES TO THE FINANCIAL STATEMENTS

iii) 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's equity price risk exposure relates to financial assets whose values will fluctuate as aresult of changes in market prices. Principally, these are quoted shares not held for the account of unit-linked business. The company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market and carefully planned use of financial instruments.

The company has no significant concentration of price risk.

Changes in the equity index will have the following impact on the statement of profit or loss:

		2015	2014
	% change in base	**Shs**	**Shs**
Equity investments at fair value through profit or loss (Quoted)	+/(-)5%	1,360,883	561,983
Investments with fund managers	+/(-)5%	2,666,793	2,151,570

iv) Liquidity risk

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

The maturity profile of undiscounted cash flows payable by the company is as follows:

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015	Up to 3 months Shs	4 to 12 months Shs	1 to 5 years Shs	No fixed maturity Shs	Total Shs
Liabilities					
Insurance contract liabilities	-	-	-	1,397,557,053	1,397,557,053
Outstanding claims	617,536,219	-	-		617,536,219
Payable under investment contracts	-	-	101,485,641	-	101,485,641
Payables under reinsurance arrangements	48,345,973	-	-	-	48,345,973
Other payables	-	72,142,660	-	-	72,142,660
	665,882,192	**72,142,660**	**101,485,641**	**1,397,557,053**	**2,237,067,546**
As at 31 December 2014					
Liabilities					
Insurance contract liabilities	-	-	-	729,585,996	729,585,996
Outstanding claims	-	379,350,591	-	-	379,350,591
Payable under investment contracts	-	-	89,594,142	-	89,594,142
Payables under reinsurance arrangements	70,316,641	-	-	-	70,316,641
Borrowings	-	15,475,172	-	-	15,475,172
Other payables	-	68,204,873	-	-	68,204,873
	70,316,641	**463,030,636**	**89,594,142**	**729,585,996**	**1,352,527,415**

v) Currency risk

The Company predominantly transacts in Kenya Shillings (Shs). The risk associated with transactions in other currency is considered nominal.

v) Fair value estimation

The following table presents the company's financial assets and liabilities that are measured at fair value at the reporting date:

As at 31 December 2015	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
Assets				
Financial assets				
Quoted shares at fair value through profit or loss	27,217,650	-	-	27,217,650
Investments with fund managers	-	53,335,864	-	53,335,864
Total assets	**27,217,650**	**53,335,864**	**-**	**80,553,514**

NOTES TO THE FINANCIAL STATEMENTS

vi) Financial assets by category

	Loans and receivables Shs	Financial assets at fair value through profit or loss upon initial recognition Shs	Held to maturity Shs	Total Shs
Financial assets				
As at 31 December 2015				
Quoted shares	-	27,217,650	-	27,217,650
Investments with fund managers	-	53,335,864	-	53,335,864
Government securities	-	-	287,125,991	287,125,991
Corporate bond	-	-	1,000,000	1,000,000
Kenya Motor Insurance Pool	13,001,575	-	-	13,001,575
Policy loans receivable	56,729,948	-	-	56,729,948
Receivables arising from reinsurance arrangements	153,323,133	-	-	153,323,133
Receivables arising out of direct insurance arrangements	184,092,815	-	-	184,092,815
Other receivables	52,077,545	-	-	52,077,545
Deposits with financial institutions	286,990,034	-	-	286,990,034
Cash and cash equivalents	1,115,209,634	-	-	1,115,209,634
	1,861,424,684	**80,553,514**	**288,125,991**	**2,230,104,189**
As at 31 December 2014				
Quoted shares	-	11,239,661	-	11,239,661
Unquoted shares	-	4,440,544	-	4,440,544
Investments with fund managers	-	43,031,393		- 43,031,393
Government securities	-	-	161,257,926	161,257,926
Corporate bond	-	-	1,000,000	1,000,000
Kenya Motor Insurance Pool	13,077,387	-	-	13,077,387
Policy loans receivable	82,157,592	-	-	82,157,592
Receivables arising from reinsurance arrangements	66,657,317	-	-	66,657,317
Receivables arising out of direct insurance arrangements	229,267,917	-	-	229,267,917
Other receivables	102,762,198	-	-	102,762,198
Deposits with financial institutions	155,680,831	-	-	155,680,831
Cash and cash equivalents	590,316,720	-	-	590,316,720
	1,239,919,962	**58,711,598**	**162,257,926**	**1,460,889,486**

NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities by category

	2015			2014		
	Financial liabilities at fair value through profit or loss Shs	**Financial liabilities at amortised cost Shs**	**Total Shs**	**Financial liabilities at fair value through profit or losss Shs**	**Financial liabilities at amortised cost Shs**	**Total Shs**
Borrowings	-	-	-	-	15,475,172	15,475,172
Creditors arising from reinsurance arrangements	-	48,345,973	48,345,973	-	70,316,641	70,316,641
Other creditors and liabilities	-	72,142,660	72,142,660	-	68,204,873	68,204,873
	-	**120,488,633**	**120,488,633**	**-**	**153,996,686**	**153,996,686**

43. Capital management

The company's objectives when managing capital, which is a broader concept than the 'shareholders' funds' on the financial position are to:

- Comply with the capital requirements as set out in the Kenyan Insurance Act;
- Comply with the regulatory solvency requirements as set out in the Insurance Act;
- Safeguard the company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- Provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Kenyan Insurance Act requires each insurance company to hold the minimum level of paid up capital and for life business, at the minimum amount is Shs. 150 million. In Kenya the solvency and capital adequacy margins are calculated based on Kenyan Solvency Law, which requires the application of a formula that contains variables for expenses and admitted assets, as contained in section 41 of the Kenyan Insurance Act.

Long term insurance businesses are required to keep a solvency margin equivalent to the higher of Shs 10 million or 5% of total admitted liabilities.

NOTES TO THE FINANCIAL STATEMENTS

The solvency margin of the company as at 31 December 2015 and 2014 is illustrated below:

	2015	2014
	Shs	Shs
Admitted assets	2,632,581,961	1,698,106,582
Admitted liabilities	2,344,764,187	1,475,293,385
Margin	287,817,774	222,813,197
Required margin	**117,238,209**	**73,764,669**

44. Currency

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

APPENDIX I – LONG TERM INSURANCE BUSINESS REVENUE ACCOUNT

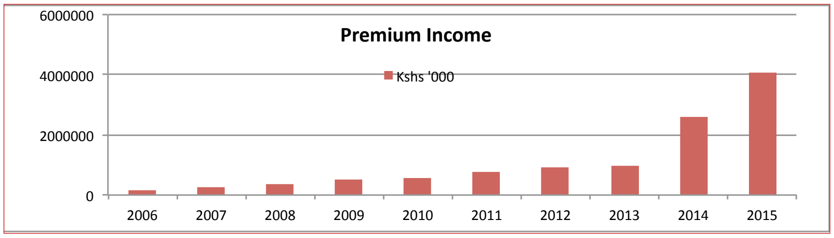
45. Country of incorporation

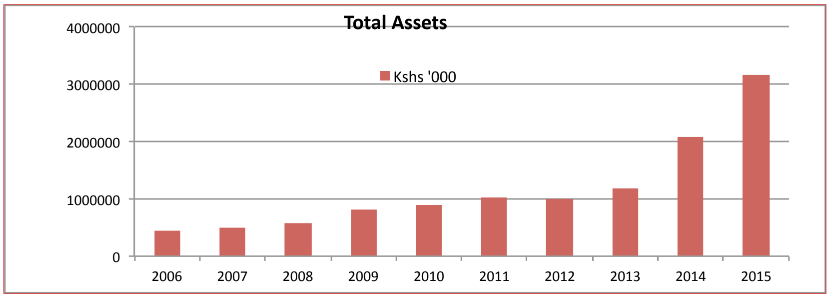
Pioneer Assurance Company Limited is incorporated in Kenya under the Kenyan Companies Act (Cap.486) as a private limited liability company and is domiciled in Kenya.

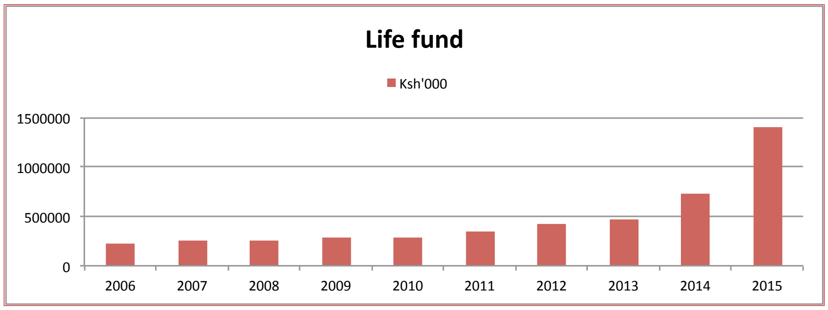
	2015 Total Shs	2014 Total Shs
Insurance premium revenue	4,079,505,847	2,608,481,174
Unearned premiums	-	-
Gross earned premiums	4,079,505,847	2,608,481,174
Premium ceded to reinsurers	(1,306,719,859)	(959,905,273)
Net earned premiums	**2,772,785,988**	**1,648,575,901**
Investment and other income	195,611,446	146,392,066
Commissions earned	86,951,588	66,989,030
Other (loss)/income	(75,812)	
Total income	**3,055,273,211**	**1,861,956,997**
Death claims	(2,294,519,463)	(669,597,161)
Surrenders	(35,499,336)	(9,271,540)
Annuity payments	(208,747,699)	(233,210,715)
Change in actuarial value of policyholders' benefits	(667,971,057)	(264,698,397)
Interest declared under investment contracts	(3,288,078)	(7,408,696)
Recoverable under reinsurance contracts	931,527,326	158,781,100
Net claims and policyholder benefits payable	(2,278,498,307)	(1,025,405,409)
Operating and other expenses	(351,275,534)	(310,185,492)
Commissions payable	(225,151,764)	(159,245,980)
Total policy owner benefits and expenses	**(2,854,925,605)**	**(1,494,836,881)**
Surplus before income tax	**200,347,605**	**367,120,116**
Income tax expense	(43,978,926)	(106,603,002)
Surplus after tax	**156,368,679**	**260,517,114**

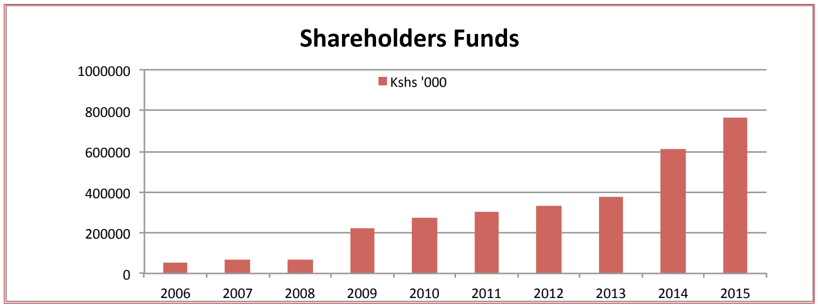
PERFORMANCE STATISTICS

Premium Income	Kshs '000
2006	182,378
2007	277,853
2008	367,487
2009	500,070
2010	545,038
2011	759,263
2012	923,629
2013	965,569
2014	2,608,481
2015	4,079,506
Total Assets	**Kshs '000**
2006	438,572
2007	507,562
2008	579,883
2009	823,341
2010	886,595
2011	1,021,166
2012	997,509
2013	1,170,068
2014	2,086,333
2015	3,148,383
Life fund	**Ksh'000**
2006	224,376
2007	254,893
2008	256,764
2009	287,893
2010	286,346
2011	346,243
2012	420,522
2013	464,888
2014	729,586
2015	1,397,557
Shareholders Funds	**Kshs '000**
2006	54,480
2007	68,922
2008	71,045
2009	221,734
2010	270,910
2011	300,709
2012	329,817
2013	376,469
2014	610,885
2015	767,254









RECOGNITIONS

PIONEER ASSURANCE

YOUR SECURITY FOR THE FUTURE

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